THE IMPLEMENTATION OF RISK BASED AUDIT IN
PT. PUPUK KALIMANTAN TIMUR

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ABSTRACT

Risk based audit has been gaining importance in recent years. Lately, risk based audit has been considered as an effective method to the business environment that always changing. The objective of this research is to know the implementation of risk based audit in PT. Pupuk Kalimantan Timur, likewise the weakness and strength. Qualitative method was used in this research. Therefore, the guidance in this research is the author's interpretation. Data collection method used in this research are interview and documentation. The implementation of risk based audit in PT. Pupuk Kalimantan Timur started with the production of audit plan, preliminary audit, auditing, and the audit report. The results indicated that risk based audit has been implemented well, although there are some aspects needs to be improved. The weakness of risk based audit is that the audit still depends on the risk management. While the strength of risk based audit is the audit were more focused on the work unit issues.

Keywords: risk based audit, auditing, risk management

INTRODUCTION

Internal audit function lately has been continue to grow dramatically. At first, internal audit is known as a system-based approach which in the development, it switch to process-based approach. At that time, internal audit has more role as an eyes and ears of management, because management needs the assurance that all policies that have been set will not be wrongly implemented by employees. Internal audit orientation is mostly done under examination of the managing compliance’s related to the existing regulations. The role and function of internal audit as a watchdog is gradually becoming obsolete. Once the business begins to realize that all the efforts contain risks, it begin to appear the need to apply a risk based audit.

Risk based audit approach is growing rapidly since the 2000s. This approach receives wide public attention and is considered as the most effective approach because it proves that risk based audit is the most suitable to be applied to the always changing business environment. Indonesia has ratified the provisions for implementing International Standards on Auditing (ISA) started at early 2013. ISA fully adopt a risk based audit approach, so that the current risk-based audit approach for auditors in Indonesia becomes mandatory. Risk based audit is an audit that focused and prioritized on business risk and process also control the risks that can occur (Tunggal, 2013:118). Risk based audit is a very effective method for the management and the company itself. With this paradigm, the internal auditor's attention shifted to focus more on risk. Risks are things that inhibit the achievement of organizational goals. Focus on the risk make the auditor has the appropriate language to the willingness of management. It is also expected, the achievement of organizational goals becomes easier because the risks have
been identified properly and all acts of handling has been tested its reliability through the internal audit process.

Risk based audit has been widely researched. However, little research has been conducted specifically related to risk based audit implementation in terms of internal audit and risk management compartment. Coetzee and Lubbe (2013) write *Improving the Effectiveness and Efficiency of Risk-Based Internal Audit Engagements*. The most interesting approach to this issue has been proposed by developing model which incorporating the risk management process into the internal audit engagement process. Some various research methodologies are followed; a comprehensive literature review, tested model by means of a case study, and the views of heads of internal audit functions. The overall results of the case study indicates that if the model had been used, fewer audit procedures would have been performed (more efficient) but that all the audit findings would still have been included in the audit report (effective). The other research is written by Nyarombe, Musau, Kavai and Kipyegon (2015), the title is “The Effect of Risk Based Audit Approach on the implementation of internal control systems: a case of Uasin Gishu County”. This experimental research measured the effect using questionnaire distributed to 136 heads of department working in the County (quantitative research). This study (2015) found that risk based audit approach positively influence internal control systems in the government departments. Another research is conducted by Ayagre (2014) entitled “The Adoption of Risk Based Internal Auditing in Developing Countries: The Case of Ghanaian Companies” investigating the adoption of risk based internal audit in Ghana and the factors influencing the adoption or non-adoption of risk based internal audit among Ghanaian companies. The methodology used in this research is quantitative research. The researcher sent 80 questionnaire to internal auditor from both public and private companies in Ghana across various sectors. The results obtained showed that risk based approach to internal auditing is widely used amongst Ghana’s 100 Club 100 companies. The study also found that there is high involvement of internal audit in risk management which is also translated in the use of risk based approaches in planning annual audit.

Although several studies have indicated that risk based audit has positively influence some aspects in a company, little attention has been given to the implementation of risk based audit itself especially the strengths and weaknesses. Knowing the strengths and weaknesses of risk based audit implementation is an important issue for the company to improve its performance. Furthermore, the previous research methodology / approach may not be practical in all situations. Therefore, this research is necessary to complement the previous research but with different method, scope and context. The research gaps from previous research are: (1) this research focuses on the risk based audit implementation, specifically in internal audit and risk management unit, (2) this research discusses the strengths and weaknesses of risk based audit, (3) this research uses qualitative approach, and (4) this research selects PT. Pupuk Kalimantan Timur as the research object.

**LITERATURE REVIEW**

**Internal Audit**

Internal audit has an important aspects in the company. Internal audit is needed to perform the function of auditing. The Institute of Internal Auditors (2000) defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
The implementation of the internal audit is conducted independently and objectively meaning that it cannot be influenced by any party and cannot be involved in the implementation of the activity being audited. The audit results obtained from the implementation of the internal audit independently and objectively it will be relied upon by users of information. In the same tone, Tugiman (2003) stated that the internal audit is an independent appraisal function within an organization to examine and evaluate the activities of the organization are implemented. Internal Audit is obliged to provide information about the completeness and effectiveness of an organization's internal control system and the quality of the implementation of the responsibilities assigned. Meanwhile, if we refer to *Standar Profesi Audit Internal* prepared by *Konsorsium Organisasi Profesi Audit Internal* (2004), internal audit is an assurance and consulting activity that is independent and objective, which is designed to add value and improve an organization's operations. Internal Audit helps the organization to achieve its objectives, through a systematic and orderly approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The objectives of Internal Audit, according to Tugiman (2003), is to assist members of the organization to carry out its responsibilities effectively. To achieve this goal, the internal audit staff is expected to fulfill the analysis, assessment, recommendation, consultation and information about analyzed activities.

**Risk Management**

Before discussing risk management, it needs an understanding related to risk itself. According to Darmawi (2010), risk is the probability of something’s results or outcomes different than expected. While according to Djohanputro (2008), risk can be describe as an uncertainty that has been known level of probability of occurrence. Tunggal (2013) also describe risk as anything that prevents an entity from achieving its objectives. According Hanggraeni (2010) risk is the potential for events that occur may cause harm to a company.

Risk management according to Stoneburner et al (2001) is a controlling and mitigating information system activities related to risks; encompasses risk assessment; cost-benefit analysis; implementation, test and security evaluation of safeguards. While according to COSO ERM (2004), risk management defined as a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, manage risk to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

Borge (2002) stated that risk management activities is an act with full consideration to eliminate the peculiarity of mutual interests, improve outcomes and reduced adverse outcomes. It is also in accordance with what is stated by Culp (2001) that risk management is the process of someone trying to ensure that the risks faced are risks believed likely to occur so the necessary concrete steps for the purpose the company still achieved.

**Risk Based Audit**

O’Regan (cited by Tunggal, 2013, pg.116) stated that risk based audit is an audit where the audit and the audit plan is driven by the philosophy of risk assessment. Ayagre (2014) determine Risk Based Internal Auditing is a kind of auditing approach based on determining and evaluating, companies risk characteristics, through strategic analysis and risk assessment and designing the auditing process in line with risk matrix or risk map.

Tunggal (2013) also stated the definition of risk based audit as an audit focused and prioritized on business risk and its process also control the risks that can occur. If we refer to Griffiths (cited from Ayagre, 2014), risk based audit is considered as a methodology that the audit department utilizes to ensure that risks are being managed and assures that the residual risk falls within appropriate levels. IIA (2000) defines risk based internal auditing as a
methodology that links internal auditing to an organization’s overall risk management framework. RBIA allows internal audit to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite.

According to IIA (2014), by following risk based internal audit, internal audit should be able to conclude that:

1. Management has identified, assessed and responded to risk above and below the risk appetite.
2. The responses to risks are effective but not excessive in managing inherent risks within the risk appetite.
3. Where residual risks are not in line with risk appetite, action is being taken to remedy.
4. Risk management processes, including the effectiveness or responses and the completion of actions, are being monitored by management to ensure they continue to operate effectively.
5. Risks, responses and actions are being properly classified and reported.

Risk-based auditing, according to Tampubolon (2005), enables internal audit to:

1. Work with the working unit that runs the business to identify risk exposures, which clearly have an impact on the company's efforts to achieve its objectives.
2. Cause senior management being responsible as the owner of the controls, because they need to control the risks arising from its business activities. Of course this involves a change of culture within the company.
3. Ensure that limited audit resources has been empowered optimally in order to assess the business area which is really important for:
   a. Compliance audit
   b. System reviews
   c. Special request

In implementing risk based audit, IIA (2014) described three stages as follows:

**Stages of Risk Based Audit (IIA, 2014)**

1. **Assess Risk Maturity**
2. **Overall Audit Strategy**
3. **Periodic Audit Planning**
4. **Audit Plan**
5. **Individual Audit Assignments**
6. **Audit Results**

**Source: Chartered Institute of Internal Auditor (2014)**

**Stage 1: Assessing Risk Maturity**
Obtaining an overview of the extent to which board and management determine, assess, manage and monitor risks. This provides an indication of the reliability of the risk register for audit planning purposes. Actions to achieve the objectives are:
1. Discussing the understanding of risk maturity with the board and senior manager.
2. Obtaining documents, where they are available.
3. Concluding on risk maturity.
4. Reporting conclusion on risk maturity to management and the audit committee.
5. Working with management to identify any actions they propose to take as a result of this assessment.
6. Deciding on the audit strategy.

Stage 2: Periodic Audit Planning
Identifying the assurance and consulting assignments for a specific period, usually annual, by identifying and prioritizing all those areas on which the board requires objective assurance, including the risk management processes, the management of key risks, and the recording and reporting to risks. Actions to achieve the objectives are:
1. Identifying the responses and risk management processes on which objective assurance is required.
2. Categorizing and prioritizing the risks.
3. Linking risks to audit assignments.
4. Drawing up the periodic audit plan.
5. Reporting to management and the audit committee.

Stage 3: Individual Audit Assignments
Carrying out individual risk based assignments is to provide assurance on part of the risk management framework, including on the mitigation of individual or group of risks. Action to achieve these objectives are:
1. Establishing the planned scope of the assignment.
2. Assessing the risk maturity of the unit being audited.
3. Assignment-level conclusions on risk maturity.
4. Confirming the scope of the assignment.
5. Conducting discussion and observation of monitoring controls.
6. Conducting verification of evidence, walkthroughs, re-performance, etc.
7. Documenting the results of the audit work.
9. Making conclusions on responses and risk management processes covered by the assignment.
10. Reporting and feedback.
11. Summarizing the audit conclusions for the audit committee.

RESEARCH METHODOLOGY
A research must have a type of research that matches with topic or title. This research is descriptive qualitative research using case study approach. This approach is used to understand a particular problem or situation in depth.

According to Moleong (2005) qualitative research enable the researcher to understand the phenomena concerning on what is experienced by the subject of the research, for example studying behavior, perception, motivation, action, and so on, holistically. This study would describe the finding in the form of words in a special context utilizing scientific method. According to Yin (cited by Creswell, 2016, pg. 19), a case study is a study design found in many areas, especially the evaluation, where researchers develop depth analysis on a particular case, often the programs, events, activities, processes, or an individual or more. The cases are
limited by time and activity. The researcher gathers complete information using a variety of
data collection procedures based on a predetermined time.

In this research, data sources are:

1. Primary data
   Primary data is source of data obtained directly from the original source (Umar, 2003).
   This primary data is specifically gathered by researcher to answer the question related
to the aim of this research. The data is obtained by interviewing some employee of PT. Pupuk Kalimantan Timur as informants and observing the risk based audit implementation in PT. Pupuk Kalimantan Timur.

2. Secondary data
   Secondary data is source of data obtained directly from indirect research, by intermediaries (2005). Secondary data is commonly in the form of evidence, notes, or historical report which has been arranged in data achieves. This research uses annual report, website, and other media obtained during the research process.

Meanwhile, to collect the data, the researcher used data collection method as follows:

1. Interview
   A qualitative interview occurs when researcher asks one or more participants general,
   open-ended questions and record their answers. The researcher then describes and types
   the data into a computer file for analysis (Creswell, 2012). Interviews conducted in this
   study is to describe how the implementation of risk based audit in PT. Pupuk Kalimantan Timur. The participants are the employees of internal audit and risk management compartment.

2. Documentation
   Sugiyono (2009) described that document is a record of events that had passed. Documents can be in the form of text, images, or the monumental works of a person. Documentation in this research are by identifying the types of documents, examining; sort out, look, and read for the accuracy, completeness and usefulness, and recording information.
   In analyzing the data, researcher used three steps in analyzing and interpreting qualitative as proposed by Miles and Huberman (1994):
   1. Data reduction.
      Data reduction includes summarizing, choosing things that are fundamental, focus on
      things that are important, look for themes and patterns. Thus the reduced data will
      provide a clearer picture and facilitate researchers to conduct further data collection,
      and look for it when necessary.
   2. Data display.
      Once the data is reduced, then the next step is the display-data or present data from
      analytical work. Limiting a presentation as a set of structured information that gives the
      possibility of drawing conclusions and taking action. In qualitative research, data
      presentation can be done in the form of brief descriptions, charts, relation between
      categories, flowchart and the like. The most often used to present the qualitative data is
      the text narrative.
   3. Conclusion drawing/verification.
      The third step in the analysis of qualitative data is the conclusion drawing and
      verification. The conclusions are also verified during the study. Verification is possibly
      a shortest rethinking that comes to analyzer mind as long as he writes, a review of the
      notes field. The findings could be a description or picture of an object that is previously
      less clear. After investigation it becomes clear, it can be a causal relationship or
      interactive, hypothesis or theory.
FINDINGS AND DISCUSSION

Internal Audit PT. Pupuk Kalimantan Timur

PT. Pupuk Kalimantan Timur through *Satuan Pengawasan Intern* (SPI) has a section that serves as Internal Audit. Internal Audit responsibilities are developing the *Program Kerja Pengawasan Tahunan* (PKPT), performing audits based on PKPT and special assignments, facilitating the improvement of the auditee to plan a discussion of findings through audit results, drafting the Audit Report (LHA) to be signed by the head of SPI, and coordinating with the external auditor; BPK-RI, Public Accounting Firm (KAP) and the Committee.

At SPI unit, the organizational structure is divided into two departments, namely the *Pengawasan Intern* (Western) and *Perencanaan dan Evaluasi* (Renval). Manager of Western is assisted four Superintendent, the Superintendent of Financial Supervision I, II Superintendent of Financial Supervision, Superintendent Operational Control I and II Operational Control Superintendent. Operationally, the Manager of Internal Control is assisted by two staff ie staff of the Financial and Operational Control staff. While the Manager of Renval is only assisted by a special advisor and three superintendents. Namely Reporting Planning Superintendent, Superintendent and Superintendent Evaluation Monitoring Audit Follow-Up.

Risk Based Audit Implementation

1. Drafting Annual Work Program

The initial step in implementing risk based audit is establishing *Program Kerja Pengawasan Tahunan* or annual work program. *Program Kerja Pengawasan Tahunan* or annual work program is SPI’s supervision work plan for one year that are used as a guidelines for the supervision implementation, among others in the form of audits, follow-up monitoring activities, consulting activities and other supervisory activities. Staff in *Perencanaan Pelaporan* will preparing audit universe, previous audit object, and company’s organizational structure. The report of risk management department will also needed. That report will be used in making audit universe. Then the staff will make audit universe scoring card which will be issued to employees, especially employees of SPI (*Satuan Pengawasan Intern* compartment). The employees will fill the scoring card which contains department risk, and parameter with risk scale from 1-6.

*Perencanaan Pelaporan* Superintendent will make an audit universe based on the previous audit object, applicable company’s organizational structure, and the report of risk management department. Then the superintendent will give it to the staff. The staff will make a scoring audit universe card. After the superintendent of *Perencanaan Pelaporan* and *Perencanaan Evaluasi* agreed, then the staff will distribute it to the employees of SPI. The SPI employees will receive and fill the scoring audit universe card in accordance with the assessment criteria. The result of scoring audit universe card will be recapitulated by *Perencanaan Pelaporan* staff. The highest score will become the audit object. All of SPI employees will have a meeting to discuss and decide the draft of audit object list. The calculation of audit objects within a year, determined by Pupuk Indonesia. The calculation is $1.6 \times$ the number of employees. SPI has 16 employees, so in a year, the audit objects is equal 26 audit objects.

After writing PKPT, staff in *Perencanaan Penugasan* will count the effective working days, mandays and it allocation. Therefore, audit object will be distributed to the auditors in accordance with ability and experience. After allocating the audit object and the auditor, the card assignment will be made. Card assignment consist of the audit scope and the focus. The overall procedure in drafting annual work audit program can be illustrated in following:
Meanwhile according to IIA, the second stage in implementing risk based audit are:
1. Identifying the responses and risk management processes on which objective assurance is required.
2. Categorizing and prioritizing the risks.
3. Linking risks to audit assignments.
4. Drawing up the periodic audit plan.
5. Reporting to management and the audit committee.

The steps to complete Stage 2 above has been done well by PT. Pupuk Kalimantan Timur. The identification of responses and risk management processes has been done by Risk Management Department. Categorizing and prioritizing risks is done under the assumption of the SPI employees.

2. Preliminary Audit

Audit team will be made and they will plan the scope of audit, studying the audit object and fill the checklist audit plan form. An audit team will consist of:
1. Quality control or Pengendali Mutu (at least grade IIB)
   Quality control has a responsibility covering:
   a. Directing the audit activities.
   b. Conducting audit results discussions with the auditee.
   c. Reviewing and signing Notulen Pembahasan Hasil Audit.
   d. Reviewing LHA concept proposed by the Technical Control to be submitted to the head of SPI.
   e. Being responsible for the quality of audit results.
2. Technical control or Pengendali Teknis (at least grade IIIA)
   Technical control has a responsibility of:
a. Controlling the implementation of the audit activities to ensure compliance of implementation with its plan.

b. Approving the audit program, including the development and changes.

c. Reviewing concepts of Notisi Hasil Audit, concept of Notulen Pembahasan Hasil Audit, and concept of LHA.

3. Team leader (at least grade IVA)

Team leader has a responsibility to:

a. Make a plan audit activities including updating thereof.

b. Make audit program, including updating thereof.

c. Control and supervise the implementation of the audit team members.

d. Make concept of Notisi Hasil Audit, concept of Notulen Pembahasan Hasil Audit, and concept of LHA.

4. Members (employees of SPI)

Members have responsibility to:

a. Implement the audit program.

b. Make audit working papers.

c. Propose the concept of the complete findings and their attributes.

Technical control together with audit team will arrange preliminary meeting with auditee to deliver the purpose, scope and audit schedule. The team leader studies the auditee business process, previous audit working paper and audit reference card together with audit team. The team will identified the auditee’s internal control and risk management implementation. Then the results of preliminary audit will become the basis in preparing audit program. Audit program is a document containing risk activity audit object and its control, audit objectives, and steps of systematic audit designed by the audit team as guidelines for the implementation of audit which tends to be dynamic by considering the management direction and can be adapted to the development of the audit.

The preliminary audit objectives are to get an initial understanding of a working unit before doing the audit. In performing preliminary audit, the documents needed are the objectives and audit schedule, audit scope, audit working paper, business process of risk management and internal control system, and resume of preliminary audit result. Then the audit program will be made and checklist of audit plan will be fulfilled. The team leader make and is responsible to sign to the audit program. The team leader also makes and is responsible to give a sign the audit plan checklist and delivers it to the technical control. The technical control receives, checks and is responsible to sign the audit program and audit plan checklist which is later distributed to the audit team as a guidelines in auditing. Checklist of audit plan is a list of activities that includes planning and realization of the audit made by the team leader and approved by technical control. Checklist of audit plan contains of the job descriptions, person in charge, planned audit duration and actual audit duration.

3. Auditing

An audit according to PT. Pupuk Kaliamantan Timur (2014) is an independent and objective assurance or review activities designed to provide added value and enhance the smooth operation of the company, through a systematic and orderly approach to identify, evaluate and improve the effectiveness of risk management, internal control and governance processes.

The audit team will collect any data or information and analysis the problems using relevant techniques, and later it will be noted in audit working paper. Audit working paper contains of the data obtained, audit techniques conducted, and review results. The main technique is matching the audit evidences with the standards or regulation. The team leader reports the audit progress to technical control periodically. Then, team leader prepares notisi hasil audit draft based on the findings concept. Technical Control receives, review the audit...
quality control receives and reviews the *notissi hasil audit* draft from technical control. quality control discusses the progress with audit team to formulate the final *notissi* audit result that is later delivered to the auditee. auditee should fill the agreed improvement actions and completion schedule in internal audit memorandum.

internal audit procedure contains the person responsible, procedure description, documents, risk, and risk mitigation. risk in auditing time is not in accordance with the planned auditing period due to the limited number of competent human resources. therefore, the mitigation is to have hierarchical supervision and improve the competence of human resources by training and audit experience.

Risk based internal audit in stage 3—doing the audit by IIA (2014) consist the steps of assessing the risk maturity of the unit being audited and assignment-level conclusions on risk maturity which is not included in the audit process in PT. Pupuk Kalimantan Timur. Assignment-level conclusions on risk maturity is defined by comparing the Actual Risk Maturity (ARM) and Expected Risk Maturity (ERM). If ARM is better than or the same as the ERM, then the current assignment will be carried on as planned. If ARM is lower than ERM, internal audit should report this to management, together with the conclusion that responses included in the audit scope which is not working effectively. PT. Pupuk Kalimantan Timur does not have this steps. PT. Pupuk Kalimantan Timur uses the risk register of audit object and takes the highest risk to be based of audit program. If in realization found that there is risk that should be higher than the risk in the risk register, the audit will be following as in the risk register. Then the audit cannot represent the actual condition of the working unit. Therefore, the first stage of risk based auditing from IIA is not yet implemented. Then, there are no calculations or regulations related to ARM and ERM neither the treatment if the ARM and ERM are not equal.

Risk maturity level assessment is only done once in a year in PT. Pupuk Kalimantan Timur. If in 2017 the assessment is done internally, next year (2018) the assessment will be done by external parties. Some of the SPI employees claimed that if the risk maturity assessment is done in every auditing, they have not much knowledge in assessing risk maturity. Moreover, it will need more time. However, if PT. Pupuk Kalimantan Timur does not asses risk maturity more often, it will result in high incompatibility between the Actual Risk Maturity and Expected Risk Maturity. According to Center of Risk Management Studies Indonesia (2014), maturity level of risk management or risk maturity level needs to be measured and to be determined whether the implementation of risk management in the organization is successful or not. Assessing the maturity level of risk management is critical because it allows the identification of organizational strengths and weaknesses that can be used to improve corporate governance and organizational risk management. Therefore, risk maturity level will give a picture of the position of risk assessment. The auditor will be more prepared if they have assessed risk maturity before an audit.

4. **Notulen of Audit Results Discussion and Audit Reports**

Notulen of audit results discussion is made after knowing audit results. The difference is, if *notisi* made after the findings and the purpose is to discuss with the auditee, *notulen* is made after the discussion with the auditee and the purpose is as a preparation to publish the report of audit results. *Notulen* also can be meaningful as an agreement on the findings and the follow-up. Status findings as outlined in *notulen* audit report discussion is:

1. *Selesai* (S) or complete, when the discussion *notisi* audit have obtained enough evidence to support that the findings have been followed up.
2. *Pantau* (P) or monitor, when the discussion *notisi* of audit results find that follow-up is required.
Quality Control will discuss with audit team regarding to the notisi together with the auditee leader, working unit, Perencanaan Evaluasi manager to deliver the audit results and ask for an auditee response related to the alternative improvement steps that will be noted in notulen. The audit report will be signed and tiered by the team leader, Technical Control, Quality Control, and the head of SPI. Head of SPI delivers the audit results and the copy of notulen to the main directors, related directors, and related general managers. In writing the audit report, the documents needed are audit results notulen, audit working paper, updating of audit planning checklist, and monitoring of on-going evaluation form.

There are two types of audit reports in PKT, which is Laporan Hasil Audit (LHA) and Laporan Hasil Evaluasi (LHE). Laporan Hasil Evaluasi (LHE) is an audit from a specific request by the board of directors, when activities found are not supposed to happen and outside the annual work program supervision. While Laporan Hasil Audit is conclusion of comparative analysis between the condition and the criteria described by the findings attributes, namely: the conditions, criteria, causes, effects and suggestions / recommendations (internal audit procedure PKT, 2014). There is also Interim Audit Report. According to the internal audit procedure PKT (2014), interim audit report is a form submission written from the head of SPI to the chief executive and directors related to issues under the consideration auditors is an important issue for the immediately known by directors.

5. Relationship between Risk Maturity Level and Audit Strategy

Risk based audit according to the procedure of drafting PKPT (Program Kerja Pengawasan Tahunan) is an audit that began with the risk assessment process so that in the planning, execution and reporting the audit is more focused on the key areas at risk of irregularities or not achieving a goal.

The researcher tries to examine whether the implementation of risk based audit has been completely implemented or not. The opinion differences from the informants makes the researcher has to dig up more information. The first and third informant stated that risk-based audit has fully implemented from the beginning until the audit reports published. But, the second informant stated that risk based audit is not completely implemented, because the determination of audit objects is not only based on the risks but also from the directions of board of directors, etc. Moreover, by using risk based audit, the audit depends on the risk maturity level. Risk maturity level, according to the Guidelines of the Implementation of Risk Management Evaluation (2010), is a condition of risk management implementation. Evaluation of enterprise risk management implementation is done through methodology developed by referring to company internal control unit guideline, and conducted by appraising 8 (eight) risk management component according to COSO consisting of internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring.

In 2016, PT. Pupuk Kalimantan Timur has assess the risk maturity level internally. The result is 4.1 (from scale 5) with the percentage achieved conformance to the ISO 31000:2011 by 84%, or at the level of managed, means that risk has been measured and managed quantitatively. From external assessment in 2015, the risk maturity level of PT. Pupuk Kalimantan Timur is 3.5. Therefore, the risk maturity level use is the internal assessment (4.1).

According to IIA (2014), the first stage of implementation of risk based audit is assessing risk maturity. There are three objectives at this stage which are to assess the risk maturity of the organization, report to management, and to the audit committee on that assessment, and agree an audit strategy. According to IIA (2014), for risk enabled and risk managed organizations, the conclusion on risk maturity is the first step being able to provide assurance on risk management processes, management of key risks and reporting of risks. The internal audit activity’s assurance strategy is therefore to provide assurance on these areas.
RBIA means that audit planning is driven from the organization’s risk register and it is needed for objective assurance. If an organization is in risk defined level, it does not have a complete risk register. Internal audit should use completed parts of the risk register to plan, or re-plan, audit work using different method.

**Strength and Weakness of Risk Based Audit Implementation**

Risk-based audit can provide an audit results that are really valuable and beneficial for the company. By implementing risk-based audit, the work unit can sense the higher level of satisfaction because the work unit receives valuable input to improve the operational performance of business units and the company as a whole. The researcher gathers any information related to the strengths of risk based audit from two informant. Based on the information obtained, it can be concluded that the strengths of risk based audit is that the audit is more focused on the work unit problem. Each work unit will stated the risks in their department and later will coordinate with risk management department. Then the risk register from Risk Management Department will be used in assign audit objects. So, if a work unit is stated at high risk, the audit can be directed into that risk. It makes an audit more efficient in achieving the targets. The risks stated by the work unit also has a description of condition in their department.

Risk based audit is at the cutting edge of internal audit practice. As a result, it is an area that is evolving rapidly and where there is still little consensus about the best way to implement it. It is more difficult to manage than traditional methodologies. Monitoring progress against an annual plan that is constantly changing is a challenge. Setting targets and appraising staff may become more complex (IIA, 2014). Risk based audit implementation may also have weaknesses. Knowing the weaknesses of the implementation of risk based audit can help management improving their operations. Risk based audit has a high relation between internal audit and risk management. When implementing risk based audit, PT. Pupuk Kalimantan Timur gathers risk register from Risk Management Department and uses that as a basis in considering the audit object as well as its focus. Risk Management Department collects, coordinates and controls the risks from all work unit. When the risks in risk register is not in accordance with the real condition, obviously an audit cannot reflects the conditions of the work unit. Then, the purpose of audit to give recommendation for their problem may not be achieved.

It is important to give the work units an understanding, that internal audit is built not to search mistakes from each department. Otherwise, internal audit tends to improve the company operations, then the departments must be fair in deliver their risks. Internal audit purpose is to increase the departments’ performance by giving solution and recommendations. Therefore, to give the solution, internal audit needs to know the problems first. Intense communication between risk management unit and internal audit needs to be improved. Internal audit should communicate to risk management department if in realization the risks level are not in accordance with the given level. Departments in PT. Pupuk Kalimantan Timur also needs to raise the awareness of the importance of fair risk presentation. Moreover, PT. Pupuk Kalimantan Timur does not implement assignment-level conclusions on risk maturity. If the actual risk maturity is lower than expected risk maturity, then the audit strategy must be changed. This is a crucial step that have to be done. If it is not, then the audit strategy may not be appropriate and the targets cannot be achieve.

**CONCLUSION**

**Conclusion**
PT. Pupuk Kalimantan Timur has implemented risk based audit since around 2010s. In sum, internal audit procedure in PT. Pupuk Kalimantan Timur is started from the production of audit plan, preliminary audit, auditing, notulen of audit results discussion, and audit reports. The design of audit plan or known as Program Kerja Pengawasan Tahunan is started by making an audit universe. The employees of internal audit will fill the scoring card and the departments with highest score of risk will be the audit object. The preliminary audit will be held to get general knowledge about the audit object and to set the audit scope. An audit which results in findings will be written in audit report covering criteria, conditions, cause, and outcome.

The researcher compares and conforms the implementation of risk based audit in PT. Pupuk Kalimantan Timur and standards from Institute of Internal Auditors. There are two major findings. First, IIA suggest that there should be a risk maturity assessment to the unit being audited before doing the audit. In realization, risk assessment only has been done once in a year, separately from the auditing. However, employees of internal audit unit does not have much ability in risk maturity assessment. Furthermore, by including risk maturity assessment before every audit can extent the audit time. By not doing risk maturity assessment every audit, the auditor cannot picture the position of the risk management. Every risk maturity level defines the position and the condition of risk management. If the risk maturity assessment is only done once in a year, the risk management may be not applicable in representing the conditions of auditee working unit.

Second, IIA stated that in auditing, there should be calculation between expected risk maturity and actual risk maturity. If it finds that the actual risk maturity is lower than expected risk maturity, the auditor should report to the management and change the audit strategy. This steps do not exist in the procedure as well as in the realization. PT. Pupuk Kalimantan Timur uses a higher risk in the register as a base in making program audit. If later the auditor found that there is risk that should be higher compared to the one written on risk register, the audit will be still based on the risk register. However, the audit cannot represent the actual conditions in the working unit. The difference between expected and actual risk maturity represent as a weakness and a barrier to the auditor. The strengths of risk based audit is more appropriate target with the conditions, which make the audit focusing in the problems of working units. However, the findings above indicated that PT. Pupuk Kalimantan Timur does not yet completely implementing risk based audit.

It is advised to PT. Pupuk Kalimantan Timur to combine risk management and internal audit department into one department. Then, the risk maturity assessment process can be done effectively and has a synergy with auditing process. PKT should include the step of assignment-level conclusion on risk maturity to decrease the weaknesses of risk based audit. Moreover, the auditor should get more depth understanding about the implementation of risk based audit in details. Adopting the IIA risk based internal audit also may be an effective way to achieve the audit targets.

Research Limitations

Limitations of this research are:

1. Due to the confidentiality of company, researcher does not allowed to assess the risk maturity and contributing in ongoing audit process. Therefore, this research focused only in the production of audit plan.

2. This research is only conducted in one department, therefore this research cannot generalize the implementation of risk based audit in PT. Pupuk Kalimantan Timur.

Suggestion for Future Research
For the future research, it is expected to do more detailed research in another steps of risk based internal audit. For example, the implementation of risk based audit in the assessing risk maturity and ongoing audit process. Therefore, the research can complete the implementation of risk based audit as a whole. It also expected for the future research to use qualitative and quantitative method get a wider understanding result. The supporting data in another department may give an additional important analysis for the research.

REFERENCES


