

Analysis of Financial Statement Audit Planning (Case Study at Boy Febrian Public Accounting Firm)

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Article Info

Article history:

Received July 25, 2024
Revised October 19, 2024
Accepted December 5, 2024

Keywords:

Audit Planning
Financial Statements
KAP Boy Febrian

ABSTRACT

The purpose of this study was to determine how the audit planning process, documentation during the audit process and see whether the audit planning at KAP Boy Febrian was in accordance with the Public Accountant Professional standards by the Indonesian Institute of Accountants in SPAP. The research was conducted at KAP Boy Febrian located at Jalan Tiga Dara Number 3A, RT. 06 RW 03 Kel. Delima, Binawidya District, Pekanbaru City, Riau 28291. Informants in the study were all employees of KAP Boy Febrian. The data in the study used primary data and secondary data. Primary data obtained from interviews with informants, observation and documentation. Secondary data is obtained from previous research data. The results showed that financial statement audit planning at KAP Boy Febrian consisted of eight stages. Each stage must be carried out effectively so that the audit results obtained are of good quality and can be used by interested parties.

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INTRODUCTION

Financial reports are documents about the company's financial and cash records that can be used for interested parties in making decisions and financial reports can also explain the company's performance. In Indonesia itself, it is mandatory for every company to prepare financial reports in accordance with applicable accounting standards. Financial statements must meet the criteria that the information provided is fair, reliable and not misleading.

To obtain quality financial reports, third party labor is needed to audit financial statements. This third party can be mentioned from public accountants. Public accountants will be responsible for the audit by examining the company's financial statements with the aim of knowing whether the preparation of the company's financial statements is in accordance with applicable accounting standards and whether it is in accordance with the company's conditions. If there are several errors, the public accountant will be responsible for correcting the company's financial statements so that they are in accordance with applicable standards in Indonesia.

Based on the information above, it can be seen that the role of public accountants is very important in the preparation and examination of financial statements. Fadhilah and Rahmawati (2021) reveal that public accountants are responsible for conducting audits and providing opinions

based on the review of financial statements with a reasonable assurance opinion level. The results of the opinion of the public accountant are very important because they can influence the decisions of third parties in the company such as creditors, stakeholders and investors in investing capital and can provide information to the company in making future decisions. However, in practice, there are still some public accountants who provide incorrect opinion results. This can be caused by a lack of understanding of the audit process so that it can result in ineffective information obtained by clients.

So that audit planning is needed with the aim of minimizing the occurrence of poor quality financial statement audit results. Audit planning serves as a link between the auditor and the stages of the audit process to be carried out. Audit planning includes making a comprehensive plan for the implementation of the audit as well as the expected audit scope. audit planning is carried out with the aim of being able to find out and explain and solve problems in society, environmental changes with better economic goals and meeting stakeholder needs. An auditor needs good audit planning so that it can affect the quality of the audit results. According to Saputri (2023) good audit planning is supported by the results of evidence in a good audit process and can show the experience of an auditor who supports the results of a financial statement audit.

The preparation of audit planning can be adjusted to the applicable standards. In Indonesia, audit planning by auditors is based on the Public Accountant Professional Standards (SPAP) guided by Audit Standards (SA). Audit Standard 300 (2013) explains that financial statement audit planning is the responsibility of the auditor with the aim that good audit planning will be able to increase timely audit completion supported by team members who are in accordance with their competencies and abilities so as to identify possible risks in the audit process.

Boy Febrian Public Accounting Firm is one of the public accounting firms located in Pekanbaru, precisely on Jalan Tiga Dara Number 3A, RT. 06 RW. 03 Kel. Delima, Binawidya District, Pekanbaru City, Riau 28291 and is a business entity responsible for providing accounting services, auditing financial statements, financial and management consultants. KAP Boy Febrian has a license with number 43 / KM.1 / 2023 from the Indonesian Minister of Finance 2023. In providing auditing services, KAP Boy Febrian will carry out audit planning with the aim of producing a structured audit implementation process so that it can be completed on time.

Based on the background explanation above, the authors are interested in conducting research in audit planning at KAP Boy Febrian with the research title "Analysis of Financial Statement Audit Planning (Case Study at Boy Febrian Public Accounting Firm)". The purpose of this study was to determine how the audit planning process, documentation during the audit process and see whether the audit planning at KAP Boy Febrian was in accordance with the Public Accountant Professional standards by the Indonesian Institute of Accountants in SPAP.

THEORETICAL BASIS AND HYPOTHESIS DEVELOPMENT

Definition of Financial Statement Audit

The term audit comes from ASOBAC (A Statement of Basic Auditing Concepts) which refers to an organized process for collecting and objectively evaluating evidence about statements of economic actions and events and seeing whether statements are in accordance with established standards and whether they have provided results to those in need (Haniifah and Pramudya Stuti, 2022).

According to (Ardiansah et al., 2021) explains that financial statement audits are audit activities carried out to assess a company's financial statements whether they are in accordance with accounting standards in Indonesia so as to ensure that no errors occur. By conducting a financial statement audit, the information obtained from the financial statements can increase so that it can be used by the authorities. Halim (2018) explains that the implementation of the audit is needed due to the need between company management and third parties of the company to have different interests, so that an auditor is needed as an independent party to assess the fairness of the financial statements that the company issues.

Audit Planning

Audit planning is the process stage for conducting an audit so as to obtain structured stages in testing. Audit planning includes strategy development, audit scope, audit program, audit process, changes in the environment where the audit is conducted, and stakeholder needs that are different from the needs of company management (Bastian et al., 2020). All of these planning activities are carried out with the aim of obtaining quality audit results so that they can be used by interested parties. This is also in line with the statement of Rachmawati et al. (2016) which reveals that audit planning is the development of a comprehensive strategy in planning audit activities. And relies on preliminary information in consideration of the audit implementation.

Audit Planning Stages

Audit planning is guided by SA 300 written in the Public Accountant Professional Standards (SPAP) with a phased process consisting of:

1. Determination of Audit Strategy
 - a. Identify engagement characteristics related to the scope of the engagement.
 - b. Establish and ensure engagement reporting objectives so as to plan audit communications and timing
 - c. Determine and ensure the required resources are available in the execution of the engagement
2. Developing an Audit Plan
 - a. Identifying the risk assessment in the audit results must be established in advance.
 - b. Identify follow-up audit procedures defined at the assertion level
3. Strategic Updates and Changes to Audit Planning During Audit Implementation

In carrying out audit procedures, sometimes the auditor encounters unexpected events that require him to change the previously established audit strategy and plan. This occurs when the information that is the basis for planning audit procedures and the information found by the auditor in the field is considered to have significant differences (SA 300 A15).

4. Direction, Supervision, and Review of Audit Team Work

Supervision of audit team members, review of performance results, and the nature, timing and extent of direction depend on the following factors (SA 300 A16):

- a. Company size
- b. Place of audit
- c. Risks due to misstatement in material values
- d. Competence and capability of the engagement team in conducting the audit

Definition of Public Accounting Firm

Public accountant is a professional profession owned by a person and acts as a liaison between a company and parties who have an interest in the company. So the Public Accounting Firm (KAP) is a professional body or institution that provides various accounting services to their clients. Public Accounting Firms (KAP) generally consist of a team of certified and licensed accountants who have expertise in various aspects of accounting, auditing, tax, and financial consulting. The main task of KAP is to provide audit services. Audits are carried out by examining and evaluating the financial statements of a company or organization to ensure accuracy, reliability, and whether they are in accordance with applicable accounting standards in Indonesia. The audit process is carried out by the auditor as an independent and objective party (Fajrin et al., 2022). Apart from audits, KAP can also provide other services such as:

1. Tax Consulting Services: Advising on optimal tax strategies, assisting clients in completing and submitting tax documents, and providing solutions to tax issues.
2. Financial Planning Services: Assisting clients in planning and managing their finances, including asset management, investment, and retirement planning.
3. Business Analysis: Analyze the financial and operational performance of a business, providing recommendations to improve efficiency and profitability.
4. Management Advisory: Provide advice and guidance to company management on financial and strategic decision-making.

RESEARCH METHODS

Descriptive qualitative is the type of method used in this research. The qualitative descriptive approach according to Prabowo & Heriyanto (2013) is a qualitative data processing method and analyzes the factors of the research object and describes the data in depth on the research object. The research was conducted at Boy Febrian Public Accounting Firm located at Jalan Tiga Dara Number 3A, RT. 06 RW. 03 Kel. Delima, Binawidya District, Pekanbaru City, Riau 28291. The research was conducted during internship activities starting from April to August 2024. The informants in this study were all employees at KAP Boy Febrian. This study uses primary data and secondary data in analyzing data. Primary data is obtained from observations at the research site, interviews with sources and documentation. Secondary data is obtained from previous research.

RESULTS AND DISCUSSION

Before accepting a client we must pay attention to the resources owned by the office, meaning whether the audit can be carried out with the resources in the office. Next, we see the scope of the audit, whether it is a general audit of financial statements or a special audit. If so, then ask for data with some considerations because we have to assess risk, this audit risk must be assessed before the work is carried out, and from there we can determine the level of materiality used. If all the data has been received, the risk has been determined, and the materiality. Next we communicate with the client by making a form with TCWG (Those Charged With Governance) with parties who have an interest. If the client has been audited by another KAP in the previous year, we ask for the previous year's audit report. Then at KAP Boy Febrian using the mandatory PMPM (Principles of Knowing Service Users) from IAPI (Indonesian Institute of Public Accountants) we must know what our clients use audit services for. Then later it will be filled in by the client and KAP Boy Febrian will sign in it.

As for the role of senior management in audit planning, they determine from the data that has been received, it is then analyzed to determine materiality, then it is discussed and audit procedures are carried out, depending on the report, materiality and risks that have been assessed. If it turns out that the risk is high, more data is used. KAP Boy Febrian prepares audit planning in accordance with the ISA (International Standard on Auditing) standard. This is based on the results of an interview with informant Mr. A and is one of the senior auditors at KAP Boy Febrian, who explained that: "We are based on the SA (Audit Standards) that have been carried out by IAPI (Indonesian Institute of Certified Public Accountants), for client financial reporting it is based on SAK (Financial Accounting Standards) clients, both of these standards are regulated by the IAI (Indonesian Institute of Accountants) how to book transactions".

Financial Statement Audit Planning Stages at KAP Boy Febrian

The stages of audit planning activities and processes at KAP Boy Febrian are implemented in the following way:

1. Analyze the Overall Audit Strategy

The first step in audit planning is to develop an overall audit strategy. At this stage selecting team members in the audit is required as a resource. As an auditor must be able to conduct an audit and draw conclusions from the audit results. The timing of the audit is influenced by the level of complexity of the financial statements. As a leader in the audit assignment, he must be able to direct members to be involved in the audit process at Boy Febrian's KKAP according to the engagement agreement so as to be able to manage the time, nature and planned audit procedures.

2. Determining Materiality

Determining materiality is the second step in the financial statement audit planning process. KAP is to determine materiality based on professional judgment. In ISA 320, paragraph 10, it is stated that the auditor should determine the materiality level of the client's financial statements during the process of creating a comprehensive audit strategy. The author has determined and used appropriate materials for financial statement audit planning in accordance with SPAP standards.

3. Audit Team Discussion

An activity in the audit planning stage is the audit team discussion. Each team has a responsible person. The team members each determine how specific. ISA 315 emphasizes that if there are members who are not involved in the team discussion, the engagement team members are responsible for providing the information obtained during the discussion to the uninvolved team. Both the decision of the engagement leader and other information must be explained to the team not involved in the discussion. In the discussion, the important thing to emphasize is where in the financial statements misstatements often occur due to intentional or unintentional fraud. In the discussion of team members, it must ignore the honesty and integration of management and TCWG (Those Charged with Governance) because what is the auditor's personal opinion must be mentioned in the audit results in the form of an opinion.

4. Initial Risk Identification

Performing initial risk identification is the fourth step in audit planning. At this stage the auditor will consider the existence of material misstatement. Risks occur due to fraud in the financial statements and can cause material misstatement. ISA 315.3 explains that at this stage the auditor has the aim of finding material misstatements in the financial statements caused by fraud and then assessing how much risk occurs due to the fraud. So that in addition to understanding the financial statements, the auditor also needs to understand the organization and environment of the company to be reviewed. This activity is carried out with the aim that the auditor can design and implement what actions can be taken at the risk of material misstatement.

5. Significant Risk Analysis

The fifth step in audit planning is to conduct a significant risk analysis. The audit team should have extra attention to misstatements in the financial statements in performing the significant risk analysis. Therefore, before proceeding, our team should prioritize the client's internal controls, especially with regard to the risk of misstatement. ISA 315.29 explains that the inherent risk that the auditor has found, the auditor should control the entity and the activities related to the risk.

6. Internal Control Understanding

The next step in preparing audit planning is to understand internal control over client management. According to KAP Boy Febrian, auditors must understand the internal control of client management both related to audits and not related to audits. This is done with the aim that the auditor can carry out further audit planning and can resolve the risk of misstatement. ISA 315.29 explains that when the auditor finds a significant risk, the auditor can understand the entity's internal control.

7. Evaluating Internal Control

The seventh step in the audit planning process is done by evaluating internal control. After the auditor team understands and knows the client's internal control activities, it will then evaluate whether these activities have been implemented.

8. Communicating Internal Control Weaknesses

The final step in audit planning is to communicate the client's internal control weaknesses. After the auditor notifies the entity's management, the auditor then notifies the TCWG (Those Charged with Governance) in writing of any significant issues discovered during the audit. Auditors should pay attention to other weaknesses that are found but not communicated. KAP Boy Febrian is responsible for notifying clients of the discovery of internal control weaknesses to company management before notifying TCWG (Those Charged with Governance). This statement is supported by ISA 265.8 which explains that the auditor must inform the company's internal control weaknesses to TCWG.

Conformity between KAP Boy Febrian Financial Statement Audit Planning and SPAP Financial Statement Audit Planning

Based on SPAP	Based on KAP Boy Febrian	Description
Analyze the Overall Audit Strategy	Ensure professional and capable resources, supported by space appropriate audit scope, implementation, evaluation, reporting to audit follow-up.	As per
Determining Materiality	Determine materiality with the aim of finding and assessing the risk of misstatement. In this stage, it can find the nature, extent and appropriate time in which audit procedures are performed.	As per
Audit Team Discussion	Audit team discussions in audit planning and execution help team members to share information, identify risks, and formulate appropriate strategies.	As per
Initial Risk Identification	Identify the initial risk of misstatement of the client's financial statements and collect audit evidence and respond to fraud.	As per
Conduct Significant Risk Analysis	Auditors are responsible for identifying the risks of misstatement in the financial statements.	As per
Understanding and Evaluating Internal Control	It is very important for the team or auditor to understand and evaluate the client's internal controls. This is done so that the auditor can take a message that can be conveyed to the client about material quality. Then conduct an evaluation of internal control with the aim of whether the client has properly carried out the message that the auditor conveyed.	As per
Communicating Internal Control Weaknesses	The auditor team will communicate to the client first about its internal control weaknesses. Then communicate to TCWG (<i>Those Charged With Governance</i>) after identification.	As per
Completing the Risk Value Stage	At the risk assessment stage, the auditor must discover whether the risk impacts various assumptions.	As per

Source: Data processed by the author, Year 2024

CONCLUSION

Based on research at KAP Boy Febrian regarding financial statement audit planning consists of eight stages. Each stage must be carried out effectively so that the audit results obtained are of good quality and can be used by interested parties. The stages in audit planning carried out by KAP Boy Febrian have been carried out in accordance with SPAP standards. SPAP standards are issued by the Indonesian Institute of Certified Public Accountants (IAPI).

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