



**FACULTY OF ECONOMICS
ANDALAS UNIVERSITY**

THESIS

**THE IMPLEMENTATION OF RISK-BASED AUDIT
BY THE INTERNAL AUDITOR AT PT. PERKEBUNAN NUSANTARA IV
(PERSERO)**

By:

**Dolina Hesty Wardhiani
06 153 031**

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ABSTRACT

The aim of this research is to examine the implementation of risk-based audit approach that conducted by the internal auditor at PT. Perkebunan Nusantara IV (Persero). The shifted of internal auditing focus and the development of risk management had cause the development in internal audit approach; it is call risk-based internal audit approach. PT Perkebunan Nusantara IV (Persero) as the one of State – Owned Enterprises (SOE) in North Sumatera realizes that application of risk-based audit approach becomes one factor that supports the development of the company. This research analyzes three aspects in PTPN IV; they are risk assessment, the process of audit and standardization of internal audit personnel. This research shows that risk-based audit in PTPN IV is in the process to be performed and the guideline of risk management is still in process to be developed. The limitations of human resources in internal audit unit can be minimized by improving the quality of human resources that are currently available. Therefore, all of the staffs will have similar knowledge and understanding regarding risk-based internal audit approach.

Keywords: Internal Auditing, Risk Management, Risk-Based Audit, SOE

CHAPTER I

INTRODUCTION

1.1 The Background of The Research

Internal auditing is an activity that provides advice how the best way for the organization in achieving its objectives. Internal auditing includes to the utilization of a systematic methodology for analyzing business processes or organizational problems and suggests alternative solutions to those problems. Activities of internal auditing include ensuring operations effectively and efficiently, preventing and investigating fraud, protecting assets, and controlling the compliance with laws, regulations, policies, and procedures within the organization.

The existence of an organization cannot be separated from the goals to be achieved. One of the common goals of an organization is to increase shareholder value. The existence of internal auditing in an organization must be viewed in the context of helping the organization to achieve the goals.

In achieving its objectives, the organization is always exposed the risks by affecting the achievement of objectives. Risk is a situation that may occur and may hamper the achievement of objectives. Moreover, as found in [ventureline.com](http://www.ventureline.com) stated that audit risk is a combination of the risk that material errors will occur in the accounting process and the risk the errors will not be discovered by audit tests. Audit risk includes uncertainties due to sampling (sampling risk) and to other factors (non-sampling risk) (<http://www.ventureline.com/accounting-glossary/A/audit-risk-definition/>).

Ideally, risks should be eliminated. Nevertheless, it is impossible to eliminate the risk. Therefore, the success of properly managing risk becomes very important.

Internal auditing has undergone a rapid evolution to the present. This is triggered by various events that show either small or large risks that occur globally. Ranging from cases of Enron and WorldCom until the recent global financial crisis, which further strengthens the importance of the internal auditing function. The risks vary and more complex as the development of the current financial system, making the role of a strong internal auditing increasingly necessary. Thus, it triggers an internal auditing to continue to evolve today.

Nowadays, the focus of internal auditing has experienced a shift. In the past, the focus of the internal auditor's role is as *a watchdog*. Thus, making its role less favored by the presence of other organizational units. This may be a logical consequence of the profession of internal auditors whose job, which cannot be removed from the audit function, which is between examiners (auditors) and the party who being examined (auditee), are in a position facing each other.

At this time, auditing process has shifted as *internal consultants* who provide an input for improvement of existing systems and act as a catalyst (Effendi 2003, para 2). The consultant for the internal auditor function is a relatively new role, which carries the internal auditor's role to increase knowledge and skills on both the auditor profession and the business aspects. In other hand, it is expected to assist management in solving a problem. An

CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusions

Risk-based audit (RBIA) is an approach taken by the internal auditors with more focus on the problem of risk assessment parameters that are formulated on the risk-based audit plan. RBIA brings benefits, among others, to improve the efficiency and effectiveness of internal auditors in conducting audits. Thus, RBIA is directly improving the performance of Internal Audit Department.

This research shows that in PT. Perkebunan Nusantara IV (Persero), risk – based internal audit is in the process to be performed. PTPN IV is still in the process of developing the risk management policy guideline at PTPN IV that can be used as a reference in identifying risks, also risk management division and internal audit unit (SPI) in PTPN IV has limited human resources who already know about the process of risk management and risk-based audit method. Essential elements, which become important factors in implementing risk-based audit like risk register and risk and audit universe (RAU) not available yet at PTPN IV.

5.2 Recommendation

Risk-based audit is a proven method to bring benefits to the company, especially the risk assessment process that became an important key to the company' success. Therefore PTPN IV should do risk assessment processes and effective way to enable and maximize the

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