

# Design of a Risk-Based Review Program for the Audit of Governments Financial Statements Conducted by the Public Accountant for The Comptroller of the Supreme Audit Board of the Republic of Indonesia

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**Abstract**—This research aims to propose a design of the review program for the audit of the Indonesian government's financial statement, conducted by the Public Accountant for The Comptroller of Supreme Audit Board. This is a qualitative research paper with descriptive analysis. Interviews with the staff and manager of the Comptroller were carried out to understand the existing engagement plan process. Analysis of the data was used in the engagement plan process. The result shows that in preparing the engagement plan, The Comptroller did not use a risk-based approach and failed to identify the key risk of the audit process reviewed. Therefore, we propose implementing a risk-based approach for designing the review program. We arrange a risk assessment related to the quality assurance of the audit process of the government's financial statements conducted by the Public Accountant on behalf of the Supreme Audit Board. We further determine the audit objective, audit scope, audit criteria, and audit procedures based on the risk assessment. This research produces a risk-based review program in the midst of limited resources owned by the Supreme Audit Board's Comptroller

**Keywords**—*audit engagement plan; government's financial statements audit; Public Accountant; review program; risk-based internal audit*

## I. INTRODUCTION

The Supreme Audit Board of the Republic of Indonesia (BPK) is a state institution within the Indonesian state administration system. It has the authority to audit the management and accountability of state finances. The BPK audits the management and assesses their responsibility of the elements of state finances, as referred to Law Number 17 of 2003 Article 2 regarding state finances. In this regard, BPK has the authority to perform three types of audits: 1) financial audits, which include the audit of the Central Government Financial Report (LKPP) and Local Government Financial Report (LKPD), 2) performance audits, and 3) any audit with a specific purpose.

Based on the BPK's Annual Report for 2015, during 2015 the BPK examined 1,370 audit objects consisting of 642 audit objects pertaining to financial statements, 282 performance audit objects, and 446 objects of audit with a specific purpose [1, 2]. One of the strategic issues that can

affect the achievement of BPK goals is the lack of auditors. The number of auditors is not proportional to the number of entities. To overcome this, BPK seeks to utilize the Public Accounting Firm (KAP) to conduct the audit for and on behalf of BPK, in particular the audit of financial statements.

One of the focuses of the BPK's Strategic Plan for 2016-2020 is to enlarge the area of performance audits and conduct audits with a specific purpose [3-6]. BPK will still conduct a financial audit, but in certain areas, KAP will conduct audits of the government's financial statements for and on behalf of BPK. Thus, not all BPK auditors are utilized on a financial audit but can be allocated to a performance audit and to audits for a specific purpose.

In 2016, the BPK began to involve the Public Accountant in a financial statement audit of ministries and institutions as well as local government. The examination involved the auditors of the selected KAP and the auditors of BPK in a single assignment. The number of government financial statements audited by KAP in 2016 and 2017 amounted to 34 entities and 17 entities, respectively [3-6].

Inspektorat Utama (Itama) is a unit within the BPK's organizational structure that functions as an internal auditor. Its role is very important in achieving the established strategic goals and objectives. One of its roles is to review the quality control of BPK audits.

The use of KAP personnel may increase audit risk. Differences in accounting standards and audit standards as well as differences in the entity's business environment can be the factors that may increase audit risk. Meanwhile, Itama only had 94 employees as of July 26, 2017. Therefore, Itama requires a review program for the audit of financial statements conducted by KAP in order to assist in an effective and efficient review of the quality control of financial statement audits.

Fraser stated in his research that risk-based audit is an approach used in designing audit procedures in order to focus time and resources effectively and efficiently on specific areas [7]. Sarens et al stated in his research that there is a positive and significant relationship between the internal audit function and the use of the risk-based audit plan [8].

Russell also stated that the audit program should be evaluated depending on the results of the organization's risk assessment [9]. Based on these studies, the authors conclude that the preparation of the appropriate review program to be proposed to Itama is a review program based on the risk-based internal audit (RBIA) approach.

The Institute of Internal Auditors defines RBIA as a methodology that links internal audits to the overall organizational risk management framework [10]. RBIA enables internal audits to provide confidence that the organization's risk management process has effectively managed risk, in conjunction with risk appetite.

Based on these matters, this research will propose a review program using the RBIA approach thoroughly. Risk assessment will be performed in depth by taking into account both impact and probability.

## II. LITERATURE REVIEW

### A. Internal Audit

IIA defines an internal audit as follows [11]:

*Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*

Internal audit activities involve identifying risks that may prevent the organization from achieving its objectives, ensuring the organization's leadership knows the risks and proactively reconciling improvements to help mitigate the risks.

According to IIA, the objective of conducting internal audits is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight [12]. The role of an internal audit is to provide independent assurance that risk management, governance, and internal control processes are effective.

SAIPI defines review engagement as reviewing the evidence of an activity to ensure that the activity has been carried out in accordance with established rules, standards, plans, or norms. The review of an audit of the governments financial statements is an activity of obtaining quality assurance based on the results of the BPK audit. Quality assurance conducted through review engagement aims to provide assurance whether existing quality control has been implemented by the auditors.

### B. Risk Management

IIA defines risk as the possibility of an event occurring that will have an impact on the achievement of objectives [10]. Risk is measured in terms of impact and likelihood.

The Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management (COSO ERM) (2004) defines risk management as:

*"A process, effected by an entity's board of directors, management and other personnel, applied in strategy-setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be*

*within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."*

The IPPF Standard confirms the role of the internal audit in ERM. Performance Standard 2100 states that

*"The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact."*

### C. Risk-based Internal Audit

IIA defines RBIA as follows [13]:

*"a methodology that links internal auditing to an organization's overall risk management framework. RBIA allows internal audit to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite."*

The RBIA contributes to organizational risk management through objectively providing assurance in the effectiveness of risk management and facilitating management efforts in improving the organizational risk management framework. An effective risk management framework will improve organizational governance, thereby leading to the achievement of organizational goals over the long term.

IIA determines three stages of RBIA implementation as follows [8]:

The first stage of an RBIA assessment is the level of an organization's risk maturity. Internal auditors divide the organization's risk maturity level into five levels: (1) risk naïve, (2) risk aware, (3) risk defined, (4) risk managed, and (5) risk enabled. The selection of audit strategy depends on the organization's risk maturity. In organizations with risk maturity level at risk enabled and risk managed, internal auditors may use risk registers arranged by the management. In an organization with risk naïve and risk aware levels, individual audit assignments can be undertaken with a risk-based approach even if the organization does not have a reliable risk register. Internal audits identify and assess risk that is limited to the area to be audited. The process should involve management as a risk owner.

### D. Audit Program

IPPF Standard 2200 states that internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocation. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement. The steps in preparing an assurance engagement plan or audit program are described in Table 1 below.

TABLE I. STEPS IN PREPARING ASSURANCE ENGAGEMENT PLAN OR AUDIT PROGRAM

No	Steps	Internal Audit Standards
1	Determine engagement objectives and scope	<p>IPPF Standard 2210: Objectives must be established for each engagement.</p> <p>IPPF Standard 2210: A1 internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.</p> <p>IPPF 2210.A2: Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.</p> <p>IPPF Standard 2220: The established scope must be sufficient to achieve the objectives of the engagement.</p>
2	Understand the auditee	<p>IPPF Standard 2210: A1 internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.</p>
3	Identify and assess risks	<p>IIA Research Foundation states that the process of identification and risk assessment consists of three stages (1) risk identification at the process level, (2) evaluating the impact and likelihood of occurrence of the risk, and (3) understanding risk tolerance management. Refer to Indonesian Government's Risk Assessment Regulation PER-688/K/D4/2012, the steps of risk assessment consist of (1) determining risk assessment criteria, (2) risk identification, and (3) risk analysis.</p>
4	Allocate resources to the engagement	<p>IPPF Standard 2230: Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.</p>
5	Develop work program	<p>IPPF Standard 2240: Internal auditors must develop and document work programs that achieve the engagement objectives.</p> <p>IPPF Standard 2240.A1 Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation and any adjustments must be approved promptly.</p>

### E. Research Method

This research is single case study with one unit of analysis. The object in this research is Inspektorat Utama as the internal auditor of BPK RI. This research focuses on the review activity of the audit of the government's financial statements conducted by the Public Accountant. We took a case study of the phenomena in Inspektorat Utama BPK RI as the internal auditor or The Comptroller of the organizations. The selection of case study is based on problems occurring in Itama that require direct involvement of researchers in this research.

This study uses primary data sources obtained directly from Itama. The use of primary data sources aims to support the objectives of this study, which are to understand the process of the review program preparation for Itama and to propose a review program with a risk-based approach. We used several research instruments to support the data collection process as follows.

#### 1. Interview

Interviews were conducted with the internal auditor and Head of Quality Assurance, Audit Sub Division. The interview aimed to obtain an overview of the review program preparation process and information on RBIA implementation for Itama, including the assessment of the risk maturity level of BPK RI. An interview was also conducted with the auditors of BPK RI who had been involved in financial statements audit with the Public Accountant. This interview aimed to identify the risks associated with the audit of government's financial statements conducted by the Public Accountant on behalf of BPK RI.

#### 2. Document Analysis

We analyzed several internal documents in the form of the organization's strategic plan and the BPK annual report, as well as certain regulations such as public accountant requirement to conduct the audit on behalf of BPK RI and the guidelines of quality assurance audit with technical guidance for the quality assurance of governments financial statement audit. This method aimed to obtain an overview of the government's financial statements audit conducted by the Public Accountant and the review program preparation process within Itama. This method also aimed to help assess the risk maturity level of BPK RI as the initial stage of the implementation of RBIA.

#### 3. Open-Ended Questionnaire

We use the open-ended questionnaire to help identify the risks at all stages of the government's financial audit conducted by the Public Accountant. The responses were collected from the respondents of the questionnaire that included 31 BPK auditors from the head office and representative offices. We also provide an open-ended questionnaire to seven BPK auditors who have been involved in the audit of government's financial statements with the Public Accountant. This questionnaire aims to assess the occurrence of risks regarding the audit of government's financial statements conducted by the Public Accountant on behalf of BPK RI.

BPK RI is led by a Chairman, a Vice Chairman, and seven BPK leader members. BPK executives constitute 11 units in echelon 1, 34 representative offices, expert staff, and functional employees. The organizational units that performed the audit consisted of seven separated units in the head office and 34 representative offices. Itama is one of the organizational units that supports the audit work of BPK. Itama is responsible to Vice Chairman of BPK.

Itama is led by a Principal Inspector. Itama has the task of supervising the executions of tasks and functions of all BPK executives. Itama consists of three inspectorates at echelon 2 level as follows:

1. Inspectorate of Quality Assurance Audit (PKMP)
2. Inspectorate of Internal Inspection and Institutional Quality (PIMK)
3. Inspectorate of Integrity Enforcement (PI)

Inspectorate PKMP is the unit in Itama responsible for providing assurance on the adequacy of quality control design in overall audit activities and its implementation by BPK auditors. Inspectorate PKMP had 94 employees as of July 26, 2017. Its review objects consist of 41 organizational units who conduct audit assignments. These units are spread

into seven separate units in the head office and 34 units in representative offices, while the review of the financial audit by the Public Accountant objects consisted of 14 units (three units in head office and 11 units in representative offices).

#### *F. Data Analysis*

This study uses a deductive approach. Data analysis produced a conclusion that originated from the theory, model, or main framework used as the basis of conclusions. It uses the qualitative descriptive method to elaborate, describe, and compare the data obtained during the research. The data collected was an analysis for the development of the review program by Itama. This analysis will generate information on the compilation of review program arrangements with internal audit frameworks and standards. It also developed a review program using RBIA. The results of interviews, document analysis, and questionnaires will generate risk registers as the basis to develop the review engagement program.

### III. RESULTS

Based on the analysis undertaken in this research, the result demonstrates several differences as follows:

1. Itama has undertaken an understanding of the entity as part of the review planning process consistent with IPPF Standard 2210.A1. The entity's understanding has been made by considering the risk factors on the audit work unit to be reviewed.
2. Risk assessment has not been fully in line with the IPPF Standards. Itama has not identified the key risks by taking into account the impact and likelihood of the risks. The existing risk assessment process has not been able to lead the review to focus on the areas of highest risk. The risk assessment process might not help the achievement of review objectives.
3. Determination of the review objectives and the review targets has been carried out in accordance with IPPF Standards 2210.A1. The review target is determined using a risk-based approach, but the existing risk assessment system has not been able to assess the key risks related to the activity being reviewed.
4. The resources allocated are not fully compatible with IPPF Standards. Itama has personnel with relevant education background and experience to support the achievement of review objectives. However, Itama does not have workload analysis; thus, it has not been able to determine the resource requirements for each assignment of reviews.
5. Itama has developed a review program in accordance with the IPPF Standards. However, the determination of the review sample and the preparation of the review procedure are not considered the key risks in the financial auditing activities. This can increase the risk of a misleading determination of the review sample for the achievement of the objectives of the assignment.

We also propose a design of the review program using a risk-based approach to help them focus on the potential areas with high risk levels. We performed risk assessment by involving BPK auditors as the risk owners. Based on the risk assessment process undertaken, we identified 22 risks at the planning, field work, and reporting stages. Thereafter, we

analyze the impact and likelihood of each identified risk, resulting in 13 risks that exceeded management risk tolerance or risk appetite.

The results of a risk assessment become the basis for designing each step in the planning phase of the review assignment. Thus, this study could result in a review program that focuses on high-risk areas.

### IV. DISCUSSION

This section will discuss the analysis of existing review engagement planning and the proposed design of review engagement planning using a risk-based approach.

#### *A. Analysis of Existing Review Engagement Planning*

The development of a review program is part of the review planning stage. Itama prepares a review program based on annual review planning and preliminary analysis. The analysis in this research is limited to the planning phase of the review, particularly in the process of the review program preparation. The steps in the preparation of the review program of the government's financial statements audit consist of (1) understanding the entity, (2) risk assessment, (3) setting the objectives and the review targets, (4) setting the scope of the assignment, (5) resource assignment, and (6) preparation of a review program.

##### *1) Understanding the entity*

Itama uses preliminary analysis to help the internal auditors understand the entity. Itama collects the information needed to support the review engagement objectives through several methods: (1) data request from various organizations' units, (2) survey questionnaires, and (3) internal document analysis. Itama uses two types of questionnaires. The first questionnaire is addressed to the Head of Audit Unit (Chief of Auditors in AKN and Heads of Representative Office in representative offices) to obtain any information of general conditions related to the audit activities. The second questionnaire is addressed to the Chief of Auditors and auditors in charge of obtaining information about the conditions related to financial statement audits. Itama also uses analysis to follow-up on previous review results, previous review work papers, and the analysis of quality assurance from all the organizational units that conducted the audit. The result of the preliminary analysis becomes the input in the risk assessment process. Based on the preliminary analysis, Itama identified the units with a risk of poor-quality control.

##### *2) Risk assessment*

Itama analyzed the data and information obtained by assessing the risk factors mentioned below:

1. Timeliness of the issuance of audit report.
2. Trend of audit opinions.
3. Previous review findings.
4. Public attention, audit complexity and resource significance.

Itama thereafter assigned the score to each of the risk factors above to assess the risk. This step aims to determine the sample of the audit assignment to be reviewed. In general, the analysis result indicates that Itama has not identified the inherent key risks in the entire financial auditing process. The risk assessment process has not considered the likelihood of the impact of risks. Risk assessment involves several steps: (1) determining the risk

assessment criteria by considering the impact and likelihood, (2) identifying the risks, and (3) analyzing the risks to determine the risk level. The use of the impact in assessing risk indicates how much the risk affects the achievement of organizational goals, whereas the likelihood of risk indicates the magnitude of the potential risk occurrence.

### 3) *Setting the objectives and the review targets*

Review engagement objectives were determined according to the Itama mission and strategic plan. The objectives of the review of financial statements audit are:

1. Provide assurance for the implementation of quality control in accordance with the the standards and guidance of financial statements audit
2. Identify areas of improvement to improve to financial audit quality and monitor the follow-up of audit recommendations.

Based on the review objectives, Itama has set a review target for all stages of the financial audit for audit reporting issued in 2017, with focus on planning, field work, reporting, follow-up of audit recommendations, and overall quality control.

### 4) *Setting the scope of the assignment*

Based on the analysis of the existing review program, Itama sets the scope of the review of financial audit process, including planning, field work, reporting, follow-up monitoring, and overall quality control. Review objects are limited to the financial audit conducted in 2017.

### 5) *Resource assignment*

Based on the Internal Audit Capability Model Report (IA-CM) for 2016, issued by Itama, Itama does not have an analysis of workload and has not calculated its needs of auditor and human resources. Inspectorate PKMP, one of units in Itama, is in charge of conducting the review engagement; this unit has 36 employees [10]. The number of employees is not comparable with the number of review objects (41 units vs. 642 objects). The composition of the review team in one assignment consisted of one person in charge, one assistant person in charge (only for review of audit in head office), one technical controller, one team leader, and three team members. The composition of the review team consisting of personnel who are collectively qualified is as follows:

1. Experience of conducting financial audits.
2. Adequate understanding of financial auditing standards and guidelines
3. Sufficient communication and analytical skills.

The composition of auditors in the review team reflects that the review team is supported with relevant background and experience to review assignments. The review engagement conducted in 16 days in the representative offices included two days of travel to representative offices. The effective time of field work was 14 days. Based on the interview with Itama auditors, the time period to review field work was insufficient to carry out an in-depth review.

### 6) *Preparation of a review program*

The review program contains background, objectives, scope and methodology, review period, budget, and other resources required in the review field work, as well as the

composition of the review team. The review procedure is prepared by considering the questionnaire prepared by the Chief of Auditors and Auditor in Charge. The review team used the review methodology in the form of document analysis, interviews, and discussions. Determination of review samples based on the results of the preliminary analysis at the understanding of the entity step, as well as the direction of senior management. The review team has not identified the key risks to the audit activities reviewed. The preparation of the review procedure has not considered the key risks in the financial audit activities reviewed.

## B. *Proposed Design of Risk-Based Review Engagement Planning*

The design of review program refers to IPPF Standards issued by IIA along with the engagement planning stages prepared by IIA Research Foundation. The engagement planning stage consists of (1) understanding the entity, (2) risk assessment, (3) determination of assignment objectives and targets, (4) determination of scope of assignment, and (5) work program preparation. The process of risk identification and risk assessment refers to Head of BPKP Regulation No. PER-688/K/D4/2012 on Guidelines for the Implementation of Risk Assessment in the Government Institutions.

### 1) *Understanding the entity*

The entity is understood in three stages: (1) identifying the purpose of the financial audit; (2) gathering information related to the interaction between the input, process, and output of the financial audit; and (3) identifying key performance indicators related to the financial audit.

The IIA Research Foundation classifies auditee objectives into strategic objectives, reporting objectives, and compliance objectives [6]. In the context of a financial audit, strategic objectives refer to the strategic objectives listed in the BPK RI Strategic Plan 2016-2020. BPK RI defines the strategic objectives of the financial audit are as follows [6]:

1. Increasing the benefits of audit result in order to encourage the management of state finance to achieve the state's objectives.
2. Improving the quality of audit in encouraging the management of state finance to achieve state's objectives.

The reporting objective of financial statement audits is to provide reasonable assurance of the information presented in government's financial statements in the form of audit opinion. A financial audit has the purpose of compliance to achieve the quality of the financial audit by following the standards and guidelines applicable to the financial audit by BPK RI.

In the planning phase, Itama conducted preliminary analysis to understand the resources used in the financial audit (input), the financial audit process, and the output of the financial audit. Based on the preliminary analysis, Itama can identify the resources and documents used in the financial audit.

BPK RI sets out key performance indicators related to financial audit in order to achieve an organization's strategic objectives. The relevant key performance indicators are as follows:

1. The degree of audit relevance to the expectations and needs of stakeholders.
2. Percentage of the completion of audit recommendations.
3. Percentage of audit report sued and declared lost.
4. Satisfaction index of BPK auditors' performance.
5. Quality Assurance of bureaucracy reformation.

## 2) Risk assessment

The risk identification and risk assessment processes refer to the Regulation of Head of BPKP No. PER-688/K/D4/2012 Guidelines for the Implementation of Risk Assessment in the Government Institutions. The risk assessment for the audit of the government's financial statements conducted by the Public Accountant consists of three stages: (1) determination of risk assessment criteria, (2) risk identification, and (3) risk analysis. Risk assessment considers the impact and likelihood of the risks identified. This step produces a risk analysis matrix, risk level, and risk appetite.

Determination of the risk assessment criteria shall be conducted through benchmarking to the risk assessment criteria in the Ministry of Finance based on the Decree of the Minister of Finance of the Republic of Indonesia Number 845/KMK.01/2016 Risk Management Implementation Guidance in the Ministry of Finance Environment. Risk assessment criteria are the basis of performing risk analysis for the next step. The determined impact and likelihood criteria are as follows (Table II).

We determined the number of occurrences based on survey results obtained from an open-ended questionnaire involving BPK auditors who have conducted financial audit involving the Public Accountant. We then confirmed the results of the survey using the Itama Review Report of Financial Audit in 2016. The percentage of likelihood is based on the number of financial audits conducted by the KAP reviewed by Itama in one year.

Risk impact criteria are classified in several impact areas according to the types of risk events that may occur. Determination of impact areas based on survey results involving BPK auditors in head office and representative offices using an open-ended questionnaire. Based on the survey results, the impact areas that have the highest weight are reputation degradation, decreased performance, and the state finance burden.

The combination of the level of impact and likelihood indicate the risk level. The magnitude of risk is set forth in the risk analysis matrix to determine the level of risk.

TABLE II. LIKELIHOOD CRITERIA

No	Level of Likelihood	Likelihood Criteria	
		Percentage of Possible Occurrence	Total Frequency of Possible Occurrence
1	Rare (1)	$x \leq 5\%$	Never: 0–1 times in 1 year
2	Unlikely (2)	$5\% < x \leq 10\%$	Rare: 2–5 times in 1 year
3	Possible (3)	$10\% < x \leq 20\%$	Often enough: 6–9 times in 1 year
4	Likely (4)	$20\% < x \leq 50\%$	Often: 10–12 times in 1 year
5	Almost certain (5)	$x \geq 50\%$	More than 12 times in 1 year

After developing a risk assessment criterion, the risk was identified as events based on a survey using an open-ended questionnaire involving 31 BPK auditors in the head office and representative offices. Furthermore, interviews were conducted with two BPK auditors in the head office and representative offices to determine the causes, impacts, and risk-related controls that have been identified. Based on the risk identification process undertaken, it was identified that 22 risks at the planning, field work, and reporting stages were apparent. Thereafter, the analysis of the impact and likelihood of each identified risks identified 13 risks that exceed management risk tolerance or risk appetite.

TABLE III. IMPACT CRITERIA

No	Impact Level	Risk Impact Areas			
		State Financial Burden		Decrease in Reputation	Decrease in Performance
		Fraud	Non-Fraud		
1	Insignificant (1)	Less than Rp1million	$x \leq 0.01\%$	Number of documented complaints $\leq 3$ User satisfaction level 4,5 – 5 (scale 5)	Achievement of performance targets $\geq 95\%$
2	Minor (2)	Rp1 million $\leq x < Rp10$ millions	$0.01\% \leq x < 0.1\%$	Number of documented complaints 3 – 5 User satisfaction level 4,25 – 4,5 (scale 5)	Achievement of performance targets $90\% \geq x \geq 95\%$
3	Moderate (3)	Rp10 millions $\leq x < Rp100$ millions	$0.1\% \leq x < 1\%$	Number of documented complaints $> 5$ User satisfaction level 4–4,25 (scale 5)	Achievement of performance targets $80\% \geq x \geq 90\%$
4	Major (4)	Rp100 millions $\leq x < Rp1$ billion	$1\% \leq x < 10\%$	Negative reporting on social media and local mass media User satisfaction level 3,5 – 4 (scale 5)	Achievement of performance targets $75\% \geq x \geq 80\%$
5	Significant (5)	More than Rp1 billion	More than 10%	Negative reporting on national and international media User satisfaction level $\leq 3,5$ (scale 5)	Achievement of performance targets $< 75\%$

TABLE IV. RISK MATRIX

Risk Analysis Matrix			Level of Impact				
			1	2	3	4	5
			Insignificant	Minor	Moderate	Major	Significant
	5	Almost Certain	9	15	18	23	25
	4	Likely	6	12	16	19	24
	3	Possible	4	10	13	17	22
	2	Unlikely	2	7	11	14	21
	1	Rare	1	3	5	8	20

Risk Acceptance Area

Mitigated Area

### 3) Determination of assignment objectives and targets

We determine review objectives based on the key risks identified in the previous step. The key risk is that the Public Accountants who conducted the financial audit on behalf of the BPK did not implement the quality control of the audit according to standards and guidelines of the government's financial audit. The objectives of the review of the quality assurance of the financial statement audit conducted by the Public Accountant are as follows:

1. Provide assurance whether the quality control of the financial audit has been implemented by the Public Accountants involved in the audit engagement according to standards and guidelines of government's financial audit.
2. Identify areas of improvement to improve the quality of the financial audit and monitor of audit recommendations.

Based on risk assessment and review objectives, we determined the review targets that focus on areas with moderate, high, and very high risk. The review assignment focuses on planning, field work, and reporting of financial audits in the areas of moderate, high, and very high risk.

### 4) Determination of scope of assignment

We determined the scope of the review assignment based on risk assessment and availability of resources. The scope of the review of government's financial statement audit by Public Accountants are as follows:

1. Audit the financial statements of ministries and counties of the government for the fiscal year 2016.
2. Review conducted on the financial audit report issued in 2017.
3. Review focuses on planning, field work, and reporting phases of the financial statement audit.
4. Review was conducted for 14 units (the head office and representative offices), which involve Public Accountants in the audit of the government's financial statements.

### 5) Work program preparation

The review procedures are developed based on the 13 risk events determined in the risk assessment phase. Each review procedure is intended to assess the adequacy of controls related to the risk events and whether these controls have been implemented by the auditors.

## V. CONCLUSION

### A. Conclusion

The implementation review engagement planning for government financial statements audits conducted by the Public Accountant has not been fully adopted as a risk-based approach. Several steps of review assignment planning have been in line with the IPPF Standards. However, Itama has not identified the key risks in financial audit activities involving the Public Accountant. Moreover, Itama has not conducted a risk assessment by considering the impact and likelihood aspects of risks. In addition, the allocation of resource assignments has not fully complied with the IPPF Standards. Itama has personnel with an appropriate educational background and audit experience to support the achievement of the assignment objectives. However, Itama does not yet have a workload analysis. Therefore, it has not been able to determine the resource requirements for each assignment of reviews.

Furthermore, the proposed design of review engagement planning for the audit of government financial statements by the Public Accountant uses RBIA. It identifies and assesses risks related to the audit of government's financial statements conducted by the Public Accountant. Risk assessment considers the impact and likelihood of risk events. This step generates 13 risk events that exceed management risk tolerance levels. The key risk of financial audit conducted by the Public Accountant is that Public Accountants do not implement quality control of the audit according to standards and guidelines for the government's financial audit. The result of risk assessment becomes the basis for determining the review objectives, the scope of the assignment, and the preparation of the work program including review test procedures. Finally, this paper has produced a risk-based review program in the midst of limited resources owned by Itama.

Based on the analysis above, we suggest Itama to identify the key risks at the planning review stage. Itama also performs risk assessments with due regard to the impact and likelihood aspects. Thereafter, Itama uses the results of risk assessment as the basis to determine the target assignment, review the sample of financial audit engagements, and prepare review procedures. It is also suggested that Itama compiles and sets the workload analysis, which can be used as a reference in determining the needs of personnel on each assignment. In addition to referring to the workload analysis,

determination of HR formation needs also refers to the Study of Formation of Human Resources, formulated by the Directorate of Research and Development BPK RI.

### *B. Limitation of The Study*

In this study, risk assessment criteria were set particularly for the financial audit process level in the head office and representative offices, which involve the Public Accountant, regardless of their alignment with the establishment of risk management context at the strategic level. Object risk management data was not obtained at echelon 1 level, and no interviews were conducted with risk management teams at echelon 1 level.

Risk assessment in this study aims to be the basis to the design of a risk-based review program and not as the basis for the preparation of the organizational risk management framework. Therefore, the risk assessment step did not identify any control over identified risks.

The proposed design of review test procedures did not consider the financial audit activities using information technology (e-audit).

### *C. Suggestion for Further Research*

The result of this study can be used by Itama to develop a risk-based review program of a financial audit involving the Public Accountant as well as to serve as the reference to all types of assurance engagement conducted by Itama in the future.

Future researchers might develop audit engagement plans or audit programs using a risk-based approach. This study can be used for any assurance engagements in the context of internal audit activities.

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