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Implementation of fixed assets audit at PT U by KAP Y

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Abstract

Fixed asset audits are an important part of a company's audit process. The components that make up fixed assets are generally considered to have material value because they represent the majority of the company's total asset value and have the potential to make a significant contribution to the total value stated in the financial statements. Public Accounting Firms (KAP) such as KAP Y play an important role in carrying out the fixed asset audit process. The purpose of the research entitled "Implementation of Fixed Asset Audit at PT U by KAP Y" is to describe the fixed asset audit procedures carried out. The research method used is a qualitative-descriptive method with data collection methods through observation, interviews, use of documents and literature. The data analysis method used is descriptive analysis technique. The research results show that the fixed asset audit procedures carried out by KAP Y consist of pre-engagement, planning, testing and reporting stages. The audit procedures carried out by KAP Y have been going well and are in accordance with the Standard Public Accountant Guidelines. The novelty of this research is that the research context focuses on KAP Y's fixed asset audit procedures carried out at PT U using the latest regulations.

Keywords: Audit, fixed assets, PT U.

INTRODUCTION

Fixed asset audits are an important part of a company's audit process, involving the examination and assessment of tangible assets such as land, buildings, vehicles, machinery, and equipment. Fixed asset audits can be interpreted as inspection actions that assess internal controls related to fixed assets. This process begins when fixed assets are acquired or added, and includes fixed asset accounting records, authorization of fixed assets, and the stage of disposal or termination of fixed assets (Saputra & Syafitri, 2020). Fixed asset accounts have an important role in a company's financial statements. Fixed asset audits are useful for ensuring that assets have been recorded correctly, the value of fixed assets is accurately reflected in the financial statements and assessing the effectiveness of internal controls used to protect these fixed assets.

In PSAK 16, the Indonesian Accountants Association (IAI) defines fixed assets as a type of physical asset that is used regularly for company administrative purposes, production, or the provision of goods or services. Fixed assets are usually used for more than one accounting period. The components that make up fixed assets, such as land, buildings, vehicles, machinery and equipment, are generally considered to have material value because they represent a large part of the company's total asset value and have the potential to make a significant contribution to the total value stated in the financial statements. The financial position of an entity will be directly affected when inaccuracies occur in the recording or valuation of fixed assets. An auditor who is highly dedicated to his work will tend to be more thorough and careful in determining materiality values in a financial report (Hall, 1968).

Public Accounting Firms (KAP), such as KAP Y play an important role in carrying out the fixed asset audit process. Companies can use audit services by KAP because KAP is an independent institution that has expertise and skills in auditing financial reports. During the audit process, the KAP may find errors, discrepancies or weaknesses in the recording of the company's fixed assets that do not comply with established standards. In these conditions, the KAP can provide recommendations to the company to make improvements to the recording and valuation procedures for fixed assets.

This recommendation aims to help companies improve the quality of their fixed asset recording to increase the integrity and reliability of their financial reports.

However, the implementation of fixed asset audits is not static and will continue to develop along with changes in regulations, audit standards, technology and business dynamics. Based on the Accounting Standards Board (2018), accounting issues related to fixed assets usually include determining the acquisition value of fixed assets, depreciation of fixed assets, expenses after acquiring fixed assets, disposal of fixed assets, and presentation of fixed assets in financial statements. According to research conducted by Kholifatullah, Halim and Syahrudin (2020), the presentation of financial reports can be influenced by incorrect fixed asset accounting or not in accordance with Financial Accounting Standards. Therefore, it is important to understand how KAP Y carries out an audit of PT U's fixed assets as one of their clients in handling this problem.

Based on the background presented above, the research question that can be studied in this research is how is the implementation of audit procedures carried out by KAP Y on PT U's fixed assets? Therefore, the author decided to choose the research title, namely Implementation of Audit of PT U's Fixed Assets by KAP Y. The aim of this research is to explain the audit procedures for PT U's fixed assets carried out by KAP Y. By providing structured information, it is hoped that this research can provide useful guidance for future interns who wish to understand and involve themselves in the fixed asset audit process at KAP Y.

LITERATURE REVIEW AND HYPHOTESIS DEVELOPMENT

Literature Review

The theories used in this research are stakeholder theory and compliance theory. Freeman (1984) introduced Stakeholding Theory, which states that companies are institutions that relate to other interested parties, both inside and outside the company. Employees, customers, creditors, suppliers and the community around the business are included in the stakeholder category. If examined further, it can be said that companies are not only responsible to users of financial reports, but also to employees, the surrounding community, the government and other parties. Financial reporting is one form of such accountability, which usually requires a third party to ensure accountability for its delivery. Independent auditors usually represent third parties who are responsible for ensuring financial report transparency, accountability, responsibility, fairness. The company management's financial reports will be examined by auditors. One way to reduce information asymmetry during the audit process is to complete the audit on time.

Compliance theory was coined by Stanley Milgram (1963) who stated that a person tends to obey regulations that are appropriate and in line with the norms they adhere to internally (Sulistiyo, 2010, quoted in Wedosari, 2012). In terms of compliance theory, the Public Accountant Professional Standards Board I (DSPAP IAPI) in this case provides rules through the Public Accountant Professional Standards SA 200 (revised 2021) concerning the Implementation of Audits Based on Audit Standards which states that Auditors must comply with all Audit Standards relevant to audits. A Standard is relevant to an audit when the Audit Standard applies and there are matters regulated in the Audit Standard.

The audit process will provide added value to the company's financial reports. This is because public accountants are independent and knowledgeable parties who will assess the suitability of financial position, operational performance, changes in equity and cash flow in accordance with standards. One type of attestation is an audit, which is essentially communication between an expert and another party about how he or she considers the statements provided by the other party to be reliable.

Public accounting has also started various other assurance services in recent years. The Assurance Services Committee of the AICPA (American Institute of Certified Public Accountants) defines assurance services as "services provided by an independent professional with the aim of improving the quality of information for decision makers". Assurance services include more than just audit or attestation. Companies can ask public accountants to assess the reliability of their information systems, how well their systems manage business risks, or how good their performance measurement systems are. (Agoes, 2017).

Auditing is the process of collecting and assessing evidence of information to determine and report the extent to which the information conforms to established standards. Audits must be carried out by people who have the necessary abilities and independence. (Arens, 2017).

Meanwhile, Sukrisno Agoes (2017) believes that auditing is a thorough and systematic examination process of management's financial reports, as well as bookkeeping records and supporting evidence. The purpose of this audit is to provide an opinion on the fairness of the financial statements and ensure that the information presented is in accordance with applicable accounting principles.

Based on the description of the meaning of audit above, it can be concluded that an audit is the process of examining financial reports based on evidence that has been collected with the ability and independence of the auditor to provide an opinion on the fairness of financial reports and to determine their conformity according to applicable standards

Fixed asset audits are an important part of the inspection process because fixed assets have a material nominal value and have an impact on business operations. This is done in order to assess the existence of good internal control in fixed asset management and to evaluate how fixed assets are treated during the process of acquisition or addition, reduction or disposal, until the time the fixed assets are depreciated.

A fixed asset audit can be defined as a procedure that examines and assesses the internal control of fixed assets starting from the time the fixed asset is acquired or added, authorization related to the fixed asset, fixed asset accounting records, up to the process of releasing or discontinuing the fixed asset. (Saputra & Syafitri, 2020).

According to Sukrisno Agoes (2017), several of the main objectives of a fixed asset audit in a general audit are to:

1. Evaluate how effective the company's internal controls are regarding fixed assets.
2. Ensure that fixed assets actually exist, are still suitable for use, and are legally owned, as stated in the company's statement of financial position (balance sheet).
3. Ensure that additions to fixed assets during the audit period are capital expenditures authorized by authorized parties in the company with complete evidence and records.
4. Check that the withdrawal (disposal) of fixed assets has been recorded correctly and authorized by the authorized party. Withdrawals of fixed assets that occur due to sale will result in a profit or loss on the sale of fixed assets, fixed assets that are exchanged (trade-in) or written off can result in losses from write-off of fixed assets, if the book value of the fixed assets still exists. Losses arising from the exchange of similar assets are recorded as "Loss on Trade-In" while gains from such exchanges are recorded as a deduction from the cost of acquiring the new fixed asset.
5. Evaluate the depreciation calculation for fixed assets during the audit period to see whether it is consistent, accurate and complies with Financial Accounting Standards (SAK).
6. Evaluate whether the company has fixed assets used as collateral.
7. Guarantee that the financial reports show the presentation of fixed assets in accordance with the financial accounting standards applicable in Indonesia (SAK/ETAP/IFRS).

According to Sukrisno Agoes (2017), many companies, especially those operating in the industrial sector, have fixed assets whose value is very large in forming the company's total assets. However, in practice, auditors generally spend less time examining fixed assets when compared to other estimates such as inventories, receivables, inventories, etc. Some of the factors that cause include:

a. The acquisition price of fixed assets is usually large with a relatively small number of transactions in one year.
b. Compared to mutations (additions or reductions) in receivables and inventories, there are relatively fewer fixed asset mutations.

c. The cut-off transactions procedure in examining fixed assets is not as important as in examining purchases and sales of inventory.

Audit procedures for fixed assets are as follows:

1. Evaluate the company's internal control over its fixed assets.
2. Ask the client to provide a Supporting Schedule and Top Schedule for fixed assets. These two documents include initial balances, additions, deductions and ending balances, both for acquisition value and accumulated depreciation.
3. Check the correctness of the downward addition (footing) and cross footing which are matched with the totals in the General Ledger, or Sub Ledger, as well as the initial balance with the previous year's working paper.
4. Check evidence of transactions for adding and subtracting fixed assets. For additions, we will check the approval given and the completeness of supporting documents. For deductions, we will check the authorization and journal entries to ensure that everything has been recorded correctly, including whether there is a gain or loss from the sale of fixed assets.
5. Carrying out a physical inspection of fixed assets using certain tests known as test basis, as well as checking the condition and code number of each fixed asset.
6. Verify ownership of fixed assets by checking documentary evidence such as land certificates, IMB (Building Construction Permit), and SIPB (Building Occupation Permit) for property such as land and buildings, as well as for vehicles such as cars and motorbikes, such as BPKB and STNK.
7. Check the consistency of capitalization and depreciation policies with the previous year.
8. Make an analysis of estimated repair and maintenance costs (Repair & Maintenance) to determine whether there are expenditures that are incorrectly categorized as Revenue Expenditures which should be included in Capital Expenditures.
9. Check whether the company has insured its fixed assets and check the adequacy of its Insurance Coverage
10. Test depreciation calculations, match depreciation figures to depreciation costs in the profit and loss account, and check how depreciation costs are distributed and allocated.
11. Check meeting notes, credit agreements, and bank responses to determine whether fixed assets are used as collateral. If there is, it must be disclosed in CALK.
12. Check the company's commitment to buy or sell fixed assets.
13. Check additions to the construction process (Construction in Progress), and whether there is Construction in Progress that needs to be transferred to fixed assets.
14. If the company acquires fixed assets through leasing, check the lease agreement and ensure that the accounting treatment is in accordance with leasing accounting standards.
15. When making credit transactions with the bank, check or ask whether there are fixed assets used as collateral.
16. Ensure that the presentation of the company's financial reports is in accordance with Indonesian financial accounting standards (SAK/ETAP/IFRS).

The audit procedures described above only apply to repeat engagements which focus on examining transactions during the current year. However, for the first audit, there are two ways:

1. If the company has been audited by another KAP in the previous year, the auditor can examine the audit working papers and previous accountant's report compared to the opening balance of fixed assets
2. If the company has never been audited before, the public auditor must check the mutation of fixed assets since its establishment to ensure that the company's recording of additions and reductions to fixed assets is in accordance with Indonesian financial accounting standards (SAK/ETAP/IFRS). The method for examining previous year mutations is carried out using a test basis which focuses on amounts that are considered material.

METHODS

This research was conducted using qualitative-descriptive research methods. According to Taylor, Bogdan, and DeVault (2016) qualitative research does not start from a hypothesis, but qualitative research starts from a problem formulation, research problem, or research question. Meanwhile, descriptive is a method of finding facts which is done by investigating, collecting and reviewing primary and secondary literature. In applying qualitative methods, all information collected through a descriptive approach has the potential to become a key element in research that will be or has been conducted (Moleong, 2012). This research uses descriptive data analysis methods. According to Kasiram (2010: 15), descriptive analysis refers to the analysis of research results that uses data in the form of written words or sentences originating from the research subject. In this research, the data analysis process begins with collecting data, selecting data, presenting data, and drawing conclusions and research suggestions. The steps in this research are: (1) Collecting data through observations, interviews, use of documents and literature. (2) Selecting data that is appropriate to the topic of this research. (3) Presenting data based on research results in the field.(4) Draw conclusions to answer the existing problem formulation, and provide suggestions for this research.

RESULTS AND DISCUSSIONS

In carrying out the fixed asset audit process, KAP Y uses the Public Accountant Professional Standards (SPAP) as a reference. KAP Y examines the client's financial reports through the pre-planning, planning, testing, and reporting stages. During the internship, the assistant auditor (supporting auditor) only helps the auditor in carrying out the testing stages. Meanwhile, the pre-planning, planning and reporting stages are carried out by the auditor. Audit procedures carried out by KAP Y in examining PT's fixed assets. U as follows:

1. Engagement
   At this stage KAP Y enters into a formal agreement with the entity management or PT. U to audit the financial statements for the one-year period ending December 31, 2022. In this engagement, the audit process will be discussed, the fees charged, and the extent of the audit scope. This agreement is documented in writing in an Engagement Letter signed by both parties.
2. Team Building
   After the engagement letter is signed by both parties, the next stage is for the associate partner to form an audit team which usually consists of 4-6 people. This audit team consists of team members who have the relevant knowledge and skills to ensure that PT U audits are carried out correctly and according to standards. Next, the secretariat creates an assignment letter and asks for the associate partner's signature which is finally submitted to the auditor appointed to carry out the task of auditing PT U's financial reports.
3. Study The Results Of The Previous Year's PT U Audit
   This stage is carried out by the auditor in order to understand the scope of the previous audit, what the findings were, and whether any improvements have been made in the current audit period. Studying the results of the previous year's audit will make it easier for auditors to identify problems or potential risks that may reappear. By carrying out this stage, the auditor can design the audit program for the current period more efficiently and effectively.
4. Carry out Audit Planning
   The success of an audit depends on correct audit planning, so this stage is a crucial stage in the audit process. The audit plan must be made as effective as possible to avoid wasting time, money and energy. If an assistant is involved, the assistant must know the purpose of the audit and internal control procedures so that he can carry out an appropriate audit program. To help with audit planning, the team leader divides tasks based on the abilities of team members and the members' time availability.
5. Data Request

At this stage the auditor requests the required company data. This data request stage is documented using a data memo form. Auditors request data consisting of permanent files or current files. Permanent files are client data that remains relatively unchanged and can be used repeatedly for several audit periods, while current files are client data that generally can only be used for the current audit period. The data used includes:

Permanent Files:

- Photocopy of deed of establishment or amendment (if changes occur)
- General company information
- NPWP and NPKP
- Other information regarding company operations

Current Files

- Financial Reports, such as: Profit and Loss Report, Equity Changes Report, Financial Position Report, Cash Flow Report, and Notes to Financial Reports for the period 2022
- Ledger as of December 31, 2022
- Bank Reconciliation
- Copy of the previous year's audit report if audited by a different KAP. Meanwhile, clients who have never been audited before do not need to be asked for this data.
- Samples of proof of cash in, proof of cash out, proof of purchase, proof of sales
- Copy of current/savings account for 2022 period
- Copy of loan account for the 2022 period
- SPT and PPh for the period 2022
- Inventory Book for the 2022 period
- Details of receivables and payables for the 2022 period

Meanwhile, specific data for fixed asset inspections are:

- List of fixed assets as of December 31, 2022
- Calculation of Depreciation for fixed assets as of 31 December 2022
- Leasing agreement
- Insurance list to check whether there are fixed assets insured
- Credit agreement to check whether there are fixed assets used as collateral

6. Conduct Field Audits

   The auditor carries out a physical inspection of assets located at the PT U office. At this stage the assistant auditor observes, assists in the asset taking process, and carries out documentation. This stage contains tests of controls, several things that auditors do in carrying out tests of controls during field audits include:

   1) Physical Inspection of Fixed Assets

      Based on the detailed list of assets that have been obtained, the auditor is assisted by an assistant auditor to match them with the condition of fixed assets in the field. Auditors physically examine fixed assets by looking at the condition, condition and existence of the fixed assets. Several criteria set by KAP Y in examining fixed assets are that the assets really exist, the assets are really owned (attach ownership documents or purchase notes), the assets are labeled with a register, the assets are in good condition & match the quantity, the assets have create a fixed asset card. The results of this physical inspection are documented in the "Asset Opname" working paper which contains the auditor's notes regarding the inspection of the fixed assets.

   2) Request Evidence of Asset Ownership

      This is done to verify that the recognized fixed assets are actually owned by the client entity and are accurately reflected in the statement of financial position. The auditor will ask for evidence of ownership of fixed assets from the fixed asset manager or accompanying employee during the field audit. Auditors ask for evidence of ownership of assets, especially land, buildings and vehicles which usually have a value that has a significant impact on financial statements. Evidence of asset ownership requested such as land certificate documents, STNK, and BPKB. Meanwhile, for other assets, evidence of ownership can be seen from the asset purchase invoice.

7. Create Audit Working Papers
   After carrying out the field audit, the auditor then creates an audit working paper assisted by the auditor's assistant. At this stage, substantive testing is carried out by doing the following things:
   1) Do Vouching
      The auditor searches for evidence of cash expenditures and income to ensure that every cash expenditure and income on fixed assets is supported by adequate and valid evidence. The purpose of vouching is to help auditors check that the fixed asset balances listed in the financial statements are correct, both additions and deductions, and supported by appropriate evidence.
   2) Fixed Asset Balance Testing
      At this stage, the assistant auditor carries out a recording test of PT U's fixed asset balances by entering the audit balance as of December 31, 2021 and as of December 31, 2022. All components that make up fixed assets are input, such as land, buildings, machinery and equipment, vehicles, office inventory. , along with depreciation. In this working paper, you will find out what percentage increase or decrease for each account is, or what is often called horizontal analysis. Apart from that, the assistant auditor also carried out an opening balance test which tested that the final audit balance as of December 31, 2021 was the same as the opening book balance as of January 1, 2022.
   3) Checking Additions and Deductions to Fixed Assets
      At this stage the auditor asks the client for a list of fixed assets and then the assistant auditor will check the balance of the fixed assets. The results of this check found additional fixed assets in 2022 including machine and equipment accounts, vehicles and office inventory.
   4) Checking Accumulated Depreciation of Fixed Assets
      Based on the list of fixed assets and depreciation that had been previously requested, the auditor carried out a test of the accumulated depreciation calculation so that the auditor could find out whether the depreciation calculation carried out by PT U was adequate. Next, the assistant auditor helps input the correct accumulated depreciation balance into the audit working paper.
8. Prepare a Draft Audit Report
   After all stages of the audit have been completed, the auditor begins to prepare a draft audit report according to the audit guidelines that have been determined. This stage is part of the reporting stage in the audit process which must be guided by reporting standards. An audit draft is a financial report that has been audited by an auditor. The draft audit report will then be checked by the auditor's assistant to ensure there are no writing or summation errors in the audit report before finally the audit draft is given to the client.
9. Confirm With The Client
   At this stage the auditor issues an audit draft audit report which is then communicated to the client's management, directors or other interested parties. The purpose of this confirmation is to ask for management's opinion whether they agree or not regarding the audit draft. So that the final results of the Independent Auditor's Report that will be published are the result of approval from both parties.
10. Prepare a Management Letter
    At this stage the auditor creates a management letter containing the findings during the audit process. Apart from that, auditors also provide suggestions and recommendations to management for improvements in the coming period, for example if there are still weaknesses in the company's internal controls.
11. Create an Independent Audit Report

After obtaining an opinion from the client regarding the audit draft that has been provided, the auditor then makes an Independent Auditor's Report. The independent auditor's report contains the auditor's opinion regarding the fairness of the presentation of the client's financial statements. This report will ultimately be used to provide confidence to interested parties regarding the reliability and credibility of the financial information presented by the company. Apart from management, this report is also used by shareholders, creditors, and even employees of the company.

CONCLUSIONS

Based on the results of research regarding the audit of fixed assets at PT U for the 2022 period by KAP Y, it can be concluded that the fixed asset audit procedures carried out by KAP Y have been carried out well and in accordance with the Standard Public Accountant Guidelines. In carrying out the fixed asset audit process, KAP Y uses the Public Accountant Professional Standards (SPAP) as a reference. KAP Y examines the client's financial reports through the pre-planning, planning, testing and reporting stages. During the internship, the assistant auditor (supporting auditor) only helps the auditor in carrying out the testing stages. Meanwhile, the pre-planning, planning and reporting stages are carried out by the auditor. The implementation of fixed asset audits is specifically at the stage of carrying out field audits and preparing audit working papers (KKP). Meanwhile, stages other than these two stages are the same as checking other accounts such as accounts receivable, cash, inventory or other accounts. There are also special documents used for fixed asset audits, such as a list of fixed assets as of December 31, 2022, fixed asset depreciation calculations as of December 31, 2022, leasing agreements, insurance lists, and credit agreements.

The recommendation that researchers give to PT U is that management can maintain completeness and timeliness in providing data to KAP Y so as not to hamper the planned audit schedule and not disrupt the audit team's work schedule. Apart from that, it is hoped that management will immediately make improvements regarding internal control over its fixed assets so that repeated findings do not occur in the following year. This research is limited in terms of data requests, because basically KAP must maintain the confidentiality of client data.

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