

Business Risk Management Planning at Public Accounting Firm in Batam City

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Abstract

This research was conducted to find out the business risk management plan at the Public Accounting Firm in Batam City and can take action to prevent for minimize the risks. This study uses a descriptive contextual approach to analysis and data collection techniques in this study are interviews. Respondents who were interviewed must have knowledge and competence in related fields so that the data obtained can reflect the actual conditions. The results of this study indicate that there are 5 risks in the Public Accounting Firm in Batam City which include 4 medium risks and 1 low risk. Most of the risks that occur are caused by a lack of audit planning. Therefore, the Public Accountant Office in Batam City needs to implement a more effective and efficient audit plan to be able to prevent and minimize the risks that will occur.

Keywords:

Risk Management, Public Accounting Firm, Risk Analysis

Introduction

In the current era of globalization, business has become increasingly complex and growing rapidly (Musana, & Setyawan, 2023). Every business that is created or run must face risks that must be overcome to develop and survive in the long term. The most effective way to deal with risks that occur is to carry out appropriate and effective risk management (Edi, E., & Susanti, E.2021).

The public accounting firm is one of the businesses engaged in accounting and financial services. Public accounting firms must be responsible for providing audit services on the financial side to clients. Public accounting firms have a fairly high risk in providing an opinion on the financial statements of a company (Selvina, 2017). Therefore, proper and effective risk management planning in a public accounting firm is very important. Such planning can address risks by identifying risks that might occur, evaluating the impact of risks, and developing strategies to reduce these risks (Itan, et al.2023).

In the case of PT Garuda Indonesia Tbk, a public accounting firm should be able to identify potential risks related to fraud and embezzlement that can affect the quality of financial reports. However, in reality, it was revealed that the fraud was perpetrated by the former President Director and several employees of PT Garuda Indonesia Tbk managed to pass the audit process conducted by a public accounting firm. This shows that the public accounting firm has not carried out risk management in the audit of PT Garuda Indonesia Tbk (Anam et al., 2021).

In this case, the public accounting firm needs to evaluate the risk management process that has been carried out and make improvements to ensure the effectiveness of risk management in the future. In addition, a public accounting firm also needs to strengthen its integrity and independence as an external auditor to be able to maintain audit quality and prevent fraud and embezzlement in the company being audited (Meiliana et al., 2015).

Batam City is an industrial area city that is occupied by many foreign and local companies (Saputra & Rachmawati, 2015) As an industrial area city, the demand for the services of a public accounting firm is very high.

Therefore, business risk management planning at a public accounting firm in Batam City must be carried out to ensure business continuity.

In this article, we will discuss the importance of planning business risk management in a public accounting firm in Batam City, the risks that may occur, and the strategies that can be taken to overcome these risks. It is hoped that this article can provide a better understanding of business risk management planning in public accounting firms in Batam City.

Literature Review

Risk Management

According to Darmawi (2022) risk management is a process carried out by an organization that is systematic to identify, evaluate, and manage risks to influence business objectives. Risk management aims to minimize and prevent risks in a business (Arifudin et al., 2020). Risk management is carried out by companies to achieve goals effectively and efficiently (Nilasari, 2020). Below are the tools used to carry out the risk management process.

1. Risk Register

According to (Lionel et al., 2023) the risk register is a tool used in risk management which is used as a tool to identify the risk of failure in a project. The risk register can be in the form of a document from the company manager which is used to monitor the risk management process in the company (Siswanti et al., 2020). The purpose of using a risk register is to identify, analyze, and simultaneously treat risks before they become serious problems.

2. Risk Event and Trigger

Risk event is an event that can affect the success of a project, business or organization (Zainal et al., 2017). Risk events are divided into internal and external and can occur at the same time and suddenly. Risk events can be identified by conducting a risk analysis (Ulfah et al., 2016). Risk analysis is the process of identifying, assessing and managing the risks associated with a project, business or organization. Risk event preparation is an important process of risk management. This is done to help organizations minimize losses and increase their business success rate.

A risk trigger is an event that causes a risk to occur. Risk triggers are factors that must be avoided and identified in advance to reduce negative impacts on a project, business or organization (Mas'ud et al., 2021). Identification of risk triggers is very important because it allows an organization to be able to take further actions in reduce these negative risks (Fitri et al., 2022).

3. Risk Breakdown Structure

Risk breakdown structure is a tool used in risk management that aims to identify, organize and manage risk. The risk breakdown structure can assist in describing the risk hierarchy and assist in determining potential risks and the resources involved in these risks (Agtika et al., 2019). The risk breakdown structure contains a list of risks arranged hierarchically to provide information to risk managers and assist risk managers in understanding how smaller and specific risks can contribute to larger risks (Santoso et al., 2022).

4. Risk Response

Risk response is an action taken to deal with an identified risk in a project or business (Nixon & Tampubolon, 2019). Risk response can be made in the form of risk mitigation or prevention actions. Risk response must always be adjusted to the development of risks and conditions of a project or business.

5. Risk Analysis

Risk analysis is a process of identifying, assessing and evaluating risks associated with a project or business activity (Sudarmanto et al., 2021). The purpose of risk analysis is to be able to identify the potential risk, evaluate the possibility of a risk occurring, the impact resulting from a risk and develop a plan to prevent this risk (Sihab & Diyanti, 2019).

6. Risk Evaluation

Andy Lau

Risk evaluation is a process of assessing risks that have been identified from a project or business (Berliana et al., 2020) The purpose of risk evaluation is to determine the level of risk of a project or business. Risk evaluation requires available information to be able to identify the possibility and impact of risk (Qintharah, 2019). This information can be in the form of historical data, experience, expert judgment, and statistical data.

7. Risk Treatment

Risk treatment is a process of taking an action or decision needed to reduce the impact or eliminate risk in a project or business (Nilasari, 2020). Risk treatment is a very important process of risk management to determine an appropriate plan for dealing with risks that will occur. By implementing effective risk management, organizations can reduce and eliminate the impact of risk on projects or business activities (Berliana et al., 2020).

Research Methods

This research is descriptive research that describes the risk data obtained. This study has explored risk management in the form of 4 stages namely, risk identification, risk analysis, risk evaluation, and risk treatment. The descriptive research method is research that describes a phenomenon or event in a systematic way (Ramdhan, 2021). The data collection technique is to conduct interviews with respondents who have competence and knowledge in related fields. The interview process was carried out on 27 February 2023 to 2 March 2023.

Results and Discussion

Interviews were conducted with 10 auditors working at the Public Accounting Firm in Batam City. The auditors interviewed included junior auditors, semi-senior auditors, senior auditors and auditor managers.

1. Risk Register

Risk register data were obtained through interviews with respondents in related fields. There are five risks in the Public Accounting Firm in Batam City.

Table 1. Risk Register

No	Type	Description
1	Audit risk	Misidentification of risks in audits.
2	Time risk	Delay in completing audit assignments.
3	Human resources risk	Lack of human resources.
4	Data security risk	Lack of data security.
5	Legal risk	There is potential for lawsuits.

Source: Processed Data (2023)

2. Risk Event and Risk Trigger

From the 5 risk register data obtained, there are risk events or risk events that will occur and risk triggers or risk events that cause risks.

Table 2. Risk Event and Risk Trigger

No	Risk Register	Risk Event	Risk Trigger
1	Audit risk	Mistakes in risk assessment will produce financial reports that are not by the conditions of the company.	Lack of understanding and risk assessment of the industry and client companies.
2	Time risk	Lack of time compliance in completing an audit within the promised time.	Delay in documents sent by the client and slow audit process.

3	Human resources risk	Lack of human resources in carrying out audit tasks.	Lack of key staff or regular staff will result in inefficiency and decreased quality in the audit process.
4	Data security risk	The data stored by the auditor is insecure resulting in client data leakage.	Lack of data protection system to prevent data leakage.
5	Legal risk	The occurrence of legal disputes between public accounting firms and clients can damage the reputation of public accounting firms and financial losses.	Lack of understanding and non-compliance with the applicable rules.

Source: Processed Data (2023)

3. Risk Breakdown Structure

From the analysis of risk events and risk triggers, the next step is to carry out a risk breakdown structure analysis to be able to determine the potential risks and the resources involved in these risks.

Table 3. Risk Breakdown Structure

No	Risk Register	Internal	External
1	Audit risk	-Lack of audit risk analysis -Lack of auditor experience -Lack of knowledge regarding the client's industry and company	-Economic changes -Changes in company activities that are not disclosed by the company
2	Time risk	-Lack of time adherence -Delay in completing the audit -Error in time planning	-Technological disruption to the auditor's system -There is a natural disaster
3	Human resources risk	-Lost key staff -Overwork on staff	-There are government regulations governing working hours requirements -Lack of labor in the labor market
4	Data security risk	-Lost client data -IT system failure	-Hacker attacks -Technological changes
5	Legal risk	-Unlawful conduct by staff -Wrong decision in the audit procedure	-Changes of legal regulations.

Source: Processed Data (2023)

4. Risk Analysis

There is an impact that will be received by the Public Accounting Firm in Batam City if this risk occurs. The impact of this risk is calculated in the amount of losses that will occur and is calculated in Rupiah (Rp).

Table 4. Risk Analysis

No	Index	Probability	Impact
1	Low	1 – 3 Times	Rp 1 – Rp 10.000.000
2	Medium	3 – 5 Times	Rp 10.000.001 – Rp 30.000.000
3	High	> 5 Times	> Rp 30.000.000

Source: Processed Data (2023)

Probability				
High	Medium	Medium	High	
Medium	Low	Medium	Medium	
Low	Low	Low	Medium	
	Low	Medium	High	Impact

Figure 1. Risk Value

Table 5. Risk Value

No	Risk Register	Impact	Probability	Risk Value
1	Audit risk	M	M	M
2	Time risk	L	M	L
3	Human resources risk	L	H	M
4	Data security risk	H	L	M
5	Legal risk	H	L	M

Source: Processed Data (2023)

5. Risk Responses

To be able to prevent or minimize these risks, a risk response is needed to be able to take preventive action or minimize risk.

Table 6. Risk Responses

No	Risk Register	Mitigation Plan	Response	Status	Type
1	Audit risk	Conduct risk assessments effectively and efficiently according to the client's industry and company.	Auditor	Mitigate	Audit planning
2	Time risk	Planning audit time effectively and efficiently.	Auditor	Mitigate	Audit Planning
3	Human resources risk	Recruit additional employees and conduct training for employees to increase work efficiency.	HR Dept	Mitigate	Employee Training
4	Data security risk	Using the new security system technology.	IT Dept	Mitigate	Hardware and Software Update
5	Legal risk	Frequent updates to the latest regulations.	Auditor	Mitigate	Audit Planning

Source: Processed Data (2023)

Conclusions

The Public Accounting Firm is a type of company engaged in the provision of professional services such as accounting, auditing, tax consulting and other financial services. The Public Accounting Firm has several risks, including audit risks, time risks, human resource risks, data security risks and legal risks. The things that cause these risks are mostly internal and a small part are external. This risk can be mitigated if you do good planning before starting the audit. The probability of this risk occurring is not high but does not include human resource risk. Human resources are a risk that is currently happening to the Public Accounting Firm in Batam City now due to a lack of manpower in the labor market so mitigation cannot be done. The impact of high risk is gathered on data security risks and legal risks because these risks can reduce the integrity of the Public Accounting Firm.

The researcher suggests that the management of the Public Accountant Office in Batam City can make more effective and efficient audit plans to be able to prevent and minimize the impact of risks from audit, time and legal

risks. On ISO 31.000: 2018 the framework of risk management is leadership and commitment. The existence of good authentic leadership will encourage employee trust (Yuwono et al., 2023) so that all parts of the organization will focus on achieving the organization's goals. In addition, the Public Accountant Office must also conduct frequent training for employees to be able to improve work efficiency to reduce human resource risk. The Public Accounting Firm must use a new security system technology to be able to guarantee the security of company client data that is confidential.

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