DETERMINANTS OF AUDIT RISK ASSESSMENT FOR GOVERNMENTAL AUDITS IN INDONESIA: A STUDY OF THE NATIONAL AUDIT BOARD OF THE REPUBLIC OF INDONESIA

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Abstract

This study aimed to determine the influence of: geography, demography and topology; culture; maturity of organization (age of government); maturity of people; auditor's capability in the assigned region; expertise / education level; and experience of auditing team in risk assessment; on the examination of audit risk by The National Audit Board of The Republic of Indonesia (Badan Pemeriksa Keuangan (BPK) in Indonesia. This study found the factors affecting the audit risk model in general. This study identified several factors that influence the determination of audit risk assessment which occur when conducting local governmental audits in Indonesia. This study was conducted by identifying the factors that might influence the risk of audit used by The National Audit Board. The results of the identification are elaborated in some of the items included in the questionnaire. The number of respondents in this study was 143 respondents as Auditors of The National Audit Board in Indonesia. This study conducted multiple regression analysis. Maturity of people, auditor's capability, and expertise level have a significant influence on the risk assessment. These factors are derived from an auditor's judgment when they perform the examination seen from the condition of local government in Indonesia

Keywords: Auditing, Audit Risk, Local Government, Indonesia

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1 Introduction

Risk assessment is often used to identify the most important areas within the scope of an audit. Risk assessment allows the auditor to design audit programs and test the key controls in more depth. To perform a risk assessment, the auditor should conduct an in-depth understanding of the organization, including understanding of the risks and controls system to achieve organizational goals. The audit plan is designed to allocate more time to high-risk areas and have a high-interest scale for the purpose of the organization (Setyobudi 2006).

The National Audit Board /*Badan Pemeriksa Keuangan* in Indonesia (BPK) conducts audits of the Financial Reports of the Local Governments in Indonesia (LKPD) in accordance with the State Auditing Standards (SKPN) that were issued and established based on The National Audit Board/*Badan Pemeriksa Keuangan* regulation No. 01 of 2007. Based on the Act No. 15 of 2004, article 17, audit reports from The National Audit Board/*Badan Pemeriksa Keuangan* (BPK) of the Financial Reports of the Local Governments contain:

1) The report of the local government's financial reports containing opinions.

2) The report of local government's performance, including the findings, conclusions, and recommendations.

3) The report of the examination with a specific purpose to reach a conclusion.

4) The response from the government officials responsible for the findings, conclusions, and recommendations of the examination.

When performing the audit, the auditor uses the audit risk model to address the risks when planning and collecting audit evidence. The audit risk model is used by the auditor to determine how much and what type of audit evidence has to be collected in each audit process (Arens et al. 2009) in order to detect and assess fraud risk in the course of an audit examination (Norman et al. 2010). When the factors of risk assessment are carried out in an objective and correct manner, audit costs and the risk of audit failure can be reduced (Chang et al. 2008). The National Audit Board (BPK) performs audits equally, without distinguishing between places with different cultures. The equal treatment of different areas and cultures raises a risk that the audit is not in line with public expectation, referred to as the audit expectation gap. Therefore, The National Audit Board requires an "Audit Risk Alert," so the auditors of The National Audit Board can reduce audit risks and improve

performance, providing assurance on the extent to which the results of the audit adequately describe the state of the object of the audit (Trotman and Wright 2012).

Indonesia is one of the unique countries in the world. It consists of thousands of islands with various tribes and ethnicities spread from Sabang to Merauke. Indonesia is a multicultural country and has a wide variety of cultures, compared with communities that have basic properties that are essentially the same (Kartawinata Ade 2011). The wide variety of cultures scattered throughout Indonesia raises uncertainty about the audit risk model that will be implemented by The National Audit Board of each local government and how culture will affect the behavior and attitude of auditors (Christiawan 2004). This uncertainty is the starting point of approaches to the contingency theory that have a direct implementation in the experiments in various kinds of issues facing the decision problems. Uncertainty may cause a negative impact (risk) or a positive influence (opportunity) for the organization. Uncertainty and the achievement of organizational goals depends on the ability of management to identify these uncertainties so that further management can devise measures and control procedures to minimize risks and maximize the opportunity (Trotman and Wright 2012). This study considers Indonesia as having specific characteristics. Indonesia is a developing country and has cultural factors that greatly affect the determination of audit risk by the auditors.

The different conditions in each of the different local governments and the same treatment in different cultures raise the audit risk expectation gap. Local governments in the form of city government are more complex than the district administrations and demand greater transparency, along with the need for more frequent audits for city governments (Zimmerman 1977). Based on this background, the title of this research is "Determinants of audit risk assessment for govermental audits in Indonesia".

2 Theoretical overview

Contingency theory is used as a grand theory in this study to know the considerations in assessing audit risks arise from some factors constructing audit risks in a contingent environment (Anandarajan et al. 2008; Tubbs 1992; Yousef 1998) that are:

a. Geography, demography and topology
b. Culture;
c. Maturity of organization (age of government);
d. Maturity of people;
e. Auditor's capability in the assigned region;
f. Risk assessment for different auditors;
g. Expertise/education level;
h. Experience of auditing teams.

In order for the auditor to achieve good audit risk assessment, risk assessment will depend on a certain conditions, such as level of education, experience, and training possessed by the auditor. In auditing, the auditor's attention is focused on risk assessment. Auditors judge risks by focusing on the risks of continuity and development activities in order to achieve organizational goals.

2.1 Geography, demography, topology and risk assessment

Geography, demography and topology in audit risk assessment consists of elements relating to access of information in the audit process, such as the ease of access to information, the location of the entity being audited, and local economic development. Ease of access to information makes it easier for the auditor to judge the audit risk (Bierstaker et al. 2001). Ease of access to information in the audit process will also facilitate and impact the planning, testing, and documentation in the audit (Bierstaker et al. 2001). In addition, convenience of information will influence the development of accounting and auditing (Marwanto 2010) and participatory decision making (Yousef 1998).

2.2 Culture and risk assessment

Culture is possessed by almost all members of a social group or community (Podrug 2011), but the strong influence of cultural and social relations in an organization can lead to difficulties in management control (Tsamenyi et al. 2008). For The National Audit Board, cultural influences on public or private organizations will affect the attitude of independence (Poerhadiyanto et al. 2002), making it difficult to assess the risks of the audit.

2.3 Maturity of organization and risk assessment

In determination of audit risk, maturity of the organization involves elements of the capabilities and limitations of different entities in influencing the determination of audit risk, and rewards organizations give awards to institutions audited (example opinion in the audit results). The audit organization should provide flexibility to meet or resolve given inspection responsibilities. The internal auditor should conduct an objective examination. The audit risk assessment is a required ongoing process that focuses on all levels of the organization's risks and takes action to identify and manage factors that can increase the risk of audit. No agency will be able to build a program and controls to minimize risk without being able to identify the risks that must be overcome or minimized (Nurharyanto 2014).

2.4 Maturity of people, auditor's capability, and risk assessment

In performing its duties, the auditor requires competence, the ability to act independently so that risks can be assessed and managed in the audit, and the ability to provide results as expected and be able to carry out the duties and responsibilities of an effective internal audit (Hapsari 2012). In his job, an auditor must learn in detail about the audit work. Accounting professionals must have integrity, and be independent and free of all interests of upholding the truth. Technical ability and professionalism must be maintained by placing the morality aspect in the highest place (Utami 2013). Competence of the auditor has a very strong influence on the judging of audit risk (Hapsari 2012).

2.5 Expertise / education level and risk assessment

One characteristic that may affect the auditor's risk behavior is education. "Education" as contemplated in this study is formal education. Formal education is the process of gaining knowledge from definite institutions like high schools, institutes, and universities. Research conducted by (Amaefula et al. 2012; Chang et al. 2004; Duasa and Yusof 2013; Riley and Chow 1992) indicates that educational background may influence the risk of behavioral characteristics of individuals, therefore, an author with higher education will tend to choose a financial statement audit engagement with higher risk; in other words, the higher the education of auditors, the more risk avoidance behavior will decrease. According to (Chang et al. 2004; Duasa and Yusof 2013; Riley and Chow 1992), the higher education of an auditor will further lower the risk avoidance behavior. This contrasts with research conducted by Amaefula et al. (2012) to the contrary, the more educated the auditor, the more the risk avoidance behavior will increase. On the other hand, Jayathilake (2013) states that there is no significant evidence that shows the influence of education on existing risk behavior.

2.6 Experience of the auditing team and risk assessment

The auditor's ability to detect fraud is also strongly influenced by the experience of the auditor. Experience becomes an important indicator for the professional qualifications of an auditor (AU Section 110 paragraph 04). Auditors who have a lot of experience will have the ability to find errors or fraud, which are commonly found in reports (Libby and Frederick 1990). Repeated work is a factor that can enhance the ability to complete tasks faster and better, so that risks can be found. Experienced auditors who have more knowledge of errors and fraud will have better performance in detecting cases of fraud compared with inexperienced auditors (Mui 2010).

3 Research methods

This study is an exploratory study using a questionnaire and quantitative data analysis. The questionnaire was given to auditors who work at The National Audit Board in Indonesia (BPK), with samples selected from the head office and representative offices on the island of Java[2] and outside Java. This was done by (1) giving the questionnaire directly to the office where the respondent works, (2) sending the questionnaire through the post office services, and (3) sending the questionnaire via electronic mail (e-mail).

The object of research was The National Audit Board, with 143 responders, composed of 93 auditors at the headquarters and 50 from good representative offices on the island of Java and outside Java island. To achieve the research objectives that have been formulated, this study was conducted with an explanatory research approach that explains the determinants that affect the audit risk assessment in each area, either on Java Island or outside of Java Island. The population was all of the auditors at The National Audit Board in the head office and representative offices in Indonesia. Determination of the sample was by purposive / judgment sampling, where the questionnaires that exhibit data completeness can be used in this study.

This research models the influence of geography, demography and topology; culture; maturity of organization (age of government); maturity of people; auditor's capability assigned in a region; expertise / education level; and experience of the auditing team on the risk assessment. This research resulted in the research model used to test the hypothesis in this study, namely:

$$RA = \alpha + \beta_1 DGDT + \beta_2 DC + \beta_3 DMO + \beta_4 DMP + \beta_5 DACAR + \beta_6 DEL + \beta_7 DEAAT + e\ldots$$

Where: RA: Risk Assessment, with a Likert scale from 1 to 7

DGDT: Geography, Demography and Topology, with a Likert scale from 1 to 7.

DC: Culture, with a Likert scale from 1 to 7

DMO: Maturity of Organization (age of government), with a Likert scale from 1 to 7

DMP: Maturity of People, with a Likert scale from 1 to 7

DACAR: Auditor's Capability in the Assigned Region, with a Likert scale from 1 to 7

DEL: Expertise/Education Level, with a Likert scale from 1 to 7

DEAAT: Experience of the Auditor's Team, with a Likert scale from 1 to 7

[2] There is a gap in development poverty eradication in Indonesia between Java Island and outside Java.

4 Results and interpretations

4.1 Description of research object

The National Audit Board (BPK) is the institution in the Indonesian state administration system, which has the authority to examine the management and financial responsibility of the state. The existence of The National Audit Board is based on the constitution of 1945 Article 23 paragraph (5), which states that the responsibility of examining the State Financial Statements is held by the Audit Board, governed by the rules stipulated by the Act.

According to the constitution of 1945, The National Audit Board is an independent institution. The National Audit Board members are selected by the House of Representatives by consideration of the Regional Representative Council, and are inaugurated by the President. The results of the state financial audit are submitted to the House of Representatives, Regional Representatives Council, and Regional House of Representatives (in accordance with the authority).

According to the Constitution of 1945 section 23E, The National Audit Board is located in the capital city and has representatives in every province. With the increasing scope of the examination, the opening of the representative offices was intended to improve the quality of examination results, as well as to strengthen the role and performance of BPK as the sole audit institution in Indonesia.

The study data was collected and the information was analyzed for any difference between the risk assessment audit by the auditors of The National Audit Board whose office is on the island of Java (including the headquarters and offices) and the auditors who are outside the island of Java, using 8 (eight) factors as research variables.

Audit risk has been the subject of many research studies both professional and academic. Various studies have produced many factors that are believed to affect the possibility of increased or decreased risk of audit, including (Abdi 2007; Bierstaker et al. 2006 ; Chang et al. 2008; DeCarlo 1998 ; Dusenbury et al. 2000; Giroux and Cassell 2011; Haskins and Dirsmith 1995; Messier and Austen 2000; Miller et al. 2012; Norman et al. 2010; Smith et al. 2005 ; Stanislaw and Todorov 1999 ; Trotman and Wright 2012; Wüstemann 2004). Therefore, this study aimed to determine the factors influencing the determination of audit risk by conducting a survey on the factors determining the audit risk. Various factors in the literature summarized were by the researcher and used as the basis and guide in designing the questionnaire.

4.2 Discussion and analysis

4.2.1 Descriptive analysis

Questionnaires in this study used the Likert scale of 1-7, where the greater number showed that more respondents strongly agreed with the questions in the questionnaire. The number of respondents in this study was 143 respondents. Classical assumption tests (normality test, validity test, auto-correlation test, multicolinearity test, heterokedastisity test, (table not shown for brevity)), used before run the multiple regression analysis. The classical assumption test results of the data used had no problem and passed the test. An overview of the results of the analysis of the collected questionnaires conducted in the study is shown in Table 1.

The descriptive statistics above show that the cultural differences and auditor's capacity are factors that were not approved by a majority of respondents on the island of Java. It is seen from the mean value of 4.56 and 4.94 for the responses to the questions of cultural differences and auditor's capacity. For the other questions, almost all of the responses indicate approval. This is evidenced by the mean values that exceed 5 (five).

Descriptive analysis of the results of the questionnaire outside the island of Java show that differences in Geography, Demography, and Topology is a factor that is approved by a majority of respondents, but almost all the other factors are not approved by the auditors. This is evident from the average value of less than 5 (five) for questions besides Geography, Demography, and Topology.

Table 2 provides a summary of the descriptive statistics for the explanatory variables from the questionnaire filled out by the 143 sample respondents from The National Audit Board in Java and outside of Java.

Comparing Table 1 and Table 2, the first part of the questionnaire about geography, demography and topology consisted of 12 questions. The average value of the entire questionnaire for this variable was 5.336, with the value of the geography, demography and topology variable on the island of Java reaching 5.51, while beyond Java island the value was 5.02. It can be concluded from the results of the questionnaire that this factor is not a problem on the island of Java, but it will be a problem for auditors who are outside the island of Java, since the questionnaire values outside Java island were below the average value of the overall results of the questionnaire.

For the questionnaire section about culture, there were also 12 questions. The average value of the overall questionnaire for this variable was 4.639, while the value of the variable on the island of Java was 4.56, and outside the island of Java was 4.79. It can be concluded from the results of the questionnaire that this factor is not a problem outside the island of Java, but it will be a problem for auditors on Java because the Java island questionnaire value is below the average value of the overall results of the questionnaire. Maturity of organization (Age of Government) consisted of 8 questions, with a high overall average value of 5.067, while the average value in Java and outside Java island respectively were 5.17 and 4.88, showing that the auditors consider organizational maturity outside Java island to be low compared with the maturity of the organization on the island of Java.

Table 1. Descriptive Statistics

No	Factors	Java Island			Outside Java Island		
		Min	Max	Mean	Min	Max	Mean
1.	Geography, Demography, and Topology	3	7	5.51	4	6	5.02
2.	Culture	1	6	4.56	3	6	4.79
3.	Organization's Maturity	3	7	5.17	4	6	4.88
4.	Maturity of people	3	7	5.00	4	6	4.48
5.	Auditor's capability in the assigned region	3	7	4.94	3	6	4.77
6.	Risk Assessment for different auditors	3	7	5.25	3	6	4.77
7.	Expertise/ Education Level	4	7	5.43	3	6	4.61
8.	Experience of the Auditing Team	3	7	5.58	3	6	4.89

Note: From the eight factors in the research questionnaire, the results show that the average value of the questionnaire response was higher in Java than outside Java, except in Cultural differences, where the mean value of this factor was higher outside of Java island.

Table 2. Descriptive Analysis Questionnaire

Quest	Variables and Questions Questionnaire	Mean	Std. Deviation
Geography, demography and topology		**5.336**	**1.075**
A1	Geographical factors affect the easiness of audit and information access	5.748	0.953
A2	The easiness of information access in the audit process affects audit risk	5.671	0.862
A3	The auditee's location affects audit risk	5.476	1.054
A4	Regional economic development affects audit risk	5.252	1.010
A5	Regional distribution affects audit risk	5.301	0.979
A6	Historical assets affect audit risk	4.650	1.479
A7	Geographical factors affect the communication and coordination amongst auditors in the audit team.	5.266	1.034
A8	The coordination between and/or in the audit team affects audit risk	5.559	0.990
A9	Geographical factors affect the knowledge/expertise differences amongst auditors in the audit team.	4.671	1.443
A10	The knowledge/expertise differences amongst auditors in the audit team affect audit risk.	5.413	1.153
A11	Geographical factors affect the work design of audit program.	5.476	1.020
A12	The audit program (work design) affects audit risk.	5.546	0.925
Culture		**4.639**	**1.098**
B1	The power distance of the auditee affects the auditor evaluation about the audit risk on the entities.	4.629	1.066
B2	Uncertainty avoidance of the auditee affects the auditor evaluation about the audit risk on the entities.	4.783	1.108
B3	Individualist behavior of the auditee affects the auditor evaluation about the audit risk on the entities.	4.699	1.068
B4	Secrecy behavior of the auditee affects the auditor evaluation about the audit risk on the entities.	4.846	1.050
B5	The power distance affects the material misstatement risk assessment.	4.539	1.080
B6	Uncertainty avoidance affects the risk assessment of material misstatement.	4.580	1.037
B7	Individualist behavior affects the risk assessment of material misstatement.	4.427	1.065
B8	Secrecy behavior affects the risk assessment of material misstatement.	4.587	1.064
B9	The power distance affects the audit risk.	4.615	1.174

Table 2. Descriptive Analysis Questionnaire (continued)

Quest	Variables and Questions Questionnaire	Mean	Std. Deviation
B10	Uncertainty avoidance of the auditee affects the audit risk.	4.629	1.143
B11	Individualist behavior affects the audit risk.	4.518	1.174
B12	Secrecy behavior affects the audit risk.	4.811	1.144
Maturity of organization (Age of Government)		**5.067**	**0.996**
C1	The capabilities and limitations of different agencies affect the determination of audit risk.	5.301	0.957
C2	The long-standing period of the agency affects the determination of audit risk.	4.874	1.100
C3	Areas with developing economic and legal environment affect the determination quality of audit risk.	4.916	0.975
C4	The existence of continuing education of the employees in government entities affects the determination of audit risk.	4.853	1.041
C5	The appropriate use of information technology in public services affects the determination of audit risk.	5.161	0.861
C6	The preceding ability and appreciation of the entities (ex: audit opinion) affect the determination of audit risk.	4.951	1.183
C7	Local revenue (PAD) affects audit risk determination.	5.161	0.983
C8	The number of entities affects audit risk.	5.322	0.869
Maturity of people		**4.815**	**1.151**
D1	Age difference affects the determination of audit risk encountered.	4.552	1.260
D2	Nationalism difference affects the determination of audit risk encountered.	4.287	1.282
D3	Auditor's individual egos affect the determination of audit risk taken.	4.671	1.161
D4	Auditor individual maturity ensures the consequences about decision taken.	5.217	1.001
D5	Auditor's ability to adjust to environmental entity or local custom affects the collection of audit evidence.	5.350	1.050
Auditor's capability in the assigned region		**4.881**	**1.037**
E1	Differences in perception of the auditor in each area with respect to the auditee affect the determination of audit risk.	4.769	1.039
E2	Differences in perception of the auditor on the previous assignment with subsequent assignments in different terrain types (developed, developing, remote).	4.860	1.004
E3	The adaptability of the auditor to the environmental entity in each area affects the audit risk determination.	5.014	1.068
Expertise/education level		**5.142**	**1.097**
F1	Knowledge and problem solving skills in internal control tasks affect audit risk.	5.280	0.952
F2	Knowledge and problem solving skills in duty ratio analysis affect audit risk.	5.126	1.138
F3	Knowledge and problem solving skills in client manipulation task affect the audit risk.	5.315	1.017
F4	Knowledge and problem solving skills in duty changes in interest rates affect audit risk.	4.846	1.280
Experience of auditing team		**5.341**	**0.972**
G1	A variety of experience makes auditors more quickly aware of errors that occur in the audited entity.	5.406	0.951
G2	A variety of experience makes auditors aware of the more unusual decision-making examinations.	5.350	0.914
G3	Auditing experience makes auditors more sensitive to the details of the errors that occur.	5.552	0.870
G4	The longer auditors examine public sector reporting entities, the more precise the auditors assess audit risk.	5.266	1.068

Table 2. Descriptive Analysis Questionnaire (continued)

Quest	Variables and Questions Questionnaire	Mean	Std. Deviation
G5	The limitations of working individually affect the limitations of the auditing team in determining the audit risk.	5.133	1.056
Risk assessment		**5.080**	**0.962**
Y1	Auditor's differences in objectivity affect audit risk determination.	5.063	0.987
Y2	The difference in competency assessment of evidence in each audited area of the entities affect the determination of audit risk.	5.098	0.937

Note: The total sample size was 143 respondents

Maturity of people consisted of five questions. The average value was 4.815, with the value on the island of Java at 5.00. It can be interpreted that the maturity of the auditors on the island of Java was high, because the results of the questionnaire showed a higher value than the average overall questionnaire. The maturity of people outside Java Island was below the average value at 4.48.Auditors may conclude that maturity was far below that of auditors on the island of Java. Auditor's capability in the assigned region attributes the difference between the auditors on the island of Java and outside Java, this was shown with the average value of the questionnaire on the island of Java higher than outside the island of Java. The overall value of the questionnaire was 4.881, with the average value of a questionnaire on the island of Java and outside Java respectively 4.94 and 4.77, it can be concluded that in this case the The National Audit Board needs to improve the education and training for auditors who are outside the island of Java.

The results of the questions about expertise / education levels and experience of auditing team showed the same condition between the islands of and outside Java, namely, that the average value on Java was higher than outside Java. With this condition, The National Audit Board should increase education and experience of auditors by means of their rotation from the island of Java to the outer islands of Java, or otherwise. From the Risk Assessment value of 5.080, it can be concluded that the conditions and factors on the island of Java enable auditors to perform the assessment of the risks much better than auditors outside the island of Java. The average value from auditors on the island of Java was higher than the average overall, compared with auditors from outside the island of Java; with respective values of 5.25 and 4.77.

4.2.2 Regression analysis

In Table 3, the results of the multiple regression model are presented to explain the influence of: geography, demography and topology; culture; maturity of organization (Age of Government); maturity of people; auditor's capability in the assigned region; expertise / education level; and experience of auditing team in the risk assessment.

Table 3. Regression Result

	Significant Prediction	Coefficients	Significance
Geography, Demography	-	0.015	0.789
Culture	+	0.011	0.932
Maturity of Organization	-	0.022	0.298
Maturity of People	+	0.032	0.018**
Auditor’s Capability	+	0.052	0.000*
Expertise Level	+	0.036	0.000*
Auditor Experience	+	0.038	0.805
Overall model significance	0.000*		
Total samples	143		
Adjusted R Squared	0.456		

Note: Expertise Level and Auditor Experience are significant at a level of 1 percent. Maturity of People is significant at a level of 5 percent. Geography and Demography, Culture, Maturity of Organization, and Auditor’s Capability are not significant; *Highly significant at 1 per cent level; **significant at 5 percent level, n = 143.

The regression model in this study was significant at 0.000, showing that there was evidence that a combination of geography, demography and topology; culture; maturity of organization (age of government); maturity of people; auditor's capability in the assigned region; expertise / education level; and experience of auditing teams affecting the risk assessment. The adjusted R-squared was 45.6 percent, meaning that the model was influenced by as much as 45.6 percent by the study variables, with the rest of the influence by other variables outside of the research.

Maturity of people, auditor's capability, and expertise level had a significant influence on the risk assessment, in line with research conducted by (Utami 2013; Hapsari 2012). This is due to the fact that the maturity of the individual auditor can determine the consequences of the decisions taken. Another factor is that the differences in the perception of auditors in each region of the audited entity affect the determination of audit risk. Therefore, it can be concluded that the auditor's competence had a very strong influence on the judging of audit risk (Hapsari 2012). The last results of this experiment were that expertise and education had a significant influence with the risk assessment, agreeing with research conducted by (Chang et al. 2004; Duasa and Yusof 2013; Riley and Chow 1992) which states that the higher the education of an auditor, the lower the avoidance of risk.

From the results of the regression model of this research, it can be concluded that geography, demography and topology, culture, maturity of organization (age of government), and experience of auditing team did not significantly affect the risk assessment. Relating to geography, demography and topology, this result was contrary to the results of research that has been done by (Bierstaker et al. 2001; Marwanto 2010; Yousef 1998). This was due to the ease of access to information in the audit. There was high ease of access to information and an equitable development economy in local government, both in Java and outside, so this factor had no influence on the risk assessment of the audit process conducted by The National Audit Board. Culture also did not have a significant influence on the risk assessment, contrary to research conducted by (Poerhadiyanto et al. 2002; Tsamenyi et al. 2008). This can be attributed to the fact that culture did not show a difference in the determination of audit risk in each area in Java and outside Java.

Maturity of organization (age of government) did not significantly affect the risk assessment. This is because there is no government agency that will be able to build programs and controls to minimize risk without being able to identify the risks that must be overcome or minimized (Nurharyanto 2014), and is in line with the study. This is due to the capabilities and limitations of different entities in influencing the determination of audit risk. Experience of auditing team did not significantly affect the risk assessment, contrary to the results of the study (Libby and Frederick 1990; Mui 2010), which states that the more experienced the auditor, the better the auditor will be able to perform a risk assessment. This may be due to the limitations of the auditor to conduct an audit, because there may be political factors (Irmawan et al. 2013).

5 Conclusions, limitations and implications

This study aimed to determine the influence of geography, demography and topology; culture; maturity of organization (age of government); maturity of people; auditor's capability in the assigned region; expertise / education level; and experience of auditing team on the risk assessment. Based on these results, it can be concluded that the study variables jointly affect the risk assessment in the audit process conducted by The National Audit Board (BPK), both in Java and outside Java.

The results of the questionnaire analysis discovered that there were differences that occurred in the decision-making regarding the determination of audit risk, requiring audit model risk alerts, which were used to audit the financial statements.

Of the factors in this study in the determination of the risk assessment, it can be concluded that auditors in Java and outside the island of Java were not influenced by auditor's capacity in risk assessment or cultural differences. As for the study factors of geography, demography, and topology; organization's maturity; auditor's maturity; auditor's capacity; differences in the risk assessment; differences in skills / level of education; and differences in the experience of the auditing team; these factors affected the audit risk assessment for the auditors in charge of the office located on the Island of Java and the auditors who were stationed outside the island of Java.

In addition to the factors mentioned above, factors that exist in each local government entity are the application of SIMDA (Regional Management Information System). The implementation of SIMDA functions are as follows (bpkp.go.id):

a. Provide a database about conditions in the area that is well integrated from the financial aspect, the region's assets, staffing / personnel areas and public services that can be used for performance evaluation of local government entities.

b. Generate comprehensive information that is precise and accurate to the management of local government. This information can be used as material to make a decision.

c. Prepare local authorities to achieve a level of mastery and utilize information technology better.

d. Strengthen the base of local governments in implementing regional autonomy.

From the results of the regression analysis in this study, it can be concluded that the factors of geography, demography and topology; culture; maturity of organization (age of government); and experience of auditing team do not significantly affect the risk assessment. Associated with maturity of organization (age of government), The National Audit Agency should be the agency that builds programs and controls to minimize risk, and minimizes political interference in conducting the audit so as to produce the expected audit by society.

Maturity of people and auditor's capability in risk assessment have a significant influence on the risk assessment, so that the Supreme Audit Agency (BPK) should be increase the maturity of individual auditors with guidance, education and training, and provide an opportunity for auditors to increase their formal education. To assess the risk, The National Audit Board should apply an e-audit system so that the audit process can improve the efficiency and effectiveness of inspection activities and the availability of data center management and financial responsibility of the state in an effort to improve transparency and accountability in the financial management of the state / region.

An evaluation of the results of this study should consider the limitations that may affect the outcome of the research, such as the difficulty of controlling the respondents, since this study used a questionnaire. Other methods could be used, such as interviews directly to the auditor of The National Audit Board, or at least ensuring that the respondents distinguish audit risk assessment.

The implications of this research are that from using contingency factors, auditors on the island of Java are able to detect the presence of audit risk assessment, contrary to auditors who are outside the island of Java, although not all of the factors affected this. This needs to be taken into consideration by policy makers, in this case is The National Audit Board, to be able to increase the capacity of auditors who will be assigned in the region, especially areas that have very limited access to technology. Continuing education is needed to minimize the differences in the risk assessments carried out by the auditors both in Java and outside Java.

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