

Safeguarding Auditors' Independence When Performing Audit and Non-Audit Services: Evidence from Indonesian Audit Firm

Indah Solagracia Arie Tiranda, Agung Juliarto ¹

Departemen Akuntansi Fakultas Ekonomika dan Bisnis Universitas Diponegoro
Jl. Prof. Soedharto SH Tembalang, Semarang 50239, Phone: +622476486851

ABSTRACT

The purpose of conducting an audit is to give an independent opinion whether the financial report's detail accurately represents the organization's financial situation. In performing his job, auditors should be independent from their client company, so that the audit opinion will not be affected by any kind of relationship between auditor and client. Auditors should be able to carry out their job and give an unbiased opinion on the financial statements to shareholders. In this way the auditors are considered that they can carry out their job in objective way. On the other hand, there are many auditors who not only perform audit services but also non-audit services. In this case there is a possibility that their independence is impaired because there is an implicit intention. When performing the dual service, auditors face many threats that come from the outside or even inside which is themselves. The regulation of performing their job is the guideline for auditors, but they will always their own decision and responsibility which put their integrity and morality on the line. Therefore, this paper aims to find the key factors on safeguarding auditors' independence in which their integrity and morality when performing dual service by explaining the threats, advantages and disadvantages, the physiological effect towards the behaviour of auditors of performing both services, and the integrity and morality itself when carrying out their job. The researcher used interviews to obtain more available and reliable information from experts in this field. The researcher also used a literature review method by accessing article through search engine to create this research.

Keywords: Non-audit services, recurring non-audit services, audit services, accounting services, auditor independence, audit committee, non-audit fees, audit client, economic dependency, attitude, morale, client pressure, integrity, morality, self-interest, self-review, familiarity.

INTRODUCTION

As one important factor in determining the quality of audit, auditors' independence has becoming the greatest concern nowadays. As it is known that currently, the tension between professionalism and commercialism is rising to the surface. This can be seen from the aspect of auditors' independence in which about auditors' morality and integrity in performing their work in relation to the regulation and code of ethics that exist particularly in Indonesia. The existence of this regulation and code of conduct is used as the benchmark on the behavior of auditor in doing their work.

Before carrying out further discussion, it is very important to have a good understanding regarding the independence itself. Independence is the condition when auditor are able to give his opinion and decision without being influenced or under control by other parties such as their client that may have a financial interest in the business being audited or their firms this means that auditors are free from all pressure when doing his work. Short say, it is the ability of auditor to avoid biases and incentives to report a reliable opinion of the annual report (DeAngelo, 1981; Moré & Berg, 2016). Also, auditors need to safeguard their attitude this means that auditors are able to secure their behavior to maintain independence in which their mind, their morality and integrity from many threats while providing audit and non-audit services. The integrity of auditors is when they are having strong adherence towards ethical principle and the standard of behavior in which being honest, sincere, fair in doing his or her duties. As we know that morality is the principles of doing right and wrong behavior

¹Corresponding Author

and as it is mentioned before that in Indonesia the code of conduct or the code of ethics as the benchmark of auditor in performing their work, they must be responsible for their actions. Therefore, auditors' consistence with the code of conduct must be based on high morality. Auditors should be able to control and apply their ethical quality to encounter many pressures or desire and threats in conveying their work.

There are several challenges faced by auditors in performing their work. These challenges may come from clients, the company where auditors work, or even auditors themselves. One topic that will be discussed further is about auditors who are performing both audit and non-audit services. What's becoming the issue here is their independence in issuing audit opinion or in making decision when performing both audit and non-audit services which may be caused by various internal and external pressure. Doing both services can be a potential threat to the auditor's independence, as there are many factors that can lead to deteriorating of auditors' independence through non-audit services, such as self-interest, self-review, familiarity, advocacy, and intimidation.

Audit firms which are providing non-audit services and audit services generated their income from two sources of course from NAS and audit service. People can see how much is the numbers from the annual report of the audit firms. With the high level of non-audit fees received, it is believed to be able to create an economic relationship between the auditor and the client which makes this thing becomes a threat toward the auditor independence, because it could reduce auditors' objectivity. Taking example from EY and PwC, it is proven that the overall income of non-audit service is higher than the audit services.

Another issue is regarding the dilemma that auditors are facing. Often auditors want to do their work according to the code of ethics and regulation to maintain their independence, but at the same time they have the pressure from their client to do the audit in the favour of the client in which the client ask for it implicitly that makes the auditor have a feeling of the pressure. If not, auditors might lose the assurance service as well. In this case auditors may also ask themselves whether they want this client or not. Therefore, this will raise question whether auditors will still maintain their integrity or just follow what their clients wants to retain their clients when doing only the audit services or only NAS or even both. It is also best to be able to know the SWOT of performing both services towards each stakeholder, because perhaps some threats for one stakeholder can be the success or benefit of the other stakeholder.

However, after the various challenges faced by auditing firms, they still want to maintain auditors' independence in which have a good integrity and morality in performing their work. Therefore, the research problem can be formulated as: what are the best practices for safeguarding auditor's independence in which their attitude and moral in Indonesia, specifically in the significant role of assignments, when performing both audit and non-audit services.

THEORITICAL FRAMEWORK

In order to find out how auditors' can safeguard their independence it is best to understand first what threats they are going to face if they accept this dual service, the advantages and disadvantages of performing both services, how is auditors' morality and integrity is implemented, also the physiological effect of this dual service towards the behavior of auditors, and last the solution which is the point of view of auditors in which how can auditors respond to this situation.

Definition of Non-Audit Services

Audit firms can provide other service which are not connected to an audit or review of entity's financial statements, it is called non-audit services. Non-audit services according to Financial Reporting council (FRC,2010; Moré & Berg, 2016), is "Any engagement in which an audit firm provides professional services to an audited entity, its affiliates or another entity in respect of the audited entity, other than the audit of financial statements". It has become a concern that these kinds of services may be a threat for auditors' independence, which makes auditor independence become questionable.

The non-audit services that auditor may not perform such as, bookkeeping, financial information systems design, appraisal and valuation services, actuarial services, internal audit outsourcing services, management or human resources functions, legal and expert services unrelated to the audit. However, if the audit committee pre-approves the services and the services are completely

unveiled in the annual report then audit firms are allowed to carry out the non-audit services.

Definition of Auditors' Independence

According to DeAngelo (1981), auditors' independence is the ability of auditor to avoid biases and incentives to report a reliable opinion of the annual report (Moré & Berg, 2016). The idea of auditors' independence is that auditors are working independently in performing their audit without any interference from other parties. Therefore, auditors' independence requires auditors to execute their work in a free and objective form. Auditors' independence also refers to the independence of the auditor from the parties that may have a financial interest in the business being audited. Hence, auditors are required to be unbiased, uninfluenced and instead they should be fully objective in carrying out their responsibilities. This independence also requires integrity and objective approach to the audit process. The Code of ethics of public accountant especially in Indonesia also help give guidance on independence.

Auditors' independence is indeed important. As audit is the process of objective examination and evaluation of financial information of an entity in accordance with the regulation with a final result of audit opinion. Thus, auditors should be independent, unbiased, and honest in issuing their opinion on the financial statements to the stakeholders because stakeholders put their trust on the auditors' opinion and they have the rights to know the condition of the entity. Simply say, to have a credible audit opinion, auditor is required to be independent. There are also several commonly known possible factors that may impair auditors' independence through non-audit services, such as:

- a. Self-interest, occur because auditors are acting or behaving in their own interest.
- b. Self-review, regarding the dilemma of auditors of continuing being neutral and unbiased when auditors review their own work.
- c. Familiarity, occur because there is a risk when auditors are engaging in a close relationship with their audit clients.
- d. Advocacy, occur when auditors is promoting their client instead of giving objective opinion of the client's financial information.
- e. Intimidation, occur when auditors believe that they were under pressured by their clients or they are intimidated by their client which hold them back from being objective.

NAS effect on auditor independence

As it is believed that there is a relation between the non-audit service and auditor independence, therefore, previous research study on the effect of non-audit service towards auditor independence. In practice, indeed non-audit services can harm the perception of auditors' independence (Bogle, 2005; Moré & Berg, 2016).

There are two possible effects on auditor independence that provide non-audit service, which is positive effect and negative effect. According to Powers, Troubh & Winokur (2002), they claimed that audit firms are capitalist business that rely upon companies in order to obtain income (Moré & Berg, 2016). This refers to the amount of non-audit fees received by the audit firms which in result creates economic dependency between client and auditors. Therefore, according to previous studies, purchasing high amount of non-audit services could result in impairment of auditor independence which also lead to low audit quality of financial report.

On the other hand, it is also believed that providing non-audit services could also give positive impact on auditor independence. Especially, for example, on tax consultancy it might increase the quality of audits, because it allows auditors to have a better understanding of their clients, which result in improvement in the financial audit. Some researcher also thinks that banning non-audit service is not needed, but a rational cap or limitation of non-audit services is what is needed.

Morality and Integrity

A moral person is the one who follows rules of conduct / code of conduct within their group, that person follows the law. Morality can be taught in the first place, through a process of forming and developing someone's personality to become a wise, responsible, and reliable person.

Since the code of ethics, which is the guide to conduct and behave does not include all of the rules for behavior, thus auditors' adherence with the code of ethics of his profession must be based on high integrity and morality. This actively demonstrates that even if there is a strong rule or code of ethics since auditors decide how they want to behave so having a high integrity and morality is indeed

crucial because if their morality is low, they probably will deviate from the code of ethics. In consequences, auditor should be able to control their morality in facing numerous temptations, dilemmas, and threats when performing audit and non-audit services. Indonesian Institute of Certified Public Accountants (IAPI) is an organization that cover external auditors in Indonesia has issued a code of ethics and audit standards that can be the guidelines and as a direction for external auditors in conducting audit and non-audit service. This code of ethics regulates the behavior of their auditor in carrying out their tasks also become the pillar of auditors' ethical behavior.

Integrity is the behavior of being truthful and being obedient also stick to strong moral and ethical value. A person with integrity always does the right thing and they are accountable, responsible, and truthful for their action. In terms of auditing, integrity is the fundamental belief of Code of Ethics in which auditors should be responsible and obligated to maintain a good behavior such as being honest when performing their duties. Auditors' integrity is also the willingness of auditors to comply with the rules, value, norms. This integrity cannot be measure by number as integrity is the behavior of someone therefore, at least it can be measured as a dedication to doing what is right and just. Auditors' integrity comes from the internal of someone or from themselves. So, their integrity can go up and go down it depends on how they want to behave, how they respond to specific situation they are given. In this case it is the dual service of performing audit services and non-audit services. Their integrity can be seen on how they are dealing with this dual service. They can respond in positive or negative manner.

However, despite the rules and regulation that exist which should be their benchmark or limiting in how they behave, auditors have their own intrinsic ethical value in which each of them are looking at the same case with different views. It is indeed auditors should follow the rules and regulation but it is still depending on how they interpreted this situation and respond it while still complying with the existing regulations, if they believe that it is the right thing to do and it will not harm any parties then it is probable that at some level multi-interpretation will occur.

Advantages and Disadvantages of Performing Both Audit and Non-Audit Services.

Advantages of Performing Both Audit and Non-Audit Services

- Increase revenue
The more non-audit services auditors perform the more the revenue they have, also audit firms can charge their clients with high non-audit services fees.
- Auditor gain more skills and experience
By performing non-audit service auditors get to sharpen their skills and have more experience in providing non-audit service and audit service.
- Better understanding of clients and provide a better audit service
Offering non-audit services permits auditors to better understand their clients, resulting in an enhancement in the financial audit (Simunic 1982; Moré; C., 2016). As auditors perform non-audit services for their clients, they are able to learn about their client and have a detailed and better understanding about client company's operation.
- Time efficient
The activities of performing both services cause an auditor to obtain more knowledge about their client, in result the process of auditing clients' financial statement will take less time or there is an increase in audit efficiency this implicitly means that client will be charged a lower audit fee.
- Additional service to clients
As auditors have an extensive knowledge of the client so they are able to offer their client more service which cover their expertise.
- Favorable position for auditors
Non-audit services underlined the dependence of clients on auditors; thus, auditors are able to gain a beneficial position in the coordination and to solve conflicts.

Disadvantages of Performing Both Audit and Non-Audit Services

- Auditors will be perceived as being not independent
When performing both service that means auditors will also audit his or own work. The

concern is that auditors are likely to be biased because they cannot audit their own work. What is more, doing both services can cause a closer relationship with client with this close relationship it can create financial relationship between auditors and the client Therefore, their independence is being questioned.

- **Client pressure**
Performing both services means that auditors have a deep relationship with the client. Sometimes, client can even give pressure to auditors to do non-audit services and audit services on their favor, if not then auditors are threatened about losing their job because clients often thinks that they have the authority of the auditors as they pay them to do the service.
- **Some non-audit services may act as an advocate for the client.**
If an auditor act as an adviser for example tax adviser, then they should not negotiate for the client as well. Because if the auditor is perceived as the negotiator and after that they audit the client then their objectivity and independence is likely to be compromised.
- **Conflicts of interest**
If auditors perform non-audit services for their clients mean that they work as client's consultant. In this case it is doubtful that auditors can provide objective judgments for clients. Because when the revenue of non-audit services exceeds the audit services, the quality of audit service may be impaired because there is an indication of financial relationship.
- **Conflicts in auditors' public impression**
The public tends to questioned the effectiveness of audit report, because they consider that it is hard for auditors to keep being independent from their clients when they are also performing non-audit services.

The Psychological Effects of Dual Services

Psychology is generally the study of mind and behavior of someone. The psychology of someone will become a regulator for a personal actions / personal behavior. In improving his professionalism, an auditor must first understand himself and the tasks he will carry out. Auditors are expected to be able to understand the auditee's behavior and build communication and cooperation with the auditee. Both client and auditor is an individual that have their own traits and behavior that are shown through their behavior. In the case of providing dual services, it is indeed give a psychological effects for at least auditor as an individual, and the psychological effect is on the behavioral response of auditor in performing this dual service and in response to client attitudes. At first of course auditors must be able to create a comfortable atmosphere for client at the time of carrying out both non-audit and audit services. The convenience created will later on support auditor in performing both services and find facts in related to the audit process because it may persuade client to provide all information without feeling threatened, which in result helps auditor in providing his or her audit opinion in independent mind.

However, even though the auditors provide convenience to the client, if in a situation where the same auditor performs both services to the same client, in essence the client will want the audit results in accordance with the client's favor or the client's pleasing. In such a situation, some clients are even able to threatened or put pressure on the auditor to perform both services according to the client's wishes. If this happens the auditor is expected to find out the reasons behind the client's attitude. This of course affects the psychology of auditors because auditors will feel under pressure in performing their duties, both non-audit and audit service. However, in responding to this, the auditor actually has two choices in dealing with this situation. If auditors do come under pressure from clients and they react negatively then they will likely feel threatened and intimidated and they will behave according to the wishes of their clients which deviate from what they should and end up giving an audit opinion which is the result of non-independent thinking. I believe later on if something happens to the client's company or their company is under crisis, then people will firstly suspect the audit of the company this mean that the auditor's name will come up again. So, the deal between auditor and the client is like a "ticking time bomb", how can someone behave positively when they are unsure about what will happen in the future as a result of their wrongdoing. But on the other hand, auditors can also respond positively, while maintaining their integrity. Auditors will use their abilities and expertise in carrying out the two services provided to the auditors. Even before accepting non-audit and audit

services, they will think long before, whether this client really deserves to be served so that in the end the auditors do not feel intimidated and can remain independent in making their audit opinion. To measure this objectively, a qualitative method through checklist can be used which contains indicators of the auditors' behavior and response when performing both services. The scoring later on as a result will determine whether the auditors qualify as independent auditors.

Solution to This Problem (Auditor Point of View → Personal Attitude)

Indeed, there are some non-audit services that are allowed and some are not. How the auditor responds to this situation or assignment becomes a bright spot as a solution to these dual services problems. Auditors can in reality choose to deviate from the existing code of ethics and follow the client's wishes which can benefit for both the client and the auditor itself at this time, but in the future, there may be bad things that can happen and raise doubts about auditors' independence and objectivity and as a result disrupt the career of auditors and their clients.

On the other side, auditors can respond to this situation properly and correctly as a solution for the dual services they will perform. When auditors are allowed to perform non-audit service to their client, it should be taken under consideration that these dual services will not lead to a conflict of interest. Auditors should be able to keep and protect their independence and avoid any possible threats that may occurs by remaining strict to the client also follows the code of ethics when carrying out their assignment and most important is maintaining their morality and integrity in doing the work. The particular reason for these circumstances is if auditors are easily swayed then it could influence the audit quality and in the end all that deviant behavior is considered as influencing or even violating their independence and integrity. Auditors should not be engaged in a deep relationship with their clients or other parties that could give them pressure because they might threaten auditors and then influence the independency of auditors meanwhile auditors should be objective and independent. Even if they are intimidated or be put under pressure and a tough situation, they should be brave to stand up against other parties that tried to swayed them in a polite manner to uphold their moral values and maintain their integrity. Auditors can also take the positive side by performing the dual services such as it supports them in gaining more knowledge, skill, and experience.

Afterall, auditors will always have their own responsibility. The regulation and rules is there, the integrity is also there and it is complement one another. Auditors perform their job in accordance with the regulation that exist also with following their integrity. Moreover, auditors should be responsible for their decision whether they are doing both services or only one services, whether they will remain independent or not in making their audit opinion and be prepared for whatever the consequences is.

One simplest solution that can be offered is that to do only one service. An audit firm must decide whether they want to perform only the audit service and reject the non-audit service or the other way around. Letting another firm to perform the other service will minimize the likely of auditors' independence being impaired, because what is expected is the audit firm to become financially independent as well. If the audit firms are still providing two services, they will think of a way to maximize their profit because if there is a loss in the audit services, it will be accommodated with income from non-audit service which make sense why auditors' independence is likely to be threatened if they perform this dual services.

RESEARCH METHODOLOGY

The primary purpose of this research study is to explain how is auditors' independence affected when performing dual service by investigating the advantages and disadvantages, the physiological effect of dual services, and finally able to come up with solution which determine how auditors safeguards their independence which is their integrity and morality when performing both audit and non-audit services. The researcher will gather information from the adequate respondents, which would be very helpful in conducting the research. Firstly, researcher gained a thorough understanding of the subject by reading article related to the topic and ask question to company coach and supervisor. Then, researcher arrange interview question to obtain a best and adequate responses from interviewees in order to answer the research problem. Respondents or interviewees plays important role in this research because they will provide reliable information and facts on how is their perspective of doing this dual service, independence condition in which auditors' integrity and morality when performing dual services and how to safeguard their

independence.

Data Collection Techniques

This research is conducted in qualitative approach. By using a qualitative researcher methodology, researchers want to collect richer information and get more detailed picture of issues, case or events (Arora and Stoner, 2009). Performing interviews, observation, questionnaire, focus group, documents are examples to obtained data from qualitative approach. The data that will be used in this research is both primary data, which are data that is collected from first-hand sources such as from interview / meeting and direct observation with auditors from audit firms which firms perform both audit services and non-audit services, the interviews were conducted via zoom meeting and secondary data which will be obtained from previous research or literature studies and existing data available in the public which collected from articles, journals, websites that has discussed about the effect of performing both audit services and non-audit services towards auditor independence.

Data Analysis

Methodology of research

Interviews were conducted with an employee of an accounting firms in Indonesia who have an experience in the audit service and non-audit services. The interviewee indeed has a knowledge and experience of the services that being offered. The researcher tried to obtained all the answer from audit firms to find out the key factors on safeguarding auditors' independence in which their attitude or the action of auditor when performing the dual services. The examples of instrument and sources being used in this research is as follow:

a. Example Instrument

- Direct question (list of question made) during interview.
- Searching for data with keywords given about the topic

b. Example of sources

- Respondents, which is auditor who works on an audit firm which perform both audit service and non-audit services.
- Collection of files
- Paper collection which is previous research about the same topic.

Participants Information

The details of the participants who were interviewed during the research study is as follows:

- Participant Name: Muljawati Chitro
Work experience: 31 years
Name of the firm: Muljawati Rini and partner public accounting firm
Participant Position: Managing Partner
Country: Indonesia

Interview Summary

Muljawati Rini and partner public accounting firm most commonly purchased non-audit services is accounting service. According to the standard, the service of preparing financial statements and audit at the same time is not allowed due to a potential conflict of interest. In accounting services, means providing or helping client in the making of financial statement meanwhile, auditors' task is to assess, examine whether client's financial statements are in accordance with accounting standards. From the job described, auditors are likely to be not independent because it means that they are assessing their own work.

The advantages of performing both services are to obtain double fee that is generated from the non-audit services in which accounting services and audit service. Audit working hours are reduced, because they can use the same staff in which the person who prepares the financial statements is also performing the audit. But the pitfall is that there is a possibility of an error that will eventually go unnoticed in the financial statement or if the error is known, the auditor will eventually tolerate or compromise it this is called self-review. If during the audit and the auditor states that there was an error in the financial statements, the auditor indirectly declare that he is not competent.

Accounting firm policy also plays a significant role for auditors' independence. If the firm's policy is negotiable, it will be hard to maintain auditors' independence. Moreover, if the auditor knows the client really well and even get intimidated by client then auditor is considered not independent. But

in terms of auditing standards, a very appropriate way to maintain integrity is to perform only one service and sometimes a certain firm will ask the potential client to receive the other service from another firm. Any violation of code of ethics may also impair auditors' independence. The Code of Professional Ethics for Public Accountants in Indonesia is issued by the Indonesian Institute of Certified Public Accountants (IAPI) and it regulates the behaviors of its members. This code of ethics guides its member to accomplish their responsibilities and become the cornerstone of their professional and ethical conduct.

If there is indeed a dual service to be performed at the firm then one way to safeguards auditors' independence is to assign two different people on these jobs means differentiate the team even the partner that is performing the non-audit services and audit service. But the simplest way is still to perform only one service.

CONCLUSIONS

Auditor independence is an important thing inherent in auditors. However, the doubt of auditors' independence began to emerge due to various factors, one of which was the possibility of a public accounting firm in which an auditor provides non-audit services to the clients they were also auditing. If the independence of the auditors is disturbed, it can affect their mental attitude and opinion.

Being objective and professional in performing both services is related to each other. When performing dual services, auditors are force to be objective towards their own works knowing that threats is there specifically self-review. Put aside who the client is and set a limitation with clients when performing both services so that they will not develop any closer relationship. Besides being objective, being professional in carrying their duties is important by following the laws and regulation. If there are threats occurring while performing the dual services then as a professional the best solution is to resign from the engagement. As a human being it is hard indeed to follow the laws and regulation completely as in fact in Indonesia the code of conduct stated that it is prohibited for a public accounting firm to perform non-audit services to the audited entity, but many clients often asked for public accounting firm to perform audit and non-audit services and supported by the environment that is accustomed to violating the code of ethics and regulation auditors who lack awareness to enforce the code of ethics causing some firms in real life accept the request of client. This certainly has violated the professionalism of auditors and the integrity of auditor or even a firm as a whole is considered low, because they are not doing the right thing. Then it is only best to refuse the request of client and just perform one services so that auditors will become professional and objective in doing their job.

As an auditor having a high integrity should be safeguarded and maintained, even when they are in a situation where they should perform dual services because in this particular situation, different auditors can have a different judgment on the same case. Auditors should be able to differentiate which judgment is right and fair as in carrying out dual services, auditors often faced with dilemma Without the strong safeguard for their integrity, their independence might be impaired from dilemma. Being a person with high integrity will not cause auditor any harm which also mean it will not have a negative influence as an individual because it indicates that auditors are being fair and do what is right. Instead, it reduces the potential impairment of auditors' independence.

Regardless of the rules, code of ethics, advantages, and disadvantages that is written and should be followed by auditors, people have their own responsibility, integrity, attitude as an individual in making decision. Just like in Indonesia even the standard said no but in practice, there are still some who did that because of the negotiable public accounting firm rules also the less strict regulation. This means that the regulation itself cannot control the individual or even the firm as a whole to safeguards auditors independence. It is only best if the willingness comes from the public accounting firm or the auditors itself to perform only one services because as a human being, they can determine what is right and wrong.

POLICY AND LIMITATION

The importance of auditors' independence when performing non-audit services to audited client is becoming the concern of all around the world as this independence will picturize the integrity, moral and attitude in carrying out their job. This research use Indonesia as evidence which country according to regulation is not allowed to perform non-audit services and audit services to the same client at the same time, but because of the negotiable public accounting firm rules, and supported by

the environment that is accustomed to violating the code of ethics and regulation some public accounting firms still accept the dual services requested by client. Therefore, the key factor of safeguarding auditors' independence is necessary. In the following section, the researcher will come up with advice and suggestions which could safeguards auditors' independence or minimize the possibility of auditors' independence being impaired. Advice and suggestions that the researcher delivers are based on the real condition happened in a public accounting firm.

The researcher would like to provide advice and suggestions regarding safeguarding auditors' independence when performing non-audit services to the audited client considering threats that are occurring. By examining more deeply the existing threats, the researcher presumes that performing non-audit services to audited clients does harm auditors' independence due to the possibility of conflicting principles when performing the two services. Therefore, the researcher strongly recommends that public accounting firms only accept one service because it is the easiest way to implement if the client requests dual services simultaneously. In addition, it is highly recommended for public accounting firms to conduct a code of ethics seminar on their auditors, and conduct a briefing of the auditors' attitude so that these rules are not only written, but can also increase auditors' awareness of the importance of their independence in carrying out their work so that auditors can apply the code of ethics and existing standards and as a result can maintain the integrity that is within them. In addition, heavier sanctions against auditors who violate existing regulations and codes of ethics are needed.

Apart from the existing standards which state the prohibition of performing both services, for example in Indonesia, due to negotiable public accounting firm regulations, it is necessary to check and educate clients the reason behind their request of double services. Furthermore, continuing education for professionals, monitoring the activity of auditors, emphasize on the importance of independence is necessary, and the most extreme way, when intimidation happens then it is only best for auditor to resign from the engagement to avoid further risk.

The author acknowledges that certain limitations arose during the analysis process when conducting this research. The researcher cannot find the detailed number of auditor violations caused by the provision of dual service services issued by IAPI. However, the researcher could obtain information from interviewee that in fact some public accounting firms still perform the dual services. What is more, the limitation of evidence in which only one public accounting firm is interviewed. Hence, the researcher cannot do a comparison between one public accounting firm and another, especially if those public accounting firms offers different non-audit services. Therefore, the future research needs to improve and expand the evidence in which add more interviewee to find the current situation in real work of auditors' independence when performing non-audit and audit service

REFERENCES

- Ahadiat, N. (2011). Association between audit opinion and provision of non-audit services. *International Journal of Accounting & Information Management*, 19(2), 182–193. <https://doi.org/10.1108/18347641111136463>
- Allen, W. T., & Siegel, A. (2002). Threats and Safeguards in the Determination of Auditor Independence. 80(2).
- Amir, F. (2018). *The impact of non-audit services on auditor independence* (thesis). Amsterdam.
- Armstrong, M. B. (1987). Moral development and accounting education. *Journal of Accounting Education*, 5(1), 27–43. [https://doi.org/10.1016/0748-5751\(87\)90036-4](https://doi.org/10.1016/0748-5751(87)90036-4)
- Ashbaugh-Skaife, H., LaFond, R., & Mayhew, B. W. (2002). Do NON-AUDIT Services compromise Auditor INDEPENDENCE? Further evidence. *SSRN Electronic Journal*, 78(3), 611-639. doi:10.2139/ssrn.305720
- Ashbaugh, H. (2004). Ethical issues related to the provision of audit and non-audit Services: Evidence from academic research. *Journal of Business Ethics*, 52(2), 143-148. doi:10.1023/b:busi.0000035912.06147.22
- Crucean, A. C. (2020). A Literature Review on the Auditor's Independence Between Threats and Safeguards. *CECCAR Business Review*, 1(7), 64–72. <https://doi.org/10.37945/cbr.2020.07.08>
- DOAN, N. T., PHAM, C. D., NGUYEN, T. T., VU, M. P., & PHAM, L. H. (2020). The Effect of Non-Audit Services on Auditor Independence: Evidence from Vietnam. *Journal of Asian Finance, Economics and Business*, 7(12), 445-453. doi:doi:10.13106/jafeb.2020.vol7.no12.445
- FIRTH, M. (1997). The provision of nonaudit services by accounting firms to their audit clients. *Contemporary Accounting Research*, 14(2), 1-21. doi:10.1111/j.1911-3846.1997.tb00524.x
- FRC. (2010). *APB Ethical Standards Glossary of Terms*. London: FRC.
- Irmawan, Y., Hudaib, M., & Haniffa, R. (2013). Exploring the perceptions of auditor independence in Indonesia. *Journal of Islamic Accounting and Business Research*, 4(2), 173–202. <https://doi.org/10.1108/jiabr-09-2012-0061>
- Kung, F. H., & Li Huang, C. (2013). Auditors' moral philosophies and ethical beliefs. *Management Decision*, 51(3), 479–500. <https://doi.org/10.1108/00251741311309616>
- Latif, A. R., Ariffin, B., Chye, K. H., & Harjito, D. A. (2017). Perceived threats and safeguards of auditor independence. *Riset Akuntansi Dan Keuangan Indonesia*, 5(2), 115-133. doi:10.23917/reaksi.v5i2.3591
- Moré, C., & Berg, S. (2016). *The Effect of Non-Audit Services on Auditor Independence*. [Unpublished master's thesis]. Jönköping University.
- Ramzan, M., Ahmed, I., & Rafay, A. (2020). Is auditor independence influenced by non-audit services? A stakeholder viewpoints. *Pakistan Journal of Commerce and Social Sciences*, 14(1), 388–408.



- Sharma, D. S., & Sidhu, J. (2001). Professionalism vs Commercialism: The Association Between Non-Audit Services (NAS) and Audit Independence. *Journal of Business Finance Accounting*, 28(5-6), 563–594. <https://doi.org/10.1111/1468-5957.00386>
- Yu, Y. (2018). Rationale and risks of non-audit services. *Journal of Theoretical and Applied Economics*, 1-10. doi:10.28933/jtae-2017-10-28