

# MEDIATION OF ATLAS IN THE EFFECT OF AUDIT EXPERIENCE AND COMPETENCE ON AUDIT RISK

*by* Ujang Syaiful Hidayat

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**MEDIATION OF ATLAS IN THE EFFECT OF AUDIT EXPERIENCE AND  
COMPETENCE ON AUDIT RISK**

**Rudiana Fibriani**

STIE YAPAN Surabaya  
[rudiana@stieyapan.ac.id](mailto:rudiana@stieyapan.ac.id)

**Arief Nurdiannova Q.**

STIE YAPAN Surabaya  
[ariefnova@stieyapan.ac.id](mailto:ariefnova@stieyapan.ac.id)

**Ujang S. Hidayat**

Universitas Merdeka Surabaya  
[ujang.syaiful@unmerbaya.ac.id](mailto:ujang.syaiful@unmerbaya.ac.id)

**ABSTRACT**

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In conducting an audit, the auditor must pay attention to audit risk in order to provide an accurate opinion on the financial statements. Currently, ATLAS is used in financial statement audits to improve the quality of auditors' work. This quantitative research using the SEM-PLS method aims to determine whether ATLAS is also able to mitigate audit risk and see whether the auditor's experience and competence factors can support the use of ATLAS, and whether ATLAS mediates the effect of auditor experience and competence on audit risk. The research respondents were 31 KAPs in Surabaya. The results found that Audit Experience, Competence and ATLAS have an influence on ATLAS but both have a negative effect on Audit Risk, while ATLAS mediates the negative effect of Audit Experience and Competence on Audit Risk.

**Keywords:** *audit experience, competence, atlas, audit risk*

**INTRODUCTION**

In planning the audit, the auditor should consider audit risk, which is the possibility that the auditor is unaware of material errors in the financial statements. Auditors should minimize audit risk by ensuring that material errors in the financial statements are identified and appropriately addressed. The greater the auditor's desire to give the correct opinion, the lower the acceptable audit risk. The auditor should set the audit risk at a low level if he audits a public company with many users of its financial statements, or if he audits a company that is experiencing financial difficulties. The auditor should gather sufficient evidence from an examination of each account balance or transaction to limit the audit risk in expressing an opinion on the financial statements as a whole.

In today's era of rapid scientific and technological development, information technology continues to evolve and influence various fields including finance and financial statement auditing. One example of this development is the launch of ATLAS in 2018<sup>3</sup> by the Indonesian Institute of Certified Public Accountants, which was developed for risk-based audits. ATLAS is a Microsoft Excel-based TABK that can assist auditors in performing audit procedures and documenting the results. The launch of ATLAS was motivated by the decline in the quality of financial statement audits, which prompted the Center for Financial Professional Development (P2PK) - Ministry of Finance and the Indonesian government to create a digitalization of the audit process through ATLAS in order to support auditor performance and improve the quality of work. However, the use of ATLAS also requires knowledge transfer and training to be widely accepted and effectively used in audit engagements. Previous studies have shown inconsistent results regarding the acceptance of new information systems such as ATLAS. With ATLAS, the auditor can strictly prepare an<sup>12</sup> audit report, especially regarding the "going concern audit opinion", which can be directly known by the Ministry of Finance of the Republic of Indonesia. Audit reports related to business continuity are called business continuity audit opinions<sup>12</sup> used to provide early warning to shareholders not to make mistakes (Hwihanus, Ratnawati and Yuhertiana, 2019).

Some KAPs (Public Accounting Firms) use Computer-Aided Audit Techniques (CTA) as their audit working papers to simplify the audit process. However, the use of TABK still depends on the auditor's ability to operate it. Muhayoca & Ariani's research (2017) shows that the use of TABK affects audit quality and helps auditors carry out audits more easily and quickly. Similar research by Fauzi et al (2020) also shows that the application of TABK<sup>4</sup> has a significant effect on the effectiveness of the implementation of investigative audits in detecting fraud.

Therefore, this study aims to find out whether ATLAS is effective in mitigating audit risk in Indonesia and determine whether the factors of auditor experience and competence are able to support the use of ATLAS, as well as whether ATLAS mediates<sup>13</sup> the effect of auditor experience and competence on audit risk. The use of ATLAS as a research variable using its four stages is a novelty in this study.

## LITERATURE REVIEW

### *Audit Experience*

Make a description of the theoretical framework used in the development of hypotheses owned (empirical research) or proportions (conceptual research) and describe the research model to be achieved Experience in auditing is very important in meeting auditing standards and carrying out duties as an independent auditor. <sup>3</sup> According to the Public Accountant Professional Standards (SPAP), an auditor must have sufficient education and experience in audit practice as an independent auditor. Audit experience includes experience in examining financial statements and <sup>3</sup> the more experience an auditor has, the more appropriate the consideration of the level of materiality in the company's financial statements. Experience also helps public accountants make decisions on the level of materiality and supports the steps taken in each assignment.

Audit experience helps auditors perceive and respond to information obtained during the examination and provide appropriate audit conclusions. <sup>10</sup> The higher the level of experience of an auditor, the more appropriate the consideration of the level of materiality in the company's financial statements (Kusuma, 2012: 28). In addition, experience helps auditors detect and understand errors and find their causes.

Experience is an important factor in improving decision-making performance in accounting. Continuous work experience can deepen and broaden work abilities. An experienced person will have a more detailed and complete way of thinking when compared to someone who is inexperienced. Therefore, to be a public accountant trusted by clients, a person needs adequate insight, knowledge and experience.

According to Mulyadi (2010: 25), there are three factors of auditor experience, namely professional training, education, and length of service. Professional training includes seminars, symposiums, workshops, and direction from senior auditors to junior auditors. The audit practice carried out is also a socialization process so that auditors can adjust to changes in situations and knowledge structures related to detection. Education includes formal education, training, and further education, which are needed to become a public accountant. Meanwhile, length of service determines how long the auditor has spent auditing a particular client industry and how long the auditor has followed certain types of audit assignments. Work experience is

the main requirement for someone who works as an auditor, because experience can generate trust for clients in hiring their services and what success has been achieved during their tenure related to the auditor's performance during the examination. So, when the client gives an assignment, it can be said that the client trusts an auditor to carry out the assignment.

H1: Audit experience has a positive effect on ATLAS

H2: Audit Experience negatively affects Audit Risk

### ***Audit Competency***

The first general standard statement in the SPKN is that all examiners should have sufficient professional skills to perform the examination task. This means that the examining organization should ensure that each examination is conducted by examiners who have the necessary knowledge, skills and experience.

Competence refers to the capacity of an auditor to fully comprehend the criteria and determine the amount of evidence required to support the conclusions to be drawn. According to Wibowo (2017: 86), competence is the ability to perform tasks or jobs with adequate skills and knowledge as well as support for the work attitude required by the job. Therefore, auditors who have sufficient knowledge, experience, education and training can conduct audits objectively and carefully...

According to Lyle and Spencer (1993), there are five characteristics of competence: motives, characteristics, knowledge, skills and traits. Motives include consistent endorsement of thoughts and a desire to act. Characteristics include consistent physical and psychological responses to situations or information. Knowledge refers to the information a person has in a particular field, while skills are the ability to perform physical or mental tasks. Based on these characteristics, it can be concluded that the competence of an auditor includes abilities and expertise supported by knowledge from formal education, relevant disciplines, and experience in accordance with the field of work.

Rusmana's research (2019) concluded that there is a significant influence between competence on audit risk considerations.

H3: Auditor competence has a positive effect on ATLAS

H4: Auditor Competence negatively affects Audit Risk

### *Audit Tool and Linked Archive System (ATLAS)*

Make Prior to the introduction of the Audit Tools and Linked Archives System (ATLAS), auditors had to perform all stages of the audit by filling out Test of Detail (TOD) work papers on each account. The process of filling out ATLAS occurs in four stages: pre-engagement, risk assessment, risk response, and reporting. During the pre-engagement stage, the suitability of the client is analyzed, and if the client is deemed acceptable, the HRD department will provide the auditors with a letter of assignment and independence. The risk assessment stage involves evaluating inherent risks, control risks, risks of material misstatement, determining initial materiality, conducting initial analytical procedures, and conducting interviews with the board of directors and the Internal Control Unit (SPI). In the risk response stage, the auditor examines the conformity of the client's accounting practices with relevant accounting standards and analyzes transactions with related parties, subsequent events, business continuity after the reporting period, and management's representations and commitments. In the reporting stage, the partner reviews financial statement disclosures, quality reviews, assesses audit evidence, the Independent Auditor's Report (IAS), and the final audit memorandum. Finally, the partner issues an opinion in the Final Auditor's Report (LAI) after conducting the review.

The use of computer technology in performing complex audits is indispensable. Applying Computer-Aided Audit Techniques (CABT) is included in one of the recommended professional audit procedures. The Examination Working Paper (EWP) provides a source for the auditor to draw conclusions and evidence that the audit has been conducted in accordance with applicable auditing standards. The submission of final audit working papers is usually no more than 60 working days after the Independent Accountant's Report is provided to the users of the Independent Accountant's Report.

H5: ATLAS mediates the relationship of Auditor Experience to Audit Risk

H6: ATLAS mediates the relationship between Auditor Competence and Audit Risk

### *Audit Risk*

According to Elder, Beasley, Arens and Jusuf (2011: 268), audit risk is the possibility that the auditor will make a mistake in concluding that the financial statements have been fairly stated after conducting an adequate audit, when in fact the financial statements contain material

errors. Audit risk is inevitable because auditors only collect evidence based on the tests performed, as well as because fraud is well disguised, making it difficult to detect. Even if an auditor complies with all auditing standards, he or she may still fail to disclose material errors due to fraud.

According to PSA NO. 25 (SA section 312), <sup>7</sup> audit risk is the risk that arises because the auditor unknowingly does not change his opinion as needed on a financial report that contains material errors. Meanwhile, according to Tuanakotta (2015: 234), <sup>16</sup> audit risk is the risk that the auditor gives an incorrect audit opinion on financial statements that contain material errors.

According to Tuanakotta (2015: 90), audit risk consists of Inherent <sup>7</sup> Risk and Control Risk. Inherent risk is the vulnerability of an assertion to material error that may occur without taking into account the related controls. Auditors should understand basic information about the entity both internally and externally, identify possible fraud or error, and place the inherent risk at the maximum level when designing audit procedures. The inherent risk varies for each assertion and each account, and is influenced by factors such as the profitability of the company, the nature of operations, going concern issues, and the integrity of client management. <sup>8</sup> While the auditor cannot change the actual level of inherent risk, the auditor can <sup>2</sup> change the assigned risk of the inherent risk. The auditor can directly estimate the inherent risk at an appropriate level by selecting the maximum level. The inherent risk always exists and cannot be changed by the application of even good audit procedures. Auditors should perform inherent risk calculations mainly at the audit planning stage to determine the appropriate audit strategy.

The risk of material error in an assertion not always being detected or corrected in time by an entity's <sup>6</sup> internal control is referred to as control risk. <sup>5</sup> To reduce such risk to an acceptable level, the entity will design appropriate <sup>6</sup> controls. The effectiveness of internal control is used to determine control risk. There are two types of control risk: actual level of control risk and <sup>9</sup> assessed level of control risk. During audit planning, the planned assessed level of control risk is determined by making assumptions about the effectiveness of internal control. When evaluating the audit findings, the <sup>2</sup> actual assessed level of control risk is determined based on evidence obtained during the audit testing phase about the client's understanding of internal

control. Internal controls can be broad or narrow in scope.

Internal controls can be pervasive or specific. Pervasive controls deal with governance and general management. The goal is to create an overall control environment. Specific or typical controls are shown on transactions, from the beginning or preparation of transactions to recording. Internal control is an important factor in assessing control risk. Auditors must take several steps in determining control risk such as identifying possible errors in assertions, identifying controls that might prevent or detect possible errors, obtaining evidence from testing controls, evaluating the evidence obtained and determining control risk. In conclusion, internal control has an important role in reducing control risk and consists of pervasive control and specific control.

As with inherent risk (Munawir., 1995), <sup>2</sup> the actual level of control risk in an assertion cannot be changed or controlled by the auditor. Therefore, in determining the control risk for an assertion, the auditor should take the following steps:

- a) Identify possible misstatements in the assertions concerned,
- b) Identify controls that might prevent or detect possible misstatements,
- c) Obtain evidence from testing controls on the effectiveness of relevant internal controls,
- d) Evaluate the evidence obtained
- e) Establish control risk.

## RESEARCH METHODS

### <sup>4</sup> *Audit experience has a positive effect on ATLAS*

<sup>4</sup> Audit experience can increase the use of ATLAS as an application to record progress in the audit process because with experience, auditors will have broader knowledge and skills in conducting audits. More experienced auditors will be more familiar with audit procedures and evidence collection methods used in audits, so they can more easily integrate the use of ATLAS into their audit process. In addition, broader audit experience can also help auditors to understand different audit needs and challenges, so that they can more effectively optimize the use of ATLAS according to their needs in conducting audits. In this case, audit experience may be a key factor influencing the successful use of ATLAS by auditors <sup>4</sup> in the audit process.

***Audit Experience has a negative effect on Audit Risk***

Audit experience can lower audit risk for the following reasons:

- 1) Understanding Risks: Audit experience provides a better understanding of the risks associated with a particular industry or type of audit. An experienced auditor will have insight into possible risks and how to mitigate those risks. Therefore, an experienced auditor can prioritize audit work and allocate resources effectively to mitigate identified risks.
- 2) Analytical Skills: Audit experience also helps auditors develop the analytical skills necessary to understand the data and information obtained during the audit. Experienced auditors can identify possible problems more quickly and speed up the response time to those problems. This helps in reducing audit risk as it allows auditors to fix problems as quickly as possible before they develop into bigger risks.

***Auditor competence has a positive effect on ATLAS***

Auditors who have good competence in using applications such as ATLAS will be better able to optimize their use in the audit process. This is because competent auditors will easily learn new skills, for example in using the application quickly and efficiently. Thus, the use of ATLAS can increase prudence in the audit process, which in turn can improve the quality of financial statement audits. In addition, auditors who have good competence in using applications such as ATLAS will also be more adaptable to new technologies and innovations related to auditing, so that they can continue to improve the quality and relevance of audit work in the future. Therefore, improving auditor competence in the use of applications such as ATLAS is very important to support the use of these applications in the audit process and improve the overall quality of financial statement audits.

***Auditor competence has a negative effect on Audit Risk***

Auditor competence is the ability and knowledge possessed by the auditor in carrying

out his work. Good auditor competence can reduce audit risk for several reasons:

- 1) More Accurate Risk Identification: A competent auditor can identify risks more accurately and comprehensively. In this case, auditors can identify risks that less experienced or less competent auditors may miss. For example, an experienced auditor can more easily recognize unusual transactions or events or potential fraud.
- 2) Better Understanding of Audit Procedures: A well-competent auditor has a better understanding of proper and effective audit procedures. This enables auditors to perform tests in the right way, identify risk areas that may have been overlooked, and ensure that sufficient audit evidence is collected.
- 3) Deeper Analysis: A competent auditor is able to perform a more in-depth analysis of audit evidence. This allows the auditor to make better decisions regarding audit findings and provide more appropriate recommendations to management.
- 4) Better Evaluation of Internal Controls: A competent auditor can perform a better evaluation of the company's internal systems and controls. This allows the auditor to identify weaknesses in the system and provide better recommendations to improve the effectiveness and efficiency of the system and internal controls.

***ATLAS mediates the relationship between Auditor Experience and Audit Risk***

The meaning of this result is that ATLAS is able to mediate the effect of Auditor Experience in suppressing Audit Risk.

ATLAS (Audit Trail and Analysis System) is a computer-based application designed to assist the audit process and minimize audit risk. In the process of use, ATLAS allows auditors to record progress in the audit process more efficiently and effectively. The application has features that allow auditors to automatically record audit trails and display data in an easy-to-read format, so as to assist auditors in understanding the data being reviewed.

In this context, ATLAS may mediate the effect of auditor experience on audit risk because the use of this application allows experienced auditors to be more effective in minimizing audit risk. In several studies, auditor experience has been shown to have an effect

on auditors' ability to identify and evaluate audit risk. In this case, the use of ATLAS by experienced auditors may help them to more effectively manage audit risk. In addition, this application can also help auditors to develop their abilities in terms of data processing and analysis, thereby increasing auditor competence in conducting effective and efficient audits. Thus, the use of ATLAS may mediate the effect of auditor experience in reducing audit risk and improving overall audit quality.

#### *ATLAS mediates the relationship between Auditor Competence and Audit Risk*

This result means that ATLAS is able to mediate the influence of Auditor Competence in suppressing Audit Risk.

ATLAS (Audit Trail and Analysis System) is designed as an application that can assist auditors in recording progress in the audit process and analyzing financial data more effectively. In its use, ATLAS can mediate the effect of auditor competence in reducing audit risk. This is because by using ATLAS, auditors can more easily monitor and evaluate financial data in a more structured and effective manner. The auditor's ability to operate ATLAS can also increase audit efficiency and effectiveness so that audit risk can be minimized.

In addition, ATLAS can also improve audit transparency and accuracy, thereby minimizing undetected material errors in financial statements. With its data analysis capabilities, ATLAS can speed up the audit process and assist auditors in detecting potential fraud. In this case, the experience and competence of auditors in using ATLAS will be **an important factor affecting the effectiveness and efficiency of the audit**. Therefore, it is important for auditors to improve their competence in using ATLAS and other computer-aided auditing technologies to improve audit effectiveness and mitigate audit risks.

#### **CONCLUSIONS AND ADVICE**

Auditor experience and competence, both directly and through ATLAS mediation, have a good effect on reducing audit risk.

Meanwhile, the use of the Audit Tools and Linked Archives System (ATLAS), which is designed to record progress in the audit process, is indirectly able to reduce audit risk, because before reporting audit progress in ATLAS, auditors must ensure that the entire audit

process has been carried out in accordance with existing regulations, such as SPAP, APIP and SPKN.

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