

## Analysis of Financial Report Audit Planning Based on Public Accountant Professional Standards (Case Study on Kap Dony and Ramli)

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### ABSTRACT

Audit planning in a public accounting firm is an important part of producing quality audit reports. The higher the quality of a public accounting firm, the higher the demand for the public accounting firm for the services offered. The more important the preparation and planning that is done so that the report produced is as expected. This Study aims to determine the Financial Statement Audit Planning model carried out by the Public Accounting Firm Dony & Ramli is in accordance or not in accordance with the Auditing Standards set by the Indonesian Association of Public Accountants in the SPAP. In this Study the data collection method used Interview and Documentation techniques. The results of this Study indicate that the Financial Report Audit Planning at Dony & Ramli Public Accounting Firm is in accordance with the Public Accountant Profession Standards issued by the Indonesian Association of Public Accountants.

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## **INTRODUCTION**

People in general do not really understand about auditing or examining financial statements, because for them this is not necessary because people do not see other benefits of auditing but they only look at how much money is spent from the company or in daily life. Audit has many benefits for the company, for example: (1) increasing the credibility of the company, (2) increasing efficiency and honesty, (3) increasing the efficiency of the company's operations, (4) encouraging capital market efficiency, in addition to that the audit of financial statements can also be a source of conflict of interest between the internal parties of a company between the management and the external parties of the company, namely; investors, creditors, government and the public. In order for the audit to be useful for its users, there must be a plan in advance and detailed and correct and the independent auditor has the responsibility to produce a data collection that can be accounted for and has a high objectivity according to the auditor's procedures and plans that will be used in the implementation of an audit.

Audit planning is a stage of an auditing process that is very decisive in the success of audit assignments. The plan is intended to ensure that the audit objectives are achieved in a quality, economical, efficient and effective manner (Hasanah Uswatun 2013: 565.) therefore the stages of audit planning are stages that must be one of the serious concerns of the auditor. Planning is not an audit phase separate from other audit phases, but is an ongoing, iterative process that often begins immediately after (or in conjunction with) the completion of the previous period audit report and continues until the completion of the current period audit engagement (SA 300, Para A2). In Audit Standards ("SA") 300 para 9(c) states that other planned audit procedures must be implemented in order for the engagement to meet the requirements required by the SA (Audit Standards). In addition, adequate audit planning can help auditors ensure that appropriate attention is given to important audit areas, so that problems can be well identified, and work can be done effectively, working effectively means achieving the objectives for audit procedures that are carried out in accordance with the expected targets (Irma: 2015).

In carrying out audit planning, the auditor must consider the audit risk and the level of materiality for audit purposes. The auditor's responsibility is to determine whether a financial statement is misrepresented in a material one, if the auditor is of the opinion that if there is a material misstatement, it must be reported to the client, so that corrections can be made by providing an opinion with an exception or an unreasonable statement must be given on it. In an audit of financial statements, the auditor cannot provide assurance to clients or other users of financial statements that the audited financial statements are accurate. The auditor cannot provide guarantees because he does not check every transaction that occurs has been recorded, summarized and properly classified in the financial statements so that in the audit of the financial statements the auditor gives confidence to the client in the financial statements. Auditing standards are different from auditing procedures. "Procedure" is satisfied with the action that must be carried out while "Standard" is satisfied with the criteria

or quality measure of the performance of the action and is related to the goal to be achieved through the use of the procedure. So in contrast to auditing procedures, auditing standards include the quality of independent auditor professionals and considerations used in the implementation of audits and audit reports. The auditing standards that have been set by IAI consist of ten standards which are grouped into three major groups, namely: (i) General standards; (ii) Field worker standards and (iii) Audit reporting standards.

Reporting standards consist of four standards that are guidelines for independent auditors in preparing reports, namely: (a.) Audit reports must state whether financial statements have been prepared in accordance with accounting principles in Indonesia; (b.) The audit report must show if there is an inconsistency in the application of accounting principles in the preparation of the financial statements of the current period compared to the application of the accounting principles in the previous period; (c.) Informative disclosure in the financial statements shall be deemed adequate unless otherwise stated in the auditor's report and (d) the auditor's report shall make a statement of opinion regarding the financial statements as a whole or an assertion that such a statement cannot be given, then the reasons shall be stated.

In the event that the name of the auditor is associated with the financial statements, the auditor's report must contain clear instructions regarding the nature of the audit work performed, if any, and not the responsibility borne by the auditor. Although fraud is a broad definition in terms of law, the interests of auditors are specifically related to fraudulent acts that cause material misstatements in financial statements. Two types of misstatements that are relevant to the auditor's consideration in the audit of financial statements, misstatements arising from fraud in financial statements and misstatements arising from improper treatment of assets. The main factor that distinguishes fraud and mistake is whether the underlying action that is misrepresented in the financial statements is an intentional or unintentional act.

In planning the audit, the auditor should use his or her considerations in determining a sufficiently low level of audit risk and preliminary consideration of materiality in an expected manner, given the limitations that in the audit process, whether the auditor can provide sufficient audit evidence to achieve sufficient confidence that the financial statements are free from material misstatements. The limitation that here is for example where an auditor due to his busyness is allowed to randomly examine a report of a financial statement in a period and is prioritized to examine where there are abnormal nominal values, too large or small, as for the limitation that it comes from a client where the client limits the amount of data or documents to be audited.

As for failures or violations that occurred in the financial statement audit process, one example of such failure is: "Failure to Audit Financial Statements at PT Garuda Tbk for the 2018 Fiscal Year". At a press conference held by the Financial Services Authority (28/6/2018), the Ministry of Finance announced sanctions that would be imposed on Public Accountant Kasner Sirumapea and Public Accounting Firm (KAP) Tanubrata, Susanto, Fahmi, Bambang & Rekan for audit errors in the Financial Statements of PT Garuda Indonesia Tbk for the

Financial Year 2018. The Annual Financial Statement of Garuda was declared defective after it was found that Garuda Indonesia recognized revenue related to the cooperation with PT Mahata Aero Teknologi for the payment that will be received by Garuda after the signing of the agreement, so that it has an impact on Garuda's Loss Report. Seeing this, two Garuda commissioners did not sign the 2018 Financial Statements.

The Ministry of Finance found that there had been a violation of the Audit Standards (SA) - Professional Standards for Public Accountants (SPAP) SA 315, SA 500 and SA 560 carried out by the Auditor from KAP which affected the opinion of the Independent Auditor's Report (LAI). SA 315 is an audit standard that regulates the identification and assessment of the risk of material misrepresentation through an understanding of the entity and its environment, while SA 500 regulates audit evidence and SA 560 regulates how auditors consider events in their audits.

On the same occasion, the Deputy Commissioner of Capital Market Supervision II of the Financial Services Authority (OJK), Fakhri Hilmi announced, "The Financial Services Authority has invited Public Accountant Kasner Sirumapea and imposed administrative sanctions in the form of bookkeeping of the Registered Certificate (STTD) for one year".

Sanksi tersebut dijatuhkan karena pelanggaran Pasal 69 Undang-Undang Nomor 8 tahun 1995 concerning the capital market which regulates that financial statements submitted to capital market authorities must be prepared based on generally accepted accounting standards, OJK Regulation Number 13/PJOK.03/2017 concerning the Use of Public Accountant Services and Public Accounting Firms in Financial Services activities, SA 315, SA500 and SA 560, and SA 700 which regulates the formulation of an opinion and reporting on Financial Statements.

To PT Garuda Indonesia Tbk, the OJK gave a written order to correct and resubmit the annual financial statements for the 2018 financial year and imposed administrative sanctions in the form of a fine of 100 million rupiah. A fine of 100 million rupiah each is imposed on all members of Garuda's board of directors and 100 million rupiah on a severally and severally liable basis to all members of the board of directors and the board of commissioners who sign the Annual Report of PT Garuda Tbk for the financial year 2018.

From the presentation of the case, it illustrates that financial report audit planning is one of the important stages carried out by the auditor before carrying out an audit on his client. Seeing the importance of the implementation of planning in the audit process, the author was encouraged to raise the title: Analysis of Financial Statement Audit Planning Based on Professional Standards of Public Accountants (Case Study on KAP Dony and Rambli). This research is expected to contribute to audit quality research, especially the assessment of financial statement audit planning contained in KAP Dony & Ramli While the research is almost the same because it wants to compare the audit quality of financial statements of public accounting firms with another.

## **THEORETICAL REVIEW**

### ***Definition of Audit and Audit Planning***

An audit is a systematic examination of a company's financial statements to ensure that the reports comply with generally accepted accounting standards and are free from material misstatements. Audit planning is the initial phase of the audit process where auditors design strategies and steps necessary to conduct an audit effectively and efficiently.

According to the auditing standards issued by the Indonesian Institute of Public Accountants (IAPI), audit planning is a crucial step that helps auditors understand the client's organizational structure, business activities, and associated risks. Effective planning allows auditors to determine the approach and audit procedures appropriate for the complexity of the financial statements being audited.

### ***Public Accountant Professional Standards (PAPS)***

PAPS is a guideline published by IAPI and serves as a reference for auditors in conducting the audit process. These standards cover various aspects, such as audit planning, execution, and reporting of audit findings. PAPS ensures that auditors work independently, objectively, and based on strong professional principles.

During the audit planning phase, PAPS requires auditors to:

1. Understand the business environment and industry of the client.
2. Identify material risks that may affect the financial statements.
3. Determine the audit methods and procedures to be used.
4. Allocate resources and establish the audit timeline.

### ***Key Components in Audit Planning:***

According to the audit standards, the main components of audit planning include:

- **Understanding the Entity and Its Environment:** Auditors need to understand how the client's entity operates, including its organizational structure, business type, and risks faced.
- **Risk Assessment:** Auditors must identify and assess the risk of material misstatement in the financial statements.
- **Establishing Materiality:** Materiality is the threshold used by auditors to determine whether errors or discrepancies in the financial statements are significant or not.
- **Development of Audit Strategy:** Based on the risk assessment, auditors develop an audit strategy that includes the approach, timing, and scope of the audit.

## **METHODOLOGY**

### ***Research Location***

The reason for choosing the location of this research was because he knew one of the staff at the KAP so that it could facilitate the search for data and this research was carried out from April to July 2023

### ***Data Collection Methods***

Data collection was carried out by the survey method. The data collected is in the form of primary data and secondary data with the following stages:

1. Interview, namely through a question and answer interview with the party responsible for the planning of the audit of the financial statements of KAP Dony & Rambli and Partners.
2. Documentation, which is by carefully and in-depth examining documents and records related to the planning of the audit of the financial statements of KAP Dony & Rambli and Partners.

### ***Data Models and Analytics***

The data analysis method carried out is by using the Comparative analysis method with the following steps:

1. Gain an understanding of the planning of the audit of the financial statements of KAP Dony & Rambli and Colleagues, then the understanding is documented. To test the suitability of the audit planning of Dony & Rambli's financial statements by: (i.)
2. Comparing the design of the audit planning of Dony & Ramli and Associates with the planning of SPAP's financial statements; (b.)
3. If the design is appropriate, the next step is to compare the design of the audit planning of the financial statements of KAP Dony & Rambli and Rekan with the operation.

If the design is not suitable, then the next step is to compare the financial statement audit planning according to SPAP with the operational planning of the financial statement audit of Dony & Rambli and Partners.

## **RESULTS AND DISCUSSION**

### ***Overview of KAP Dony & Ramli***

The Public Accounting Firm of Dony & Ramli is an independent auditor in assessing the fairness of Business Entity or Public Sector Reports. The financial performance that has been carried out by a business entity or organization will be assessed whether it has been reported in accordance with the Financial Accounting Standards that have been published by the Indonesia Institute of Public Accountants.

This program is useful for investors, banks and the government as well as for interested parties, organization management or other parties in need. As an official professional agency appointed and appointed by the government in this case the Ministry of Finance, Dony & Ramli Public Accounting Firm and Partners is an independent institution in providing services to those in need.

### *Types of Services*

With the availability of experienced professionals, we are willing and able to provide several types of services which include:

#### 1. *General Audit*

An audit conducted by a Public Accountant on the company's financial statements which includes Balance Sheet, Profit and Loss Calculation, Overview of Retained Profit and Overview of Changes in Financial Position Fairness of the Financial Statements as a whole.

- a) Responsibility report from the company's leadership (management) to the Board of Commissioners and the General Meeting of Shareholders.
- b) Requirements for obtaining credit facilities from banks or non-bank financial institutions.
- c) Requirements for obtaining a permit to sell shares to the public.
- d) Assessment of financial accountability reports from subsidiaries to parent companies or from branch offices to head offices.
- e) Financial statements for the benefit of mergers or joint ventures for tax purposes.

#### 2. *Special Examination*

Special Examination (Investigation) is carried out at the request of the company to examine special events which include, among others;

- a) Purchase problems;
- b) Finding fraud or embezzlement;
- c) Business expansion problems;
- d) Problems with the company's capital structure;
- e) Problems with the calculation of the cost of goods;
- f) Inventory problems, etc.

#### 3. *Management Audit*

It is an independent, selective and analytical evaluation of a program, activity or function in management to provide advice or important information for the implementation of healthy, effective and efficient management. The management audit includes the scope, including:

- a) Assessing whether the accounting and reporting system is adequate,
- b) Assess whether the company's operations have been running effectively and efficiently,
- c) Assess whether the means taken to achieve certain goals have been implemented cost-effectively.
- d) Assess work effectiveness, distribution channels, and marketing effectiveness.
- e) Assess the efficiency of the company, both internally and in comparison with competing companies or with the average of similar companies.

4. *Accounting System Design*

What is meant by an accounting system is all management tools that can be used to identify, collect, clarify, report and interpret information about company transactions effectively and efficiently, in order to ensure the security of the company's assets and the implementation of the company's policies that have been set. The scope of the preparation of the accounting system includes:

- a) The assessment and preparation of accountable functions in the company's organization are reviewed in terms of internal control.
- b) Preparation of systems and procedures for sharing functions in the company's organization which includes systems and procedures for sales and cash receipts; cash purchases and disbursements; Supplies; production; payment of salaries and wages; the relationship between the subsidiary and the parent company; the relationship between the branch office and the head office; and the like.
- c) Preparation of General Accounting Manual.
- d) Preparation of Cost Accounting Manual (Cost Accounting Manual).
- e) Preparation of clarification and account codes.
- f) Designing the form and content of forms, ledgers, auxiliary books, as well as the form and content of financial reports, production reports and other reports

5. *Budget Planner and Budget System Planner*

This service includes the preparation of a plan for all company activities within a certain period of time. The form of this service includes:

- a) Preparation of the company's budget (budget preparation), both for short-term, medium-term and long-term planning.
- b) Preparation of the company's budget for special activities.
- c) Functionalize the company's budget as a cost control tool (budgetary control).

6. *Administrative Services (Clerical Service)*

The form of accounting services (clerical service) includes the creation of books or records that the company needs to have and guide the bookkeeping so that financial statements can be prepared in accordance with the general accounting principles applicable in Indonesia. These services include:

- a) Organize documents and evidence of transactions to be properly archived, as well as prepare the necessary books to record company transactions.
- b) Assist in bookkeeping to the preparation of the company's financial statements manually or by computer.

7. *Feasibility study*

Feasibility study services include analysis and evaluation activities of an activity plan or project, which includes aspects of organization and management, marketing, technical, financial and economic, with the aim of providing recommendations regarding the feasibility of a project.

The results of the feasibility study can be used as a basis to determine whether an activity plan for a project is economically responsible for the present and future generations. Feasibility studies are generally required in order to:

- a) Build a new project or expand an existing one.
  - b) Obtain credit facilities from banks or non-bank financial institutions.
  - c) As one of the requirements for obtaining an investment permit from the investment coordinating body, both in the context of domestic investment (PMDN) and foreign investment (PMA).
  - d) Valuation and the company.
8. *Management And Tax Consulting.*

Activities in this field include services in the form of providing advice or advice on management and taxation which includes financial and accounting issues, production, marketing, inventory management as well as advice and advice related to taxation, including methods of preparing tax returns (SPT), fictitious balance sheets and their management. The creation of tax planning includes the design / form of transaction flow of documents to optimize and simplify transaction flows and tax burdens (tax efficiency) Tax services also include the preparation of data that is suitable for providing in connection with audits carried out by the fiscus, socialization and updating of tax regulations/provisions that have a direct impact on the company's tax obligations.

In addition, the resolution of tax problems includes the process from the submission of objections to appeals to the tax court. The tax services that we can do in the appeal process include preparing appeal materials and participating in the trial process.

## **CONCLUSIONS AND RECOMMENDATIONS**

Based on the results of the research and the description of the discussion that has been submitted, it can be concluded that the following important things can be concluded:

That the planning of the audit of financial statements at the Dony & Ramli Public Accounting Firm is in accordance with the Public Accountant Professional Standards (SPAP) published by the Indonesia Institute of Public Accountants.

Based on the results of the research and the conclusion of this study, the author gives suggestions to KAP Dony & Ramli to maintain the standards that have been set today and further improve the quality of audit services and other services to clients.

## **FURTHER STUDY**

A future study could examine the relationship between audit planning quality at KAP Dony & Ramli and client satisfaction. By collecting and analyzing client feedback, researchers could identify key factors that influence

client perceptions of service quality, ultimately leading to recommendations for improving client relationships and audit service delivery.

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