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Factors Which Will Affect The Business Risk Clients, Audit Risk, Business Risk Auditor, And Auditor's Competency In Client Selection (Study On Auditor At KAP In Medan)

M. Faisal Rizky HSB
Department of Accounting, Univesity Of North Sumatra, Indonesia

A R T I C L E I N F O

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ABSTRACT

This Study aims to examine how far the influence of business research client, audit risk, business research auditor, auditor's competency to client selection either partial or simultaneous. Hypothesis of this study are business research client, audit risk, business research auditor, auditor's competency influence to client selection either partial or simultaneous. The method of collecting data is done through a questionary that share to Auditor whom work in audit firm. This study uses associative causal with multiple linear regression and also for examine hypothesis uses F test (simultaneous test) and t test (partial test). Results of this study interprets to indicate that business rist client, audit risk, business rist auditor, auditor's competency has influence to clients selection simutaneously and from result of examine t test indicate that audit risk.

Corresponding Author:

M. Faisal Rizky HSB,
Department of Accounting,
University Of North Sumatara, Indonesa,
Jl. Dr. Mansur No. 9 Padang Bulan, Kec. Medan Baru, Kota Medan 20222.
Email: faisalrizkyp@gmail.com

1. INTRODUCTION

Client business risk arises when the client fails to achieve its objectives related to the reliability of financial statements, efficiency and effectiveness of operations, as well as applicable legal regulations (Elder, et al., 2011). In an engagement between an auditor and a client, the auditor may retain existing clients and accept new clients. But before the auditor retains and accepts the client, the auditor must first evaluate whether accepting or continuing him as a client will increase the auditor's business risk and damage the reputation of the public accounting firm's image. This is because public accounting firms are not allowed to just accept any new prospective clients.

Audit risk relates to the risk that occurs in the event that the auditor, unknowingly, does not modify his opinion as appropriate, on a financial statement that contains a material misstatement (IAI, 2011). The existence of audit risk is recognized by the statement of Professional Standards of Certified Public Accountants SA Section 312 regarding the responsibilities and functions of the independent auditor which reads as follows: "Due to the nature of audit evidence and the characteristics of fraud, the auditor can obtain reasonable, not absolute, assurance that material misstatements have been detected". (IAI, 2011)

In conducting an engagement, the auditor also has risks, one of which is the auditor's business risk. The auditor's business risk is the risk that the KAP suffers losses due to the engagement (Wondabio, 2006). To overcome the risks that exist, public accountants must have a

professional nature and be aware of every assignment given by the client. In carrying out the audit, the KAP must carry out good risk management in providing decisions on the acceptance and rejection of clients, a good risk management process can reduce the KAP business in facing lawsuits in the future as a result of the audit assignment. KAP is required to carry out documentation that explains the auditor's responsibilities if there is a risk of material misstatement in the financial statements that he has prepared.

In accepting a client, the competence of the auditor can affect it. In the Professional Standards of Public Accountants SA Section 210 states that the audit must be carried out by one or more persons who have adequate technical expertise and adequacy. With the competence of auditors, they can detect errors that occur when carrying out audit assignments. (IAI, 2011)

Things that need to be considered by the auditor before deciding to accept or reject an audit assignment include an overview of the client and its business, its business internal control system, its scope and examination, and the required time budget. (Gunawan, 2003).

2. RESEARCH METHOD

This research is about Factors Affecting External Auditors in Acceptance of Clients. This research uses causal associative research methods, namely research that aims to analyze the relationship between a variable and other variables so that there is a causal relationship. (Umar, 2003).

2.2 Validity Test And Reliability Test

a. Validity test

Validity means acceptable and unquestionable (legitimate). This term implies that what is declared valid means that it is in accordance with the expected truth, so that it can be accepted in certain performance. Analysis of validity testing in this study was carried out by preparing tabulations of respondents' answers from questionnaires.

Validity testing is done by correlating each question item with the total value of each variable. The correlation of each question item with the total value of each variable is carried out using a correlation technique, namely Pearson's product moment to determine whether the tested variables are valid or not, the correlation results are compared with the critical number of the correlation table for degree of freedom (df) = n – 2, and the level of significance 5%. The basis for decision making is taken, if the value of the validity test results is greater than the critical number of the correlation table, then the question item is said to be valid. To determine the level of validity, the researcher used the help of the Statistical Product and Service Solutions (SPSS) Version 16.0 program.

b. Reliability Test

A questionnaire is said to be reliable (reliable) if a person's answer to a question is consistent or stable over time. Measurement of reliability in this study using the one shot method or measured only once. The measurement in question is a measurement that is only once and then the results are compared with the results of other questions. For the measurement of reliability, SPSS provides facilities to measure reliability with the Cronbach Alpha statistical test. A variable is said to be reliable if it gives a Cronbach Alpha value > 0.60.

3. RESULTS AND DISCUSSIONS

3.1 Data Quality Test Analysis Results

a. Validity Test Results

Validity test aims to measure the extent to which a measuring instrument or question instrument can measure what it wants to measure. The validity test conducted in this study is the validity test for each statement item using Pearson correlation with a significant level of 5% or 0.05 which compares rcount with rtable with valid criteria if rcount > rtable. The table below shows the results of the validity test of the client's business risk variables with a sample of 35 respondents.

Table 1. Client Business Risk Validity Test Results

Statement Items	rcount	rtable	Information
Statement 1	0.634	0.333	Valid
Statement 2	0.666	0.333	Valid
Statement 3	0.439	0.333	Valid
Statement 4	0.487	0.333	Valid
Statement 5	0.656	0.333	Valid
Statement 6	0.494	0.333	Valid
Statement 7	0.403	0.333	Valid

Based on the table above, it shows that all statement items have an rcount value greater than the rtable value so that the seven statement items are declared valid. The table below shows the results of the audit risk variable validity test with a sample of 35 respondents.

Table 2. Audit Risk Validity Test Results

Statement Items	rcount	rtable	Information
Statement 1	0.591	0.333	Valid
Statement 2	0.437	0.333	Valid
Statement 3	0.390	0.333	Valid
Statement 4	0.601	0.333	Valid
Statement 5	0.563	0.333	Valid
Statement 6	0.539	0.333	Valid
Statement 7	0.734	0.333	Valid

Table 2 shows that the seven items of audit risk questions have an rcount value greater than the rtable value. So that these seven questions are declared valid. The table below shows the results of the audit risk variable validity test with a sample of 35 respondents.

Table 3. Auditor Business Risk Validity Test Results

Statement Items	rcount	rtable	Information
Statement 1	0.642	0.333	Valid
Statement 2	0.763	0.333	Valid
Statement 3	0.554	0.333	Valid
Statement 4	0.525	0.333	Valid
Statement 5	0.634	0.333	Valid
Statement 6	0.617	0.333	Valid

Table 3 shows that the six statements of the auditor's business risk variable are valid. This is because the value of rcount is greater than rtable. The table below shows the results of the validity test of the auditor's competence variable with a sample of 35 respondents.

Table 4. Auditor Competency Validity Test Results

Statement Items	rcount	rtable	Information
Statement 1	0.532	0.333	Valid
Statement 2	0.714	0.333	Valid
Statement 3	0.819	0.333	Valid
Statement 4	0.762	0.333	Valid
Statement 5	0.669	0.333	Valid
Statement 6	0.594	0.333	Valid

Table 4 shows that the seven items of auditor competency questions have an rcount value greater than the rtable value. So that these six questions are declared valid. The table below shows the results of the validity of the client selection variable with a sample of 35 respondents.

Table 5. Client Selection Validity Test Results

Statement Items	rcount	rtable	Information
Statement 1	0.777	0.333	Valid
Statement 2	0.767	0.333	Valid

Statement Items	rcount	rtable	Information
Statement 3	0.765	0.333	Valid
Statement 4	0.667	0.333	Valid
Statement 5	0.623	0.333	Valid

Table 5 shows that the five statements of the auditor's business risk variable statement are valid. This is because the value of rcount is greater than rtable.

b. Reliability Test Results

The reliability test was carried out after testing the validity of the statement instruments that were declared valid which could be tested for reliability. Reliability test is done to measure what you want to measure. Reliability testing uses what you want to measure. Reliability testing using Cronbach's Alpha coefficient. An instrument is said to be reliable if Cronbach's Alpha > 0.60.

Table 6. Reliability Test Results

Variable	Cronbach's Alpha	N of Items	Information
Client Business Risk	0.602	7	Reliable
Audit Risk	0.600	7	Reliable
Auditor's Business Risk	0.678	6	Reliable
Auditor Competence	0.776	6	Reliable
Client Selection	0.768	5	Reliable

Based on table 6 it shows that Cronbach's Alpha on the client's business risk variable is 0.654, audit risk variable is 0.641, auditor's business risk is 0.614, auditor competence is 0.819, client selection is 0.768 so it can be concluded that the statement in the questionnaire from this variable is reliable because it has Cronbach's value. Alpha is greater than 0.6.

This shows that statements of client business risk, audit risk, client business risk, auditor competence and client selection are able to obtain consistent data which means that if the statement is resubmitted, the answer is relatively the same as the previous answer.

3.2 Classical Assumption Test Results

Classical assumption test is used to see or test whether a model is feasible or not feasible to be used in research. The classical assumption test used in this study are:

a. Normality test

The data normality test aims to test whether the regression model between the independent and dependent variables has a normal distribution or not by using the Kolmogorov-Smirnov test. As in table 6 namely:

Table 7. Kolmogorov-Smirnov . test
One-Sample Kolmogorov-Smirnov Test

		Client Business Risk	Audit Risk	Risk Or Audit Business	Compete Ensi Audito R	A Client Vote
	N	35	35	35	35	35
Normal Parameters(a,b)	mean	31.74	30.71	26.77	26.71	22.34
	Std. Deviation	1.482	2.270	1.555	2.163	2014
Most Extreme Differences	Absolute	.140	.146	.130	-124	.147
	Positive	.120	.146	.119	-124	.135
	negative	-140	-.143	-130	-124	-147
Kolmogorov-Smirnov Z		.830	.866	.768	.733	.868
asymp. Sig. (2-tailed)		.496	.441	.596	.655	.439

In table 7, the results of Kolmogorov_Smirnov above are:

1) Client's Business Risk (X1) = 0.596 which means > 0.05 then the population is normally distributed.
2) Auditor Risk (X2) = 0.441 which means > 0.05 then the population is normally distributed.

3) Auditor's Business Risk (X3) = 0.596 which means > 0.05 then the population is normally distributed.
4) Auditor Competency (X4) = 0.655 which means > 0.05 then the population is normally distributed.
5) Client Selection (Y) = 0.439 which means > 0.05 then the population is normally distributed.

To test the normality of the data, this study uses the Normal Probability Plot which compares the cumulative distribution of the actual data with the cumulative distribution of the normal distribution data. Normal Probability Plots that are normally distributed show a pattern or dots spread around the diagonal line or follow the diagonal line.

b. Multicollinearity Test

A good regression model is if the model does not contain symptoms of multicollinearity. To determine the presence or absence of multicollinearity between variables, it can be seen from the VIF (Variance Inflation Factor I) where if the VIF value is > 10, it can be said that there are symptoms of multicollinearity.

Table 8. Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	7,431	4.017		1.850	.074		
	BUSINESS RISK CLIENT	-.205	.098	-.151	-2.092	.045	.965	1.036
	AUDIT RISK	.247	.087	.278	2.831	.008	.521	1,921
	BUSINESS RISK AUDITOR	-.245	.119	-189	-2.067	.047	.597	1,676
	COMPETENT I AUDITOR	.764	.072	.821	10,574	.000	.832	1.202

Dependent Variable: CLIENT SELECTION

From table 8, it can be seen that all independent variables have a VIF value < 10, so it can be concluded that there is no multicollinearity. It can also be seen from the tolerance column which shows all tolerance values > 0.1, this means that there are no symptoms of multicollinearity.

c. Heteroscedasticity Test

This method is used to test whether in a regression model there is a similarity in the variance of the residuals in one other observation. A good regression model is one that does not occur heteroscedasticity. "To find out whether or not there are symptoms of heteroscedasticity is to look at the presence or absence of a certain pattern on the scatterplot graph, if there is a certain pattern then there has been heteroscedasticity in the regression model".

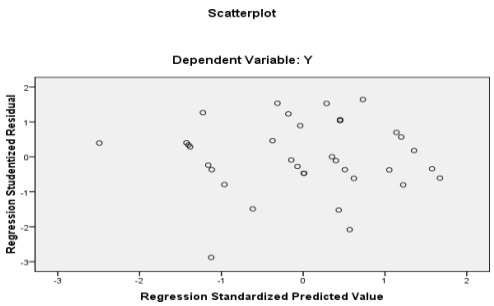

Figure 1. Heteroscedasticity Test Scatterplot

In Figure 1, the scatterplot graph shows that the dots spread randomly and do not form a certain clear pattern, and are spread both above and below the number 0 on the Y axis. This means that there is no heteroscedasticity in the regression model, so the regression model is feasible to use to predict Research Model.

3.3 Hypothesis Testing

a. Multiple Linear Regression Model

Multiple linear regression model was conducted to determine the effect of the independent variables (Client Business Risk, Auditor Risk, Auditor Business Risk, and Auditor Competence) on the dependent variable (Client Selection). Based on testing using the SPSS program. Statistics 23.0 for Windows, then the results of the multiple linear regression equation research can be seen in table 9, namely:

Table 9. Multiple Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7,431	4.017		1.850	.074
	RISK_BUSINESS_CLICK EN	-.205	.098	-.151	-2.092	.045
	RISK_AUDIT	.247	.087	.278	2.831	.008
	RISK_BUSINESS_AU DITOR	-.245	.119	-189	-2.067	.047
	COMPETENCE_AUDITOR	.764	.072	.821	10,574	.000

Based on table 9, the multiple linear regression equation model in this equation is: Y = 7.431 - 0.205X1+ 0.247X2-0.245X3+ 0.764X4

Based on these equations can be described as follows:

1) A constant of 7,431 indicates that if there is no influence from the client's business risk, audit risk, auditor's business risk, and auditor competence variables (X1, X2, X3 and X4), work discipline (Y) will remain at 7,431.
2) Client's Business Risk Coefficient (X1) = -0.205, this shows that every time there is an increase in the client's business risk variable by one unit, it will reduce the client's business risk by 0.205 provided the other variables are constant.
3) Audit Risk Coefficient (X2) = 0.247, this shows that every time there is an increase in the audit risk variable by one unit, it will improve work discipline by 0.247 with the condition that other variables are constant.
4) Auditor's Business Risk Coefficient (X3) = -0.245, indicating that every time there is an increase in the client's business risk variable by one unit, it will decrease the selection of clients by 0.245 provided the other variables are constant.
5) Auditor Competency Coefficient (X4) = 0.764, this shows that every time there is an increase in the organizational culture variable by one unit, it will increase work discipline by 0.764 with the condition that the other variables are constant.

Table 10. t test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7,431	4.017		1.850	.074
	RISK_BUSINESS_CLICK EN	-.205	.098	-.151	-2.092	.045
	RISK_AUDIT	.247	.087	.278	2.831	.008
	RISK_BUSINESS_AU DITOR	-.245	.119	-189	-2.067	.047
	COMPETENCE_AUDITOR	.764	.072	.821	10,574	.000

Based on Table it can be seen that:

1) t valuecalculate the client's business risk variable is -2.095 and ttable 2.042 so that tcount< ttable (2,510 <2,015), and significant (Sig.) < 5% (0.045 <0.05) means that H0 is rejected. So

it can be concluded that there is no significant effect of client's business risk on client selection.

2) t valuecalculate the audit risk variable is 2.831 and ttable 2.042 so that tcount > ttable (2.831 < 2.042), and significant (Sig.) < 5% (0.008 > 0.05) meaning H0 is rejected. So it can be concluded that there is a significant effect of audit risk on client selection.

3) t valuework environment variable count is -2.067 and ttable 2.042 so that tcount < ttable (-2.067 < 2.042), and significant (Sig.) < 5% (0.047 > 0.05) meaning that H0 is rejected. So it can be concluded that there is no significant effect of client's business risk on client selection.

4) t valuethe organizational culture variable count is 3.198 and t table is 2.042 so that t count > t table (10.574 > 2.042), and significant (Sig.) < 5% (0.000 < 0.05) meaning H0 is rejected. So it can be concluded that there is a significant effect of auditor competence on client selection.

b. Significant Simultaneous Test (F Test)

The F test was carried out to see together the effect of the variables X1, X2, X3, and X4) in the form of client business risk, audit risk, auditor business risk, and auditor competence on client selection.

Table 11. F Uji test
ANOVAb

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	117,149	4	29,287	42,369	.000a
	Residual	20,737	30	.691		
	Total	137,886	34			

Predictors: (Constant), X4, X1, X3, X2
Dependent Variables:Y

Based on the calculation results obtained the value of Fcount by 42,369 with a significant level (Sig.) of 0.000a. So Fcount> Ftable(41.008 > 2.69) at significance (Sig.) < 5% (0.000 < 0.05), meaning that client business risk, audit risk, auditor business risk, and auditor competence have a positive and significant impact on client selection.

So, it can be concluded that H0 is rejected and Ha is accepted. Thus, there is a joint positive and significant effect of client business risk, audit risk, client business risk, and auditor competence on client selection. The F test curve as shown in Figure 11 is:

c. Coefficient of Determination

The coefficient of determination test is used to measure how much the independent variable contributes to the dependent variable. The coefficient of determination ranges from zero to one (0<R2<1). If R2 is getting bigger (closer to one), then the influence of the independent variable is close to the dependent variable (Y). the results of testing the coefficient of determination can be seen in table 12, namely:

Table 12. Coefficient of Determination Results
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.922a	.850	.830	.831

Predictors: (Constant), X4, X1, X3, X2

In the table above, it can be seen that the overall regression analysis results show the Adjusted R Square (R2) value of 0.830 indicating that the correlation or relationship between client selection (dependent variable) with client business risk, auditor risk, client business risk, and auditor competence (independent variable)) has a very strong relationship.

The level of this strong relationship can be seen from the guideline table to provide an interpretation of the coefficient of determination.

Table 12. Coefficient of Determination Interpretation Guidelines

Statement	Information
> 4%	Very Low Influence
5% - 16%	Low But Sure Influence
17% - 49%	Meaningful Influence
50% - 81%	High or Strong Influence
> 80%	Very High Influence

Source: Supranto (2001, p. 227)

The value of Adjusted R Square (R2) or the coefficient of determination is 0.830. This figure identifies that the selection of clients (dependent variable) with client business risk, audit risk, auditor business risk, and auditor competence (independent variable) is 83.0%, while the rest is 17.0 % is determined by other variations outside this research model.

4. CONCLUSION

From the results of the research in the previous chapter, the researcher can conclude that the results of research on Client Selection at KAP in Medan are simultaneously independent variables of client business risk, audit risk, auditor business risk, and auditor competence have a significant effect on the dependent variable (Y), namely election.

Based on the results of the partial test in this study, it can be concluded that the auditor's business risk partially has no significant effect on client selection. Partial audit risk has a significant positive effect on client selection. The auditor's business risk partially has no significant effect on the selection of clients. Auditor competence partially has a significant positive effect on client selection. Simultaneously the independent variables of client business risk, auditor risk, client business risk, and auditor competence (independent variable) have a very strong relationship.

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