

The Client Risk and The Audit Planning: Influence of Acceptance of Audit Engagement

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ARTICLE INFO	ABSTRACT
<p><i>Keywords:</i> Risk, Client, Acceptance, Plan, Audit</p> <p>Corresponding author: sitorus_tigor@yahoo.com</p>	<p>This study briefly aims to extend the relationship between client risk with the audit planning by proposes the acceptance of audit engagement as mediate variable to fill a gap prior research, furthermore to determine the effect of client risk toward the audit planning. This research is a quantitative approach with primary data obtained by questionnaires. The population of this study are the auditors of Public Accounting Firm registered in the Directory Indonesian Institute of Accountants (Certified) 2016 in Jakarta and sample purposive about 197 respondents. The Structural Equation Modeling was used to analyze the data. The results of this research shows; (1). The Client Risk directly may affect on the audit planning in a positive but not significantly, (2). Client Risk directly affect the acceptance of audit engagement positively and significantly, (3). The Acceptance of audit engagement has positively and significantly influence on audit planning. Therefore the acceptance of audit engagement perfectly as mediating variable between client risk with the audit planning, where as the acceptance of audit engagement indicated by Time Budget Pressure, Audit Fee. Letter of Auditing and all indicator have a high loading factors.</p> <p>SARI PATI</p> <p><i>Penelitian ini bertujuan memperluas hubungan keterkaitan antara risiko klien dengan perencanaan audit dan mengusulkan penerimaan keterlibatan audit sebagai variabel perantara untuk mengisi kesenjangan penelitian sebelumnya, dan selanjutnya untuk mengetahui pengaruh risiko klien terhadap perencanaan audit. Pendekatan penelitian ini adalah kuantitatif, data primer yang diperoleh melalui penyebaran kuesioner. Populasi dalam penelitian ini adalah auditor pada Kantor Akuntan Publik yang terdaftar di Institut Akuntan Indonesia (Certified) 2016, Jakarta, Sampel diperoleh dengan menggunakan teknik purposive sebanyak 197 responden dan analisis data menggunakan Model Persamaan Struktural. Hasil penelitian ini menunjukkan; (1). Risiko Klien secara langsung mempengaruhi</i></p>

perencanaan audit secara positif namun tidak signifikan, (2). Risiko Klien secara langsung mempengaruhi penerimaan audit secara positif dan signifikan, (3). Penerimaan terhadap keterlibatan audit berpengaruh positif dan signifikan terhadap perencanaan audit. Oleh karena itu penerimaan keterlibatan audit dapat bertindak sebagai variabel perantara antara risiko klien dengan perencanaan audit secara sempurna, dimana penerimaan keterlibatan audit ditunjukkan oleh Tekanan Anggaran Waktu, Fee Audit, Surat Pemeriksaan Audit, dan semua indikator memiliki loading faktor yang tinggi.

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INTRODUCTION

The globalization of Economic truly impacted to the global competition for all entities to be tightly, both industrial companies and service companies such as the public accounting firm (KAP). KAP is an institution that provides service assurance and non-assurance that is audit to financial statement services to companies and institutions that required such services.

According to Agoes (2016, p52), worldwide public accounting profession is a profession that might face such very high risk, and according to Sensi (2006, p192), potential risk in the audit engagement can take the form of client risk, audit risk, and business risk of KAP like claims or litigation process in the future. This is caused every client has a different background and practices undertaken for the survival of the company, thus it is bringing the risk of different clients and it must be faced by the KAP.

This can be either client risk or client business risk, the risk of earnings manipulation by the client, and an element of lawlessness by the client. Guy, et al (2002, p456) argues that Even though most auditors want to get new clients and retain old clients, but caution must continue to be applied prior to accept and maintain it as a client. The firm has no obligation to accept any prospective clients

for granted. The auditor should evaluate whether acceptance or continue as clients will increase business risk auditor or otherwise damage the reputation and image of the firm.

Based on the data from the Financial Professional Development Center in 2014, the number of the Office of Public Accountant in Indonesia from 2007 to 2014 each year is not stable (up and down), a decrease of KAP in Indonesia due to the revocation of business license KAP and public accountant has died. Number of KAP in Indonesia is 388 decreased as compared to 2011, amounting to 408, and the number of companies that become clients KAP is as much as 30.536 companies. KAP clients with performance during the calendar year 2013, as described above, it is known that there are an increasing number of clients the firm of 11.40% compared with the number of clients for the calendar year 2012.

Based on empirical facts that mention above, the deliberation and wise in the procedure of acceptance of the audit engagement and audit planning is essential to prevent failure of the audit, business risk auditor, and preventing damage to the reputation and image of the firm in the future that could affect the lawsuits. Agoes (2016, p53) argues that “some things you can do public accountant to avoid lawsuits among others: Do

not carelessly accept the client, select a client who has integrity; maintain independence (in fact, in appearance, and in mind); has a quality control system; really understand the client business; for each assignment there must be a contract of employment (engagement letter) and others”.

Furthermore, to support public confidence in the audit results KAP takes planning appropriate to audit in accordance with the standards applicable to the success of the audit and audit-quality produce. This is in accordance with the opinion of Sensi (2006, p195) who said that in every the audit planning, it is very important for the firm to accept or reject the client. Mulyadi (2013, p122) also stated that the same thing as the next step after the audit engagement is accepted by the auditor for audit planning. The successful completion of the audit engagement is determined by the quality of the audit planning prepared by the auditors.

The big difference in the results of research on the effect of client risk toward audit planning such as; Bedard and Johnstone (2004), Ouertani and Ayadi (2012), and Hassn (2014) proved that the Client Risk influence positively and significantly to planning the audit but differ with Hat and Korompis (2011), which proved that the Client Risk is negatively and not significant affect to audit planning. Next research on the acceptance of the audit engagement to audit planning of Pratistha and Widhiyani (2014), Hassn (2014), and Ouertani and Ayadi (2012) says that acceptance of the audit engagement affect positively and significantly to the audit planning.

Regarding with phenomenon and research gap mentioned above, this study aims to extend the relationship between client risk with the audit planning by proposes the acceptance of audit engagement as mediate variable to fill a gap research, furthermore to determine the effect of client risk toward the audit planning and acceptance of audit engagement in Public Accounting Firm of Jakarta.

This study is different from the research conducted by Sensi (2006), Hat and Korompis (2011), Ouertani and Ayadi (2012), Hassn (2014), Hastuti and Indarto (2014), Pratistha and Widhiyani (2014), Kikhia (2015). This study is briefly to develop the relationship between risks of clients with audit planning by proposes a variable Acceptance of audit engagement as a mediate variable to fill a gap of previous research.

Literature Review

Client Risk

According to Reding, et al (2009, p13-22), Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Which means that the risk is the probability of an event will occur and adversely affect the achievement of objectives. In conjunction with the client risk, the risk are; Business Risk of Client, Earnings Manipulation Risk, Violations of the law by the Client.

Business Risk of Client

According to Arens, et al (2015, p258-259), client business risk is the risk that the client will fail to achieve its goals. The Client business risk can arise up caused by many factors that affect the client and the environment, such as; a new technologies that eroded the competitive advantage of client, or the client fails to execute its strategy as well as a competitor. The main concern of auditors focused on the risk of material misstatement in the financial statements due to the risk of the client business. For example, companies that make acquisitions or strategic merger that depend on the success of the merger operation between two or more companies. If the planned strategy does not develop, the value of fixed assets and goodwill recorded in the acquisition may decline, which will affect the fairness of presentation of financial statements. Prior to assess the risk of the client business, the auditor must understand the client business and industry to understand the industry and external environment; operations and business processes; management and governance; objectives and strategies; and the measurement and performance.

Meanwhile, according to Arens et al. (2015, p136), "the failure of the business occurs when the business is not able to repay their loans or meet the expectations of investors because of the economy or business, such as a recession, the decisions of poor management, or competition unexpected in the industry".

Earnings Manipulation Risk

Hat and Korompis (2011, p4) found earnings manipulation is a part of earnings management, the management behavior that seeks to modify earnings. The reason is due to the modification of performance measures that are often used to assess an entity during a period is profit. In addition as a performance measure for a period, earnings are also considered as the main information items contained in the financial statements. Riahi and Belkaoui (2011, P74) discloses earnings management namely the ability to "manipulate" the options available and the right choice to achieve anticipated profit levels. Comiskey and Mulford (2010, p40) states that earnings management is a particular form of the game of financial figures, where flexibility GAAP (Generally Accepted Accounting Principles) are used so that reported earnings in accordance with the target set earlier. Targets are often long-term profit growth and continuous, without any significant change that usually appears as a representation of the normal economic processes.

Arens, et al (2015, p396) states that in the context of the audit of financial statements, financial statement fraud is defined as any intentional misstatement of financial statements. Fraudulent financial reporting is a misstatement or omission amounts or disclosures deliberate with the intention of deceiving users of the report. Although most of fraudulent to financial reporting cases involves an overstated assets and profit by ignoring liabilities and expenses, otherwise the company also accidentally understated profit.

Violations of the law by the Client

According to Auditing Standard (SA) 250

paragraph 2 (2015, p250.1), the impact of legislation on the financial statements vary widely. Statutory regulations are binding and constitute the framework legislation for an entity. The provisions in some legislation has a direct impact on the financial statements which determines the amounts and disclosures reported in the financial statements of an entity that is regulated such as; banks and chemical companies, while other entities governed only by the laws and regulations related to aspects general business operations, such as; those related to safety and health, as well as providing equal opportunities to get a job. Non-compliance with the regulations can result in fines, litigation or other consequences for the entity that could cause a material impact on the financial statements.

According to SA 250 paragraph 11 (2015, p250.5) noncompliance means removal action or misconduct by an entity, intentionally or unintentionally, are contrary to the legislation in force. Such actions include the transaction recorded by, or with the name of the entity, or on its behalf, by the party responsible for governance, management or employees.

Acceptance of audit Engagement

Arens et al. (2015) stated that the Acceptance of audit engagement is as the initial step of the audit work on several financial statements decision making to accept or reject the audit engagement from the client. The six steps that the auditor needs to go through Consider the acceptance of an audit assignment from a prospective client, that is : Evaluate management integrity, Identify special circumstances and extraordinary risk, Assess the competence to audit, Evaluate independence, Determining the ability to use accuracy (due care), Create an assignment letter (engagement letter).

Furthermore, Arens, et al (2015, p249-250) states that in order to avoid misunderstanding, the auditor must understand the terms of the assignment of the specified client. Auditing standards require that

the auditor should document his understanding with the client engagement letter, including the purpose of assignment, the auditor's responsibility and management, identification of financial reporting framework used by management, a reference to the form and content of the audit report is expected, as well as restrictions scope of assignment.

Guy, et al (2002, p461) states that after deciding to accept a client, then the next step that must be done is to send a letter of assignment of auditors or engagement letter to inform about the assignment to be performed and to identify any understanding between the auditor and the client. By returning a copy of the letter that has been signed, the client agrees to cooperate, provide assistance, and to provide compensation to the auditor.

According to Mulyadi (2013, p123-132) in deciding whether an audit engagement can be accepted or not, the auditor went through a process comprising the following six stages: 1). Evaluating Integrity Management, 2). Special Circumstances and Risk Identifying Extraordinary; 3). Determining Competence to Implement Audit. 4). The independence of the Auditor; 5). Determination of the ability of auditors in the Use of Professional Proficiency Carefully and Thoroughly 6). To send mail of auditing.

Audit planning

Arens, et al (2015, p246) states that there are three main reasons why the auditor should plan with the appropriate assignment, namely: 1). To allow the auditor to obtain sufficient appropriate evidence and the situation at hand, 2) To remain competitive, the firm must maintain fairness costs. 3). to avoid misunderstanding with clients.

Furthermore, Arens, et al (2015, p263) added that the main purpose of the audit planning is to understand the client business and industry that will be used to assess the acceptable audit risk, the risk of the client business, and the risk materiality of misstatements in the financial statements.

Elder, et al (2013, P201) explained that the initial audit planning involves four things, all of which must be carried out immediately in auditing. The four things are: 1). auditor determines whether to accept a new client or continue providing services to the old clients, 2). the auditor identifies why clients need or want an audit, 3). to avoid any misunderstanding, 4). the auditor to develop an overall strategy of auditing

METHODS

This research is a quantitative approach, while the data is divided into primary data and secondary data and collected using a questionnaire as an instrument. The researchers described the study population by the number of Public Accounting Firm (KAP) registered in the Directory Indonesian Institute of Accountants (Certified) 2016 in Jakarta totaling 255 while sampling technique in this research is non probability sampling with purposive sampling. Sampling criteria are; Those skilled or well-informed about the risk of the client, the acceptance of the audit engagement, planning the audit that the external auditors who worked on KAP Jakarta area who have experience working as an auditor approximately 1 year in order to answer the question properly and Auditors have a hierarchy of partner, manager, supervisor, senior auditors and junior auditors. According to Arbuckle, J.L., Roscoe in Sugiyono (2015: 12) a decent sample size in the study were 30 to 500, while according to Ferdinand (2006), a good sample for Maximum Likelihood is between 100-200 samples. In this study, researchers get a sample of 197 respondents from 45 Public Accounting Firm which spread in Jakarta.

Furthermore, the variables used in this study are; exogenous variables or independent variable, namely Client Risk (RK) which is indicated by the Business Client Risk, Risk of Manipulation of Earnings, elements of violations of the laws by the Client. Meanwhile the variable mediating (intervening), namely Acceptance of Audit Engagement (PPA) which is indicated by budget time pressure,

audit fee and the Letter of Auditing and the endogenous variable or dependent variable, namely the Audit Planning (PA) which is indicated by the Audit Procedures, Audit Sampling Methods, Duration of Audit Planning. The measurement of data using a Likert scale of 1-5. Likert scale is a scale that states ranked at the same category in which a ranking that shows a sequence of assessment (Sarjono and Winda, 2011, p3). Every answer to every positive statement given to get a score greater (5) if the answer leads to strongly agree and if the answer to any positive assertion leads strongly disagree, the score given the less (1).

The last method is Analysis method such as; Validity test and Reliability test, It is to determine whether the instrument is reliable or using the limit values of 0.6. While the testing of model and data Analysis Structural Equation Modeling (SEM). Before forming a full model SEM, it will first normality test, measurement or estimation models confirmatory factor analysis (CFA) in which the CFA is done by making the correlation between each variable, and then test the suitability of Structural Equation Model and the goodness of fit models (Ferdinand, 2006).

RESULTS AND DISCUSSION

Validity Test

For determining whether the item is valid or not then it can be seen on the table significance value (table product moment), where if the significance < 0.05 then the item is valid, but if > 0.05 then the item is not valid. Another way to tell if an item is valid or not by comparing the count r (Pearson correlation value) with r table (obtained from tables r). If a positive value and r arithmetic $\geq r$ table, the item can be considered to be valid, but if the count $r < r$ table, the item is considered to be invalid. The “ r table” sought at the 0.05 level to test two sides (two-tailed) and $df = N-2$ (Priyatno, 2014, p55). In this study the authors used the table to determine the value of product moment “ r table”, where $df = 30-2$, then $df = 28$ and “ r table” equal 0.374.

Variable Client Risk consists of a 14 points statement. In accordance with the method of Pearson, the item is said to be valid if the significance value < 0.05 and r count or value (the value of Pearson Correlation) positive and $\geq r$ table (0.374). Based on to the table in appendix 1, it appears that all the questions have valid criteria where the significant value of 0.000 or 0.05 entirety and Pearson correlation values ranged from 0.619 to 0.793 or ≥ 0.374 (r table). So we can say all the items on the statement of client risk variable is valid.

Variable acceptance of audit engagement consisting of a 15-point statement. In accordance with the method of Pearson, the item is said to be valid if the significance value < 0.05 and r value (the value of Pearson Correlation) positive and $\geq r$ table (0.374). According to the table in appendix 1, it appears that all the questions have valid criteria which the whole significance value ranging from 0.000 to 0.017 or < 0.05 and Pearson correlation values ranged from 0.431 to 0.759 or $0.374 \geq r$ table. So we may states that all item on the statement of acceptance of the audit engagement variables is valid.

Variable audit planning consists of a 15-point statement. In accordance with the method of Pearson, the item is said to be valid if the significance value < 0.05 and r count or value (the value of Pearson Correlation) positive and $\geq r$ table (0.374). According to the table in appendix 1, it appears that all the questions have valid criteria which the whole significance value ranging from 0.000 to 0.005 or < 0.05 and Pearson correlation values ranged from 0.502 to 0.804 or ≥ 0.374 (r table). So we can state all the items on the statement of audit planning variables (PA) is valid.

Test of Reliability

Based on the results table of reliability test (Appendix 2), the variable Client Risk (RK), shows the Cronbach Alpha value of 0.922 or greater than 0.6 reliable criteria. So we can say that every item in the statement of client risk variable is reliable or will remain consistent if the measurement is repeated.

And reliability of 0.922 included in both categories, as the reliability of less than 0.6 is unfavorable, while 0.7 is acceptable and greater than 0.8 is good.

According to the table reliability test results (appendix 2) variable acceptance of the audit engagement (PPA), shows the Cronbach Alpha value of 0.876 or greater than 0.6 reliable criteria. So we can say that every item in the statement of acceptance of the audit engagement variables is reliable or will remain consistent if the measurement is repeated. And reliability of 0.876 included in both categories, as the reliability of less than 0.6 is unfavorable, while 0.7 is acceptable and greater than 0.8 is good.

According to the table reliability test results (Appendix 2), audit planning variables (PA), show Cronbach Alpha value of 0.901 or greater than 0.6 reliable criteria. So we can say that every item in the statement of audit planning variables is reliable or will remain consistent if the measurement is repeated. And reliability of 0.901 included in

both categories, as the reliability of less than 0.6 is unfavorable, while 0.7 is acceptable and greater than 0.8 is good.

Data and Model analysis

Normality Test

Priyatno (2014, P69) states that the normality of data are important because with normally distributed data, then the data is considered to be representative of the population. According Widagdo B. and Widayat (2011, P80) conditions of data distribution that do not meet the criteria of normality of data will result in a biased test, it is necessary to test for normality. Widagdo B. and Widayat add there are several ways to determine which data normality test with graphic techniques and statistical techniques.

Test for normality using a graphical method to see the spread of the data on the source of the diagonal on the graph Normal P-P Plot of regression standardized residuals. The following graphs show the distribution of data researchers:

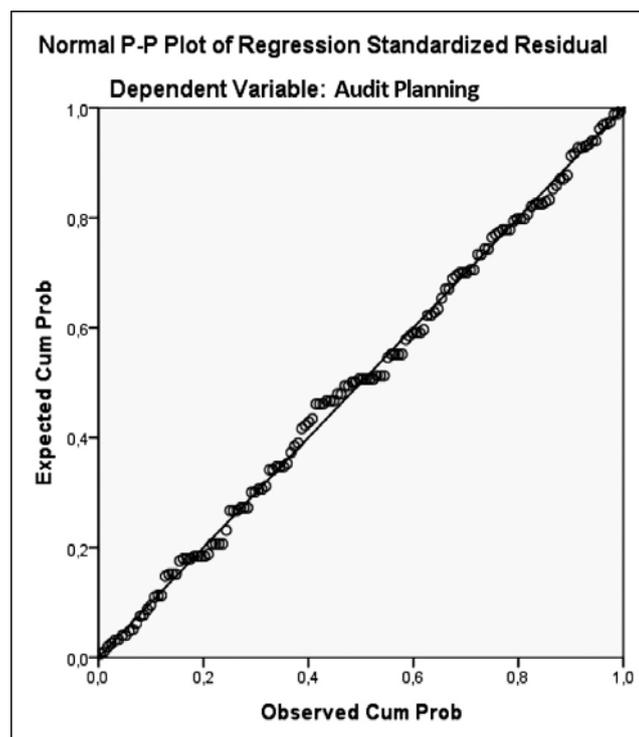


Figure 1. Normal Data Distribution Graph P-P Plot
Sources: Output SPSS.22

According to Priyatno (2014, p91), the normality test is using graphs, as a basis for decision-making, if the dots spread Area and follow the line of the diagonal line, that value has been normal. And the graph above shows that the points spread around the line and follow the line of the diagonal, it can be said that the data are normally distributed.

Statistically the data are required to fulfill the criteria of normality when the value of cr (critical ratio) between -2.58 to 2.58. (Mustafa EQ. Z and Wijaya.T, 2012, p143). Test for normality in this study conducted using AMOS 20. Results of normality test on 197 questionnaires are shown in Table 1.

Based on table 1 as mention above is known that the c.r. (Critical ratio) multivariate measurement indicators were tested using AMOS 20 is worth 2,333 or < 2.58 which means it has met the criteria of normality. And the value c.r. (Critical ratio) univariate each of the indicators are among the range of -1.405 to 0.481, which means in accordance with the criteria of normality that is (-2.58 < c.r < 2.58). Based on the above it can be said that the translation of research data from 197 respondents in univariate and multivariate normal and free of outliers. According Pardede and Manurung (2015,

P110) outlier is the condition of observation of the data that has unique characteristics that look very different from other observations and appeared in the form of extreme value, either for a single variable or variables combination. In general, the handling of an outlier of data is to delete the data or transform your data to other forms such as logarithm values or square root to obtain data with a normal distribution.

Full Analysis Model Structural Equation Modeling

SEM analysis aims to test the feasibility of a full model of this study. Test the entire model in this study using AMOS 20 to view and analyze its Goodness of Fit (GOF). Structural equation modeling analysis of this study is as shown in Figure 1 above.

To be more understanding, feasibility test results are presented in Figure 1, the following also presented the results of the feasibility test model in Table 2.

Based on the results of testing the feasibility of a full model as presented in Figure 2 and Table 2, analysis Goodness of Fit model of this study is as follows:

- 1) Chi-Square value (df = 24) of this model is

Tabel 1. Normality Test of data

Variable	Min	Max	Skew	c.r.	Kurtosis	c.r.	REMARKS
PA3	3,200	4,800	,029	,141	,195	,481	NORMAL
PA2	3,200	5,000	,157	,773	,067	,165	NORMAL
PA1	3,600	5,000	,102	,505	-,570	-1,405	NORMAL
PPA1	3,800	5,000	,333	1,644	-,380	-,938	NORMAL
PPA2	3,400	4,800	-,489	-2,413	-,124	-,306	NORMAL
PPA3	3,400	5,000	,232	1,145	-,408	-1,006	NORMAL
RK3	3,500	4,750	-,735	-3,624	-,243	-,598	NORMAL
RK2	3,400	5,000	-,231	-1,138	-,262	-,647	NORMAL
RK1	3,800	5,000	-,025	-,125	-,400	-,986	NORMAL
Multivariate					5,434	2,333	NORMAL

Sources: Output of SPSS.22

Tabel 2. Model Full Fitness Test Results of Structural Equation Modeling

Goodness of Fit Index	Cut of Value	Result	Evaluation
Chi-Square (df=24)	< X2 table df (0,01,24)=42,980	37,825	Fit
Probability	$\geq 0,05$	0,036	Marginal
CMIN/DF	$\leq 2,00$	1,576	Fit
GFI	$\geq 0,90$	0,948	Fit
AGFI	$\geq 0,90$	0,902	Fit
TLI	$\geq 0,95$	0,949	Fit
RMSEA	$\leq 0,08$	0,063	Fit
CFI	$\geq 0,95$	0,966	Fit

Sources: Output of Amos.20

- 37.825. Because it can be described that this model fit based on the value of Chi-Square is feasible or better because the value of Chi-Square $37.825 < \chi^2$ table $(0.01, 24) = 42.980$. Chi square value table can be seen in Sugiyono (2015, p376).
- 2) Probability (P) values obtained from this model is 0,036. This value indicates that the suitability of this model is still marginal.
 - 3) Value CMIN / DF obtained from Chi-Square divided by degree of freedom (DF). Value CMIN / DF this model is 1.576. This value indicates that the suitability of this model either because CMIN / DF < 2.00 .
 - 4) Goodness Fit Index (GFI), describes the degree of conformity of the overall model based on the results of estimated residual quadratic model compared with the data obtained. GFI value possessed by this research model is 0.948. This value is in conformity with the criteria of GFI, ie ≥ 0.90 . Because it can be stated that the overall level of fitness model is good (fit).
 - 5) Adjusted Goodness of Fit Index (AGFI), value obtained from this model is 0.902. This value indicates that this model is good, because AGFI ≥ 0.90 .
 - 6) Tucker-Lewis Index (TLI) value in this study amounted to 0.949. That means that the suitability of this model is good for TLI ≥ 0.95 .
 - 7) Root Mean Square Error Approximation (RMSEA) value reflects the suitability required if the model is applied to the whole population. RMSEA value of this research is a model of 0.063 or ≤ 0.08 . This suggests that the goodness of fit is a good research model.
 - 8) Comparative Fit Index (CFI), value obtained by this research model is 0.966. This matter, indicates that the suitability of this model is good for ≥ 0.95 .
 - 9) Goodness of Fit Results of the analysis showed that most of this feasibility test criteria have been met, only one criterion that the probability is still marginal or ≥ 0.05 . It can be concluded that the study and the proposed model has Goodness of Fit is good and acceptable and does not need to be modified..

Hypotheses testing

Furthermore, the researchers present the table and figure as a basis for analyzing the hypothesis of this study by using SEM-AMOS analysis, version 20 as bellows:

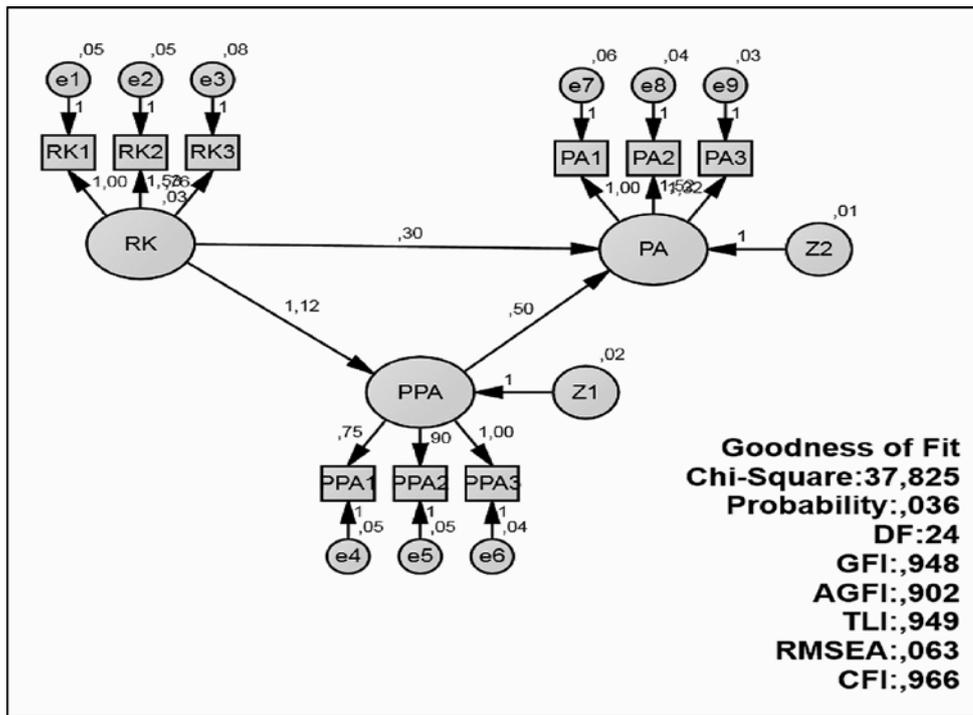


Figure 2. Mediation Effect Acceptance of Audit Engagement (PPA) on the Influence of Client Risk (RK) on the Audit Planning (PA).

Sources: Output of Amos.20

Tabel 3. Regression Weights

			Std. Estimate	S.E.	C.R.	P	Label
RK	--->	PPA	,793	,223	5,039	000	par_1
PPA	--->	PA	,635	,188	2,671	,008	par_2
RK	--->	PA	,271	,241	1,257	,209	par_3
RK	--->	RK1	,587				
RK	--->	RK2	,734	,277	5,518	000	par_4
RK	--->	RK3	,396	,207	3,679	000	par_5
PPA	--->	PPA3	,746				
PPA	--->	PPA2	,669	,130	6,910	000	par_6
PPA	--->	PPA1	,599	,115	6,566	000	par_7
PA	--->	PA1	,583				
PA	--->	PA2	,812	,228	6,672	000	par_8
PA	--->	PA3	,812	,198	6,676	000	par_9

Sources: Output of Amos.20

Testing Hypotheses

Based on the figure 2 and table 3 as mention above, bellow the Hypotheses can derive as bellows.

H1: Client Risk has positive and significantly effect on the Audit Planning.

Based on Table 3, it is known that coefficient value (Standardized estimate) of the client risk on influencing the audit planning shows a positive value equal 0.271, and the Value C.R. equal 1.257 with P of 0.209. Its values are not eligible significance, so it can be states that the client risk do not gives significantly influence to the audit planning with a probability value greater than 0.05 and C.R. is smaller than 1.96. This means that the client risk have a positive influence of 27.1% on the audit planning, but not significant. No significant influence of client risk on the audit planning due to the majority (38%) auditor at KAP tenure of less than 3 (three) years which has an impact on understanding of client risk. It is an evidence that the value of the CFA on the risk of legal violations clients equal 0.39 or below the loading factor of 0.40. The Client risk is measured through their indicators, namely the Business Client Risk (RK1), Earnings Manipulation Risk (RK2), and Element Violations of the laws by the Client (RK3)

Based on the Confirmatory Factor Analysis which has been described previously, each indicator on client risk latent variable has a value of coefficient (loading factor) or estimate the value of standardized regression weights table which means it fits the criteria loading factor that is > 0.40, except Elements of Law Violations by the Client. Therefore it can be said that each of these indicators constitutes a significant indicator of forming latent variable. Based on table 3, also shows that coefficient value (Standardized Estimate) of the client business risk as determinants of the Client Risk equal 58.7%, the risk of earnings manipulation equal 73.4%, and an element of lawlessness equal 39.6%. The data shows the risk of earnings manipulation has contributed most to

the determinant of the risk of the client.

The result of this study proves that Hypotheses "1" is rejected, means that the Client Risk have not positive and significant influence on the Audit Planning. This result proves and supports the theory and research of Hastuti and Indarto (2014) and the Hat and Korompis (2011) which states that the risk of the client have not significant positive effect on audit planning.

H2: Client Risk has positive and significant effect on Acceptance of Audit Engagement

Based on Table 3, it is known that coefficient value (Standardized estimate) of the client risk on influencing the Acceptance of Audit engagement shows a positive value equal 0.793, and the Value C.R. equal 5.039 with P of 0.000. Its values are eligible significance, so it can be states that the client risk gives significantly influence on the Acceptance of Audit engagement with a probability value less than 0.05 and C.R. is greater than 1.96. This means that the client risk have a positive influence of 79.3% on the Acceptance of Audit and significantly, while among indicators, the risk of earnings manipulation contribute to Client'risk equal 73.4%.

This evidence shows that the risk of a client most noted by the auditors in accepting the audit engagement because there are risk earnings manipulation in the financial statements that show a lack of management integrity and weak internal control client.

The result of this study proves that Hypotheses "2" is accepted, this means that the Client Risk have positive and significant effect on the Acceptance of Auditing. This shows that despite the high Client Risk, this does not preclude public accounting firm's decision to accept the audit engagement. Public Accounting Firm accepts clients who have a high risk according to the consideration of each KAP accordance with acceptable audit risk

(how big the auditor to accept the audit risk), the auditor's ability in analyzing client risk, and ability to perform their duties, understanding each auditor are different, or acceptance audit engagement with clients at high risk can be done by raising the audit fee in accordance with the level of risk the client, because the high of risk will push the complexity of audit assignments and responsibilities of auditor. This is consistent with the theory of Arens et al (2015, p249), which says that if the public accountant's office concluded that the audit risk is acceptable is to have a low risk, but the client is still acceptable by the accounting firm with the proposed increase in fees audit to client. Audit to audit risk acceptable low will generally result in higher audit fees, which will be reflected in higher audit fees. Elder et.al. (2013, P80) said that consideration in determining the audit fee of some of them is the level of responsibility contained in the work and time required by all personnel who work on it. And mulyadi (2013, p63-64) also say the same thing, namely the amount of audit fee some of them depending on the assignment of risk, and complexity of the tasks assigned. Thus the results of this study support the theory and research from Sensi (2006), Hastuti and Indarto (2014), Ouertani and Ayadi (2012), Gammal (2012), Bedard and Johnstone (2004), and Hassn (2014) which states that the Client Risk positive and significant impact on the acceptance of the audit engagement.

H3: Acceptance of Audit Engagement has positive and significant effect on the Atudit Planning.

Based on Table 3, it is known that coefficient value (Standardized estimate) of Acceptance of Audit Engagement on influencing the Audit Planning shows a positive value equal 0.635, and the Value C.R. equal 2.671 with P of 0.000. Its values are eligible significance, so it can be states that the Acceptance of Audit Engagement gives significantly influence on the Audit Planning with a probability value less than 0.05 and C.R. is greater than 1.96. This means that the Acceptance of Audit Engagement has a positive influence of 63.5%

on the Audit Planning and significantly, while among indicator, the risk of earnings manipulation contribute to Client'risk equal 73.4%.

The Acceptance of Auditing Engagement measured through their indicators, namely the Time Budget Pressure (PPA1), Audit Fee (PPA2) and Audit engagement letters (PPA3).

Based on the Confirmatory Factor Analysis which has been described previously, each of the indicators on reception of the audit engagement latent variable has a value of coefficient (loading factor) or estimate the value of standardized regression weights in the table are in accordance with the criteria loading factor that is > 0.40 . Because it can be said that each of these indicators constitutes a significant indicator of forming latent variables. Then, based on Weight Regression Analysis (table 3), the budget pressure contributed to the acceptance of the audit engagement equal 59.9%, audit fees equal 66.9%, and the audit engagement letters equal 74, 6%. The data shows that the audit engagement letter has most contributed to the acceptance of the audit engagement (74,6%). This means that the audit engagement letter becomes the most important thing and considered by the auditor in making audit planning after receipt of the audit engagement.

The result of this study proves that Hypotheses "3" is accepted, means that the Acceptance of Audi Engagement gives positively and significantly influence to the Audit planning. This is consistent with the theory presented by Agoes (2016, p144-146) suggest that the auditor should prepare Audit Plan, as soon as the engagement letter approved by the client, Arens, et al (2015, p249-250) states that in order to avoid misunderstandings, the auditor must understand the terms of the assignment of the specified client. Auditing standards require that the auditor should document his understanding with the client engagement letter (engagement letter), Guy, et al (2002, p461) says

that after deciding to accept a client, then the first step that must be done auditor is to send a letter of assignment (engagement letter) and Mulyadi (2013, p132) audit engagement letter prepared by the auditor to its client that serves to document and confirm receipt auditors on the appointment by the client.

Direct, Indirect and Total effects

After analyzed the structural model hypotheses, then this study proves the direct, indirect and total effects that are summarized in Table 4.

The direct effect occurs when a latent variable influencing other latent variables without going through the mediation of intermediate variables (intervening variables), while the indirect effect occurs when a latent variables influence other latent variables are mediated through intermediate variables (intervening variables). While the total effect is the sum of direct influence and indirect influence. The amount of influence each latent variable directly (standardized direct effect) or indirectly (standardized total effect) as well as the total effect (standardized total effect) is described as follows:

- 1) The variable client risk have a direct effect on the audit planning of 0.271 or 27.1% and the indirect effect of 0.503, or 50.3%, so that the total effect of 0.774 or 77.4%. It is clear that the risk of client only gives little effect on the audit planning that is equal to 27.1%, thus requiring intermediate variables (intervening variables) namely; The acceptance of the audit

- engagement in order able influence on the audit plan. This was proved by a large indirect effect of 50.3%.
- 2) The variable client risk has a direct influence on the acceptance of the audit engagement of 0.793 or 79.3% and the indirect influence of 0.000 or 0%, so that the total effect of 0.793 or 79.3%. It is clear that to give the effect of client risk on acceptance of the audit engagement does not require intermediate variables (intervening variables), because the risk's of client can directly affect on the acceptance of the audit engagement.
- 3) The variable acceptance of the audit engagement has a direct effect on the audit planning of 0.635 or 63.5% and the indirect influence of 0.000 or 0%, so that the total effect of 0.635 or 63.5%. It is clear that to give the effect of variable acceptance of the audit engagement on the audit plan does not require intermediate variables (intervening variable), because variable acceptance of the audit engagement can directly influence on the audit planning.

MANAGERIAL IMPLICATIONS

This article also recommends briefly for practitioner such as ; (1). For KAP still maintain professional skepticism attitude in order to find the risk that exist on the client and set a low risk level so that when problems arise in the future risk facing is not too great, especially the risk of violations of the law by the client. (2). Accuracy in analyzing client risk since the beginning should be made by the firm,

Tabel 4. Direct, Indirect, Total Effects

	Direct Effect	Indirect Effect	Effect Total
Client Risk Toward Audit Planning	0,271	0,503	0,774
Client Risk Toward Acceptance of Audit Engagement	0,793	0,000	0,793
Acceptance of Audit Engagement Toward Audit Planning	0,635	0,000	0,635

Sources: Output of Amos.20

for example by investigating new clients through a local lawyer, previous KAP, banks, and other companies, or auditor can hire an investigator professionals to get information about the reputation and background client, integrity of management, financial stability and legality of prospective clients. If found risk can not be mitigated or not in accordance with the competence, capabilities, and the independence of auditors, KAP should reject the audit engagement. Auditor selective in the acceptance of the audit engagement will make companies more honest and accountable for their actions in the attempt, because of the need for auditing. (3). In order KAP wise to make a deal with a client at the time of acceptance of the audit engagement and documented through audit engagement letter. then make planning the audit in accordance with an agreement which exists to avoid misunderstandings with clients in order to foster good relationships with clients, facilitating high-quality work at a reasonable cost.

CONCLUSION

This evidences prove that the audit planning is influenced by Client risk positively but not significant. It means that the Hypotheses "1" is rejected or despite increasing client risk, but this condition does not affect the audit planning. Client risk is indicated by the Client Business Risk, Earnings Manipulation Risk, Elements of law violation by the Client where as all indicators have a high loading factor exclude the indicator of Elements of law violation by the Client has a low loading factor, meaning indicators as determine factor for variable of the Audit Planning. This result supports to Korompis and Hat (2011), Hastuti and Indarto (2014). This evidences also proves that the Acceptance of the audit engagement positively and significantly is influenced by Client Risk, meaning that Hypotheses "2" is accepted or though the

Client Risk increases, the acceptance of the audit engagement will increase as well, results of this study support the theory and research from Sensi (2006), Hastuti and Indarto (2014), Ouertani and Ayadi (2012), Kimeli (2016), Gammal (2012), Bedard and Johnstone (2004), and Hassn (2014). Finally this evidences prove that the audit plan positively and significantly influenced by the Acceptance of the audit engagement indicated by; Time Budget Pressure, Audit Fee. Letter of Auditing. Meaning Hypotheses "3" is accepted or if the acceptance of the audit engagement is increased then indicated by the audit planning Audit Procedures, Audit Sampling Methods, Duration Audit Planning will also increase. From the analysis of the effect of direct, indirect influence, and the influence of total proved that the direct effect of the Planning audit client risk is not significant because it needs to be mediated by the acceptancet of the audit engagement variables that can act perfectly as the mediate variable. The results support the theory and research of Ouertani and Ayadi (2012), Hassn (2014), and Pratistha and Widhiyani (2014).

Several limitation of this research that should be noted for future research are; (1). This study aims to find out the factors that influence the audit plan, and only use 1 (one) the independent variable like the risk of the client and 1 (one) mediating variable is acceptance of the audit engagement. Therefore, in order to study a more varied, then further research like; the complexity of the client business, the quality of auditors can be used as independent variables or mediating variable. (2). This study only uses three indicators to measure each variable. Therefore for further research is expected to multiply indicators for each of the variables tested in the study so that the problems can be discussed more deeply and in detail. ■

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