

**EARNINGS MANIPULATION RISK ANALYSIS, CORPORATE GOVERNANCE RISK
AND QUALITY CONTROL SYSTEM ON AUDIT PLANNING**
(Study of External Auditor Perceptions of a Public Accounting Firm in South Jakarta)

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Abstract: The Study aims to examine the effect of earnings manipulation risk, corporate governance risk, quality control system on audit planning according to the perception of external auditors in the city of South Jakarta. This research was conducted at 15 Public Accounting Firms (KAP) in the South Jakarta area, where external auditors were used as samples in this study. Sampling was carried out with a total of 150 respondents. The type of data used in this study is a questionnaire. The approach used in this study is the Structural Equation Model (SEM) with the help of the Smart- PLS version 3.2 program. The results of this study indicate that the risk of corporate governance and quality control system has a positive and significant effect on audit planning, while the risk of earnings manipulation has a positive and insignificant effect.

Keywords: Earnings Manipulation Risk, Corporate Governance Risk, Quality Control System, Audit Planning

INTRODUCTION

Along with the development of the world due to globalization, many changes have occurred in the economic and business fields, as well as increasing competition in the business world. So, it is important for companies to guarantee the quality of the products and services produced in order to increase customer confidence in the company. The impact of these developments has made the existence of public accountants increasingly considered as providers of financial statement audit services. Because financial reports have an important role in a company, financial reports can provide relevant and reliable information for parties who have an interest in the company's financial information.

Company performance is often measured by profit income, because profit is used as a decision maker by parties who have an interest. However, for companies or companies that have bad governance, company management often practices earnings manipulation for the benefit of the management itself (Tarmidi, et al., 2021). The risks from earnings manipulation practices by management will become audit risks for auditors in auditing financial statements. With the responsibility of determining whether the financial statements are materially misstated, the auditor must, based on the finding of material misstatements, communicate the matter to the client so that corrections can be made. If the client refuses to correct the financial statements, the auditor must issue a qualified opinion or an adverse opinion, depending on how material the misstatement is. In order to be able to make such a determination, the auditor relies on in-depth knowledge of the application of materialistic concepts, according to Alvin A. Arens, Randal J. Elder, Mark S. Beasley (2015:292).

Audit planning is a stage regarding auditor procedures and plans that will be used in carrying out the audit process. According to Alvin A. Arens, Randal J. Elder, Mark S. Beasley (2015: 246) in his book entitled "Auditing & Assurance Services" there are three main reasons why the auditor must plan the assignment properly: to enable the auditor to obtain appropriate and sufficient evidence the situation at hand, to help keep audit fees reasonable, and to avoid misunderstandings with clients.

In practice, the Auditor will bear the audit risk in giving an opinion on the audited financial statements. The occurrence of earnings manipulation in a company is one of the risks that will be borne by the Auditor in the process of carrying out a financial statement audit.

The risk of earnings manipulation is the risk that will be borne by the auditor for management's actions on the profits created, according to (Pestaria P., 2015). The risk of earnings manipulation affects audit planning, when the risk of earnings manipulation is higher, the auditor will make a more mature audit plan in order to avoid the risks of material misstatement of the financial statements and increase the effectiveness of the audit process.

Apart from the auditor's intervention, earnings manipulation can be reduced by implementing corporate governance. According to Muh. Arief Effendi (2016: 3) in his book entitled "The Power of Good Corporate Governance" good corporate governance is a system designed to direct professional company management based on the principles of transparency, accountability, responsibility, independence, fairness and equality.

Corporate governance risk is a risk that will be borne by the auditor for the good and bad governance of the client's company, when the company has good governance, management will easily cooperate with the auditor in the audit process and vice versa if the company has bad governance, it is difficult for a auditors to cooperate with management in carrying out the audit process, so that the risks that will be borne by the auditor will be even greater during the audit process.

With an audit plan, it is hoped that the auditor will be able to deal with corporate governance risks, because with an audit plan, the auditor has a control system during the audit process and the auditor has pre-planned preventive measures in dealing with the risks that will be encountered during the audit process. With an audit plan, it is hoped that the auditor will be able to deal with corporate governance risks, because with an audit plan, the auditor has a control system during the audit process and the auditor has pre-planned preventive measures in dealing with the risks that will be encountered during the audit process.

The procedures applied by the Public Accounting Firm to KAP personnel are a quality control system, a quality control system is implemented to support the work of KAP personnel, one of which is an auditor, the implementation of a quality control system is expected so that each auditor's assignment is in accordance with applicable standards. The KAP quality control system implemented in Indonesia is based on Quality Control Standard No. 1, IAPI (1 January 2013) consists of 6 elements namely, 1) KAP leadership responsibility for quality; 2) Provisions of professional ethics that apply; 3) Acceptance and continuance of relationships with specific clients and engagements; 4) Human resources; 5) Implementation of the engagement; 6) Monitoring.

Each KAP is required to have a quality control system and explain the elements of quality control and matters related to effective implementation in the system so that errors or acts of corruption do not occur on the auditor or KAP itself, according to (Nurrohmah & Aman F, 2016).

Thus, the implementation of a good quality control system will affect audit planning, because when the auditor accepts a client and client continuity, the auditor will carry out an audit plan before carrying out the audit process, in order to avoid risks audits to take place.

In the audit process that is carried out, sometimes there are mistakes that occur so that the consequences of the mistakes that occur cause risks that must be borne by the auditor or Public Accounting Firm, as in the case experienced by PT Garuda Indonesia (Persero), in this case manipulation occurred earnings in PT Garuda Indonesia's 2018 financial statements, PT Garuda Indonesia's financial statements were considered odd after the collaboration between Mahata, as evidenced by the receivables transaction with Mahata of US\$239.94 million which was considered revenue by PT Garuda Indonesia, but in reality these receivables have still not been paid by the party Mahata. Because PT Garuda Indonesia lists receivables as revenue, so that on the books of PT Garuda Indonesia there is a net profit of US \$ 216.58 million in the 2018 financial statements, PT Garuda Indonesia should have suffered a loss of US \$ 244.96 million.

In addition, PT Garuda Indonesia has bad corporate governance, this can be seen in the difference of understanding at the Annual General Meeting of Shareholders (RUPTS) in Jakarta, at that time one of the meeting

agendas was to approve the financial statements for the 2018 financial year, in the meeting two commissioners PT Garuda Indonesia, namely Chairul Tanjung and Dony Oskaria as representatives of PT Trans Airways expressed objections to PT Garuda Indonesia's 2018 financial statements, the objections of the two commissioners, were conveyed through an objection letter to the AGMS, but PT Garuda Indonesia's management rejected Chairul's request. Tanjung and Dony Oskaria as commissioners. In the end, the results of the shareholder meeting approved the financial statements of PT Garuda Indonesia for 2018. The Public Accounting Firm of Tanubrata, Sutanto, Fahmi, Bambang & Partners as the Public Accounting Firm which provided a forum for auditors to audit the financial statements of PT Garuda Indonesia for 2018 was considered incapable of being Competent KAP so that the Public Accounting Firm of Tanubrata, Sutanto,

Fahmi, Bambang & Partners is subject to a written warning accompanied by an obligation to make improvements to the KAP quality control system and to be reviewed by BDO International Limited.

Meanwhile, Kasner Sirumapea as the auditor who audited the 2018 financial statements from PT Garuda Indonesia received a sanction in the form of a license suspension for 12 months which was decided by the Ministry of Finance, the Financial Professional Development Center (PPPK) team. Because they are considered not to carry out the audit process in accordance with applicable accounting standards.

Another case that has occurred in Indonesia is the PT Hanson International Tbk case, where the company was proven to have violated Statement of Accounting Standards (PSAK) 44 concerning Accounting for Real Estate Development Activities, the main thing that happened was the sale of Plots Ready to Build (Kasiba) worth IDR 732 billion. The company recognizes the sale of Ready-to-Build Plots (Kasiba) as income using the full accrual method in the 2016 financial statements, but the company did not disclose the existence of a Sale and Purchase Agreement (PPJB) Ready-to-Build Plots at Serpong Kencana Housing dated 14 July 2016 regarding the sale of Ready-to-Build Plots in the 2016 financial statements. As a result of the company not submitting the July 14 2016 PPJB to the auditors who audited the financial statements, an overstatement occurred with a value of Rp. 613 billion. Thus the Financial Services Authority (OJK) imposed sanctions on Public Accountant (AP) Sherly Jakom from the public accounting firm (KAP) Purwanto, Sungkoro and Surja who was a partner of Ernst and Young (EY) for being proven to have violated article 66 of the market law jis capital. Paragraph A 14 SPAP SA 200 and Section 130 of the Public Accountant Professional Code of Ethics from the Indonesian Institute of Certified Public Accountants (IAI), in other words, the OJK considers that the auditors were not thorough and careful in presenting the financial statements of PT Hanson International Tbk. The sanction received by Sherly Jakom was in the form of an administrative sanction in the form of freezing the Certificate of Registration (STTD) for 1 (one) year after the sanction letter was issued.

Another case that has occurred in Indonesia is the case of PT Asuransi Jiwasraya (Persero), in this case there was a modification of the financial statements in 2006. The bookkeeping which should have included a loss was modified in such a way by Jiwasraya. As well as irregularities in the bookkeeping of net profit conducted by Jiwasraya in 2017.

The recorded net profit of Rp. 360.3 billion is considered to have a shortage of reserves, namely Rp. 7.7 trillion, so that if the reserves are carried out in accordance with the provisions, the company should suffer losses. In 2018, Jiwasraya recorded an unaudited loss of IDR 15.3 trillion until the end of September 2019, an estimated loss of IDR 13.7 trillion.

Several studies related to the risk of earnings manipulation, corporate governance risk, auditor experience and audit planning have been conducted by Widyaretno (2015) with the title "Effect of Earnings Manipulation Risk, Corporate Governance Risk and Auditor Experience on Audit Planning at Public Accounting Firms (KAP) in City of Surabaya" the results of this study indicate that the risk of earnings manipulation has a positive effect on audit planning, corporate governance risk has no positive effect on audit planning and auditor experience has no positive effect on audit planning.

Another study was conducted by Nurrohmah & Aman F, (2016) with the title "The Influence of the Quality Control System of the Public Accounting Firm on the Effectiveness of Audit Planning" The results of this study indicate that the KAP quality control system has a positive effect on the effectiveness of audit planning by

20.79%. This proves that if the quality control system is implemented properly then audit planning will be more effective.

Another study has been conducted by Pestaria P., (2015) with the title "Analysis of the Influence of Earnings Manipulation Risk and Corporate Governance Risk on Audit Planning at Public Accounting Firms (KAP) in Palembang" The results of this study indicate that the risk of earnings manipulation has a significant and positive effect on audit planning at the Public Accounting Firm (KAP) in Palembang, corporate governance risk has a significant and positive effect on audit planning at the Public Accounting Firm (KAP) in Palembang, earnings manipulation risk and corporate governance risk have a significant and positive effect on audit planning at the Public Accounting Firm (KAP) in Palembang.

Another study was conducted by Rani (2013) with the title "The Influence of Audit Fees and KAP Quality Control Systems on the Effectiveness of Audit Planning (Empirical Studies in Public Accounting Firms in West Jakarta) The results of this study indicate that audit fees and quality control systems simultaneously have a positive effect and significant to the effectiveness of audit planning at KAP in West Jakarta.

LITERATURE REVIEW

Prospect Theory

Prospect Theory first time developed by Daniel Kahneman and Amos Tversky in the early 1980s where basically this theory covers two disciplines, namely psychology and economics (psych economics) which is an analysis of a person's behavior in making economic decisions between two choices. Prospect theory focuses on how real decisions are taken (descriptive approach). This prospect theory can be used for various phenomena of human behavior in various fields of life, especially in the decision-making process which sometimes "does not make sense". This theory is used to measure (take a measurement perspective) on the behavior of people or organizations in making decisions, Mahastanti and Wiharjo (2012) in Delliana (2016). In this prospect theory it affects an auditor in carrying out the audit process in a company, the risks that arise during the audit process require an auditor to take precautions to avoid all risks that will be detrimental to the auditor and the Public Accounting Firm itself. Therefore, the existence of an audit plan is considered capable of being the basis for making decisions on the actions of the auditor when in a difficult position and it is not possible to think rationally.

Compliance Theory

According to Tyler in Herliana (2016) there are two basic perspectives regarding legal compliance in compliance theory, namely instrumental and normative. The instrumental perspective assumes that the individual as a whole is driven by self-interest and responses to behavior-related changes in incentives and penalties, even there technology impact (Tarmidi, et al., 2017). The normative perspective deals with what people perceive as moral and against their self-interest. Compliance is a form of behavior, human behavior comes from encouragement that exists within humans, while encouragement is an attempt to meet the needs that exist within humans, according to Heri (1999) in Mega, Nayati Utami, & Mayowan (2016). Factors that influence human behavior, according to Sunaryo (2004) in Nurf Adinda (2018), namely:

1. Genetic factors or endogenous factors

Genetic or hereditary factors are the basic conception or capital for the continued development of the behavior of living things. Genetic factors come from within the individual itself, such as race, gender, physical traits, personality traits, innate talent, intelligence, and others.

2. Exogenous factors or factors from outside the individual

- a) Environmental factors, the environment here concerns everything that is around the individual, both physical, biological and social.
- b) Education, education broadly covers all processes of individual life, educational processes and activities basically involve individual and group problems.

- c) Religion, as a life belief that is included in the construction of one's personality is very influential in the way of thinking, behaving and behaving in an individual.
- d) Socio-economic, the environment influences a person's behavior is the social environment. The social environment can involve socio-cultural and socio-economic.
- e) Culture, is an expression of the soul embodied in ways of life and thinking, association of life, religion, recreation and entertainment

3. Other factors

- a) The central nervous system plays an important role because it is a means of transferring energy from stimulation through neurons to the peripheral nervous system which will then turn into behavior.
- b) Perception, the process of receiving stimulation through the five senses which is preceded by attention, so that the individual is aware of something that is inside and outside of himself.
- c) Emotions, manifestations of feelings or effects because they are accompanied by many physiological components, usually of short duration.

Along with economic and business developments, many people compete with each other for personal gain, therefore we encounter many cases of earnings manipulation in a company carried out by management, with these cases indicating that a person's level of compliance will be lost for the sake of get personal gain. In order to avoid inappropriate actions, companies must implement an internal control system, such as a public accounting firm that implements a quality control system to control the quality of services produced by the public accounting firm itself.

Agency Theory

The agency relationship perspective is the basis used to understand the concept of Corporate Governance. According to Jensen and Meckling (1976) explain agency relationships as "Agency relationship as a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent" agency relationship is a contract in which one or more people (principals) instruct another person (agent) to perform a service on behalf of the principal and authorize the agent to make the best decision for the principal. According to R.A Supriyono (2018: 63) in PP Azkiyah (2019), agency theory is a concept that describes the relationship between the principal (contract giver) and the agent (contract recipient), the principal contracts the agent to work for the interests or objectives of the principal so that the principal gives the authority to make decisions to agents to achieve these goals. Agency relationships often cause an agency problem, namely a conflict of interest between the two parties (shareholders and management) in terms of policies that must be carried out in an agency relationship. The way to overcome this condition requires a control mechanism that can equalize the different interests of the two parties. According to Meisser et al. (2006: 7) in PP Azkiyah (2019) states that this agency relationship results in two problems, namely:

- A. The occurrence of information asymmetry (information asymmetry). Management generally has more information about the actual financial position and operating position of the entity than owners. Meanwhile, the condition of the company that is reported by the manager is not always relevant to reality.
- B. There is a conflict of interest. Shareholders want greater and faster returns on their investment, while managers have opportunistic behavior who want incentives to work in running the company. In an effort to overcome agency problems, shareholders incur additional costs called agency costs. Total supervision of the activities of managers can indeed solve agency problems, but this supervision requires expensive costs so that supervision can be said to be less efficient. To reduce agency problems, there is an efficient way, namely by creating a fear of layoffs if management has poor performance and to reduce agency costs, companies provide additional bonuses to management who have good performance. The implementation of agency theory in this study is that companies or clients act as principals as service providers and auditors act as agents as service recipients. If the company has good corporate governance then the audit process will take place properly, but if it has bad corporate governance it is difficult for an auditor to cooperate with management in conducting the audit process.

Auditing

According to Alvin A. Arens, Randal J. Elder, Mark S. Beasley (2015: 2) in his book entitled "Auditing & Assurance Services" auditing is the collection and evaluation of evidence about information to determine and report the degree of conformity between that information and the criteria set has been established. Auditing must be carried out by a competent and independent person. According to Rick Hayes, Philip Wallage, Hans Gortemaker (2017:10) in his book entitled "Auditing Principles (International Standards on Auditing)".

Auditing is an objective, systematic process of obtaining and evaluating evidence regarding assertions about economic policies and events to ascertain the degree of conformity between these assertions and established criteria, and communicating the results to interested parties.

Audit Planning

According to Rick Hayes, Philip Wallage, Hans Gortemaker (2017: 202) in his book entitled "Auditing Principles (International Standards on Auditing)" the purpose of planning an audit is to determine the time and scope of the audit, the amount and type of evidence (evidence), and the review needed to convince the auditor that there are no material misstatements in the financial statements. According to Alvin A. Arens, Randal J. Elder, Mark S. Beasley (2015: 246) in his book entitled "Auditing & Assurance Services" there are three main reasons why the auditor must plan the assignment properly: to enable the auditor to obtain appropriate and sufficient evidence the situation at hand, to help keep audit fees reasonable, and to avoid misunderstandings with clients. If a CPA firm is to minimize legal liability and maintain a good reputation in the business community, appropriate and sufficient evidence must be obtained.

Earnings Manipulation Risk

Auditing standards require the auditor to understand the entity and its environment including its internal control, to assess the risks of material misstatement at the overall financial statement level and the relevant assertion level for classes of transactions, account balances and disclosures. According to Healy and Wahlen (1999) in Aulia Afriyani (2017) defines earnings manipulation as "occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers". According to Healy and Wahlen (1999) earnings manipulation occurs when management changes financial statements to confuse or influence stakeholders.

Corporate Governance Risk

As a concept, Good Corporate Governance (GCG) does not have a single definition. The term corporate governance itself was first introduced by the Cadbury Committee in 1992 which used the term. In their report known as the Cadbury Report, this report is held as a decisive turning point for corporate governance practices throughout the world, according to the Cadbury Report defining corporate governance is the principle that directs and controls companies in order to achieve a balance between the power and authority of the company in describing its responsibilities to stake holders in particular, and stakeholders in general. According to Muh. Arief Effendi (2016: 3) in his book entitled "The Power of Good Corporate Governance" good corporate governance is a system designed to direct professional company management based on the principles of transparency, accountability, responsibility, independence, fairness and equality.

Quality Control System

In general, communication of quality control policies and procedures to KAP personnel includes an explanation of the quality control policies and procedures and the objectives to be achieved from the draft policies and procedures, as well as a message that each individual in the KAP has personal responsibility for the quality of his work and expected to comply with these policies and procedures. Based on the law of the Republic of Indonesia Number 5 of 2001 concerning public accountants it is explained that a Public Accountant Office (KAP) must have and attach a KAP quality control system (RSPM) design that meets the Public Accountant Professional

Standards (SPAP) which at least includes aspects of the policy on all elements of quality control. KAP or KAP branches are required to carry out the quality control system. Based on the SPAP issued by the Indonesian Institute of Certified Public Accountants (IAPI) in 2013 in Quality Control Standards No. 1, IAPI (1 January 2013) includes elements, namely:

1. KAP leadership responsibility for quality
2. Provisions of professional ethics that apply
3. Acceptance and continuance of specific client relationships and engagements
4. Human resources
5. Implementation of the engagement
6. Monitoring

CONCEPTUAL FRAMEWORK

Risk of earnings manipulation on audit planning

Based on several phenomena that have occurred before, such as in the case of PT Garuda Indonesia (Persero), in this case there was earnings manipulation in PT Garuda Indonesia's financial statements for 2018, this earnings manipulation occurred as a result of PT Garuda Indonesia listing receivables as an opinion so that PT Garuda Indonesia experienced profits that should have suffered a loss in the 2018 financial year. From the phenomena that occur the risk of earnings manipulation can be reduced by having a thorough audit plan, with an audit plan, we can prevent the risk of earnings manipulation with pre-planned prevention efforts. The application of theory related to this research is prospect theory, compliance theory and agency theory, prospect theory contains the decision-making actions of a person or organization in a risky condition, compliance theory is a form of human behavior derived from the urge that exists within humans, to comply with rules or applicable norms and agency theory is the relationship between principals and agents, principals as service providers, namely clients and agents as service recipients, namely auditors. Research on the risk of earnings manipulation was conducted by Widyaretno (2015) with the title "Effects of earnings manipulation risk, corporate governance risk and auditor experience on audit planning of Public Accounting Firms (KAP) in the city of Surabaya." The results of this study indicate that earnings manipulation risk has a positive effect on audit planning, corporate governance risk has no positive effect on audit planning and auditor experience has no positive effect on audit planning. Based on the phenomenon, the relationship between variables, theories and previous research, the risk of earnings manipulation has a positive effect on audit planning.

Corporate governance risk on audit planning

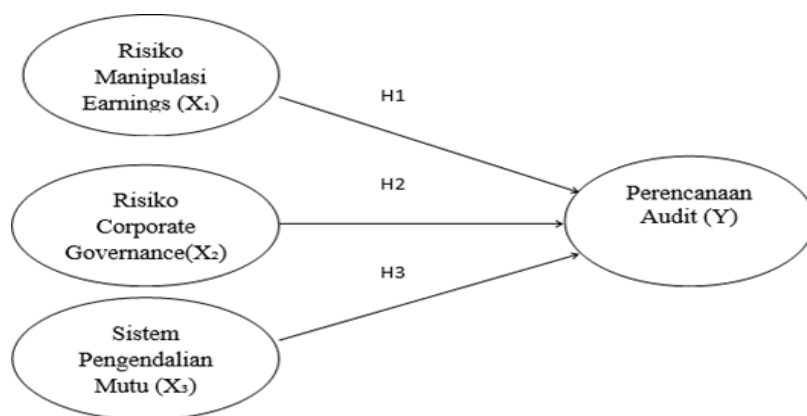
Based on several phenomena that had occurred before, such as in the Jiwasraya case, in this case there was a modification of the financial statements in 2006. The bookkeeping that should have been calculated as a loss was modified in such a way by Jiwasraya. As well as irregularities in the bookkeeping of net profit carried out by Jiwasraya in 2017. The recorded net profit of IDR 360.3 billion is considered to have a shortage of reserves, namely IDR 7.7 trillion, so if the reserves are carried out according to the provisions, the company should suffer losses. In 2018, Jiwasraya recorded an unaudited loss of IDR 15.3 trillion until the end of September 2019, an estimated loss of IDR 13.7 trillion. From the phenomenon that occurs Corporate governance risk can be reduced by the auditor with an audit plan that becomes the basis or guide during the audit process, because the success of the audit process is determined from good previous audit planning. The application of theory related to this research is prospect theory, compliance theory and agency theory, prospect theory contains the decision-making actions of a person or organization in a risky condition, compliance theory is a form of human behavior derived from the urge that exists within humans, to comply with rules or applicable norms and agency theory is the relationship between principals and agents, principals as service providers, namely clients and agents as service recipients, namely auditors. Pestaria P. (2015) conducted research on corporate governance risk (2015) with the title "Analysis of the Influence of Earnings Manipulation Risk and Corporate Governance Risk on Audit Planning in Public Accounting Firms (KAP) in Palembang" The results of this study indicate that the risk of earnings manipulation has a significant effect and positive effect on audit planning at the Public Accounting Firm (KAP) in Palembang, corporate governance risk has a significant and positive effect on audit planning at the Public Accounting Firm (KAP) in Palembang, earnings manipulation risk and corporate governance risk have a significant

and positive effect on audit planning at the Office Public Accountant (KAP) in Palembang. Based on the phenomenon that occurs, the relationship between variables, theories and previous research, corporate governance risk has a positive effect on audit planning.

Quality control system for audit planning

Based on Quality Control Standard No. 1, IAPI (1 January 2013) consists of 6 elements namely, 1) KAP's leadership responsibility for quality; 2) Provisions of professional ethics that apply; 3) Acceptance and continuance of relationships with specific clients and engagements; 4) Human resources; 5) Implementation of the engagement; 6) Monitoring. Several phenomena that have occurred before, such as the violation case of Public Accountant (AP) Sherly Jakom from the public accounting firm (KAP) Purwanto, Sungkoro and Surja who is a partner of Ernst and Young (EY) for being proven to have violated article 66 of the capital market law jis. Paragraph A 14 SPAP SA 200 and Section 130 of the Public Accountant Professional Code of Ethics from the Indonesian Institute of Certified Public Accountants (IAI), in other words, the OJK considers that the auditors were not thorough and careful in presenting the financial statements of PT Hanson International Tbk. From the phenomenon that occurs, a good quality control system will affect audit planning, because when the auditor accepts clients and the continuity of previous clients, the auditor will carry out audit planning before carrying out the audit process, in order to avoid audit risks that will occur. In addition, the success of the audit process is determined from the previous audit planning. The application of theory related to this research is prospect theory, compliance theory and agency theory, prospect theory contains the decision-making actions of a person or organization in a risky condition, compliance theory is a form of human behavior derived from the urge that exists within humans, to comply with rules or applicable norms and agency theory is the relationship between principals and agents, principals as service providers, namely clients and agents as service recipients, namely auditors. Research on quality control systems has been carried out by Nurrohmah & Aman F (2016) with the title "The Influence of the Quality Control System of the Public Accounting Firm on the Effectiveness of Audit Planning" The results of this study indicate that the KAP quality control system has a positive effect on the effectiveness of audit planning by 20.79% . This proves that if the quality control system is implemented properly then audit planning will be more effective. Based on the phenomenon that occurs, the relationship between variables, theories and previous research, the quality control system has a positive effect on audit planning.

Based on the literature review and research review above, the independent variables of the study are the risk of earnings manipulation, the risk of corporate governance and the quality control system of public accounting firms. As for the dependent variable is audit planning. Based on the relationship between these variables, the framework can be described as follows:



Gambar 2.1
Rerangka Pemikiran

Research Hypothesis

Based on the theory and framework above, the hypothesis proposed is as follows:

H1: There is a positive and significant influence of earnings manipulation risk on audit planning.

H2: There is a positive and significant influence of corporate governance risk on audit planning

H3: There is a positive and significant effect of the Public Accounting Firm's quality control system on audit planning.

METHODOLOGY

The time for this research activity was carried out starting from the preparation of the research proposal to implementation of the research report from September 2020 to May 2021.

The location of the research activity will be carried out at the Public Accountant Office in the Administrative City of South Jakarta by distributing questionnaires to obtain the primary data needed in this study.

Research Design The method used in the preparation of this thesis is a causal research method. Causal research is research to test hypotheses about the effect of one or several variables (independent variables) on other variables (dependent variables). The purpose of causal research is to develop a research model and test the proposed research hypotheses.

Operational Variables in this study there are two kinds of variables, namely the dependent variable and the independent variable. independent variables (independent) in this study are earnings manipulation risk, corporate governance risk and quality control system. While the dependent variable is audit planning.

Variable Measurement All the variables above are measured using a Likert scale, which is a scale used to measure each respondent's answer to the research object where the scale uses a research scale with a score range of 1-5, respondents are asked to provide a checklist (✓) on alternative answers for each For each question, the level of scoring is done as follows:

Table 3.2 Likert Scale Score 5 Levels

Answer	Score
Strongly Disagree	1
Disagree	2
Neutral	3
Agree	4
Strongly Agree	5

1. Population

The research population is the source according to Sugiyono (2017: 80) in (2019) population is a generalized area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to study and then draw conclusions.

The population in this study were all Public Accountants working at the South Jakarta Public Accounting Firm according to the OJK, which totaled approximately 307 Public Accountants out of a total of 68 Public Accounting Firms in South Jakarta City.

2. Samples

According to Sugiyono (2018: 131), the sample in a study is part of the number and characteristics of the population. The sampling technique uses purposive sampling, this is done so that the data obtained is for research purposes and can be relatively compared with the results of previous studies. Based on this method, the criteria for determining the sample used in this study are as follows:

1. Respondents are not limited by the auditor's position at KAP (partner, senior, or junior auditor) so that all auditors working at KAP can be included as respondents.
2. Respondents in this study were auditors at the KAP in South Jakarta
3. The working period for respondents has worked for at least 1 year

To determine the number/sample size will be determined using the formula from Slovin with an error rate of 10% (Wati, 2017:93) as follows:

$$n = \frac{N}{1 + Ne^2}$$

Information:

n = Number of Samples

N = Total Population

e = Tolerable error limit of 5%

then:

$$n = \frac{307}{1 + (307 \times 0,052)}$$

$$n = 173,6 \text{ rounded to } 174$$

Based on calculations using the formula above, it was obtained that the number of samples used for this study were 174 External Auditors from a total population of 307 External Auditors from 20 KAPs. However, due to pandemic constraints, 15 Public Accounting Firms were willing to contribute with a total of 150 External Auditors as respondents.

Data collection technique

In this study, data collection techniques used survey techniques. Survey technique is research in which the main source of data and information is obtained from respondents as a research sample using a questionnaire or questionnaire as a data collection instrument. In general, the sample used as the unit of analysis is an individual. However, other units such as households, groups, companies, to countries can also be used as units of analysis.

Analysis Method

The stages of data analysis that will be carried out to carry out the test are as follows:

1. Analysis of Respondent Characteristics. Respondent characteristics in this study include name, gender, age, educational background, position in KAP.
2. Descriptive statistical analysis, according to Lela (2018: 117) descriptive statistical analysis is used to define research variables without making generalizations. The data that has been collected is then tabulated in a table and discussed descriptively. The purpose of descriptive analysis is only to present and analyze data so that it is meaningful and communicative.
3. Partial Least Square Analysis
 - a. Definition of Partial Least Square
Partial Least Square is a variance based structural equation modeling, which uses the Partial Least Square (Smart-PLS) program to process the data. PLS is intended for casual-predictive analysis in situations of high complexity and low theoretical support (Ghozali, 2015). The purpose of PLS is to find the optimal predictive linear relationship that exists in the data and to confirm the theory and can also be used to explain whether or not there is a relationship between latent variables.

b. Testing the Measurement Model (Outer model)

According to Ghazali (2015) the outer model is often called (Outer Relation or Measurement Model) defines how each indicator block relates to other variables. Through this research to determine the model validity test was evaluated through convergent validity, discriminant from indicators forming latent constructs and Average Variance Extracted (AVE). Meanwhile, the reliability test is evaluated through composite reliability and Cronbach alpha for the indicators (Ghozali 2015).

1. Convergent Validity

Convergent validity relates to the principle that the gauge (manifest variable) of a construct should be highly correlated. The reflexive indicator convergent validity test can be seen from the loading factor value for each construct indicator. The rule of thumb that is usually used to assess convergent validity is that the loading factor value must be more than 0.7 for confirmatory studies and the loading factor value between 0.6–0.7 for exploratory ones is still acceptable (Chin, 1998 in Ghazali, 2015: 74).

2. Discriminant Validity

According to Fornell and Larcker in Ghazali (2015) Discriminant Validity of the measurement model with reflexive indicators is assessed based on the measurement crossloading is greater than other construct sizes, then it shows that latent constructs predict the size of their block better than other block sizes.

3. Average Variance Extraced (AVE)

The model has good discriminant validity if the roots of the AVE for each construct are greater than the correlation between one construct and another. Another test is to assess construct validity by looking at the AVE value. Assessing the validity of the construct by looking at the AVE, a good model is required if the AVE of each construct is greater than 0.50 (Ghozali, 2015).

4. Reliability Test (Composite Reliability and Cronbach's Alpha)

Reliability testing was carried out aiming to test the reliability of the instrument in a research model. To measure the reliability of a construct with reflexive indicators can be done in two ways, namely Cronbach's Alpha and Composite Reliability. However, it is used to test construct reliability in a research model or to measure internal consistency with the requirement to have Composite reliability or Cronbach alpha values ≥ 0.7 . The construct has good reliability if the composite reliability and Cronbach's alpha values for all variables are greater than 0.70, so the questionnaire in this study is reliable and consistent (Ghozali, 2015).

c. Structural Evaluation (Inner Model)

According to Wati (2017: 224), a test on the structural model is carried out to examine the relationship between latent constructs. The inner model describes the relationship between latent variables based on substantive theory. Testing on the structural model is carried out through:

5. Model Accuracy Test (Goodness of Fit)

a) The value of R-Square, R-Square which is a goodness-fit model test (Model Consistency Test). The second test can be seen from the R-Square results for endogenous latent variables of 0.7, 0.67, 0.33 and 0.19 indicating that the model is strong, good, moderate and weak in the structural model.

b) Hypothesis test

According to Hair et al. (2008) in Abdillah and Jogiyanto (2015: 197) explains that a significant measure of hypothesis support can be used to compare the value of the path coefficient or inner model. In Ghazali and Latan, 2015 the path coefficient score or inner model indicated by the T-statistic value must be above 1.96 and with a significance level of 5%

RESULTS AND DISCUSSION

This research was conducted with the research object being an auditor who works at a public accounting firm in the South Jakarta area. Data collection was carried out by distributing research questionnaires directly to respondents by visiting the Public Accountant's office in South Jakarta. Questionnaires were distributed from November 2020 to May 2021. With this time span, 150 questionnaires were distributed.

A summary of the number of sent and returned questionnaires in this study can be seen in table 4.1.

Tabel 4.1
Distribusi Penyebaran Kuesioner

No	Satuan Kerja	Kuesioner yang disebar	Kuesioner yang kembali
1.	KAP Doli, Bambang, Sulistiyanto, Dandang & Ali	10	10
2.	KAP Amanda & Enita	10	10
3.	KAP Muhammad Daniel	10	10
4.	KAP Fajar Sutrisno	10	10
5.	KAP Arnen, Budiman & Rekan	10	10
6.	KAP Rama Wondra	10	10
7.	KAP Luqman & Sarifuddin	10	10
8.	KAP Ispady & Dande	10	10
9.	KAP Drs. A. Salam Rauf & Rekan	10	10
10.	KAP Ihsak, Saleh, Soewondo & Rekan	10	10
11.	KAP Slamet Riyanto, Aryanto & Rekan	10	10
12.	KAP Drs. Wirawan & Rekan	10	10
13.	KAP Drs. Bambang Medjono	10	10
14.	KAP Kanaka Puradiredja, Suhartono	10	10
15.	KAP Husni, Mucharam & Rasidi	10	10

Hypothesis testing is testing the regression coefficient of each variable to find out how much influence the independent variables have on the dependent variable by looking at the parameter coefficients and the T-statistic significance value on Path Coefficients.

Tabel 4.18
Hasil Pengujian Hipotesis

Variabel	Original Sample	Sample Mean	Standar Deviation	T. Statistic	P Values
Risiko Manipulasi Earnings → Perencanaan Audit	0.100	0.103	0.082	1.228	0.220
Risiko Corporate Governance → Perencanaan Audit	0.904	0.908	0.046	19.664	0.000
Sistem Pengendalian Mutu → KWP	0.144	0.142	0.056	2.561	0.011

Sumber: Data diolah dari PLS,2021

Based on the results of the Partial Least Square (PLS) analysis, this section will discuss the results of the calculations that have been carried out. This study aims to determine the effect of earnings manipulation risk, corporate governance risk and quality control systems on audit planning.

1. Effect of Earnings Manipulation Risk on Audit Planning

Based on the results of the hypothesis testing in this study, the results of the T-statistic showed a value of 1.228 (< 1.98) and a P-value of 0.220 (> 0.05) and the original sample value was positive, namely 0.100. From these results it can be concluded that the first hypothesis is rejected, namely the risk of earnings manipulation has a positive and not significant effect on audit planning. This shows the behavior of the auditor who is not paying attention or the lack of response (response) of the auditor to management behavior in manipulating

earnings or agency problems that exist in the client company. Also, the auditor lacks experience in auditing clients, so that when the auditor determines the time for audit planning, they have not considered the risk of client management behavior. Thus, profit manipulation that occurs on the client is not a risk for the auditor so that it is not a consideration for the auditor when determining the duration of the audit plan.

The results of this study are in line with research conducted by Eko Budi Hardianto (2011) which states that the risk of earnings manipulation has no effect on audit planning. However, in contrast to previous research conducted by Dra. Sonang Pestaria P (2015), Deni Widyaretno (2015), Bedard & Johnstone (2004), Hassn (2018), Arliani (2011) and Ilat & Korompis (2011) which show the risk of earnings manipulation has a positive and significant effect on audit planning.

2. Effect of Corporate Governance Risk on Audit Planning

Based on the results of the hypothesis testing in this study, the results obtained were the T-statistic value which showed a value of 19,664 (> 1.98) and a P-value of 0.000 (< 0.05) and the original sample value is positive, which is equal to 0.904. From these results it can be concluded that the second hypothesis is accepted, namely corporate governance risk has a positive effect and significant to audit planning. Corporate governance is a series of mechanisms used to limit agency problems. This shows that if the concept of corporate governance is implemented properly, it is expected to reduce earnings manipulation. Corporate governance is related to earnings, especially related to earnings manipulation. This linkage will reduce the risk borne by the auditor on management's actions on the profit created and the risk of good or bad corporate governance in the client company in the implementation of the audit plan.

The results of this study are in line with research conducted by Dra. Sonang Pestaria P (2015), Hassn (2018), Arliani (2011) and Ilat & Korompis (2011) which state that corporate governance risk has a positive and significant effect on audit planning. However, it is different from previous research conducted by Deni Widyaretno (2015) and Eko Budi Hardianto (2011) which showed that corporate governance risk has no effect on audit planning.

3. Effect of Quality Control System on Audit Planning

Based on the results of hypothesis testing in this study, the results obtained by the T-statistic value showed a value of 2.561 (> 1.98) and a P-value of 0.011 (< 0.05) and the original sample value is positive, which is equal to 0.144. From these results it can be concluded that the third hypothesis is accepted, namely the quality control system has a positive and significant effect on audit planning. This shows that the KAP has implemented a KAP quality control system very well and effectively so that the higher the quality control system, the more reliable it is in planning the audit.

The results of this study are in line with research conducted by Siti Nurrohmah (2016) and Rani (2013) which state that the quality control system has a positive and significant effect on audit planning.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This study tries to analyze the variables related to the risk of earnings manipulation, corporate governance risk and quality control systems on audit planning at the South Jakarta Public Accounting Firm. From the results of the Partial Least Square (PLS) calculation in this study, the following conclusions can be drawn:

1. The risk of earnings manipulation has no effect on audit planning. This means that the lower the risk of earnings manipulation, the less effective the audit planning is or vice versa, the higher the earnings manipulation risk faced by the auditor from his client, the more effective the audit planning is.
2. Corporate governance risk has a positive and significant effect on audit planning. This means that if the concept of corporate governance is implemented properly, the audit planning will be more effective.
3. The quality control system has a positive and significant effect on audit planning. This means that the higher

the quality control system, the more effective the audit planning.

Suggestion

Based on the results of this study and matters related to the limitations of the research conducted, the researchers provide suggestions that can be used as material for further consideration by interested parties as follows:

1. The Public Accounting Firm is expected to be able to improve audit planning in reviewing industry data, client business information, and last year's working papers, so that audit planning runs effectively in accordance with the quality control system implemented by KAP.
2. The results of the hypothesis show that the risk of earnings manipulation has no effect on audit planning. Future researchers should focus more on and re-examine the earnings manipulation risk variable, this is because in order to further elucidate the reasons why the earnings manipulation risk variable has no effect on audit planning.
3. Future research is expected to be able to examine a wider sample and more in-depth analysis of the risk of earnings manipulation, corporate governance risk and quality control systems.

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