

Interpreting The Public Accountants' Code Of Ethics From The Perspective Of Javanese Culture In East Java: An Ethnographic Study

Zulkarnain Rizal Pahlevie and B. Basuki

Department of Accounting, Faculty of Economics and Business, Universitas Airlangga, Indonesia
zulkarnainrizal40@yahoo.com, basuki@feb.unair.ac.id

Keywords: Ethics, Ethnography, Independence, Javanese Culture, Public Accountants' Code of Ethics, Value.

Abstract: This research attempts to explain how the practice of the public accountants' code of ethics can be upheld from the perspective of the local culture and discusses the implementation of this code in the Javanese cultural environment. By engaging with the ethnographic method in a gradual chronological plot, the researchers show that Javanese cultural ethics strengthen the implementation of the five principles in the professional ethics of public accountants. Although some incorrect understanding related to these Javanese cultural ethics are an obstacle to establishing the public accountant code of ethics in the Javanese cultural environment, this research could be a practical guide for those Javanese who are already or would be involved in the public accounting profession to uphold the public accountant code of ethics in the Javanese cultural environment of East Java.

1 INTRODUCTION

Every social interaction has different values and norms in each territory because of geographical factors. These geographical based values and norms are embedded in members of various societies and will affect their personalities, such as those from a Javanese culture. The social harmony must be kept because it is fundamental to life. There is principle of always to avoid conflicts, and always respect to others in the society as well as in a business entity, government agencies, or independent institutions (Leiwakabessy, 2009). These principles improved the behavior of *Ewuh Pakewuh* in Javanese Indonesian (disinclined or reluctant).

Bringing together auditor independence and local culture is an interesting problem to be researched. As stated in the Profession Standard of Public Accountant (*Standar Profesi Akuntan Publik* or SPAP (IAPI, 2006), independence is a reflection of the accountant's obedience to the public accountant's code of ethics so that every auditor practitioner must hold firmly to their independence to do their job. The manifestation of independence is sceptical and assertive behavior. On the other side, every person (including auditor practitioners) cannot be separated from the values and norms that exist in

local culture because it affects the personalities of people who live in that culture (Magnis-Suseno, 1997). The local culture discussed in this research is Javanese culture. Javanese culture has dominant ethical values regarding Javanese faith, behavior, ethos, principles of respect, and principles of harmony (Endraswara, 2015). As mentioned earlier that there is behavior of disincline or reluctant in the Javanese culture's ethics. This behavior is a contradiction to the behavior of auditor's independence and it could induce an ethical dilemma for Javanese auditors.

There are several studies discussed by Christiawan (2002), Kalana, et al., (2012), Chariri (2009), and Randa (2011) concerning auditor professionalism, public accountant code of ethics, and accounting related to culture. Kalana, Ngumar, and Budi (2012) conducted a study on the influence of social and cultural interaction on the application of auditor independence. Chariri (2009) conducted a study on the social construction of the practice of financial reporting from PT Asuransi Bintang Tbk from a Javanese cultural perspective. Randa (2011) conducted research on the accountability of the Catholic Church in Tanah Toraja from the perspective of Toraja culture. Christiawan (2002) conducted research on the competence and

independence of public accountants and found that culture can influence the independence of public accountants.

This research is different from previous research because it interprets the public accountant’s code ethics from the perspective of local culture, particularly Javanese culture, the dominant culture in Indonesia (Magnis-Suseno, 1997). This research used an interpretive research approach with a developmental research sequence ethnographic method to focus on the description and interpretation of the public accountant’s code of ethics so it can naturally improve the practice of the public accountant’s code of ethics in an organization or region.

This consideration is substantiated by the rapid development of the profession of public accountants in Indonesia. More than 95% of public accountants and CPA firms are located in Java. This can be seen through the distribution chart of public accountants and CPA firms in Indonesia in figure 1.

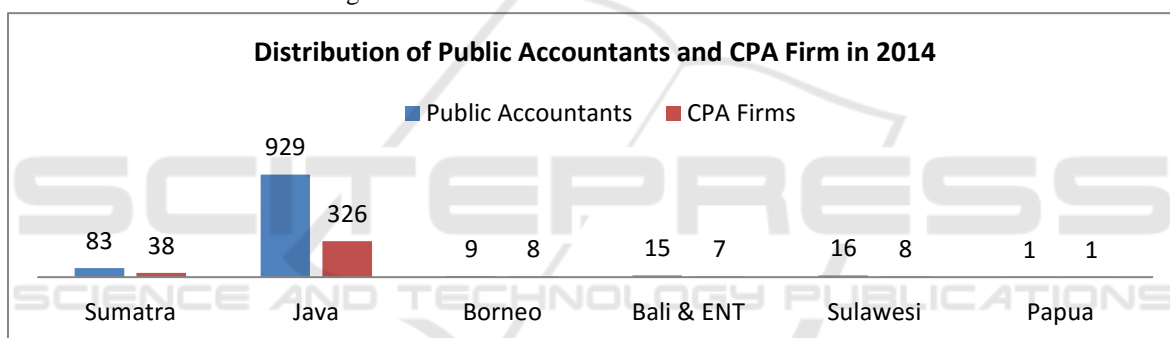


Figure 1. Distribution of public accountants and CPA firms in 2014

Source: <http://pppk.kemenkeu.go.id>

The rapid growth of the public accountant profession in Java gave rise to a friction of ethics between the public accountant profession and Javanese culture. Even though not all of the auditors in Java are of Javanese ethnicity, the ethical friction still occurs through interactions between auditors and auditees. The research focused on East Java because Javan culture has more influence here than in Greater Jakarta, despite the broad distribution of public accountants there. The determination of the city for the research is Surabaya because it is the second largest city after Jakarta and the number of public accountant offices has increased faster there compared to other cities in East Java. This research does not discuss Javanese culture as a whole but is focused on Javanese culture in East Java.

This research aims to interpret the public accountants’ code of ethical practices in the Javanese culture of East Java so that it can be the guidelines to uphold the public accountants’ code of ethics in a Javanese cultural environment, particularly in East Java.

2 RESEARCH METHOD

This research used a developmental research sequence ethnographic method that consists of five principles: determining the research technique, identifying the levels of research, conducting the research, practicing research in an original way, and finding a solution to show that the output of the research has practical benefits (Spradley, 1979). Hereafter, Spradley (1997) divided those ethnographic principles into twelve steps: selecting the informant, interviewing the informant, creating

an ethnographic record for further analysis, proposing descriptive questions for the informant, performing an interview analysis, creating a domain analysis, proposing structural questions, creating a taxonomy analysis, proposing contrasting questions, creating a component analysis, discovering a cultural theme, and creating an ethnography.

This research does not use all of the twelve steps, so the selected steps depend on the availability and the meaningfulness of the information and other requirements necessary. The utilization of this method could provide descriptions and meanings for the reality of the practice of public accountants’ code of ethics with ethnic Javanese auditors and lecturers who are the domain of the interpretive paradigms.

The main focus of this research is restricted to interpreting public accountants’ code of ethics from

the perspective of Javanese culture in East Java, particularly Mataram Javanese culture. This research generates an understanding that can be used as guidelines for auditors in formulating strategies to cope with ethical dilemmas that appear because of Javanese culture's impact on society. Data was obtained by direct interviews of the research subjects, both structured and unstructured (Randa, 2011), with auditor practitioners, audit academics, and Javanese humanists and is documented with the results compared with ethics from the auditor's point of view.

In order to help the researcher to interpret the public accountant code of ethics, the researcher conducted interviews with the heads of public accountant offices that are based in Surabaya. They are Mr. Pamudji from KAP Budiman, Wawan, Pamudji & Associates and Professor Parwoto Wignjohartojo from KAP Hadori, Sugiharto, Adi & Associates. This selection was based on a few considerations. The associates and heads of both KAP are ethnic Javanese residents, so that simplifies the interpretation of the public accountant code of ethics according to Javanese culture's ethical values. These KAPs also once occupied the top 20 of all KAPs throughout Indonesia.

Based on this achievement, it is expected that these KAPs will be able to provide a profound interpretation of the public accountants' code of ethics considering their wealth of experience. Mr Pamudji of KAP Budiman, Wawan, Pamudji & Associates is the former retired at Financial and Development Supervisory Board or Badan Pemeriksa Keuangan Pembangunan (BPKP), and his experiences obtained from his duties in BPKP could be related to the implementation of a public accountant code of ethics for independent agencies in the government environment. Mr. Wignjohartojo, the heads and partners in KAP Hadori, Sugiharto, Adi & Associates, is professor at the Faculty of Economics and Business in the Universitas Airlangga, so hopefully, they can provide an interpretation of the public accountant from an academic perspective.

The researcher also selected one of the accounting professors at Airlangga University as the informant for an academic perspective as they are not working as a public accountant. The informant will provide the interpretation of the public accountant code of ethics from an academic perspective. The researcher also selected a local humanist to be an informant in describing and interpreting the Mataram Javanese culture in East

Java. The local humanist was selected for their function in cultural activities.

3 DATA ANALYSIS

Data analysis was performed based on the results of the ethnographic records. The stages of data analysis involve domain analysis that identifies and describes the ethical values of Javanese culture (performed by the humanist) and the public accountant code of ethics (performed by the accountant). In this stage, we proposed some questions like a general description of Javanese culture, the advantages and disadvantages of Javanese culture, and the characteristics of Javanese culture.

A taxonomy analysis was conducted through a deep interview in order to find the fundamental elements for each category representing Javanese cultural ethics and the public accountant code of ethics. Also, some questions like the fundamental aspects of Javanese culture and the meaning behind these aspects were included. The elements are further elaborated on in order to obtain an interpretation of each category and are used to find the similarities and differences between Javanese ethical values and the public accountant code of ethics.

A component analysis was conducted by proposing contrasting questions to the informant to discover the similarities and differences between the research categories obtained from the previous analysis. This category comparison showed the elements of Javanese cultural ethics that "amplify" and/or "weaken" the public accountant code of ethics. The final result of these stages is the conclusion, which will later become the guidelines for auditor practitioners to overcome the ethical dilemma influenced by Javanese cultural ethics.

4 DISCUSSION

Faith is the aspect that shapes Javanese culture. This aspect became the dominant ethical foundation in Javanese culture and includes behavior, ethos, principles of harmony, and principles of respect. The Javanese believe that everything they do is based on the spiritual doctrine that puts humanity and nature first.

The public accountant code of ethics has five basic principles that must be upheld by auditors, they include integrity, objectivity, professional

competence and due care, confidentiality, and professional behavior. These basic principles must be upheld by auditors because they have a responsibility to their clients that they must be free from a conflict of interest that would influence them to break the rules; it is the foundation of auditor independence.

The contradiction between the public accountant code of ethics and Javanese culture lies in Javanese behavior and ethos, principles of harmony, and principles of respect. There are two doctrines of Javanese life behavior and ethos: you should not highlight your superiority in front of others and human nature is wrong and flawed so every human should accept their own flaws and those of others. While an auditor must be assertive and uphold the profession's due diligence, the principles of harmony teach us to avoid conflict and build a harmonious relationship with each other in all circumstances. Meanwhile, auditors must control their relationship with the auditee to maintain their independence, if the auditor is not objective, this could lead to conflict with the auditee. The principles of respect can make accountants too obedient so they will obey every instruction from their leader or employer. Meanwhile, auditors or accountants must be firm. In this matter, auditors or accountants must comply with all the regulations from the International Financial Reporting Standard (IFRS) and the American Institute of Certified Public Accountants (AICPA) Professional Standard, not to the employer.

The nature of *eling* (to remember), *waspada* (to be alert), and Javanese faith (*eling* and *waspada*) are important as they are the ground rules for how the Javanese are supposed to act and to create a peaceful atmosphere. If we correlate with the five principles in the public accountant code of ethics, Javanese faith tends to reinforce the implementation of public accountant code of ethics. Javanese faith will make the auditor more assertive in establishing right and wrong in the procedures performed by the auditee. Other than that, the auditor will also uphold fairness while carrying out their professional duties. All of these are performed so that the Javanese ethnic auditor will be removed from matters that will compromise the auditor's dignity. The auditor will also be more objective in providing opinions on financial reports audited by following Javanese faith. Objectivity is necessary while performing professional duties because it affects the opinions given on the financial report. The opinions on the financial report will be the auditor's responsibility toward the user of the financial report. If there is a

subjective side to the opinions provided, then it will potentially damage the auditor's reputation in front of the financial report users, so that could dishonor the auditor and damage their reputation. The principle of competence, professional precision, and caution will also be reinforced by an ethnic Javanese auditor because this principle teaches the auditor to be vigilant. These actions cannot be viewed negatively by the financial report user. Professional skepticism will be achieved by Javanese faith. The principle of secrecy will be performed because ethnic Javanese auditors understand that they have been given the auditee's trust to keep their information private from third parties. Preserving this trust also forms a noble character that is part of Javanese faith. It will make an auditor behave more professionally in performing their duties because it teaches people to avoid any behavior that could make an auditor dishonorable. Ethnic Javanese auditors will obey every professional regulation and behave in a professional manner in each assignment in order to avoid matters that could discredit the profession.

Javanese life behavior tends to reinforce the public accountant code of ethics. Javanese behavior teaches people to have a noble character and obey God's every command. This matter will encourage ethnic Javanese auditors to be more honest upright in order to perform their professional duties so that a principle of integrity can be achieved. The principle of objectivity will also be achieved if Javanese life behavior is performed. Objectivity is a necessary quality because it affects opinions. These opinions will be noted in financial reports seen by general society. If there is a conflict of interest in providing opinions, this will benefit only one side of the party but it will not be advantageous for the financial report user and will damage the relationship between the auditor and general society. The achievement of the principle of peacefulness will not be made between the individual and society, which is not part of the values taught by Javanese life behavior. Javanese life behavior also reinforces the principle of professional competence, precision, and caution because Javanese life behavior teaches prudence so that someone will be cautious when performing actions that could make the performer ashamed of those actions. The principle of secrecy can be reinforced because Javanese behavior teaches the value of good; it means people must do good to others. By doing good, people will maintain people's trust. Javanese behavior teaches the auditor to preserve the trust given by the auditee to not divulge the auditee's information to a third party.

Professional behavior clearly will be achieved by emulating Javanese life behavior because the auditor will be afraid to do something that might discredit the profession in the eyes of the public. However, Javanese life behavior could weaken the profession if it is interpreted that someone cannot accentuate their superiority in front of other people. This matter will affect the rigidity of the auditor when finding mistakes committed by the auditee because of the fears of being called arrogant.

The ethos of Javanese life tends to reinforce rather than weaken the public accountant code of ethics. The ethos of Javanese life teaches someone to not be too highly ambitious in life because high ambition is one of the big reasons for corruption. The ethos of Javanese life teaches someone to use their skills or superiority to help other people. This matter will reinforce the principle of competence because the auditor will keep trying to improve his skills relating to the accountancy profession, and that encourages the auditor to help the financial report user in improving its quality, which affects the decision making. The ethos of Javanese life also reminds us that humans are flawed and they make mistakes. This matter will remind the auditor to be cautious in performing any actions. Do not let the actions negatively affect the profession's reputation. So, the principle of precision and professional caution could be achieved. The ethos of Javanese life could be weakened if it is interpreted that every person should accept their own flaws and those of others. This matter will affect the auditor's firmness in addressing problems made by the auditee. So, it makes the auditor overly trust the reason of the mistake performed by the auditee as the form of other people's flaw acceptance.

The principle of harmony can reinforce and weaken the public accountant code of ethics depending on the auditor's comprehension of this principle. The principle of harmony can reinforce the public accountant code of ethics if it is used to establish a good relationship between the auditor and financial report user. The principle of harmony makes the auditor afraid to do actions that could damage the profession's reputation or discredit it in the public's eyes. So, the principle of professional behavior, competence, precision, and professional caution can be achieved. The principle of harmony teaches someone *gotong royong* or teamwork. If it is interpreted correctly, this principle will reinforce the audit team's cooperation in investigations, so that a good quality financial report can be achieved. However, the principle of harmony can weaken the profession if it is understood that one should

preserve a good relationship with anyone in any condition. This matter will probably cause a conflict of interest between the auditor and auditee while the investigation is undergoing. For the achievement of a good relationship with the auditee, the auditor should comply with every request from the auditee even if it is a violation of professional regulations such as Financial Accounting Standard or *Standar Akuntansi Keuangan (SAK)* and SPAP. This matter will damage the principle of objectivity because it negatively affects opinions in published financial reports. Other than that, the principle of integrity will also be destroyed because the auditor has violated professional regulations because of indecision and dishonesty while performing their duties. Therefore, the principle of good professional behavior cannot be achieved because the auditor has violated the professional regulation that might discredit the profession in the eyes of the public. The principle of secrecy also cannot be achieved if the auditor divulges information to a third party for the reason of preserving a good relationship with the third party. This matter can be advantageous to the third party who accepts information but it can be disadvantageous for the auditee. The principle of objectivity will also be achieved if the auditor understands that objectivity is important when giving opinions, which is the auditor's responsibility toward the financial report users, both internal and external users. So, the auditor will avoid a conflict of interest that benefits only one side of the party but is not advantageous for other parties (general society), and negatively affects the profession's good relationship with general society.

The principle of respect teaches someone to always appreciate others' point of view and opinions despite their social level and position. The outlook that social relations in a structured society are hierarchical for the realization of harmony corresponds with the ethics of manners and is fundamental to the principle of respect (Endraswara, 2015). Javanese people believe that every matter in this world is connected to each other ~~a unity of life~~ and that its harmony should be preserved. As well as the principle of harmony, the principle of respect can weaken or reinforce the public accountant code of ethics. If the principle of respect is interpreted correctly, it will make an auditor an obedient personality toward the accountant profession regulations and it makes the auditor afraid to do actions that might violate the professional regulations. This matter will make the auditor's personality turn into an honest and emphatic personality. Therefore, the principle of professional

behavior will be achieved because it can have a positive effect on general society and the auditor. The principle of competence will be achieved because the auditor will keep improving their knowledge of the professional regulations. They will not violate the regulations because of their ignorance. The principle of precision and professional caution will also be achieved because it makes the auditor cautious and alert when taking actions during their investigative duties. They will not violate professional regulations by accident because they will be vigilant. The principle of respect might weaken the profession if the auditor positions themselves as an obedient employee in relation to their superior, which sometimes violates professional regulations. If principle of respect weakens the profession, then it will reduce the auditor professionalism. The principle of respect should be understood correctly so that it will not negatively affect the implementation of the public accountant code of ethics. Other than *gotong royong* (teamwork) and *unggah-ungguh* (respect), there is an identical philosophy in Javanese culture, *ewuh pekewuh*. *Ewuh pekewuh* is a manifestation of the implementation of two fundamental rules, the principles of harmony and respect (Endraswara, 2015). In Indonesia, *ewuh pekewuh* means disinclined and uncomfortable feelings. According to Tobing (2010) *ewuh pekewuh* is interpreted as an uncomfortable feeling that almost resembles the feeling of disinclination. This feeling of fear of causing someone offence. *Ewuh pekewuh* makes someone cautious when taking actions or saying something in order to avoid conflict and to establish a good relationship. *Ewuh pekewuh* usually happens to someone who is about to interact with older people as a sign of respect, but it also occurs if someone owes a lot to others, so the person tends to follow the command or even the opinion of those people.

The above explanation shows that Javanese culture's ethical values actually reinforce the public accountant code of ethics. The reinforcement of the public accountant code of ethics is dominated by Javanese spirituality and the wisdom of the local Javanese culture. While the weakening of the public accountant code of ethics can be caused by the misunderstanding of Javanese culture, such as the implementation of *ewuh pekewuh*. Initially, *ewuh pekewuh* was viewed as weakening the public accountant code of ethics, but the research's results show otherwise. Therefore, every Javanese person who has decided to be an accountant must uphold their independence in the Javanese cultural

environment. The accountant needs to understand that their responsibility is to the public interest, which is in accordance with Javanese cultural ethical values. An accountant should fix their personal character, especially graduates who tend to pursue material matters at the beginning of their careers because every individual's character will weaken the establishment of independence within the accountant's personality. Javanese people should be able to adapt to another environment by following the norms and rules in it, as long as those norms and rules have the right purpose. However, Javanese people should perform these norms and rules in the proper way according to Javanese ethics, which is polite and refined behavior that decreases the occurrence of conflict. This means that Javanese people should not lose their identity by obeying the norms and rules of the different environment.

5 CONCLUSION

Initially, Javanese culture was viewed as contrary to the public accountant code of ethics. Independence, as a manifestation of the public accountant code of ethics, requires someone to be assertive, while Javanese culture prioritizes *ewuh pekewuh*. The result of this research shows things that contradict with the initial assumption. The research provides a conclusion that the dominant Javanese cultural values of Javanese faith, life behavior, work ethic, and the principles of harmony and respect help the accountant practitioner to uphold the public accountant code of ethics. However, these values could be obstacles to the reinforcement of the public accountant code of ethics if someone misinterprets and implements those values.

The result of the adaptation of Javanese culture with the public accountant code of ethics is that first, Javanese faith, which recognizes *eling* and *waspada*, will reinforce the implementation of the public accountant code of ethics. Javanese faith teaches humans to have a noble character and avoid behavior that could negatively impact upon a person's dignity. Second, the principle of harmony could reinforce or weaken the public accountant code of ethics, particularly toward the principle of integrity, objectivity, and professional behavior. The principle of harmony could be reinforced if the auditor understands that negative behavior will damage the relationship with the financial report user. The principle of harmony could be weakened if it is used as a reason to perform a violation to preserve good relations. Other than that, the

principle of harmony could be the reason for divulging information to preserve a good relationship with a third party and thus weaken the principle of secrecy. Third, the principle of respect is related closely to the implementation of the principle of integrity and professional behavior.

The principle of respect could be reinforced because it will make the auditor obedient to all professional regulations. The principle of respect could be weakened if the auditor positions themselves as an employee or partner that should follow their superior's command, even though it violates the professional regulations. Fourth, Javanese life behavior and work ethics tend to reinforce the public accountant code of ethics because it makes the auditor unambitious in pursuing material matters, which are usually the main causes for violating the code.

This matter reinforces the principle of professional behavior. However, these ethical values could weaken the principle of integrity and professional caution if the auditor considers that humans are flawed and make mistakes, so it affects the auditor's firmness in dealing with the auditee. Therefore, Javanese cultural and ethical values should be understood correctly in order to not have a bad influence on the implementation of the public accountant code of ethics.

This research has limitations because of several factors encountered while conducting the research. Here are the limitations of the research:

1. This research does not discuss Javanese culture as a whole. It is only discussed regarding Javanese culture in East Java, particularly Mataram Javanese culture. The result of this research will be different if both sides of Javanese culture, which have different characteristics, are included.
2. This research does not discuss Javanese culture in detail because of the lack of time for discussing such culture between the researcher and the humanist. This matter means Javanese culture, particularly Mataram Javanese, cannot be interpreted in a detailed manner.

REFERENCES

Chariri, A. 2009. Social Construction of Financial Reporting Practice in an Indonesian Insurance Company: Javanese Culture Perspective. *Simposium Nasional Akuntansi*. Semarang: Diponegoro University.

Christiawan, Y. J. 2002. Kompetensi dan Independensi Akuntan Publik : Refleksi Hasil Penelitian Empiris. *Jurnal Akuntansi & Keuangan*, 4 (2), 79-92.

Endraswara, Suwardi. 2015. Etnologi Jawa: Penelitian, Perbandingan, dan Pemaknaan Budaya. Yogyakarta: *Center of Academic Publishing Service (CAPS)*.

Kalana, I., S. Ngumar, & I. Budi R. 2012. Independensi Auditor Berbasis Kultur dan Filsafat Herbert Blummer. *Simposium Nasional Akuntansi XV*. Banjarmasin, 1-32

Leiwakabessy, A. 2010. Pengaruh Orientasi Etis dan Budaya Jawa Terhadap Perilaku Etis Auditor. *Jurnal MAKSI*, 10 (1): 1-15

Magnis-Suseno, F. 1997. *Javanese ethics and world-view: The Javanese idea of the good life*. Jakarta: Gramedia Pustaka Utama.

Pusat Pembinaan Profesi Keuangan. 2015. Profil Akuntan Publik dan Kantor Akuntan Publik 2014. Jakarta: Ministry of Finance Republic Indonesia (<http://pppk.kemenkeu.go.id>, accessed Agustus, 23 2016).

Randa, F. 2011. Rekonstruksi Konsep Akuntabilitas Organisasi Gereja (Studi Etnografi Kritis Jnkulturatif pada Gereja Katolik di Tana Toraja). *Simposium Nasional Akuntansi 14*. Banda Aceh: Universitas Syiah Kuala.

Spradley, J.P. 1997. *The Ethnographic Interview*. Elisabeth M.Z. (penerjemah) Metode Etnografi. Yogyakarta: Tiara Wacana Yogya.

Tobing, D. H. 2010. Asertivitas Perokok Pasif Dalam Budaya *Ewuh Pakewuh*. Thesis. Yogyakarta: Program Magister Psikologi Fakultas Psikologi Universitas Gadjah Mada