



Implementantion Of Audit Procedures For Cash And Cash Equivalent Accounts Of T Foundation By KAP Djoko Soerjadi

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Abstract. Cash is a crucial asset in a company and is often a prime target for fraud. Therefore, it is necessary to conduct a rigorous financial examination of cash equivalents to ensure that an entity's cash balance has been recorded correctly. T Foundation is a non-profit educational foundation that relies on cash in financing its operational activities. This study was conducted to analyze the implementation of cash account audit procedures at the T Foundation carried out by KAP Djoko Soerjadi in accordance with general cash equivalent audit procedures. The research method used is descriptive qualitative. The results showed that what was done by KAP Djoko Soerjadi at the T Foundation on cash equivalents had complied with the established audit procedures. However, in the implementation process, auditors face several obstacles, such as the slow response from clients in providing data information needs and complementary documents, which results in hampering the audit process so that the work takes longer than expected.

Keywords Audit, Cash and Cash Equivalent, Audit Procedures for Cash and Cash Equivalent

1. INTRODUCTION

Fierce competition encourages companies around the world to improve their performance in order to remain viable in the long term. To achieve this goal, companies need the availability of funds in the form of cash to maintain their smooth operations. According to (Finanti, 2020) The crucial role of cash in the company's progress cannot be denied, thanks to its high level of liquidity. As an asset that has a high level of liquidity, it makes it an asset that is easy to cash out, making it vulnerable to fraud and abuse by irresponsible people. Compared to other assets, cash has a higher potential for fraud and theft because it is easily converted into cash.

The high potential for fraud in cash makes a company must have good internal control and audit checks by independent auditors. T Foundation is a non-profit foundation in the field of education that requires cash to support its operational activities. (Rudianto, 2021) defines cash as a medium of exchange owned by the company and can be used in transactions directly whenever needed. Cash has characteristics that distinguish it from other assets, such as being difficult to recognize the owner, being portable and easily transferred in a short time, and being an attractive target for fraud (Petrov & Sembieva, 2020). And cash equivalents are short-term investments that are very easy to cash out and are held to meet cash needs in the short term, not for investment purposes or other purposes.

Auditing of cash and cash equivalents is a very important part of ensuring the reliability of a company's financial statements. Auditing is defined as the process of collecting

data up to the evaluation of evidence as a basis for assessing the compliance of information with predetermined criteria, which is then reported. The financial statements of a company must be audited because without an audit, it is feared that errors will occur in the financial statements (Roszkowska, 2020). Cash and equivalents are a crucial component of the company, showing how easily and quickly the company can fulfill its obligations in the short term. Therefore, auditing these assets requires rigor and a strong structure to ensure every financial transaction is recorded correctly according to accounting standards.

Djoko Soerjadi Public Accounting Firm is one of the KAPs in Surabaya that has provided various assurance services, one of which is audit services. In carrying out field work, a KAP must of course carry out procedures in accordance with auditing standards as general guidelines. The main task of the auditor in auditing cash and cash equivalents is to ensure the fairness of recording the cash balance of the business entity, so that it accurately reflects the cash condition of the organization on the recorded date. To reduce the risk of fraud related to company cash, it is important for companies to implement an effective internal control system and conduct audits by independent auditors of cash and cash equivalent assets. Based on this thought, the researcher chose the research theme “**Implementation of Audit Procedures for Cash and Cash Equivalent Accounts of T Foundation by KAP Djoko Soerjadi**”

2. LITRATURE REVIEW

a) Audit

Companies that are or have gone public, it is very important for their financial statements to be audited. Because financial reports that are not audited may contain errors, and are often less trusted for accuracy by stakeholders. In overcoming this, financial statement audit services are relied upon because they can increase the reliability of financial statements by assessing fairness. (Mulyadi, 2017) Audit is the process of objectively collecting and assessing evidence related to transactions, activities, and economic events. The aim is to determine the conformity of this information with predetermined standards and convey the results of the evaluation to interested parties.

This evaluation is based on generally accepted accounting principles, and the results of the assessment are reflected in the audit opinion. Auditing Standard 200 (SPAP 2016) explains that the main objective of an audit is to increase the confidence of users of financial statements. The auditor achieves this by providing an opinion on whether the financial statements are prepared in accordance with the applicable financial reporting framework,

considering all material matters. The auditor will determine the materiality level and scope of the audit to ensure a sufficient level of confidence in the propriety of the financial statements. This refers to the acceptable tolerance limit for errors in the financial statements. If errors in the financial statements exceed the materiality level, it may affect the decisions of stakeholders.

b) Audit Evidence

According to (Arens et al, 2017) audit evidence is the clues that auditors use to ascertain whether the audited information conforms to established criteria. This evidence, as described in SA 500 (SPAP 2016), is information that the auditor collects to support his audit opinion. Audit evidence can come from the accounting records underlying the financial statements, as well as from other sources. SA 500 (SPAP 2016) outlines seven key procedures for obtaining audit evidence:

1. Inspection

Checking internal and external records or documents. The level of reliability of inspection evidence varies depending on its nature and source.

2. Observation

Observing the execution of a procedure at a specific time. Observation provides a first-hand look at a process or procedure in action.

3. External Confirmation

Obtain written responses from third parties to verify information.

4. Recount

Verify the accuracy of mathematical calculations in documents or records, either manually or electronically.

5. Reimplementation

Independently re-perform the process or internal control to assess its effectiveness.

6. Analytical Procedure

Comparing and correlating data to assess the reasonableness of account balances or other data compared to the auditor's estimates.

7. Inquiry Description

Obtain information from individuals with financial or non-financial knowledge, either in writing or verbally.

c) Code of Ethics

The code of ethics for public accountants is like a moral compass that guides accountants in carrying out their profession. The rules and principles contained in this code of

ethics ensure that public accountants act with high integrity and professionalism, resulting in trustworthy services for clients and the wider community. In accordance with SA 200 and the 2017 Code of Ethics for Professional Accountants, public accountants must uphold 5 basic ethical principles in carrying out their responsibilities:

1. Integrity, public accountants must always be straightforward and honest in every business and professional relationship.
2. Objectivity, avoiding conflicts of interest that could compromise professional judgment
3. Competence and professional prudence, public accountants must maintain and improve their knowledge and skills in accordance with professional standards, and comply with relevant regulations.
4. Confidentiality, maintaining the confidentiality of information that auditors obtain in the course of their professional duties, unless authorized or required by law to disclose it.
5. Professional behavior, public accountants must always comply with applicable laws and regulations in carrying out their profession.

d) Cash and Cash Equivalent

According to (Mulyadi, 2016), the concept of cash includes everything that can be immediately available and accepted as a means of payment to fulfill obligations at face value, including cash and other forms. Cash refers to cash, both in the form of metals, banknotes, checks, and so on, whether it is stored in a bank or by the company itself, which can be used for company operations. Cash has the flexibility to be used as other assets or used to purchase services or goods. With this, implementing an effective internal control system is a top priority for companies against cash. From the perspective of the origin of the company's cash, it can generally be divided into two categories.

First, internal sources include funds generated by the company itself, such as profit from the sale of securities and fixed assets, retained earnings, and accumulated depreciation. Second, external sources come from outside the company, including from the owner of the company or in the form of creditors both long and short periods. Meanwhile, cash equivalents are like easily accessible and stable reserves for companies. These short-term investments are highly liquid, meaning they can be easily converted into a certain amount of cash without significant loss of value. The risk of loss is also low, making it a safe and flexible option for managing company finances.

e) Audit Procedures for Cash and Cash Equivalent

Audit procedures are like road maps that guide auditors in carrying out their duties. According to (Aida, 2021), audit procedures are a series of structured and systematic steps that must be carried out by auditors to conduct examinations of various parties in a department. The aim is to ensure consistency and uniformity in the treatment of transactions that commonly occur within the company. Audit procedures also include a series of stages that auditors carry out to carry out the audit process efficiently and effectively (Hazar, 2021).

Audit procedures on cash accounts include identifying risks affecting cash in the client's business, establishing fault tolerance, evaluating inherent risks, identifying internal controls, conducting substantive testing of transactions, and designing detailed tests of cash balances (Xiao et al, 2020). As according to (Arens et al, 2017) the methodology for auditing year-end cash includes:

1. Checking Internal Control

The auditors reviewed two categories of internal controls: controls over the transaction cycle affecting cash, and independent bank reconciliations.

2. Performing Analytical Procedures

The auditor compares the ending balances in bank reconciliations, deposits in transit, deposits in transit, outstanding checks, and other reconciling items with the previous year's reconciling items, as well as compares the cash ending balance with the previous month.

3. Perform Substantive Procedures

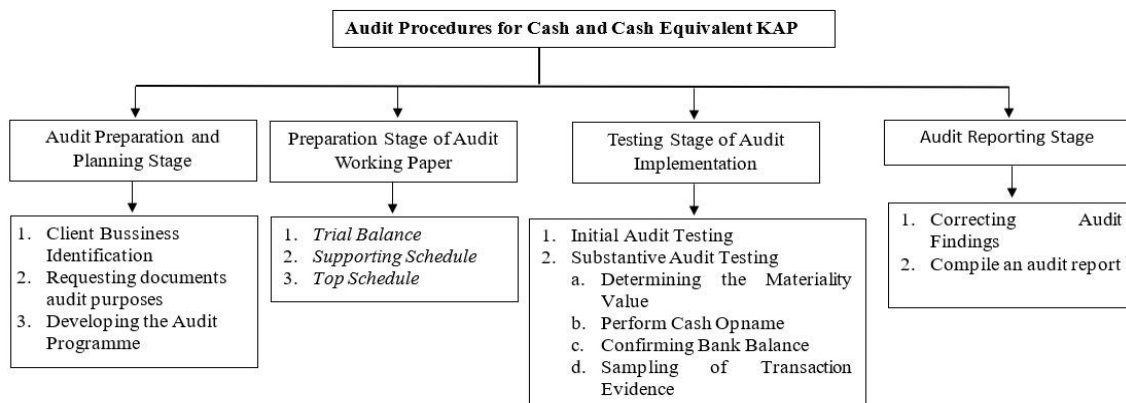
First, the auditor requires confirmation of the cash balances held at all banks by sending confirmation letters to the banks to ensure the accuracy of the cash balances. After receiving the confirmation, the auditor compares the balances with the client's bank reconciliations. Likewise, all other information on the reconciliations should be traced to the relevant audit working papers. Secondly, the auditor checks the bank statement on the cut-off date to ensure revenue is appropriately recorded in the appropriate accounting period, without going beyond the cut-off date of that period. Third, the auditor tests the bank reconciliations to verify the correspondence between the bank balances recorded by the client and the actual amount of cash held in the bank.

3. METHODS

This study applied a qualitative descriptive approach. To collect data, researchers conducted direct observations in the field involving observation of the implementation of cash and cash equivalent audit procedures and direct data collection related to these audit procedures. In its analysis, this study uses primary data obtained directly from the T Foundation as a client. This data includes financial statements and other related information.

4. RESULTS

Djoko Soerjadi Public Accountant Office (KAP) has been licensed to provide services in the practice of Public Accountants in a professional manner. One of the services they offer is financial statement audits. The implementation of the financial statement audit at KAP Djoko Soerjadi consists of four stages as follows :



Picture 1. Audit procedures for cash and cash equivalent KAP

a) Audit Preparation and Planning Stage

Careful audit preparation allows auditors to identify and focus attention on high-risk audit areas. This approach optimizes the use of time and resources in the audit process. Plans are made to identify and address potential audit obstacles. The audit preparation and planning stage begins with an opening meeting with the client. The meeting is attended by partners and the entire audit team for Yayasan T. The meeting will discuss the completeness of the data required for the audit, such as financial statements, cash and cash equivalent ledgers, bank statements, and transaction evidence and other supporting evidence. The auditor will also conduct an understanding of the client's line of business.

Understanding the client's line of business and internal control aims to check the internal control system related to cash and cash equivalents. This test is needed to make the

basis for how deep the substantive test should be. If there is an irregularity in the internal control system, then a more detailed and in-depth substantive test is required related to cash and cash equivalents transactions. At this stage the auditor will also develop an audit work program.

An audit work program is a systematic plan prepared by the auditor to direct and manage the audit process. The main purpose of the audit work program is to ensure that the audit is carried out in accordance with applicable audit standards and runs effectively and efficiently. The risks that have been identified related to the client's business will be adjusted to the relevant audit objectives, then the auditor determines the procedures that must be performed to address these risks.

b) Preparation Stage of Audit Working Paper

Audit working papers serve as an important means of recording and preserving all evidence obtained throughout the audit process. This document includes full details of the audit procedures performed and the resulting findings. This comprehensive recording serves as concrete evidence that the audit has been carried out in accordance with applicable standards. And in doing so, the Public Accounting Firm (KAP) must comply with the Public Accountant Professional Standards (SPAP). The following are the steps in preparing an audit working paper in the Djoko Soerjadi Public Accounting Firm:

- a. Trial Balance, the trial balance is used by the auditor as a starting point in the financial statement audit process which contains the opening balance, current year mutations, and ending balance.
- b. Supporting Schedule, supporting schedule is part of the audit working paper that contains detailed information to support the figures in the top schedule and financial statements.
- c. Top Schedule, top schedule is a form of audit work document that acts as an initial summary that generally displays the audit results or conclusions regarding related items. The top schedule will be used by KAP Djoko Soerjadi auditors in seeing whether the assets and liabilities that have been prepared based on the supporting schedule are in balance.

c) Testing Stage of Audit Implementation

This stage aims to obtain assurance regarding the fairness of the presentation and disclosure of audit evidence that has been collected and evaluated. In testing the implementation of the audit, the Djoko Soerjadi Public Accounting Firm will conduct initial testing and substantive testing of cash and cash equivalent transactions. Initial audit testing is carried out by the KAP Djoko Soerjadi Auditor Team to understand the client's internal control. Through this understanding, the auditor team will examine potential risks to controls over cash

equivalents. The auditor team will also use this understanding of internal control to determine how far and how detailed the auditors will conduct substantive testing of cash and cash equivalent transactions. After conducting initial audit testing followed by the substantive testing stage, the substantive test is carried out based on the results of the test of cash and cash equivalent controls at the T Foundation. Where the better the internal control, the less it is necessary to do a substantive test because it is believed that there is minimal fraud or error.

Carrying out substantive testing of cash and cash equivalents, KAP Djoko Soerjadi begins by determining the level of materiality. This practice is in line with Auditing Standard 320, which requires auditors to determine materiality in order to evaluate the risk of material misstatement and determine the scope of subsequent audit procedures, as established by the Indonesian Institute of Certified Public Accountants in 2021. KAP Djoko Soerjadi sets the materiality limit as in the following table:

Table 1 Materiality Value of KAP Djoko Soerjadi

Description		Value
Total Assets		15.849.098.691
Total Liabilities		227.031.740
Total Equity		15.622.066.952
Total Revenue		15.731.997.910
Total Cost		14.418.536.568
Overall Materiality Determination	Balance Reference	1.313.461.341
	Margin	7%
	Overall Materiality	91.942.294
Determination of Implementation Materiality	Margin	80%
	Materiality of Implementation	73.553.835
Uncoreccted Value Threshold	Margin	25%
	<i>Corrected Misstatement Value</i>	<i>18.388.459</i>

The auditor calculates the materiality level through total assets. The formula used is overall materiality calculated by the formula 7% multiplied by total assets. Performance materiality is calculated using the formula 80% multiplied by overall materiality. And for Tolerable error is calculated with the formula 25% multiplied by performance materiality.

The next procedure is that KAP Djoko Soerjadi conducts cash-taking. Through this procedure the auditor can ascertain whether the balance of cash and cash equivalents in the system is in accordance between the physical balance and the recorded cash balance. And through this procedure the auditor can also find potential fraud or misuse of cash if *Table 4.1 Materiality*

Value of KAP Djoko Soerjadi

there is a difference between the two. Auditors make preparations before cash-taking by preparing the necessary documents cash-taking minutes, cash-taking forms, and other supporting documents. During the cash-taking at the T Foundation, the auditor did not find a large difference between the physical cash in the company and the cash book or cash records in the company. Because there is no difference that is considered material, therefore the auditor does not conduct further confirmation and analysis related to the cash taking.

KAP Djoko Soerjadi will also confirm the bank balance. This process begins with the preparation of confirmation letters based on a list of banks owned by Yayasan T, a non-profit organization. These letters are then sent to each of the foundation's bank accounts. After receiving replies, the auditor enters this information into the Audit Working Paper. Next, a review or verification process is carried out by comparing the bank balance recorded in Yayasan T's books with the balance stated in the confirmation reply from the bank.

After confirming the bank balance, the auditor proceeds to the sampling stage of transaction evidence. The sampling procedure is a common method when auditing cash and cash equivalent accounts. One of the main uses of sampling procedures in audits is for auditors to identify potential errors or fraud that may occur. Samples that show discrepancies or oddities can be an indicator for further examination. KAP Djoko sampled the basic evidence of transactions contained in the ledger. In this case, KAP Djoko Soerjadi will take a minimum sample of 20% of the total transactions of each cash and cash equivalent account. From this event, information was found that there was a one-way system in the finance department where there were still duplicate tasks that should be separate in the cash management section. This resulted in the absence of adequate records and transaction evidence. And resulted in auditors who had difficulty in collecting audit evidence and client unpreparedness in preparing detailed documents for the financial statements to be audited.

d) Audit Reporting Stage

Before preparing the audit financial report, the auditor will make corrections to the findings contained in the financial statements. After making these corrections, the auditor will prepare an audit financial report which will be discussed together by KAP Djoko Soerjadi with

the client. The findings found in Yayasan T's cash and cash equivalents are not material findings so that they do not reduce the fairness of the presentation and recognition of financial statements. The culmination of the audit process is the production of audited financial statements. This document contains the auditor's assessment of the appropriateness of the financial statements that have been examined. The Independent Audit Report has the main objective of verifying that the entity's financial statements have presented relevant information and accurately reflect the entity's economic condition. And has been prepared in accordance with generally accepted accounting principles in Indonesia. Thus, LAI plays an important role in providing assurance to users of financial statements about the reliability and suitability of the information presented.

5. DISCUSSION

KAP Djoko Soerjadi has performed audit procedures for Yayasan T's cash and cash equivalent accounts in accordance with applicable accounting standards. In the process of collecting audit evidence, this KAP has implemented various procedures in accordance with Public Accountant Professional Standards (SPAP) SA 500, including inspection, observation, and recalculation. However, there is one cash and cash equivalent audit procedure recommended by (Arens et al, 2017) which was not carried out by KAP Djoko Soerjadi in the examination of the cash and cash equivalent accounts of Yayasan T. The procedure that was not carried out was bank reconciliation.

Through the testing phase of the audit implementation of KAP Djoko Soerjadi, information was found that the internal control in Yayasan T was still not good where there was a lack of separation of functions and there was overlap between tasks in the finance department which resulted in the absence of adequate records and transaction evidence. So that the T Foundation audit process takes a long time due to auditors who have difficulty completing the audit procedures that must be fulfilled. However, the results of the examination of cash and cash equivalents in the financial statements of Yayasan T did not find material differences between the recorded balances and confirmation from various parties. So that it does not reduce the fairness of the presentation of the financial statements as a whole. And the KAP Djoko Soerjadi audit team has carried out procedures and codes of ethics in accordance with the audit objectives stated in SPAP SA 200.

6. CONCLUSION

Djoko Soerjadi Public Accounting Firm has been licensed to provide financial statement auditing services. In its implementation, this KAP follows the auditing standards set by the Indonesian Institute of Certified Public Accountants as well as other relevant procedures. The implementation of financial statement audit procedures at the Djoko Soerjadi Public Accounting Firm consists of four stages, namely starting from the audit preparation and planning stage, followed by the preparation of audit working papers and testing of audit implementation starting from internal control to substantive testing. Finally, the auditor carries out the reporting stage of the audit results to formulate his opinion. Based on the audit procedures that have been carried out, no material misstatement was found in the cash and cash equivalents account. KAP concluded that the account has been presented fairly in the financial statements, in accordance with the Financial Accounting Standards for Entities Without Public Accountability (SAK-ETAP) and Interpretation of Financial Accounting Standards 35 (ISAK 35) regarding "Presentation of Financial Statements of Non Profit Oriented Entities".

It is hoped that with this research, readers can pay more attention to the importance of carrying out cash equivalent audit procedures carefully and carefully to detect potential fraud or errors. And remind readers of the importance of complying with applicable audit regulations and standards in conducting cash and cash equivalent audits. As for suggestions for KAP Djoko Soerjadi regarding data requests that are sent long enough, auditors should request the revocation of audit scope restrictions on clients if this greatly hinders the process of collecting audit evidence. For further development, it is hoped that it can expand the scope of audit procedures for other accounts and continue to contain the latest information on applicable audit standards and audit practices.

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