

INTERPERSONAL COMMUNICATION AS A DETERMINANT OF AUDIT FINDINGS AND AUDIT JUDGMENT: A CONCEPTUAL MODEL FOR NATURAL RESOURCE AUDITS IN INDONESIA'S FRONTIER REGIONS

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ABSTRACT

Natural resource audits conducted by Supreme Audit Institutions in resource-rich, geographically remote subnational regions present distinctive interpersonal demands that remain undertheorized in the auditing literature. Drawing on the professional skepticism literature, communication theory, and public-sector audit quality research, this paper develops a conceptual model linking auditor interpersonal communication competence to audit evidence quality, audit findings, and audit judgment, moderated by contextual factors specific to frontier (3T) regions, geographic isolation, resource dependency, and local institutional culture. Using Indonesia's Audit Board (Badan Pemeriksa Keuangan/BPK) and the emerging natural-resource audit context of Kepulauan Tanimbar Regency, Maluku Province site of the Masela Block LNG development as an illustrative empirical setting, the paper synthesizes existing theory into an integrated model and derives testable propositions to guide future empirical research. The paper contributes a theory-building foundation for an underexamined intersection of interpersonal communication and public-sector audit judgment, and offers a practical agenda for auditor capacity development in extractive-resource, frontier-region audit contexts.

Keywords: Interpersonal Communication, Audit Judgment, Audit Findings, Professional Skepticism, Natural Resource Audit, Supreme Audit Institution, Frontier Regions, Conceptual Model.

INTRODUCTION

Indonesia's Supreme Audit Institution, the Badan Pemeriksa Keuangan (BPK), is constitutionally mandated to examine the management and accountability of state finances, including revenues derived from the exploitation of natural resources (Undang-Undang No. 15 Tahun 2004; Standar Pemeriksaan Keuangan Negara/SPKN). BPK has publicly identified rising regulatory complexity, technical evidentiary demands, and the burden of compliance-oriented examination as key challenges facing auditors of regional government finance (BPK RI, 2025), challenges that are magnified in Indonesia's 3T regions. This areas classified as terluar (outermost), terdepan (frontier), and tertinggal (underdeveloped) where auditors must additionally navigate limited infrastructure, dispersed island geography, and constrained access to auditee personnel and data.

Kepulauan Tanimbar Regency (Kabupaten Kepulauan Tanimbar/KKT) in Maluku Province illustrates this emerging challenge concretely. The regency hosts the Masela Block, one of Indonesia's largest liquefied natural gas (LNG) developments, which entered its physical construction phase in February 2026 with a total investment of approximately US\$20.9 billion. As natural-resource revenue flows including Dana Bagi Hasil (DBH) Migas begin reaching regional government accounts, the volume and complexity of audit objects facing BPK Maluku

Province auditors examining KKT's regional financial statements can be expected to rise substantially in the years ahead. This trajectory makes the region a timely and illustrative context for theorizing about the auditor competencies that natural-resource audits in frontier settings will increasingly demand.

A substantial body of auditing research establishes that auditor professional judgment is not a purely technical, mechanical process; it is shaped by psychological and interpersonal factors, including the auditor's capacity to communicate effectively with auditees during evidence-gathering (Hurt, 2010; Saewitz & Kida, 2018). Interpersonal understanding is itself identified as a core characteristic of professional skepticism (Hurt, 2010), and experimental evidence shows that the mode and tone of auditor-client communication measurably affect the completeness and bias of information disclosed by auditees (Saewitz & Kida, 2018), which in turn shapes the evidentiary basis for audit findings and judgment. Industry and professional-body literature converges on this point, repeatedly identifying interpersonal skill as a core auditor competency (Forbes Insights/KPMG, 2018; Becker, 2026; Bunget et al., 2020).

However, this literature has developed almost entirely around private-sector financial statement audits in developed economies. Comparatively little theoretical attention has been paid to how interpersonal communication operates within public-sector natural resource audits conducted by Supreme Audit Institutions in resource-rich, geographically remote subnational regions of the Global South, a gap this paper addresses by proposing an integrative conceptual model.

Research Gap and Objective

Three specific gaps motivate this paper. First, a theoretical gap: existing models of auditor communication and judgment (Hurt, 2010; Nolder & Kadous, 2018; Saewitz & Kida, 2018) have not been extended to account for the distinct contextual moderators present in public-sector, natural-resource, frontier-region audit settings. Second, a contextual gap: Indonesian public-sector audit research has concentrated on structural determinants of audit quality or auditor competence, independence, and internal control (Nainggolan et al., 2019; Hudiwinarsih, 2010) while the communicative and interpersonal dimension of the auditor's role remains largely untheorized, despite BPK's own acknowledgment of intensifying evidentiary demands (BPK RI, 2025) and its shift toward performance-based examination that requires deeper engagement with auditees (BPK RI, 2022). Third, a methodological gap: because primary empirical data collection in this specific setting (e.g., interviews with BPK Maluku auditors) has not yet been conducted for this research stream, a theory-building conceptual contribution rather than a premature empirical claim is the appropriate first step, consistent with recommended practice for developing new theoretical intersections (Jaakkola, 2020).

Accordingly, this paper aims to: (1) synthesize the interpersonal-communication-in-auditing literature with public-sector audit quality theory; (2) propose an integrated conceptual model explaining how auditor interpersonal communication shapes audit findings and audit judgment in natural resource audits, moderated by frontier-region contextual factors; and (3) derive testable propositions to guide future empirical research including qualitative fieldwork with BPK auditors conducted under appropriate research ethics protocols.

Professional Skepticism and Interpersonal Understanding

Hurt (2010) conceptualizes professional skepticism as a multidimensional trait comprising six characteristics: a questioning mind, suspension of judgment, search for knowledge, interpersonal understanding, self-esteem, and autonomy. Interpersonal understanding the auditor's capacity to recognize the motivations, incentives, and likely behavior of the individuals being audited is distinct from purely evidence-evaluative

characteristics because it operates through the auditor's social and communicative engagement with auditees rather than through analytical document review alone (Nolder & Kadous, 2018).

Auditor Communication and Audit Judgment

Empirical evidence indicates that the mode and tone of auditor communication materially affect the quality and completeness of information disclosed by auditees. Using an experimental design, Saiewitz and Kida (2018) find that clients respond with more self-serving, biased information when auditor inquiries are delivered via impersonal channels (e.g., e-mail) compared to richer channels (audio or face-to-face), and that a less professional communicative tone similarly increases response bias. Because audit judgment is formed on the basis of the evidence auditors are able to elicit, these findings imply that interpersonal communication competence functions as an upstream determinant of downstream judgment quality, a causal chain this paper formalizes in Section 3.

Interpersonal and Soft Skills in the Auditing Profession

Professional-body and applied literature converges with these academic findings: interpersonal skill, alongside critical thinking and professional skepticism, is repeatedly identified as a core competency auditors require to navigate the socially complex, relationship-embedded nature of audit engagements (Forbes Insights/KPMG, 2018; Becker, 2026). Models of professional reasoning similarly identify communication and teamwork skills, alongside technical training and experience, as necessary conditions for high-quality professional judgment (Bunget et al., 2020).

Public-Sector Audit Quality and Findings Substantiation in Indonesia

Within the Indonesian public-sector context, research on Laporan Keuangan Pemerintah Daerah (LKPD) audits has predominantly examined structural determinants of audit quality and opinion outcomes auditor competence, independence, internal control adequacy, and statutory compliance (Nainggolan et al., 2019; Hudiwinarsih, 2010). BPK has publicly identified regulatory complexity and rising data/evidentiary demands as key challenges for auditors examining regional finances (BPK RI, 2025), and has shifted toward performance-based examination (Long Form Audit Report) to assess the economy, efficiency, and effectiveness of regional resource management rather than compliance alone (BPK RI, 2022) a shift that plausibly increases, rather than decreases, the interpersonal demands placed on auditors, since performance judgments typically require richer auditee engagement than compliance checklists.

Natural Resource Governance and Frontier-Region Audit Context

Natural resource management audits carry heightened accountability stakes in resource-dependent regions, where the scale of revenue flows and technical complexity of extractive-sector arrangements increase both audit burden and the consequences of audit failure (BPK RI, 2025; Warta BPK, 2024). In Indonesia's 3T frontier regions, this burden is compounded by geographic isolation and thinner local institutional infrastructure, conditions under which the auditor's interpersonal, relationship-building capacity may plausibly carry disproportionate weight relative to more infrastructure-rich, urban audit settings a contextual moderation effect that has not yet been formally theorized in the literature and which this paper's model makes explicit

METHODS

Following the “Model” template for conceptual contributions (Jaakkola, 2020), this section integrates the literature reviewed above into a sequential model with one contextual moderator, summarized in Figure 1 and elaborated through five propositions.

Model Structure

The model proposes a four-stage sequential pathway: (1) Auditor Interpersonal Communication Competence → (2) Quality and Completeness of Audit Evidence Obtained → (3) Substantiation and Framing of Audit Findings → (4) Audit Judgment. This sequence is moderated by (M) Frontier-Region Contextual Factors — geographic isolation, resource dependency, and local institutional/cultural norms — which are theorized to strengthen the relationship between stages (1) and (2) relative to non-frontier settings.

Figure 1. Conceptual Model

Auditor Interpersonal Communication Competence

↓ (P1)

Quality & Completeness of Audit Evidence

↓ (P2)

Substantiation & Framing of Audit Findings

↓ (P3)

Audit Judgment

Moderator (P4, P5): Frontier-Region Contextual Factors — geographic isolation · resource dependency · local institutional/adat culture

Propositions

P1: Auditors with higher interpersonal communication competence (questioning technique, active listening, rapport-building, professional tone) obtain audit evidence that is more complete and less subject to auditee self-serving bias, consistent with experimental findings on communication mode and tone (Saiewitz & Kida, 2018).

P2: The completeness and quality of audit evidence obtained through interpersonal engagement is positively associated with the auditor's ability to substantiate and adequately frame audit findings, particularly for natural resource audit objects characterized by high technical and regulatory complexity.

P3: Audit judgment is shaped not only by documentary evidence but by the auditor's interpersonally-derived understanding of auditee motivation and context (interpersonal understanding, per Hurtt, 2010), such that two auditors reviewing identical documentary evidence may reach different judgments depending on the quality of their interpersonal engagement with the auditee.

P4: The positive relationship between auditor interpersonal communication competence and audit evidence quality (P1) is stronger in frontier (3T) region audit settings than in non-frontier settings, because auditors in frontier regions have comparatively fewer alternative evidence-gathering channels (e.g., limited digital infrastructure, dispersed auditee locations) and must rely more heavily on direct interpersonal engagement.

P5: In natural-resource-dependent frontier regions, local institutional and cultural norms (e.g., customary governance structures) moderate the effectiveness of auditor interpersonal communication strategies, such that communication approaches calibrated to local institutional context yield higher evidence quality than standardized, non-context-adapted approaches.

RESULTS AND DISCUSSION

Theoretical Contribution

This model extends the professional skepticism literature (Hurt, 2010; Nolder & Kadous, 2018) by formalizing interpersonal understanding as the first stage of a sequential pathway toward audit judgment, rather than treating it as one static trait among several. It also extends the auditor-communication literature (Saiewitz & Kida, 2018), which has been developed primarily through laboratory experiments in private-sector settings, to the public-sector, natural-resource, frontier-region context — introducing frontier-region contextual factors as a novel moderator not previously theorized in this literature. In doing so, the paper responds to calls within the public-sector audit literature (BPK RI, 2025) for deeper understanding of the human and interpersonal, not merely structural and regulatory, determinants of audit quality.

Practical Implications

For Supreme Audit Institutions such as BPK, the model suggests that auditor capacity-building programs for natural resource and frontier-region audit assignments should extend beyond technical and regulatory training to include structured interpersonal communication skill development — particularly questioning technique and context-sensitive rapport-building (P5) — given the heightened reliance on interpersonal channels implied by P4. For regional government auditees, including Pemda KKT, the model implies that auditee-side communication practices during audit engagements are not incidental but materially consequential for the accuracy and fairness of resulting audit findings and opinions.

Boundary Conditions and Limitations

As a conceptual paper, this model synthesizes existing theory and secondary/documentary evidence rather than presenting new primary data; its propositions are therefore theoretical claims requiring empirical validation, not established findings. The model's frontier-region moderator (P4, P5) is grounded in the documented structural characteristics of 3T regions and BPK's own acknowledgment of rising evidentiary complexity (BPK RI, 2025), but has not yet been tested against direct observation of auditor practice in Maluku Province specifically.

Future Research Agenda

The propositions developed in Section 3 point toward a concrete empirical research agenda, which the present paper's authors intend to pursue as a direct follow-on study, subject

to institutional research ethics clearance and coordination with BPK Perwakilan Provinsi Maluku:

- A qualitative, in-depth interview study with BPK Maluku Province auditors experienced in natural resource audits (e.g., in Kepulauan Tanimbar Regency) to empirically explore P1–P3, using thematic analysis (Braun & Clarke, 2006) to surface auditors' own accounts of how interpersonal communication shapes their evidence-gathering, findings, and judgment;
- A comparative study testing P4 across frontier (3T) and non-frontier BPK regional offices to establish whether the hypothesized contextual moderation holds;
- A mixed-methods extension incorporating a validated interpersonal communication competence scale alongside qualitative auditor narratives, to enable partial quantitative testing of the model once a sufficient sample of BPK auditors across regions can be accessed.

Any such empirical extension must be grounded in real data collected under informed consent and institutional ethics approval; the conceptual model presented here is offered specifically to provide instrumentation- and hypothesis-ready groundwork for that future, properly conducted empirical work.

CONCLUSIONS

This paper develops a conceptual model theorizing how auditor interpersonal communication shapes audit evidence quality, audit findings, and audit judgment, with particular attention to the contextual demands of natural resource audits in Indonesia's frontier (3T) regions — illustrated through the emerging case of Kepulauan Tanimbar Regency and the Masela Block LNG development. By synthesizing the professional skepticism, auditor-communication, and public-sector audit quality literatures into an integrated model with testable propositions, the paper offers both a theoretical foundation for underexamined intersections in auditing research and a practical agenda for auditor capacity development and future empirical inquiry in resource-rich, geographically remote government audit settings.

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