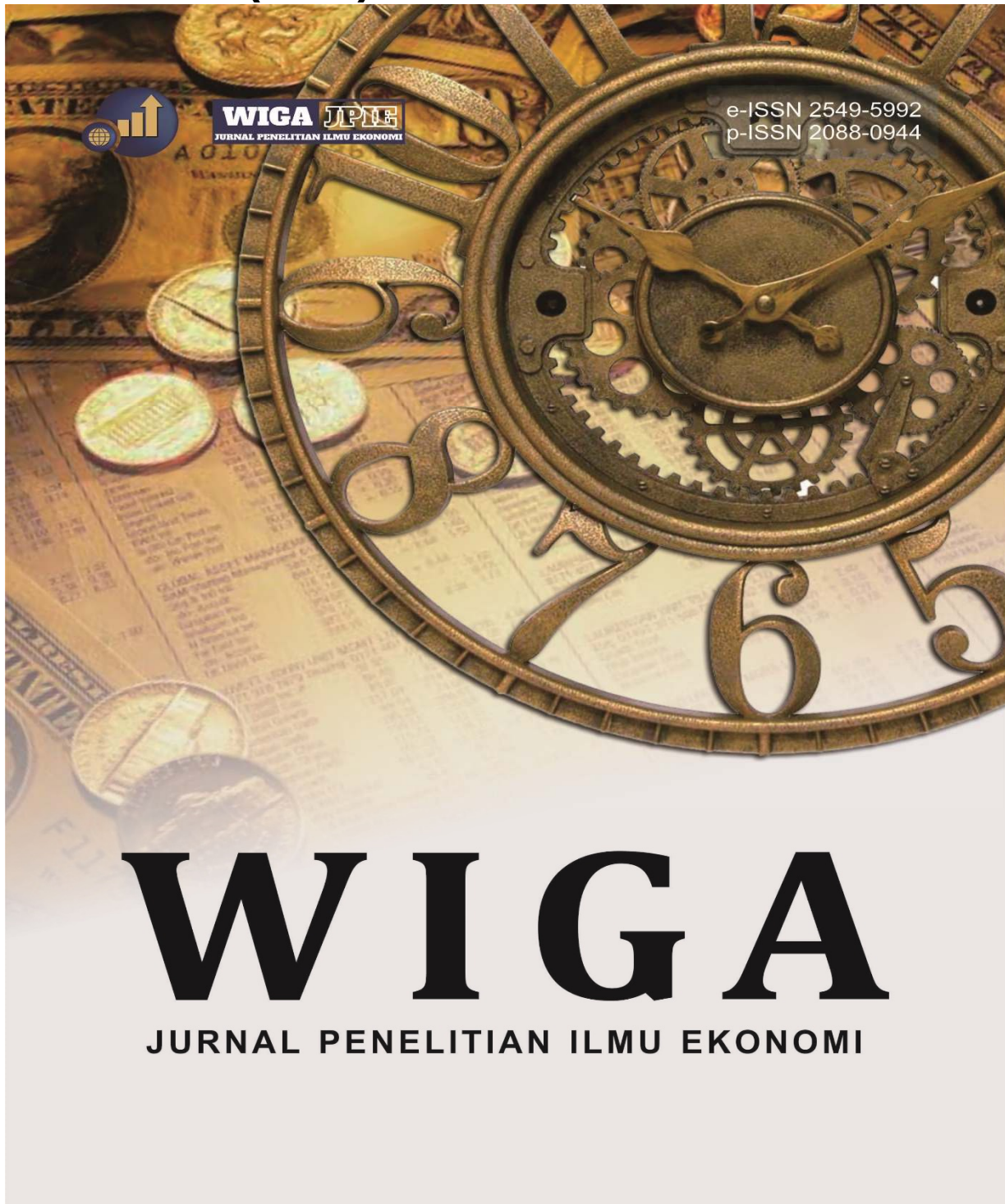


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Organizational Culture as a Moderation of Influence of Professional Commitment and Moral Reasoning on Independent Auditor's Ethical Decisions

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ABSTRACT

This study aims to provide empirical evidence regarding the effect of professional commitment and moral reasoning on ethical decisions and the ability of organizational culture to moderate the effect of professional attention and moral reasoning on ethical decisions. The population of this study was independent auditors of the capital market at KAPs in the East Java and West Java Regions who were actively registered with the OJK. The sampling method used the total sampling technique and obtained a sample of 59 people. The data analysis technique used is the PLS model. The results showed that professional attention has a positive effect on ethical decisions, moral reasoning has a positive effect on ethical decisions, organizational culture strengthens the effect of positive professional attention on ethical decisions, and organizational culture strengthens the effect of positive moral reasoning on ethical decisions.

Keywords: Organizational Culture, Ethical Decisions, Professional Commitment, Moral Reasoning



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INTRODUCTION

The existence of an independent auditor in society as a public trusted profession has a significant and strategic role as a third party in the company to assess the fairness of the presentation of financial statements that have been prepared by the company's management. In providing professional services to their users (clients), independent auditors always pay attention to auditing standards, applicable financial accounting standards, other relevant regulations, and professional accounting ethics.

Independent auditors, when carrying out the audit process, are certainly required to make ethical decisions based on applicable rules, ethical values, and morals. This is important and can direct the independent auditor in the audit process and ultimately provide quality audit results. Ethical decisions are based on ethical theory, which shows that normative judgments about a person's behavior are correct or follow what should be done (Wirakusuma, 2019). With the existence of ethics

in the profession, independent auditors are guided to always prioritize ethical and moral values and applicable rules to minimize and avoid the problems they face.

It is realized that the accounting profession, especially independent auditors, is very vulnerable and full of ethical dilemmas in the provision of services, especially about ethical decision issues. The problems encountered in auditing place independent auditors in ethical dilemmas that can result in audit conflicts, thus leading to decisions that are contrary to their independence and professionalism (Abdurrahman and Yuliani, 2011).

Cases in the independent auditor profession provide evidence that an audit conflict has occurred, which causes an ethical dilemma that independent auditors must face. The audit case related to the ethical scandal experienced by the independent auditor profession is the case of the audit of the financial statements of PT. Hanson Internasional, Tbk, was audited by Sherly Jokom from KAP Purwanto, Sungkoro and Surja. In this case, there was a material error in the audited financial statements, so the Financial Services Authority (OJK) gave a sanction to freeze the certificate of registration for a year and a sanction from the Indonesian Institute of Certified Public Accountants (IAPI) (www.cnbcindonesia.com). The second case is the audit case of PT. Garuda Indonesia (Persero), Tbk, audited by independent auditor Kasner Sirumapea from KAP Tanubrata, Sutanto, Fahmi, Bambang & Partners. This case is related to indications of financial statement discrepancies in the form of recognition of income from work agreements with applicable accounting standards (www.economy.okezone.com) so that independent auditors and KAP are given sanctions in the form of license suspension for 1 year.

Based on the audit case above shows that the auditor's commitment to his profession is still low through compliance with auditing standards as stipulated in auditing standards (SA 200) (www.iapi.or.id) and adherence to the principles of a professional code of ethics (IAPI, 2021). In addition, the lack of implementation of competence and prudence by the independent auditors illustrates the lack of ability of the auditors in terms of sensitivity related to ethical and moral values through moral reasoning. These problems can place the auditor in ethical issues and face ethical dilemmas that lead to unethical decision-making in the audit process, which will have implications for the audit results.

Professional commitment is an essential factor that can influence the ethical decisions of independent auditors when facing ethical dilemmas (Hartanto, 2016). Professional commitment is significant for an independent auditor to have as a reflection of their loyalty to their profession. This can direct the independent auditor to follow auditing standards, applicable regulations, and the professional code of ethics. More significant commitment to the profession can reduce the possibility of unethical behavior (Hall et al., 2005; Shafer et al., 2016).

Independent auditors, in carrying out assignments, moral reasoning has a critical role in encouraging independent auditors to make ethical decisions which can then provide quality audit results. Moral reasoning is a factor that can determine a person's moral behavior in making an ethical decision (Cohen and Leventis, 2013). Independent auditors with a high level of moral reasoning can be more sensitive to applying ethics and applicable norms in dealing with ethical dilemmas to encourage behavior and make ethical decisions (Jasmine and Susilawati, 2019).

Several previous studies related to professional commitment and moral reasoning were carried out by Asni et al. (2018); Dwirandra and Suryanawa (2018); Hermawan and Sari (2018); Ismail and Yuhani (2018); Jasmine and Susilawati (2019); Husnah (2020); and Pangestu and Rahajeng (2020) show that professional commitment and moral reasoning have a positive influence on ethical decisions and ethical behavior. Research conducted by Faisal (2007); Januarti (2011); Ahyaruddin and Asnawi (2017); and Wirakusuma (2019) found different results that professional commitment and moral reasoning did not affect ethical perceptions and decisions.

Based on the results of previous research indicating that there are still inconsistencies in research results which are suspected to be caused by certain factors, so referring to Govindarajan (1986) and Ghozali (2006:56), this study uses a contingent variable in the form of a moderating variable, namely organizational culture that suspected to affect the relationship between professional commitment and moral reasoning on ethical decisions.

Organizational culture is used as a moderating variable because organizational culture as a system is based on generally accepted ethical values and is applied to the work environment. It can be referenced and applied by organization members, especially in KAP, which can determine how to act for its members (Dewi and Sumadi, 2020). Organizational culture, especially KAP, certainly has an organizational culture that varies from one KAP to another. However, the organizational culture in KAP is an organizational culture that is based on ethical values and the goodness of the public accounting profession. A good organizational culture can strengthen the personality of an independent auditor in carrying out assignments, especially in making ethical decisions when facing ethical dilemmas.

The difference between this research and previous research is that this study uses a moderating variable, organizational culture. This research was conducted on independent auditors of the capital market. The reason for using independent auditors for the capital market is that they see the audit phenomenon. Other reasons, referring to previous research, include Asni et al. (2018); Ismail and Yuhanis (2018); and Dewi and Dwiyantri (2018), in which this research relates to ethical decisions made by public sector auditors and independent auditors, which in Dewi and Dwiyantri's (2018) research specifically did not examine the capital market independent auditors. Thus, it is essential to research independent capital market auditors considering the lack of research conducted on capital market independent auditors related to professional commitment and moral reasoning with organizational culture as a moderator in influencing ethical decisions.

METHODS

This research was conducted at the East Java and West Java KAPs based on the Public Accountant and KAP directories issued by the OJK. The reasons for choosing research locations in East Java and West Java KAP Regions, firstly are based on the view that KAPs must apply professional ethics and auditing standards in every work performed. Likewise, KAPs in the East Java and West Java regions, of course, have the same obligations as other regional KAPs both to comply with the professional code of ethics and the applicable standards of the public accounting profession and jointly apply them in every assignment made, so that they will be able to direct the independent auditors at the KAP to behave properly and ethically, especially in making an ethical decision.

The population in this study were independent capital market auditors at KAPs in the East Java and West Java Regions who were actively registered with the OJK. Sampling in this study used a non-purposive sampling technique with total sampling. This method is used because the sample used is expected to reflect the nature of the population used. Therefore, the number of samples in this study was 59 independent capital market auditors at KAPs in the East Java and West Java Regions who were actively registered with the OJK.

Collecting data in this study using a survey method with data collection techniques using a questionnaire. The research questionnaire was distributed using an expeditionary service sent directly to the KAP address of each auditor, online (digital) in the form of an e-form sent via the e-mail address of each KAP, and deposited through an intermediary that the researcher knows and works as an auditor.

The data analysis technique used in this study is an analysis using the Partial Least Square (PLS) model. PLS is a structural equation model (Structural Equation Modeling - SEM) based on components or variants. PLS analysis consists of two sub-models consisting of a measurement model (outer model) and a structural model (inner model) (Ghozali, 2011). Evaluation of the measurement model (outer model) is carried out to ensure that the research instruments used are suitable for the measurement process, including convergent validity (CV), discriminant validity, and composite reliability. Then, the evaluation of the structural model (inner model) was carried out using three types of evaluation, namely the goodness of fit model (R²), predictive relevance, and hypothesis testing using the bootstrapping method.

RESULTS AND DISCUSSION

Respondents in this study were 59 independent capital market auditors at KAPs in the East Java and West Java Regions who were actively registered with the OJK. The number of questionnaires distributed was 59 questionnaires. The questionnaires returned were 52 questionnaires, with 49 questionnaires that could be processed and the remaining 3 questionnaires that could not be processed because the questionnaires needed to be filled in completely by the respondents. Characteristics of respondents based on gender showed that there were 46 men and 3 women. Based on age, it shows that the age range ≥ 30 -40 years is 15 people, the age range is > 40 -50 years is 28 people, and the age range is > 50 years is 6 people. Based on formal education, there are 16 undergraduate graduates, 30 graduates with Masters degrees, and 3 students with Doctoral degrees. Based on the length of work at KAP, with a range of $\geq 5 - 10$ years, there were 14 people, in a range of $\geq 11 - 20$ years were 29 people, and in a range of > 20 years were 6 people.

The research instrument was first tested for validity and reliability. The results of testing the research instrument in the form of a validity test showed that all statements had a Pearson correlation value or $r_{count} > r_{table}$ (0.374) at a significance level of 0.05. All indicators of this research variable are valid. The results of testing the research instrument in the form of a reliability test showed that all research variable indicators had a Cronbach's Alpha value > 0.60 . All of the research indicators were reliable and feasible to be used as research instruments at a later stage.

This study's descriptive analysis provides an overview of research variables, including organizational culture, ethical decisions, professional commitment, and moral reasoning. The results of the descriptive analysis are presented in Table 1 as follows.

Table 1. Result of Descriptive Analysis

Indicator	Average	Minimum	Maximum	Standard Deviation
BO1	4,633	3	5	0,523
BO2	4,776	3	5	0,464
BO3	4,612	3	5	0,527
BO4	4,571	3	5	0,606
BO5	4,633	3	5	0,560
BO6	4,633	3	5	0,596
KE1	4,714	3	5	0,495
KE2	4,531	3	5	0,673
KE3	4,571	3	5	0,606
KP1	4,388	3	5	0,723

KP2	4,490	3	5	0,643
KP3	4,592	3	5	0,569
MR1	4,633	3	5	0,523
MR2	4,653	3	5	0,517
MR3	4,633	3	5	0,523
MR4	4,755	3	5	0,475
MR5	4,571	3	5	0,571

Source: Primary Data Processed (2022)

Table 1 shows that the organizational culture variable uses 6 question indicators. It is found that the lowest average answer indicator is on the BO4 indicator of 4.571 and the highest average answer indicator is on the BO2 indicator of 4.776. ethical decision variable using 3 question indicators found that the lowest average answer indicator was on the KE2 indicator of 4.531 and the highest average answer indicator was on the KE1 indicator of 4.714. the professional commitment variable uses 3 question indicators. It is found that the lowest average answer indicator is on the KP1 indicator of 4.388 and the highest average answer indicator is on the KP3 indicator of 4.592. the moral reasoning variable uses 5 question indicators. It is found that the lowest average answer indicator is on the MR1 indicator of 4.571 and the highest average answer indicator is on the MR4 indicator of 4.755.

This study uses the Partial Least Square (PLS) model with the SmartPLS 3.0 program. Before interpreting the test results, two model evaluations are carried out in this test, including the evaluation of the measurement model (outer model) and the evaluation of the structural model (inner model). The PLS Algorithm test model in this research analysis can be seen in Figure 1 below.

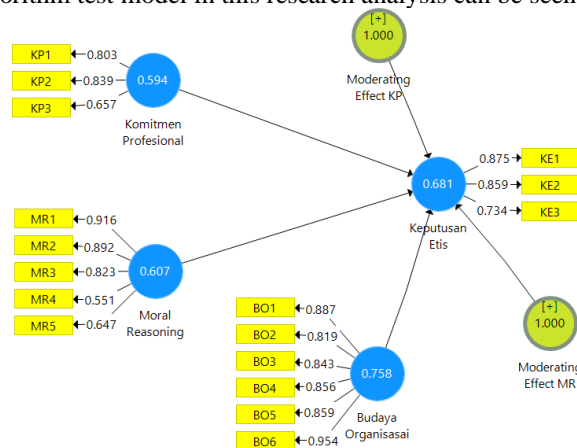


Figure 1. Algorithm PLS Test Model (Outer Model)

Source: Primary Data Processed (2022)

Based on Figure 1, it can be explained regarding the evaluation of the measurement model (outer model), including convergent validity, discriminant validity, and composite reliability. The results of convergent validity testing by looking at the loading factor value of each indicator (construct) show that all indicators used in this study have a loading factor value of > 0.50 . This can be interpreted that all the indicators used have met the criteria of convergent validity.

The results of discriminant validity testing seen from the cross-loading value show that the cross-loading value for each indicator already has a value greater than the indicators of other construct variables. This means that all constructs already have good discriminant validity. Discriminant

validity can also be seen from the Average Variance Extracted (AVE) value which shows that the AVE value for each variable shows a value of > 0.50 , so it can be stated that all the constructs used already have good discriminant validity.

The results of the composite reliability test show that the composite reliability value and Cronbach's Alpha value for each variable are > 0.60 . This means that each research variable is reliable. The structural model using the bootstrapping test can be seen in Figure 2 below.

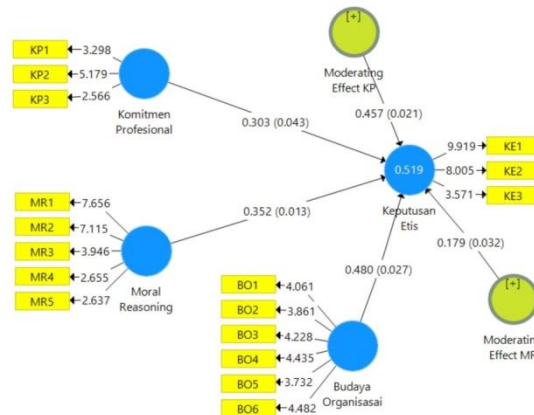


Figure 2. Bootstrapping Test Model (Inner Model)
Source: Primary Data Processed (2022)

Based on Figure 2 it can be explained the evaluation of the structural model (inner model), which includes goodness of fit (R^2), predictive relevance, and hypothesis testing. The results of the goodness of fit test used the R-square (R^2) value which indicated that the ethical decision variable had an R^2 value of 0.519, so it can be said to have a moderate level of goodness of fit, so that the variables of organizational culture, professional commitment, and moral reasoning in this study classified as moderate to explain ethical decision variables.

The predictive relevance testing criterion uses the Q^2 value, which indicates that the Q^2 value is 0.519. It means that the Q^2 value is getting closer to 1, so the model used in this study has good predictive relevance and 51.9% variation in ethical decision variables is influenced by organizational culture, professional commitment, and moral reasoning variables and the remaining 48.1% is explained by other variables outside the model used.

Hypothesis testing pays attention to the significance level (p-value) of 5% and a minimum tcount of 1.96. The results of this test can be seen in the values contained in the path coefficient. The results of hypothesis testing are presented in Table 2 below.

Table 2. Hypothesis Testing

Connection Intervariable	Original Sample	Sample Average	Standard Deviation	T Statistics	P Values
Professional Commitment → Ethical Decision	0,303	0,304	0,149	2,033	0,043
Moral Reasoning → Ethical Decision	0,352	0,388	0,215	2,633	0,013
Organizational culture → Ethical Decision	0,480	0,418	0,216	2,220	0,027

Professional Commitment Moderation → Ethical Decision	0,457	0,368	0,197	2,314	0,021
Moderation <i>Moral Reasoning</i> → Ethical Decision	0,179	0,195	0,173	2,033	0,032

Source: Primary Data Processed (2022)

The results of testing Hypothesis 1 show that the path coefficient value of professional commitment to ethical decisions has a positive value of 0.303 and the t-statistic value is $2.033 > 1.96$ with p values $0.043 < 0.050$, professional commitment has a positive effect on ethical decisions, so that hypothesis 1 (H1) is supported. This result can be interpreted that the higher the professional commitment, the more ethical decisions will be made. An independent auditor's professional commitment is essential in carrying out any professional work. Professional commitment arises from within an independent auditor who strives to be loyal to the membership of the profession which consists of professional accountants providing professional services to the public. Therefore independent auditors always adhere to professional standards, professional ethics, and responsibility to their profession. An independent auditor will always exert efforts to maintain professional commitments to make ethical decisions in every professional work. Independent auditors with a solid professional commitment tend to make ethical decisions rather than unethical decisions that can reduce the quality of auditor and KAP performance. The results of this study are in line with research conducted by Dewi and Dwiyantri (2018), Pangestu and Rahajeng (2020), Ismail and Yuhani (2018), and Asni et al. (2018) which state that the higher the professional commitment, the more ethical the decision to be made.

The results of testing Hypothesis 2 show that the coefficient value of the moral reasoning path on ethical decisions has a positive value of 0.352 and the t-statistic value is $2.633 > 1.96$ with p values $0.013 < 0.050$, then moral reasoning has a positive effect on ethical decisions, so hypothesis 2 (H2) is supported. This result can be interpreted that the higher the moral reasoning, the more ethical the decisions to be made. Moral reasoning owned by independent auditors shows the existence of self-quality in understanding and solving a problem, especially in situations of ethical dilemmas that are required to make a decision related to third parties, themselves, profession, and business continuity so that the auditor will consider every problem faced while performing professional services that will ultimately make an ethical decision. The theory of cognitive moral development can explain moral reasoning from Kohlberg (1969) that each level of moral reasoning from independent auditors shows better reasoning, thus leading to an increase in the quality of ethical decision-making in every provision of professional services to the public (Khusnah, 2020). The results of this study are in line with research conducted by Hermawan and Sari (2018), Jasmine and Susilawati (2019), and Khusnah (2020), which state that the higher a person's moral reasoning, the better the quality of behavior and the more ethical the decisions that will be made. He made.

The results of hypothesis 3 testing showed that the path coefficient for moderating professional commitment to ethical decisions has a positive value of 0.457 and the t-statistic value is $2.314 > 1.96$ with p values $0.021 < 0.050$, organizational culture strengthens the positive influence of professional commitment on ethical decisions, so hypothesis 3 (H3) is supported. This result can be interpreted that the higher the professional commitment, the more ethical decisions will be made, along with a better organizational culture. The existence of an excellent organizational culture in KAP will strengthen the professional commitment of the auditor in carrying out any work related to professional services in the field of auditing and accounting so that independent auditors can make decisions that lead to ethical decisions. Organizational culture is essential in maintaining independent auditors and KAPs' professional services to the public. Therefore, organizational culture can direct the behavior of independent auditors ethically and following the expectations of KAP and their profession, in the sense that organizational culture in KAP can encourage or

strengthen the independent auditor's factors in the form of professional commitment, which is manifested by adherence to professional standards, professional ethics, and professional responsibility. In this study, organizational culture in moderating professional commitment can be an independent variable that can influence ethical decisions. A good organizational culture will be able to direct independent auditors in making ethical decisions. This study's results align with research conducted by Dewi and Dwiyanti (2018), which shows that the better at controlling unethical behavior and remaining loyal to professional organizations, the better it will lead a person to make a decision in accordance with the prevailing norms and ethics. Organizational culture is applied.

The results of hypothesis 4 testing showed that the coefficient value of the path of moderation of moral reasoning on ethical decisions has a positive value of 0.179 and a t-statistic value of 2.033 > 1.96 with p values of 0.032 < 0.050, organizational culture strengthens the positive influence of moral reasoning on ethical decisions, so hypothesis 4 (H4) is supported. This result can be interpreted that the higher the moral reasoning, the more ethical decisions will be made along with a better organizational culture. The existence of an excellent organizational culture in KAP is able to encourage increasing the moral reasoning of independent auditors in making ethical decisions. Organizational culture in KAP has a significant and strategic role in influencing how independent auditors behave, which will later be brought into every work they do. Good auditor behavior will show good moral reasoning in the independent auditor so that he will display this behavior in his work. This will illustrate that the organizational culture applied in KAP is able to provide a strong impetus in increasing moral reasoning for the independent auditor so that this will direct the independent auditor to make an ethical decision. This study's results align with research conducted by Khusnah (2020), which shows that the higher a person's moral reasoning is, the better decisions are made. This study's results align with research conducted by Khusnah (2020), which shows that the higher a person's moral reasoning is, the better decisions are made.

CONCLUSION

Based on the results of the analysis and discussion, 1) professional commitment has a positive effect on ethical decisions. This shows that the higher the professional commitment, the more ethical the decisions made; 2) Moral reasoning positively affects ethical decisions. This shows that the higher the moral reasoning, the more ethically the decisions are made; 3) Organizational culture strengthens the positive influence of professional commitment on ethical decisions. This shows that the higher the professional commitment, the more ethical decisions are made along with a better organizational culture; 4) Organizational culture strengthens the positive influence of moral reasoning on ethical decisions. This shows that the higher the moral reasoning, the more ethical the decisions made, and the better the organizational culture.

Based on the results of the research conducted, there are several suggestions that can be given for further improvement. Suggestions are that independent auditors always maintain professional commitments, one of which is by playing an active role in professional activities organized by professional organizations. Any problems faced and lead to situations of ethical dilemmas. Independent auditors can consider them with norms and ethics that the general public can accept, so this will show the level of development of moral reasoning from independent auditors. Suggestions for further research are expected to be able to develop the indicators used in this study to obtain more in-depth information and improve the results of this study. Then, further research can develop this research by increasing the scope of research using independent auditors, not only independent capital market auditors. In addition, further research can develop this research by researching internal auditors, such as internal auditors in companies and internal auditors in regional inspectorates.

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