

Implementation of Materiality in Planning Audit of Financial Statements at Pt BPD in KAP Bambang Sudaryono & Partners

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Abstract

Audit Planning and Determination of Materiality is an important component in the implementation of the Audit of Financial Statements. To give a proper opinion that the financial statements are free from the risk of material misstatement, the auditor needs to make a good audit plan and provide a level of materiality in the financial statements. Materiality requires professional judgment with reference to the size or nature of misstatements, which are expected to influence the decisions of users of financial statements. This internship report is to be able to find out how the auditors at KAP BS and Partners determine the audit plan and determine the level of materiality, in the early stages of audit planning. The result of the internship is that the financial statement audit planning is in accordance with audit standard number 300 regarding planning an audit of financial statements, audit standard number 315 regarding the identification and assessment of material misstatements through an understanding of the entity and its environment as well as audit standard number 210 and in accordance with standards audit number 320 which regulates materiality in the planning and implementation stages of the audit.

Keywords: Materiality, Audit Planning, Materiality Stages, Audit Standards.

1. Introduction

A public accountant (AP) is an accountant who carries out his profession as an Auditor who expresses a fair opinion on the Financial Statements of an entity. The existence of public accountants in Indonesia is regulated in the Law of the Republic of Indonesia Number 5 of 2011 concerning Public Accountants and the Provisions of the Minister of Finance Number 443/KMK.01/2011 concerning the Establishment of the Indonesian Institute of Certified Public Accountants as the Indonesian Professional Association of Public Accountants (Financial Professional Development Center, 2021).), Government Regulation Number 20 of 2015 concerning the Practice of Public Accountants, Regulation of the Financial Services Authority Number 13 of 2017 concerning the Use of Public Accountants and Public Accounting Firms in Financial Services Activities, Circular Letter of the Financial Services Authority Number. 36 of 2017 concerning Procedures for using the services of public accountants and public accounting firms in financial service activities as well as Regulation of the Minister of Finance Number 154/PMK.01/2017 concerning Guidance of Supervision of Public Accountants.

In practice, an Auditor who carries out an Audit of Financial Statements must carry out an audit based on the Professional Standards of Public Accountants set by the Indonesian Institute of Certified Public Accountants (IAPI), so that they can disclose various things that can affect the fairness of the preparation and presentation of Financial Statements in the form of an opinion in the Independent Auditor's Report. Several cases occurred in Indonesia, where the auditor had not properly assessed the substance for accounting treatment activities in the financial statements. For example, in the case of the Financial Statements of PT. Garuda Indonesia Tbk in 2018, which was audited by KAP Tanubrata, Sutanto, Fahmi, Bambang and Partners. The KAP is ultimately subject to a written warning accompanied by an obligation to make improvements to the KAP quality control system (acuntansi.or.id, 2020). This KAP Quality Control System covers all stages of the audit process, including the overall audit planning including the determination of the materiality level that must be designed in order to disclose information about the fairness of the Entity's Financial Statements.

Fairness information on the presentation of Financial Statements data is an opinion issued by a Public Accountant and needs to be fulfilled by the managers of the organization or company as a measure of financial performance that has been implemented. The magnitude of the impact of the results of audits on financial statements by public accountants creates a great responsibility for public accountants to interested parties on audit results, both internal and external to the company. Therefore, the fulfillment of the Audit Planning carried out must be carried out in accordance with the Public Accountant Professional Standards by taking into account the conditions and scope of the company's operations, so that the audit results can convince stakeholders about the fairness of the financial statements presented, as regulated in Audit Standard No. 200 par. 03 that the purpose of an audit is to increase the level of confidence of the intended users of financial statements.

Audit planning is carried out in the early stages of the audit activity, together with the design of the audit program. Audit planning is very important for the auditor because it will affect the implementation until the audit report is published. As found by Arens et.al. (2017) that the audit process carried out by public accountants consists of the following stages:

1. Audit program planning and design
2. Tests of control and substance of transactions
3. Implementation of substantive analytical procedures and detailed account tests
4. Completion of audits and issuance of audit reports

In planning the audit, an understanding of the characteristics of the auditee is also identified so that it can design an appropriate audit program by taking into account the scope and problems of the object being examined. According to Arens et.al (2017) there are 8 (eight) stages in audit planning including:

1. Accept clients and carry out initial audit planning
2. Understand the client's industry and business
3. Perform initial analytical procedures
4. Carry out initial assessment of materiality and performance materiality (set preliminary judgment of materiality and performance materiality)
5. Identify significant risks related to fraud or error
6. Assess inherent risk
7. Understand internal control and assess control risk
8. Finalize the overall audit strategy and audit plan

In the Audit of Financial Statements, materiality is an important and inseparable part of the Audit Planning, with the determination of the right materiality, it will minimize the risk of error for the Public Accountant in providing an opinion on the fairness of a financial report. The presentation of this internship report, will analyze specifically related to the Planning and Implementation of materiality in the audit planning carried out at KAP Drs. Bambang Sudaryono & Partners, by compiling an Internship Report entitled: "Implementation of Materiality in Planning the Audit of Financial Statements at PT. BPDJ at KAP Drs. Bambang Sudaryono & Partners"

1. How is the Initial Planning for the Audit of Financial Statements at PT. BPDL at KAP Drs. Bambang Sudaryono & Partners?
2. How to apply the level of materiality in planning the audit of the Financial Statements at PT. BPDL at KAP Drs. Bambang Sudaryono & Partners?

2. Literature Review

Auditing

Audit is a process of data collection, assessment or evaluation carried out to determine whether something is appropriate or not in accordance with the underlying criteria. According to Agoes (2017), auditing is an examination carried out critically and systematically by an independent party on the financial statements that have been prepared by management along with accounting records and supporting evidence, with the aim of being able to provide an opinion regarding the fairness of the report. the finance. In general, auditing is the collection and evaluation of evidence about information to determine and report on the degree of conformity between the information and established criteria.

Types of Audit

Agoes (2017) states that when viewed from the extent of the audit, audits can be distinguished into:

General Audit

A general examination of the financial statements carried out by an independent Public Accounting Firm (KAP) with the aim of providing an opinion on the fairness of the financial statements as a whole. The audit must be carried out in accordance with the Professional Standards of Public Accountants (SPAP) or International Standards on Auditing (ISA) or the Small Business Entity Audit Guidelines and take into account the Indonesian Accountant Code of Ethics, the Public Accountant Professional Code of Ethics and Quality Control Standards.

Special Audit

A limited audit (according to the request of the auditee) conducted by an independent KAP in which at the end of the examination the auditor does not need to give an opinion regarding the fairness of the financial statements as a whole. The opinion given is only limited to certain items or issues being examined because the audit procedures carried out are also limited.

Meanwhile, according to Mulyadi (2014), the audit consists of three groups, namely:

1. Financial Statement Audit

A financial statement audit is an audit conducted by an independent auditor on the financial statements presented by his client to express an opinion regarding the fairness of the financial statements. In this audit of financial statements, the independent auditor assesses the fairness of the financial statements on the basis of their conformity with generally accepted accounting principles.

2. Compliance Audit

A compliance audit is an audit whose purpose is to determine whether what is being audited is in accordance with certain conditions or regulations. The results of compliance audits are generally reported to the party authorized to make the criteria. Compliance audits are often found in government.

3. Operational Audit

Operational audit is a systematic review of the activities of the organization, or part thereof, in relation to certain objectives. The party that requires an operational audit is management or a third party.

Audit Stage

Arens et.al (2017) argues that the process in auditing financial statements usually includes the following stages:

1. Audit program planning and design
2. Testing and controlling the substance of transactions
3. Performing substantive analytical procedures and detailed account tests
4. Completion of audits and issuance of audit reports.

In auditing standards, the auditor is responsible for uncovering an error, both unintentional (human error) and intentional (fraud). The auditor must be able to ensure that the financial statements presented are free from material misstatement, so that the planning of the financial statement audit that is carried out is very important for the auditor.

Audit Planning

According to Arens et.al (2017), there are 8 (eight) steps that are generally carried out in the audit process, including:

1. Accepting clients and carrying out initial audit planning
2. Understand the type of industry and client's business
3. Perform initial analytical procedures
4. Establish an initial assessment of materiality and implementation materiality
5. Identify significant risks related to fraud/error
6. Assess inherent risk
7. Understand internal control and assess control risk
8. Complete the overall audit strategy and audit planning

To understand how the audit planning at the materiality level in this internship report, the researcher only discusses the first 4 (four) stages.

In accordance with Audit standard No. 300 par. 2 regarding the role and timing of planning, states that adequate planning is useful in an audit of financial statements in several ways, including:

1. Helping the auditor to devote appropriate attention to areas that are important in the audit
2. Assist the auditor to identify and resolve potential problems in a timely manner
3. Helping the auditor to organize and manage audit engagements properly, so that the engagement can be carried out effectively and efficiently
4. Assist in the selection of engagement team members with appropriate levels of ability and competence to respond to anticipated risks, and the assignment of appropriate work to them
5. Facilitate direction and supervision of engagement team members and review of their work
6. Assist, where relevant, in coordinating the results of work performed by component auditors and experts.

Client Acceptance and Initial Audit Plan

In Auditing Standard 300, para. A2, explains that planning is an ongoing and iterative process that often begins immediately after (or in conjunction with) the completion of the previous period's audit and continues until the completion of the current period's audit engagement. Planning includes consideration of when certain audit activities and procedures will need to be completed prior to

conducting further audits. For example, planning includes the need to consider the following before the auditor identifies and assesses the risks of material misstatement:

1. Preliminary Survey to obtain an overview of the auditee
2. Analytical procedures applied as risk assessment procedures
3. Obtaining a general understanding of the legal and regulatory framework that applies to the entity and how the entity complies with that framework
4. Determination of materiality
5. Expert engagement
6. Implementation of other risk assessment procedures

Accepting New Clients and Continuing Old Clients

Although it is difficult to retain and get clients, the Public Accounting Firm must be careful in selecting clients because the professional ethical responsibilities of the Public Accountant are at stake in the conduct of the Audit.

Identifying New Clients

When accepting a new client, the Public Accounting Firm needs to consider whether or not to accept the client. KAP needs to cross-check the prospective client in terms of its business community, financial stability and how the prospective client's relationship with the previous KAP is. For prospective clients who have previously been audited by another KAP, the new auditor is required to communicate with the predecessor auditor as regulated in auditing standard No. 300 par. 13 b. This is done to help the successor auditor evaluate whether to accept the engagement or not.

Continuous Old Client

In the case of continuing the old client, the KAP needs to evaluate on an annual basis, whether there is a reason for the KAP not to continue the audit of a client. In several conflict situations between the KAP and the client that may occur, including regarding the scope of the audit, regarding the type of opinion, audit fees that are not paid or are not in accordance with the engagement or other problems, the KAP may discontinue the audit engagement. In addition, KAP can also choose not to continue the audit engagement due to integrity issues and too high risk considerations.

Identify the Reasons the Client Requested the Audit

During the engagement, the auditor may obtain additional information about why the client is performing the audit and the possible uses of the financial statements. This information may affect the auditor's acceptable audit risk. There are at least 2 (two) factors that influence the acceptable audit risk, namely the prospective users of the financial statements and the purpose of using the audited financial statements. Auditors will usually collect more if the audited financial statements will be used by many parties,

Gaining Understanding with Clients

A clear understanding of the agreement must exist between the client and the firm. Auditing standards No. 210 regarding approval of the terms of the audit engagement stated as follows:

1. The auditor shall agree on the terms of the audit engagement with management or those charged with governance of the entity, where relevant (par. 9)

2. Subject to paragraph 11, the agreed terms of the audit engagement shall be recorded in the audit engagement letter or other appropriate form of written agreement and shall include:

- a) Responsibilities of auditors
- b) Management responsibilities
- c) Identification of the financial reporting framework applied in the preparation of financial statements
- d) Reference to the form and content of the report to be issued by the auditor and a statement that under certain conditions there is a possibility that the report issued is different in form and content from what is expected.

Assess Overall Audit Strategy

Auditors need to develop an initial audit strategy that sets out the scope, timing, and direction of the audit that can develop an audit plan. This strategy covers the nature of the client's business and type of industry including areas where there is a significant risk of misstatement and determining the required resources and audit staff required.

Assessing Audit Staff

In carrying out the audit, the auditor is responsible for having professional competence, so that the audit staff on duty also needs to have the ability to support the professionalism of the auditor. Therefore, the assessment and selection of audit staff must be carried out in accordance with the needs of the audit assignment.

Determining the Need to Use the Work of the Auditor's Expert

In the audit standard No. 620. Par. 7 regarding the determination of the need for an auditor's expert states: if expertise in an area other than accounting or auditing is required to obtain sufficient appropriate competent audit evidence, the auditor shall determine whether he or she needs to use the work of an auditor's expert. Auditor Experts are individuals or organizations who have expertise in a field other than accounting or auditing, who work in the field used by the auditor to assist the auditor in obtaining sufficient and appropriate audit evidence. An auditor's expert may be an internal expert (a partner³ or staff, including temporary staff of the audit firm or network firm) or an external expert. The expertise in question is the skills, knowledge and experience in a particular field. (SA No. 620. Par 06). The auditor shall obtain a sufficient understanding of the expert's area of expertise to enable the auditor to: (a) Determine the nature, scope and objectivity of the expert's work for the auditor's purposes; and (b) Evaluating the adequacy of the work for the auditor's purposes. (SA No. 620. Par 10).

Understand the Client's Type of Industry and Business

Auditing standards require the auditor to perform risk assessment procedures to obtain an understanding of the client's business and its environment in order to assess the risk of material misstatement in the financial statements. Auditing Standard No. 315 par.3 relating to the identification and assessment of the risks of material misstatement through an understanding of the entity and its environment states that the objective of the auditor is to identify and assess the risks of material misstatement, whether due to fraud/error, at the financial statement and assertion level, through an understanding of the entity. and its environment, including the entity's internal control, therefore, provides a basis for designing and implementing responses to the assessed risks of material misstatement.

Performing Preliminary Analytical Procedures

According to Auditing Standard No. 520 par. 04, analytical procedure means the evaluation of financial information which is carried out through analysis of the relationship between financial data and non-financial data. This procedure also includes investigations as necessary of identified fluctuations or relationships that are inconsistent with other relevant information, or that differ from the expected value by a significant amount (Ref: par. A1 – A3)

Establish A Preliminary Assessment of Materiality and Implementation Materiality

According to Ares, et.al (2017), there are 5 (five) stages in determining the level of materiality, namely:

1. Determine the materiality of the financial statements as a whole
2. Determine the implementation level materiality
3. Estimate the total misstatement per each segment
4. Estimate the total misstatement as a whole
5. Compare the estimated total misstatement overall with the initial or revised assessment of materiality.

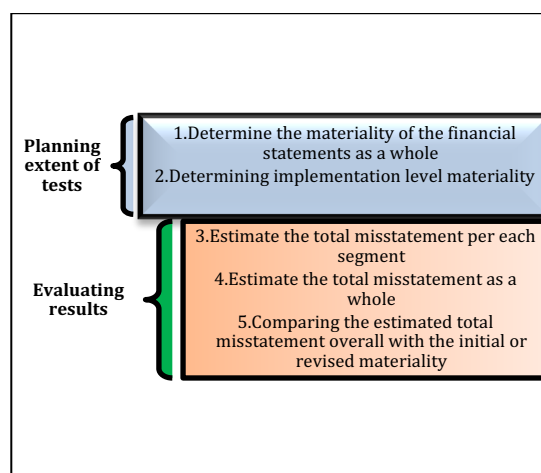


Figure 1. Stage of Determining Materiality

In accordance with the limitation of the scope of this internship report, the authors only focus on the 2 (two) initial stages in determining the level of materiality, namely:

A. Stage 1 – Determining the Materiality of the Overall Financial Statements

The initial assessment of materiality for the financial statements as a whole is the maximum amount by which the auditor can believe that even if the statement is misstated, it does not affect the user's reasonable judgment. According to Auditing Standard No. 320 par. 02, states that the financial reporting framework often addresses the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may address materiality using different terms, they generally explain that:

- a) Misstatements, including omissions, are considered material if they, individually or in the aggregate, are expected to affect economic decisions made on the basis of the financial statements by users of the financial statements.
- b) Judgments about materiality are made taking into account the various circumstances surrounding and affected by the size or nature of the misstatement or a combination of both.

c) Judgments about matters that are material to users of financial statements are based on consideration of the general financial information needs required by users of financial statements as a group. The possible effects of a misstatement on certain individual users of financial statements, whose needs vary, were not considered.

B. B. Stage 2 – Determining Implementation Level Materiality

According to Auditing Standard No. 320 par. 09, performance materiality is defined as an amount determined by the auditor, at a lower level than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability of uncorrected and undetected misstatements that in the aggregate exceed materiality for the report. overall finances.

Approach to Auditing the Financial Statements of PT BPD

Audit of PT BPD's Financial statements based on the Auditing Standards set by the Indonesian Institute of Certified Public Accountants. These standards require the auditor to comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The purpose of the Audit on the Financial Statements of PT BPD is to provide a statement of opinion on the Financial Statements, as a whole, in accordance with the Professional Standards of Public Accountants, and the audit is carried out in order to obtain reasonable assurance that the financial statements are free from material misstatement.

3. Methodology

Research Methodology is a method that is systematic and objective in nature with the aim of collecting information or data under investigation that can be used as a guide for carrying out research. The object of this research is KAP Drs. Bambang Sudaryono & Partners. This study aims to make a systematic, factual and accurate description of the audit of financial statements at PT BPD at KAP Drs. Bambang Sudaryono & Partners.

Data Collection Techniques

Library Research

The research technique is carried out through books, magazines, and training to obtain secondary data related to the research. The library method used is:

- By reading and studying literature books related to the research conducted.
- Internet resources

Field Research

The research was conducted by collecting data and information directly on KAP Bambang Sudaryono & Partners as the object of research including by Observation (Observation), namely by making direct observations of KAP to obtain actual data and Interview (Interview), namely collecting data by asking questions directly to an informant systematically based on research objectives.

Data Analysis

In this study, the authors compare the audit of PT BPD's financial statements carried out by KAP with audit standard number 300 regarding planning an audit of financial statements, audit standard number 315 regarding identification and assessment of risks of material misstatement

through understanding the entity and its environment and audit standard number 210 and in accordance with audit standard number 320 which regulates materiality in the planning and implementation stages of the audit.

4. Result and Discussion

Planning of Financial Statement Audit PT. BPD

Audit Scope Questionnaire: What is the client's industry type? Is a banking industry that collects public funds and redistributes them in the form of credit? . Is the client a new/old client The audit assignment on the financial statements as of December 31, 2020 is the 6th (six) assignment for the KAP, with the Signing Partner being Mr. Bambang for the financial years 2016, 2017 and 2019 while in 2018 it was audited by another KAP with the signing partner being Mr. H S Adi. Therefore, to maintain the independence of the client, the signing report is another partner. This is in accordance with the Minister of Finance Regulation (PMK) No. 17/PMK.01/2008 concerning "Public Accountant Services" in article 3 paragraph (1) it is explained that a KAP may only audit a company for a maximum of 6 (six) consecutive financial years and the Public Accountant (AP) in the KAP is allowed audit for a maximum of 3 (three) consecutive financial years. However, in 2015, the government issued a new regulation, namely PP No. 20/2015 article 11 paragraph (1) concerning the Practice of Public Accountants which explains that KAP is no longer limited to auditing a company. The restriction only applies to AP, which is for 5 consecutive financial years. Is the client a company listed on the Indonesian stock exchange no. Type of audit engagement (annual audit, interim, review, accounting services) Annual audit.

Establish Business Understanding and Bank Risk

PT BPD is a financial institution which in its activities collects public funds and distributes it back in the form of credit, thus PT BPD always faces risks which are inherent risks, among others;

Credit Risk

This is a risk faced by the Bank considering that most of the productive assets and the main business of the bank are in the form of loans extended to customers. This risk arises due to the debtor's inability to fulfill its obligations in the form of principal and interest, which is caused by internal factors such as negligence in the credit decision-making process, violations of prudential principles and external factors in the form of things that cause the debtor's business failure. If the debtor is unable to repay the loan and/or interest on the loan, then the credit becomes a non-performing loan and affects the collectability of credit which will ultimately affect the liquidity and financial condition of the bank.

Liquidity Risk

Most of the bank's funding comes from short-term funding sources such as demand deposits, savings and time deposits, while the placements are made on loans with relatively long terms. The mismatch of the time period between the source of funding and its placement can create liquidity risk, namely the company's failure to fulfill its commitments to customers and other parties which in turn can affect the soundness of the bank.

Market Risk

It is a risk that arises from movements in interest rates and exchange rates in the market from the portfolio owned by banks, so that market risk control is only through the mechanism of placing funds in other banks by considering interest rates and the soundness of banks that offer

Interest Rate Risk

Interest rate risk is the risk of possible net interest income and the market value of the asset portfolio due to changes in interest rates in the money market. The composition of the portfolio includes assets and liabilities such as time deposits with other banks, investments in marketable securities, time deposit loans, long-term loans and other money market liabilities, which have interest rates and terms, so changes in interest rates can result in changes in net interest income.

Operational Risk

The Bank is faced with operational risks, which among other things can be caused by a lack of quality human resources, human resources, HR placement and not yet fully functioning internal control in all operational offices, ineffective operational procedure systems, human error on external problems that affect the Bank's operations. Operational risk can be financially detrimental directly or indirectly which may arise from the loss of the bank's opportunity to earn profits.

Understanding of Assignments

Scope of Assignment

Scope of Audit of Financial Statements

a) Quotation test of at least 70% (seventy percent) of the nominal value of each type of financial asset and includes a minimum of the 25 (twenty five) largest debtors or based on the results of communication between the Financial Services Authority of the banking sector and Public Accountants

b) Classification of earning asset quality and calculation of allowance for earning assets write-off (PPAP) as regulated in the provisions of laws and regulations regarding asset quality assessment of commercial banks.

c) Assessment of Foreclosed Collateral (AYDA) as regulated in the provisions of laws and regulations regarding asset quality assessment of commercial banks

d) Valuation of various assets

e) The fairness of transactions with related parties as well as transactions carried out with special treatment

f) Amount and quality of provision of funds to related parties

g) Details of the violation of the Maximum Limit for Credit Provision (BPMK) or the Maximum Limit for Funds Distribution (BPMD) as stipulated in the provisions of the legislation regarding the maximum limit for granting commercial bank credit, which includes the name of the debtor, quality of provision of funds, percentage, and number of violations of BPMK know BPMD

h) Overview of PSAK 71 and relevant new PSAKs to be implemented by the Bank in 2020

i) Other matters that are regulated based on the results of the communication between the financial services authority and KAP as referred to in Article 19 POJK No. 13/POJK.03/2017 dated 27 March 2017 regarding the use of Public Accountant Services and Public Accounting Firms in Financial Services Activities

j) Other matters regulated in Financial Accounting Standards (SAK) and related accounting regulations issued by the Financial Services Authority, including the Indonesian Banking Accounting Guidelines (PAPI), including notes to financial statements.

Financial Statement Audit

KAP carries out an Audit of Financial Statements based on the Auditing Standards set by the Indonesian Institute of Certified Public Accountants. These standards require the KAP to comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The purpose of the audit by KAP is to provide a statement of opinion on the financial statements, as a whole, in accordance with the Professional Standards of Public Accountants, and the audit is carried out to obtain reasonable assurance about whether the financial statements are free of material misstatement. Even though the audit is carried out in accordance with the professional standards of a public accountant, there may be a possibility that material errors are not found. If during the audit it is found that material errors, fraud, and/or fraud will be reported and discussed for attention and follow-up.

Evaluation of Internal Control and risk control related to financial statements / Management letter (if any)

Financial reports are the responsibility of the Bank's management. These responsibilities include maintaining adequate accounting records and internal control, selecting and implementing accounting policies, and safeguarding the security of the Bank's assets. As part of the audit process, KAP will conduct a review and review of the Bank's control structure. Conditions that need to be considered include problems related to significant weaknesses in the design and implementation of the Bank's internal control structure and operations, which in our opinion, these weaknesses can be corrected and acted upon immediately.

Planning for Field Audit Implementation

1) Internal control compliance testing

a) Compliance testing on internal control (test control / compliance test):

- Understand the internal control implemented by PT. BPD L which includes control environment, risk assessment, control activities, information and communication as well as monitoring

- Evaluate control risk

- Conducting tests on the effectiveness of the implemented internal controls. In conducting sampling tests, the control is divided into several transaction cycles including: credit and interest income; funding/treasury and interest expense; payroll and human and financial resources.

b) Substantive tests of transactions:

Testing PT BPD L's management assertions for each account in the financial statements by collecting external and internal evidence (substantive test)

2) Substantive tests of detailed balances

a) Perform tests of detailed balances presented in the financial statements to prove the existence of assertions and their occurrence, completeness, timing and cut off; rights and obligations, valuation, accuracy and allocation and presentation and disclosure.

b) Perform procedures; physical count, observation and inspection, confirmation, tracing of ledger and subsidiary ledger records as well as tracing to documentary evidence

3) Analytical review

Perform analytical procedures on account balances per month presented in the Ratio analysis report, comparison with the previous year / period and reviewing whether there are unusual balance changes.

Important issues that arise in the initial planning

1) Changes in the Organizational Structure of the Credit Rescue Section

Changes in organizational structure, especially the credit rescue section in each Branch Office, were removed and withdrawn or taken over by the credit department at the Head Office Credit Division with 3 (three) human resources to manage all non-performing loans (NPL) and write-offs

2) Reserve fund based on the EGMS

Following up on the results of the GMS on September 17, 2018, it was decided to use the reserves for the purpose of constructing the head office building, the plan to develop Information Technology.

3) Preparation of accounting policy changes

KAP evaluates the application of PSAK 50, 55 and 60 to obtain reasonable assurance that PSAK 50, 55 and 60 have been applied in accounting operations related to financial instruments.

4) Presentation of statement of financial position in cash at ATM with credit balance

5) Follow up on the findings of OJK, BPK and SKAI which will have an impact on the financial statements

Enter Balance Data for Each Account

This stage is the process of classifying accounts according to their cycle. Next, the auditor enters the balance for the year being audited and the balance for the previous year, so that it can determine the material accounts and their changes. In the Initial Planning, KAP has carried out procedures in accordance with Audit Standard No. 300 which regulates the planning of an audit of financial statements, audit standard no. 315 concerning Identification and Assessment of the risks of material misstatement through an understanding of the entity and its environment and Auditing Standard No. 315. 210 concerning Approval of Audit Engagement Terms.

5. Conclusion

Based on the results of the analysis discussed in Chapter IV, it can be concluded that each stage in the Audit Planning and Materiality Determination of the Financial Statement Audit at PT BPD has been carried out in accordance with the stipulated provisions, namely: At the Initial planning stage, the auditor has carried out in accordance with Auditing Standard No. 300 which regulates the planning of an audit of financial statements, audit standard no. 315 concerning Identification and Assessment of the risks of material misstatement through an understanding of the entity and its environment and Auditing Standard No. 315. 210 concerning Approval of the Terms of the Audit Engagement. In addition, for the initial planning in determining the approval of the old client's audit engagement in accordance with the Minister of Finance Regulation (PMK) No. 17/PMK.01/2008 concerning "Public Accountant Services" in article 3 paragraph (1) it is explained that a Public Accounting Firm may only audit a company for a maximum of 6 (six) consecutive financial years and a Public Accountant (AP) in the said KAP allowed to audit for a maximum of 3 (three) consecutive financial years. Although the Government Regulation Number 20 of 2015 article 11 paragraph (1) concerning the Practice of Public Accountants explains that the Public Accounting Firm is no longer limited to auditing a company. The restriction only applies to Public Accountants, which is for 5 (five) consecutive financial years. In Determining Materiality, KAP has carried out the stages

of planning procedures in accordance with Audit Standard No. 320 which regulates materiality in the planning and implementation stages of the audit. With the limitations of interns, the topic of audit planning and materiality that is the focus of this internship report is at the early stages of audit planning and materiality determination, so it is hoped that the next interns who will carry out can discuss more broadly all stages of audit planning.

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