Materialistic Considerations in Auditing Financial Statements in BPK RI

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ABSTRAK

Penelitian ini bertujuan untuk mengevaluasi penerapan konsep materialitas oleh pemeriksa BPK RI dalam tahapan perencanaan, pelaksanaan, dan pelaporan audit laporan keuangan pemerintah. Materialitas merupakan ambang batas (*threshold*) yang digunakan untuk menentukan apakah kesalahan penyajian dalam laporan keuangan dapat memengaruhi keputusan ekonomi pengguna laporan. BPK RI menggunakan standar yang diatur dalam Standar Pemeriksaan Keuangan Negara (SPKN) dan Petunjuk Teknis Pemeriksaan yang mengadopsi standar internasional (ISSAI). Penentuan materialitas di BPK umumnya melibatkan tiga komponen utama yaitu Materialitas Perencanaan (*Planning Materiality*), Materialitas Pelaksanaan (*Tolerable Misstatement*) dan Ambang Batas Nilai Tidak Dikoreksi (*Posting Threshold*). Hasil analisis menunjukkan bahwa pertimbangan materialitas di BPK tidak hanya bersifat kuantitatif, tetapi juga kualitatif, mengingat karakteristik entitas sektor publik yang sangat menekankan pada aspek kepatuhan terhadap peraturan perundang-undangan dan akuntabilitas publik. Kesalahan penyajian yang secara nilai kecil namun memiliki dampak hukum atau politis dapat dianggap material dalam audit BPK.
Kata Kunci: materialitas; opini audit; risiko audit; akuntabilitas sektor publik

ABSTRACT

This study aims to evaluate the application of the materiality concept by auditors at the Indonesian Supreme Audit Agency (BPK RI) in the planning, implementation, and reporting stages of government financial statement audits. Materiality is a threshold used to determine whether misstatements in financial statements can influence the economic decisions of report users. The BPK RI uses standards stipulated in the State Financial Audit Standards (SPKN) and the Technical Instructions for Audits, which adopt international standards (ISSAI). Determining materiality at the BPK generally involves three main components: Planning Materiality, Implementation Materiality (Tolerable Misstatement), and the Posting Threshold. The analysis shows that materiality considerations at the BPK are not only quantitative but also qualitative, given the characteristics of public sector entities that place a strong emphasis on compliance with laws and regulations and public accountability. Misstatements that are small in value but have legal or political impact can be considered material in a BPK audit.
Keywords: materiality; audit risk; audit opinion public sector accounting

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1. INTRODUCTION

Transparent and accountable management of state finances constitutes a fundamental pillar of good governance. The Supreme Audit Agency (BPK RI), as an autonomous state institution, plays a pivotal role in auditing government financial statements and providing opinions regarding the fairness of the information presented (Badan Pemeriksa Keuangan Republik Indonesia, 2017).

Given the extensive volume of state financial transactions, it is impractical for auditors to examine every transaction in detail. Consequently, auditors apply the concept of materiality—defined as the significance of an omission or misstatement in accounting information that could affect the decisions of financial statement users. At BPK RI, materiality is determined not only through quantitative measures but also by considering qualitative aspects, such as compliance and public interest (Alamsyah et al., 2024).

Through 2026, the implementation of State Financial Audit Standards (SPKN) will be continuously strengthened by integrating international standards (ISSAI). Nevertheless, a primary challenge persists: the exercise of professional judgment by auditors in establishing appropriate materiality thresholds, given the varying risk profiles of government entities. Errors in materiality determination may lead to undetected significant misstatements, thereby undermining the credibility of BPK's audit opinions (Masnia & Haliah, 2024).

Research Objectives This study seeks to conduct an in-depth analysis of the materiality assessment practices employed by BPK RI auditors, with a particular focus on their adherence to the State Financial Audit Standards (SPKN) and the subsequent implications for audit quality. Research Significance for Theoretical Contribution is expands the body of literature in public sector auditing, especially in the domains of risk management and materiality assessment. whereas for practical Contribution is to provide evaluative insights for BPK RI, supporting the refinement of technical audit guidelines to enhance the consistency and professionalism of auditors in practice (Rizky Ridwan et al., 2025).

The State Auditing Standards (SPKN), grounded in BPK RI Regulation No. 1 of 2017, serve as the constitutional framework for auditing state financial management. SPKN, which aligns with ISSAI international standards, requires auditors to consider materiality throughout all audit phases to provide reasonable assurance that financial statements are free from material misstatement (Judijanto et al., 2024).

Materiality in Audits Materiality refers to the threshold at which omissions or misstatements in accounting information could influence users' economic decisions. At BPK RI, materiality is operationalized at three levels: planning materiality (overall threshold, often a percentage of key benchmarks), tolerable misstatement (allocated to specific accounts or transactions to inform audit procedures), and posting threshold (the minimum amount for aggregating misstatements) (Auditing and Assurance Standards Board, 2023).Research shows that materiality considerations are influenced by factors internal to the auditor, including (INTOSAI Professional Standards Committee, 2025):

a) Professionalism and Ethics: Ensuring objectivity in determining thresholds.
b) Auditor Experience: More experienced auditors tend to have better discernment in assessing whether a misstatement will be perceived as material by report users.
c) Task Complexity: The diverse characteristics of government entities influence the complexity of determining materiality.

2. LITERATURE REVIEW

Materiality serves as an essential threshold in public sector auditing to ascertain whether omissions or misstatements in financial reports could influence the economic and political decisions of stakeholders. Grounded in the State Financial Audit Standards (SPKN) and aligned with the International Standards of Supreme Audit Institutions (ISSAI), auditors at BPK RI operationalize materiality across three structured tiers: planning materiality based on quantitative benchmarks (such as percentages of total assets or expenditures), tolerable misstatement for field execution, and the posting threshold for evaluating cumulative uncorrected errors.

However, public sector materiality cannot be viewed solely through numerical parameters. Given the paramount demands for statutory compliance and public accountability, qualitative considerations frequently override quantitative thresholds, meaning that minor monetary discrepancies involving legal violations, sensitive budgetary accounts, or fraud-prone expenditures are deemed material. Consequently, sound professional judgment and the adoption of modern data analytics are crucial to setting precise materiality thresholds, directly safeguarding the integrity and credibility of BPK's final audit opinions.

3. RESEARCH METHOD

This study employs a qualitative, descriptive-analytical approach to examine the decision-making and professional judgment of BPK auditors in determining materiality, focusing on the application of the State Financial Audit Standards (SPKN) in 2026. Data was sourced from in-depth interviews with experienced BPK RI auditors (primary data) and document analysis, including SPKN, technical audit instructions, and published audit reports (secondary data). Data collection involved literature review, structured interviews on materiality parameters, and review of audit working papers to assess the consistency of materiality application.

Data analysis in this study follows the Miles and Huberman model, which comprises three main stages: data reduction, data display, and conclusion drawing/verification (Rustam et al., 2023).

a) Data Reduction: This stage involves selecting, focusing, simplifying, and transforming raw data from interviews and document analysis into core information relevant to materiality considerations in audits. Coding techniques are applied to identify recurring themes, patterns, and categories related to professional judgment, materiality thresholds, and compliance with SPKN.
b) Data Display: The processed data are organized and presented in descriptive narratives, comparative tables, or diagrams. This allows for systematic comparison between theoretical standards and practical implementation, as well as between different cases or auditor experiences.
c) Conclusion Drawing and Verification: Final conclusions are developed by interpreting the displayed data, identifying relationships, and assessing whether materiality judgments align with the established standards. The process includes ongoing verification to ensure the credibility and trustworthiness of findings through triangulation and peer debriefing where applicable.

4. RESULTS AND DISCUSSION

Table 1. Budget Realization Report Summary

	Budget Year 2024			Budget Year 2023
	Budget	Realization	%	Realization
State Revenue G Grant	46.981.617.000	55.897.658.715	118,98	39.244.828.901
State Spending	4.950.792.976.000	4.801.339.341.450	96,98	4.605.846.423.050

Source: Summary of Semester Examination Results (IHPS) II (data processed 2025)

Table 2. Balance Sheet Summary

Added	Budget Year 2024	Budget Year 2023	Naivety Value (Decrease)	%
Asset	8.924.994.941.438	8.965.954.898.573	(40.959.957.135)	(0,46)
Obligation	28.908.162.298	23.869.330.183	5.038.832.115	21,11
Efficiency	8.896.086.779.140	8.942.085.568.390	(45.998.789.250)	(0,51)

Source: Summary of Semester Examination Results (IHPS) II (data processed 2025)

This study analyzes the audit practices of the Indonesian Supreme Audit Agency (BPK RI) auditors who carry out their mandate in accordance with the State Financial Audit Standards (SPKN). The primary focus is on how auditors establish thresholds in auditing Central Government Financial Reports (LKPP) and Regional Government Financial Reports (LKPD).

Based on document analysis and interviews, the materiality determination process at the Indonesian Audit Board (BPK RI) in 2026 followed the following hierarchical structure (Arens et al., 2017):

1. Quantitative Benchmark Determination: Auditors use financial databases to determine Planning Materiality (PM). Generally, the BPK uses a percentage range (e.g., 0.5% to 5%) of total expenditure or total assets. The selection of this benchmark depends heavily on the entity's characteristics; for administrative entities, total expenditure is often the primary reference.
2. Determination of Implementation Materiality (Tolerable Misstatement): The BPK found that the TM typically sets the PM between 50% and 75% of the PM. This value is used to determine the extent of audit procedures and the number of samples to be tested on each account.
3. Misstatement Evaluation: All misstatements found above a certain threshold are collected in a misstatement summary to evaluate their cumulative impact on the final opinion.
    a) Research findings indicate that materiality judgments at BPK RI extend beyond quantitative thresholds to encompass several key dimensions: Qualitative Significance: Auditors frequently lower materiality thresholds when accounts are deemed susceptible to fraud or attract heightened public attention, such as social assistance programs or major procurement activities. This practice is consistent with BPK RI's mandate to uphold public accountability.
    b) Regulatory Compliance: In the public sector context, even minor misstatements may be considered material if they represent legal or regulatory violations, such as exceeding budget limits. This underscores the multidimensional nature of materiality assessment at BPK RI.
    c) Impact on Audit Opinion: The accuracy of materiality determination directly affects the reliability of audit opinions (WTP, WDP, TW, or TMP). Overly high materiality thresholds increase the risk that significant misstatements go undetected, thereby undermining the credibility of audit reports (Badan Pemeriksa Keuangan Republik Indonesia, 2025).

The main challenges faced by auditors were found to be inter-regional risk levels and tight audit time pressures. Furthermore, data integration through a technology-based audit system (Big Data Analytics) at the BPK by 2026 will require auditors to continuously update their technical competencies in determining materiality across massive data populations.

5. CONCLUSION

Based on the research results and discussions presented in the previous chapter, several key conclusions can be drawn as follows:

1. The Audit Board of Indonesia (BPK RI) applies materiality principles consistently, following SPKN and ISSAI standards, through a structured process from planning to misstatement evaluation.
2. Materiality assessments combine quantitative benchmarks with qualitative considerations. Legal compliance and public interest often determine whether a misstatement is deemed material, regardless of its monetary value.
3. Professional judgment is essential, particularly for audits involving high-risk entities or weak internal controls. The adoption of data-driven audit technology in 2026 has further improved the precision of materiality determinations. The conclusion contains a brief summary of the results of the research and discussion.

The results of this study imply that the accuracy of determining materiality directly impacts the quality of the audit opinion. Setting materiality too high risks overlooking significant misstatements, while setting it too low can result in inefficient use of audit time and resources. Recommendations for further research are:

1. BPK RI should routinely update technical guidelines for qualitative materiality thresholds to promote consistent interpretation among auditors, especially for sensitive accounts.
2. Auditors are encouraged to further develop their skills in data analytics to enhance objectivity in materiality judgments.
3. Future research could compare materiality practices at BPK RI with those of external audit bodies internationally or between public and private sector audits.

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