Auditor Risk Interpretation On Auditors Of Indonesian Supreme Audit Institution

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Abstract: The purpose of this research is to reveal the meaning of audit risk in the examination of Regional Government Financial Statements (LKPD) to auditors in Indonesian Supreme Audit Institution (BPK). The informants in this study were three auditors who were in Surabaya and Jakarta who were willing to be the subject of researchers in order to reveal the meaning of audit risk based on their experience conducting LKPD examinations in various local governments in Indonesia. This research is a qualitative study using an interpretive phenomenological approach. Data analysis technique is to use Interpretative Phenomenology Analysis (IPA). The results of the study revealed that the meaning of audit risk for auditors who have experience examining LKPD in the Supreme Audit Board is: Audit risk is related to the size of the entity and the size of the budget, and audit risk is closely related to the level of materiality where the greater the entity and the greater the budget, the audit risk will be faced by auditors increasingly high. The higher the audit risk, the higher the level of materiality.

Index Terms: auditor, audit risk, entity size, materiality, budget.

1 INTRODUCTION

Audit risk is a very complex concept in the audit process because it determines opinions and conditions that must be met in international audit standards (Igor and Vera, 2016: Nadezhda, 2016, and Levan, 2018). In determining audit risk, the auditor must comprehensively understand the entity and one of them is the character of the entity to be examined. In a public sector audit, the entity in question is a regional government which is an organization with their respective characteristics like humans who differ from one another. The characteristics of local government are special characteristics inherent in local government, mark a region, and distinguish it from other regions. One of the main tasks of the regional government is to realize transparency and accountability in the management of regional finances by submitting accountability reports on regional financial management that meet the principles on time and are prepared based on Government Accounting Standards (SAP). The Regional Government Financial Report (LKPD) is a financial report as a form of accountability of regional heads, namely the governor / regent / mayor for the implementation of the Regional Budget in a particular fiscal year. LKPD which has been prepared and approved by the regional head will be submitted to the Representative Finance Inspection Board (BPK) in each province. The audit of LKPD by BPK functions to support the success of the efforts to manage regional finances in an orderly and obedient manner in the applicable laws and regulations. An examination of LKPD is a type of financial audit that aims to provide an opinion statement about the level of reasonableness of the information presented in the LKPD.

The starting point in starting an LKPD audit is that the auditor must determine audit risk in order to mitigate risk by first understanding the entity including the character of the local government and business processes in accordance with the operational guidelines for financial audit. An example of understanding entities is understanding the form of regional government such as DKI Jakarta Province which is the capital of the country will definitely be different from the Province of Yogyakarta Special Region, on the other hand regional character such as Riau Islands Province which is an archipelago is definitely different from Riau Province which is a land area. Auditors play a key role in managing audit risk (Levan, 2018). If the auditor can properly calculate these risks in the conduct of his examination, then that is the key to achieving quality inspection results (BPK, 2017). Vice versa, if the auditor fails to assess the client's audit risk appropriately, this will lead to wrong conclusions (Theodore, 2011). The auditor is the main actor in the audit examination who must know deeply the auditee that is the object of the examination. An introduction to the strengths and weaknesses of the local government that will be taken into consideration to decide the risks to be faced by the auditor in the examination. The application of audit risk in public sector audits is very important because examiners always face things that are uncertain (risk) in the audit such as uncertainty about the accuracy of the evidence, effectiveness of internal auditee control, and uncertainty whether the financial statements have been presented fairly after the audit has been completed. Based on the description above, the determination of audit risk by the auditor is strongly influenced by several things including the characteristics of the local government, the effectiveness of the auditee's internal control and the condition of the entity. Therefore the determination of audit risk can be different from one local government to another regional government. Differences in audit risk assessment depend on the auditor's approach to assessing risk (Wilks and Zimmerman, 2004: William and Goal, 2013). However, this contrasts with the BPK policy which has set quantitative audit risk in LKPD examinations of 5% and applies to all the same local government entities. This is what then intrigues researchers to understand the meaning of the experience of government auditors regarding audit risk based on the experience of examining LKPD with the character of different types of government. Therefore, to understand the above, it is important for researchers to understand the mind set of auditors. Mind-set in this case is how the mindset and behavior possessed by the auditor based on the experience of auditors conducting audits of local government financial reports so far.

2 LITERATURE REVIEW

Audit Risk is like a compass, which is the first step in planning an audit that will be a guide in the audit process from planning to reporting stages. According to the auditing standard section 312 (Mulyadi, 2002) audit risk is the risk that occurs in the case that the auditor unwittingly does not modify his opinion as appropriate, for a financial statement that contains material misstatement. This understanding is not much different from
the concept of audits conducted by BPK (2017), namely audit risk is the risk of auditing arising because the examiner unknowingly, does not modify the opinion as appropriate, on a financial statement that contains material misstatement. The examiner establishes audit risk in the financial audit at a level of confidence sufficient to be able to provide an opinion on the audited entity’s financial statements. Examination risk is related to the probability (probability) of the examiner concluding that all the assets presented in the financial statements prepared by the entity's management that are materially examined are true, even though there are materially incorrect assumptions. Errors and misstatements (errors and misstatements) can occur due to various factors, including:
1. Transactions are lost or ignored in the accounting system;
2. Inaccurate transaction processing;
3. Falsification of documents supporting financial statements;
4. Selection of accounting policies that are not appropriate, and
5. Error factors and other misstatements.

The examiner then establishes audit risk at a reasonable level of assurance (reasonable assurance) as the basis for providing opinion on the audited financial statements. Investigators always face risks related to uncertainty in carrying out audits. For example, risks to the accuracy of the evidence, risks to the effectiveness of the internal control of the entity being examined, and risks whether the financial statements have been presented fairly after the inspection has been completed. If the examiner can properly calculate these risks in the conduct of his examination, then that is the key to achieving quality inspection results. The auditor has an obligation to consider the audit risk in the financial statements as a whole, the examiner must consider the risk of material misstatement related to the financial statements and potentially affect assertions. Investigators must also consider risks at a more detailed level through a series of checks which include checking account balances, class of transactions, or the adequacy of disclosure.

3 RESEARCH METHODS
This study, researchers used a qualitative study with interpretative phenomenology which in essence is related to the interpretation of reality. Phenomenology seeks answers about the meaning of a phenomenon. Phenomenology also holds reflections on direct experience or reflection on symptoms / phenomena. Phenomenology wants to see what is experienced by humans from the perspective of the first person, namely from the person who experienced it and the reflection generated by the informant to get a true and profound understanding. The focus of phenomenology is not particular experience, but rather the structure of conscious experience, that is, objective reality that manifests in subjective experiences of individuals. Phenomenology focuses on the subjective meaning of objective reality in the consciousness of people who carry out their daily life activities. Researchers focus on the structural description in this study, which is the researcher wants to reveal how auditors in the BPK environment experience and interpret audit risk based on their experience conducting LPKD examinations so far. Instruments in qualitative research are known as human instruments, which means that in qualitative research the researcher himself acts as a research instrument (Idrus, 2009). Qualitative research data is not just related to words, but actually what is meant is everything that is obtained from what is seen, heard, and observed. Data or information sought by researchers should not be limited to specific data because variations in the data obtained by researchers will make the study have a high carrying capacity of validity and reliability (Idrus, 2009). So that researchers are expected to be more sensitive in exploring the problems that arise during the study, and also researchers can be neutral. Data Analysis Techniques using the interpretive phenomenological approach by Alfred Schults as written by Smith et al., (2009) adopted and developed this phenomenology with a practical interpretative approach. In this phenomenological study, it is assisted with interpretative phenomenological analysis (API) or Interpretative Phenomenology Analysis (IPA). The Phenomenological Analysis Interpretation steps carried out are as follows.

4 RESULTS
The original function of the auditor was initially to detect fraud and a service profession in order to ensure that the agent had demonstrated the true financial situation of the business. But in its development, this task has changed since the auditor can no longer be a guarantor and cannot ensure that 100% of reports are prepared and presented by fraud-free agents. Therefore, auditors are expected to provide reasonable skills and opinions in giving their opinion on whether the financial statements have represented the financial situation of the company's business (Owolabi et al, 2016). This also applies to government auditors namely auditors who are in the BPK where the BPK is a high state institution that has the authority to audit the financial responsibilities of the central government and regional government to be submitted to stakeholders such as the President, Regional Heads, DPR, DPRD and the public. Auditors in the BPK organization are the main actors who play an important role in carrying out the noble task of carrying out BPK's vision, which is to become a credible state financial audit institution by supporting high basic values to play an active role in encouraging the realization of accountable state financial governance and transparent. BPK is an organization that is legally granted the right to conduct audits of state financial management, so that auditors who are at BPK are external public auditors of the government that are different from auditors who work in BPKP organizations or inspectorates. Becoming a part of the state servant with the term Civil Servants (PNS) as an auditor at BPK is a matter of pride for the three informants in this study. BPK auditors who are in BPK Representatives must explore various remote areas even to remote areas to carry out planned inspection procedures. Like a traveler but his shoulder has a heavy responsibility to become a soldier who oversees the finances of the local government. Every LKPD examination also contains a story that is embedded in the examiner's memory and can be a beautiful memory or vice versa. A memory that can be a science that can influence the examiner in producing a work according to professional demands. Because each area visited has its own character which can directly or indirectly affect the examination. BPK auditors such as nomadic creatures who have to move from one place to another to explore the entire territory of Indonesia in order to make observations about the real face of Indonesia in terms of regional financial management. Interpretative 1 Audit risk: The
Bigger Entity The Bigger Audit risk

Firm size influences audit planning because very large companies require complex audits and company size will involve more activities than smaller companies (Castro et al., 2015; Junaidi et al., 2016; Kikha, 2014; Al Hassan, 2017). This is in line with the auditor's statement about audit risk which illustrates that the larger the entity, the greater the audit risk that the auditor will face. A spontaneous expression out of the thoughts of KT 1 and AT, because when expressing this, remember their experiences when auditing large-scale local government with a small size. An interpretation of audit risk where audit risk is closely related to the size of the entity in this case is the size of the local government. The relationship is seen in Figure 1.

![Fig 1: Relationship between Government Size and Audit risk](image)

Assets are resources that are used to carry out operational activities of an entity. The size of a company can be measured by the total assets owned by the company (Junaidi et al., 2016). The total assets owned by the regional government are listed in the balance sheet which is one of the seven reports compiled in the LKPD and is the object of the regional financial audit. One important risk related to total assets and is one of the objectives of the audit is the adequacy of disclosure (adequate disclosure). Assets are resources that are used to carry out operational activities of an entity. The greater the number of assets, the greater the resources that can be used to make greater disclosures. Local governments with large total assets are required to make transparency over their financial management as a form of public accountability through disclosure of more information in the financial statements. Research by Khasanah and Rahardjo (2014), Maulana and Handayani (2015), Yunara et al. (2016), and Syofyan (2017) found a positive effect between the size of the proxied local government and total assets on the level of LKPD disclosure. Whereas Setyowati (2016) revealed that the amount of asset ownership by the regional government had a negative effect on the level of LKPD disclosure. Assets are resources that must be accounted for by their use to the community such as the need to carry out an inventory and appraisal of assets belonging to local governments, so that certain types and amounts of assets that belong to local government resources are known (Larassaty, et al., 2013). Because the greater the assets owned by the company, the greater the size of the company (Bambang, 2008). Regional government expenditure is expenditure issued by the regional government in order to support activities or programs in the framework of holding government activities in order to run the wheels of government. Whereas in PP 12 of 2019 regional expenditures are all regional government obligations that are recognized as a deduction from the net worth in the period of the fiscal year concerned. Total expenditure is an illustration of cash disbursements from local governments which are generally prone to misappropriation. The greater the total expenditure shows the level of risk faced by the auditor in the field with the complexity of the problems in regional spending. The two variables, namely total assets and total expenditure are two very complex variables in the inspection procedure. Various kinds of procedures that must be carried out such as observation, interview, physical examination such as cashname, stock taking, checking the results of the project and various detailed and detailed steps contained in various forms that are standard in the inspection make it seem as if the two variables are a challenge and the biggest risk that must be faced by the auditor.

Interpretative 2 Audit risk: The Greater the audit risk the greater the materiality level

At the time of examination of LKPD, all eyes are on materiality, a number that is always used as a standard in the inspection findings. The term materiality is more famous than audit risk as materiality is the main actor while audit risk is a supporting actor even though audit risk determines the value of materiality. On the other hand auditors also face uncertainty about materiality of misstatement. Materiality assessment requires complex, subjective assessment and estimation so that it opens opportunities for errors and biases (Knechel, 2013). The use of materiality because it is related to the application of audit risk, the use of materiality will be an attraction for the auditor when planning, implementing, and reporting the results of the audit (Julia et al., 2015). Materiality has long been an important topic for auditors. Materiality issues arise during the preparation and implementation of financial statement audits. With the RBA approach, auditors are interested in materiality when planning, conducting and reporting audit problems. Where materiality is influenced by auditors' professional standards and judgments and in general from various studies in the audit literature state materiality as a matter of determining the accuracy and material misstatement (Julia et al., 2015). For informants, materiality is a very close partner with audit risk wherein the informants revealed that "The higher the audit risk the greater the Materiality Level". Based on this expression, the informants said that the high materiality affected the extent of the audit area resulting in the vast sampling area in the LKPD examination. The size of the audit area makes the examination more complex so that it requires a comprehensive audit process (Alhassan, 2017) because the regional government is not only independent but consists of 30-33 regional organizations scattered in various locations, has a composition of assets, inventory and so on. This was also expressed by Simunic, 1980; Chan et al, 1993 in the context of private companies which states that: "The common indicator of audited firm complexity is the number of subsidiaries and branches (both local and foreign) of the client company, the proportion of foreign subsidiaries, the number of different company locations and variables relating to asset composition, receivables to total assets, inventory to total assets, both of them to total assets and number of industries in which the client operates and son on". According to high audit risk informants, the materiality value is high. So to meet the value of materiality, the number of accounts to be sampled will be even greater in order to meet the predetermined materiality value. In mind set, the greater the materiality value, the greater the coverage coverage that must be done by increasing the number of accounts to be listed and the amount to be sampled to reach the minimum limit of materiality.

Interpretative 3 Audit risk: The Bigger Budget The Higher
Audit risk. A piece of the story by Hepi Cahyadi, an employee of the Directorate General of Taxes, was revealed on the tax.go.id website, as usual in the last quarter or precisely in November and Desemer was the month of development. Look at the excavation alongside a wide gaping road or a sidewalk that was suddenly demolished even though it still looks good. Ceramic or paving cooker workers are seen as long as they meet the project deadline. So do not be surprised if less than a year the work of the builder has been damaged by weak ceramics, cracked walls and others. Ditches or drains are also dug up in the rainy month even though the work should be done during the dry season. Events like this continue to repeat every end of the fiscal year. All government institutions such as competing to produce budget money. In the minds of the Budget User Authority as stuffed with a doctrine that says that if this year’s ceiling can be absorbed according to the minimum target, next year the agency / agency / ministry must prepare to cut its budget ceiling. The percentage of budget absorption is a measure of performance not the outcome felt by the community. The problems above are one thousand and one kinds of problems faced by the belle of the budget. The budget is power because in many studies the main agency relationship problems occur between the executive and legislative branches. Constitutionally the two institutions each have power over the budget. They excessively use power to maximize their utility (Damayanti, 2018). Executives have a tendency to enlarge their agency budget both financially and non-financially while the legislature prioritizes its self-interest (Smith and Bertozzi, 1998: Von Hagen, 2002 in Damayanti, 2018). The budget is basically a statement of the estimated performance to be achieved over a certain period of time expressed in financial measures. APBD is defined as the annual financial plan of the regional government which is approved by the Regional House of Representatives (DPRD). The APBD contains income and expenditure items that are targeted or targeted to be achieved for one year. In LKPD examinations, for auditors the budget is the belle of concern for auditors. When the auditor has known the entity to be examined, the first question in the auditor is what the entity’s budget is. For auditors, the budget also greatly affects audit risk because the greater the budget the more audit risk will be faced by the auditor. According to informants, the greater the budget will be followed by a higher risk in the complexity of very heavy audits. For example, Riau Province’s larger budget compared to the district is far more complex and complicated than the city government with a small budget. Especially when we compare the budget of the Riau Provincial Government when compared with the DKI Jakarta Government as the national capital where political pressure is felt because it is located in the center of state government. The informants mentioned that there were several things that caused the budget to greatly influence audit risk. This can be seen in Figure 2.

1. Late Endorsement
A real picture of the late approval is the issue of DKI Jakarta's budget year 2020 budget that was delivered by Edi Wahyono in his article titled Gaduh DKI Jakarta Magic Budget (Detiknews.com dated November 8, 2019) which basically highlights the number of strange budgets including the purchase of 82 billion aibon glue by the Department of Education. The budget is very thick with the political world this is in accordance with the phrase Wildavsky (2004) in Syarifuddin (2018) that all government budgets are about politics where most of the politics are related to or intersect with the budget, and the budget is therefore part of the political game. In addition, according to Wildavsky, the budget is a “struggle for power”. Budgeting in public is a fairly complicated process. This is different from budgeting in the private sector. Budgets in the private sector are part of company secrets that are closed to the public. On the contrary in the public sector, the budget must instead be informed to the public to be criticized and discussed for input. The public sector budget is an instrument of accountability for the management of public funds and the implementation of programs financed from public money (Mardiasmo, 2005). Then what is the relationship with the LKPD audit world. According to the informant the delay in the ratification was due to the interests of one of the parties not being accommodated in the APBD / APBDP or in other words there was no agreement and the budget needed a negotiation that accommodated the interests of both parties. This has been revealed by Syarifuddin (2018) that budget policy as a reality is built through social interaction, where negotiation is a major vehicle. In addition, the informant revealed that the conflict of interests between the legislature and the executive as an indication of the greater closed negotiations. Delay in the approval of APBD resulted in an increase in activities in the last quarter of October, November and December because the performance of regional governments was measured by the percentage of budget absorption rather than the benefits received by the community. The result is an effect on the completion of physical work at the end of the year, wasteful consultancy activities to unnecessary vertical agencies, internal meeting budget outside the region even though it can be carried out within the region or there is a comparative study out of the island with a considerable number of personnel included. Auditors should further expand their coverage if there are indications that cause a potential for deviation from expenditures which were
not initially included in high risk accounts but in the implementation of detailed audits turned into accounts that have high risks.

2. Regional Leaders Character
The informants revealed that the character of regional leaders such as the Regent, Mayor, Head of SKPD, Head of Inspectorate can minimize the level of realization of fraud that occurs in the budget. The character of the regional leaders referred to is integrity or honesty, and prudent, increasing supervision in this case the function of the inspectorate to carry out more accountable and transparent management of local government finances. In addition, regional leaders provide an example for employees in their environment by not having a very flashy lifestyle that is not in accordance with the amount of income received. For the auditor this can be a redflag for the auditor to conduct in-depth checks.

3. Legislative and Executive Reelations
The case of the Atut Dynasty is a reflection of a special relationship that can create a very high risk of audit deviations. This is proven by the existence of a corruption case committed by Ratut Atut's sister, Tubagus Chaeri Wardana, who now lives in prison for corruption in various projects in Banten. Ratut Atut Chosiyah's dynasty in Banten with the Golkar Party flag unwavering. The parties that have a special relationship with Ratut Atut have a strategic and key position in the center of Banten Government. In the legislative legislative assembly, there are a number of parties that have kinship with Atut. According to the informant, one of the functions of the DPRD is to supervise the performance of regional heads. if there is a special relationship as the Atut Dynasty case according to the informant indicates the potential risk of deviations in budget realization and can be used as a redflag auditor to improve deeper examination. This has also been revealed by Theodorus (2013), the risk of material misstatement through special relationship transactions is generally higher than that of unrelated parties. The auditor must always be alert to the information of relevant parties when reviewing records or documents during the audit. Auditors must understand because special relationships are often hidden because they have the opportunity to be used by management / owners for collusion and manipulation.

4. Regional Head Election Activies
According to the informant, the account of grants and social assistance is an account that is prone to distortion during the local election process because one of the incumbent ways to get support is to use funds contained in the budget and which is often the victim is a grant and social assistance spending account. Auditors will go deeper into grant and social assistance spending because of indications of fictitious spending or markups related to the election of the identity.

5. Human Resource Placement
According to the informant, the election of regional heads is a political process so that in the selection of officials who assist regional heads so that in the placement of strategic positions in regional government management the possibility of competence is not a top priority in the placement of these positions but to what extent a person has a close relationship with regional leaders. this will also affect the audit process because it will slow down the results of auditor audits.

Because local officials do not control their work, many programs are neglected or do not meet their needs. This will also cause a lot of unproductive expenses.

5 DISCUSSION
According to the informants the characteristics of the detailed inspection in LKPD were very limited time, limited team members, and too many audit steps to be carried out. An expression that reveals that the journey in the examination of LKPD, especially in a detailed examination is a very heavy struggle when in the field, the auditor must face a variety of uncertainties in the work. The auditor must be like superman must be able to understand and know all fields of science but the auditor is also a human being who has a conscience, limited time and energy to meet all examination objectives. Audit risk that is embedded in the mind of the auditor based on the experiences that have been passed so far, produces a meaning that can be a concern in the world of LKPD examination to produce a better examination. The meaning of audit risk by the informants after the IPA steps is obtained results which interpretatively the informants reveal that the audit risk is as follows:

“Audit risk is related to the size of the entity and the size of the budget besides that audit risk is closely related to the level of materiality where the greater the entity and the greater the budget, the higher the audit risk faced by the auditor. The higher the audit risk, the higher the level of materiality “.

An interpretation of results obtained from the experience of the informants who conducted LKPD audits in various local governments. The informants acknowledged that local governments have their own characteristics and problems that make auditors trained to find innovations and solutions because sometimes the situation in the field is not in accordance with the theory in the book and this is when experience will play a big role. Experience is the only source of knowledge. A knowledge of audit risk that leads to an imbalance point where the real meaning is audit risk arising from an imbalance that occurs where high expectations are charged to auditors in LKPD examinations, especially people who are waiting for changes to a better direction but the auditor is faced by various obstacles in the field. Audit risk in LKPD examinations is also strongly influenced by the imbalance between executive and legislative roles in carrying out their respective roles. The executive presents a program that promotes the welfare of the people while the legislative is present in the context of supervision to ensure the program provides benefits and is enjoyed by the people.

6. SUGGESTION
The detailed examination in LKPD is an examination that is full of twists and turns and very complex with various problems. To make LKPD examination a quality audit, BPK has established LKPD inspection guidelines regulated in LKPD Inspection Guide Number: 3 / K / I-XIII.2 / 3/2016 dated March 3, 2016. The guidelines have given directions and are clear to the auditor regarding steps that must be done. In addition, BPK has also issued supporting guidelines such as SPKN, materiality technical guidelines, risk assessment guidelines and others. However, the problem according to the informants is that when the field is facing auditors, both technical and technical obstacles become the obstacle for the auditor to fulfill...
the steps in the audit because the characteristics and problems faced vary from one regional government to another regional government.

There are three main points that become recommendations to the BPK, namely:
1. The quantitative audit risk determination of 5% and applies equally to all local governments should be considered by looking at the size of the local government.
2. Conduct a workload analysis by taking into account the magnitude and complexity of the workload to arrange how many personnel and the right number of days based on the understanding of local entities by focusing on the main problems that are owned by local government.
3. To reduce the wide scope of inspection at the time of detailed inspection, for areas that are very high risk can be done at different times and do not unite the entire workload in the detailed inspection.

7 REFERENCES
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