

## THE INFLUENCE OF THE AUDIT COMMITTEE, COMPANY SIZE, AUDIT TENURE, AND KAP REPUTATION ON GOING CONCERN AUDIT OPINIONS (EMPIRICAL STUDY OF TRADING, SERVICE AND INVESTMENT COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2020-2022 PERIOD)

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**Abstract:** A going concern audit opinion is an opinion given by the auditor stating whether there is doubt about the entity's ability to continue as a going concern. Going concern problems are complex and continue to exist, so factors are needed that are used as benchmarks in determining a company's going concern status. This research aims to examine the influence of the audit committee, company size, audit tenure, and KAP reputation about current audit opinions. The subjects of this research are trading, service, and investment companies listed on the Indonesian stock market. The sampling method used a purposive sampling technique for 183 companies. The data in this research was collected through non-participant observation methods by downloading data from the IDX. The results of hypothesis testing show that the variables company size and KAP reputation do not affect going concern audit opinion, while the variables audit committee and audit tenure have a significant effect on going concern audit opinion.

**Keywords:** Audit Committee, Audit Tenure, Audit Opinion Going Concern, Company Size and, KAP Reputation

**Abstrak:** Opini audit going concern adalah opini yang diberikan oleh auditor yang menyatakan apakah terdapat kesangsian terhadap kemampuan entitas dalam mempertahankan kelangsungan hidup (going concern). Masalah going concern merupakan masalah yang kompleks dan terus ada, sehingga diperlukan faktor-faktor yang dijadikan tolak ukur dalam menentukan status going concern suatu perusahaan. Penelitian ini bertujuan untuk menguji pengaruh komite audit, ukuran perusahaan, audit tenure, dan reputasi KAP dalam hubungannya dengan opini audit tahun berjalan. Subjek penelitian ini adalah perusahaan perdagangan, jasa, dan investasi yang terdaftar di pasar modal Indonesia. Metode pengambilan sampel menggunakan teknik purposive sampling terhadap 183 perusahaan. Data dalam penelitian ini dikumpulkan melalui metode observasi non partisipan dengan cara mengunduh data dari BEI. Hasil pengujian hipotesis menunjukkan bahwa variabel ukuran perusahaan, reputasi KAP tidak berpengaruh terhadap opini audit going concern, sedangkan variabel komite audit dan audit tenure berpengaruh signifikan terhadap opini audit going concern.

**Kata kunci:** Komite Audit, Audit Tenure, Opini Audit Going Concern, Ukuran Perusahaan dan, Reputasi KAP

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## **INTRODUCTION**

The government decided to combine the Jakarta Stock Exchange into one exchange with the Surabaya stock market which is a bond and derivative market. The common good is the basic premise of one thing. When preparing a financial survey, it is assumed that the business has no intention or desire to Eliminate or even significantly reduce the scope of its business (Praptika & Rasmini, 2016) Auditors are part of a group of people outside the company who do not take any sides The person is responsible for the correctness of the financial statements prepared by the company by the presentation of accounting standard financial statements. As an independent party, the auditor providing an opinion on the financial statements must disclose the actual situation of the entity. The auditor's opinion is a statement regarding the correctness of the presentation of the entity's financial statements. According to the Public Accountant Professional Standards (SPAP, 2013) (Indonesian Public Accountants Association, 2012), 5 types of opinions can be expressed by auditors in independent audit reports, Opinion, Qualified Opinion, Modified Unqualified Opinion, Adverse Opinion, and the last disclaimer. The recipient of a non-going concern audit opinion can be considered as a company obtaining an Unqualified Opinion opinion in its audit report. Giving a non-going concern opinion to the auditor when evaluating financial reports regarding conditions can make the auditor doubt the company's ability to maintain the continuity of its business.

On the other hand, accounting entities will accept a non-going concern opinion if the company has problems that could affect the continuity of the company's business and there are doubts about the company's going concern. Thus, it is the auditor's responsibility to explain the things that cause the company to have a concerned opinion because for the company it is bad news (Syahputra & Rizal Yahya, 2017) if the auditor's opinion does not show the current state of the subject, it will reduce the reputation Public Accounting Firm (KAP) and also the auditor who audits the company. The things that the company may convey to you regarding business continuity are explained clearly by the auditor through an independent audit report. The Indonesia Stock Exchange states that several companies still have doubts about the continuity of their business. A company whose income is zero or always experiences continuous losses is a sign of a company whose business continuity in the future is doubtful. Companies with questionable business viability have these shares suspended to reduce investor risk and protect investors. This can take the form of a debt restructuring process to improve ongoing concerns. For companies whose shares have been suspended for more than two years but have not been able to improve their financial condition, the Indonesian Stock Exchange will impose sanctions in the form of forced delisting. The phenomenon that occurs in the field shows that many companies that have gone public are experiencing concern problems and their business continuity is doubtful.

PT Krakatau Steel's 2019 financial report received a going concern audit opinion from the auditor because it experienced a net loss of US\$ 505 million for the year ended 31 December 2019 and had an accumulated loss balance of US\$ 2,164 million and a negative working capital position of US\$ 1,803 million on December 31, 2019. A similar case regarding ongoing concerns also occurred at PT Prima Cakrawala Abadi Tbk. Reporting from kumparan.com PT Prima Cakrawala Abadi Tbk. experienced a decline in production and sales because the company only operated one factory while the other two factories experienced licensing problems and faced many returns from consumers. This condition caused auditors in 2019 to express doubts about the company's ability to maintain its survival. This condition also affects trading in shares of PT Prima Cakrawala Abadi Tbk. in the capital market. PT Prima Cakrawala Abadi Tbk share price. The Indonesian Stock Exchange has imposed a mandatory withdrawal order on PT. Sigmagold Inti Perkasa Tbk. Because the company cannot provide

future plans regarding business continuity (going concern). Second, the suspended company shares cannot be sold on the regular market and on the cash market which has only been traded on the stock exchange for the last 24 months. Companies that receive a going concern audit opinion have doubts about their business continuity. The table above shows the companies that were delisted in connection with this continuation. In the last two years, namely 2020 and 2021, there were companies from the trade, services, and investment sectors that were delisted by the Indonesian Stock Exchange due to ongoing concerns. In 2020, organizations from the sector, services, and investment sectors, especially PT. Sigmagold Inti Perkasa Tbk (TMPI) and Grahamas Citrawisata Tbk (GMCW).

## **METHODS**

This research uses quantitative methods. The population used in this research is companies in the trading sector. This research aims to find out about the relationships that have positive characteristics with the existence of independent variables (audit committee, company size, audit tenure, and audit committee), dependent variable (going concern audit opinion)

The sample in this study was taken by sampling (purposive sampling). This sampling technique is based on certain considerations, namely: a) Trade, service, and investment sector companies listed on the Indonesia Stock Exchange in 2020-2022; b) Companies that publish complete financial reports for the 2020-2022 period.

**Table 1. Results of sample selection using the purposive sampling method**

<b>Information</b>	<b>Amount</b>
Trading, service, and investment sector companies listed on the IDX for the 2020-2022 period	183
Companies that are not listed in a row in the trading, services, and investment sectors on the IDX during the 2020-2022 period	(45)
Companies that have not published consecutive audited annual reports as of December 31 during the 2020-2022 period	0
Sample	138
Number of observation samples	414

Source: Processed data

Based on the criteria above, it can be concluded that the companies used in this research were 414 companies in the trade, service, and investment sectors for the 2020-2022 period, resulting in a sample size (n) of  $138 \times 3 = 414$  observation data.

The data collection method used in this research is documentation techniques. Documentation is a method of collecting data obtained from existing documents or stored records, so this research uses financial report data from companies in the trade, services, and investment sectors on the Indonesia Stock Exchange for 2020-2022.

The data analysis technique in this research uses the classic assumption test. The researcher uses the multicollinearity test for logistic regression. The prerequisite or data quality tests carried out include the overall model fit test, model feasibility test using the Hosmer and Lemeshow Test, and the known F test. with Simultaneous Test or Model Test/Anova.

## RESULT AND DISCUSSION

Table 2. Results of Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Audit Committee	414	0	5	2.80	.852
Company Size	414	1656805	3047728783	2200005911.62	724.734.009.746
Tenure audit	414	0	3	1.31	.582
KAP reputation	414	0	1	.24	.426
Going Concern Audit Opinion	414	0	1	.35	.476
Valid N ( <i>listwise</i> )	414				

Source: Processed data

Based on Table 2, the information presented is: 1) The total sample of observations is 414 data obtained from trade, service, and investment sector companies registered on the IDX for the 2020-2022 period; 2) The audit committee variable has a minimum value of 0 and a maximum value of 5. The average value of the audit committee variable is 2.80 and the standard deviation is 0.852; 3) The company size variable has a minimum value of 1656805 and a maximum value of 3047728783. The average value of the company size variable is 2200005911 and the standard deviation is 724734009; 4) The audit tenure variable has a minimum value of 0 and a maximum value of 3. The average audit tenure value is 1.31 and the standard deviation value is 0.582, 5) The KAP reputation variable is a dummy, so the minimum value of 0 is for KAPs that are not big four and the maximum value is 1 for KAPs that are classified as big four. KAP reputation has an average value of 0.24 and a standard deviation value of 0.426; 6) The going concern audit opinion variable is a dummy variable, so the minimum value is 0 for companies that are not experiencing going concerned and the maximum value is 1 for companies that are experiencing going concerned. The going concern audit opinion variable has an average value of 0.35 and a standard deviation value of 0.476

Table 3. Test Results Multicollinearity

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Audit Committee	.980	1,021
	Company Size	.965	1,036
	Tenure audit	.983	1,017
	KAP reputation	.963	1,038

a. Dependent Variable: Going Concern Audit Opinion

Source: Processed data

The multicollinearity test is used to see whether there is a correlation or relationship between the independent variables in the regression model. A good regression model is that there is no multicorrelation which can be seen from the Variance Inflation Factor (VIF) value being smaller than 10 or the tolerance value being greater than 0.1.

Table 4. Results of Logistic Regression Analysis

Variables in the Equation		B
Step 1 <sup>a</sup>	Audit Committee	.318
	Company Size	.000
	Audit Tenure	.359
	KAP Reputation	-.387
	Constant	-1.438

a) Variable(s) entered on step 1: Audit Committee, Company Size, Audit Tenure, KAP Reputation

Source: Processed data

Based on Table 4 above, the logistic regression equation model can be described as follows:

$$Y = -1.438 + 0.318X_1 + 0.000X_2 + 0.359X_3 - 0.387X_4 + e \dots\dots\dots 4.1$$

1. The constant value is -1.438, which means that if the variables audit committee, company size, audit tenure and KAP reputation and audit opinion are zero or non-existent then the going concern audit opinion value is 1.438
2. The audit committee regression coefficient is 0.318. This result can be interpreted as meaning that if the audit committee variable increases by one unit, going concern audit opinion increases by 0.318.
3. The company size regression coefficient is 0.000. This result can be interpreted as meaning that if the company size variable increases by one unit, the going concern audit opinion increases by 0.000
4. The audit tenure regression coefficient is 0.359. This result can be interpreted as meaning that if the audit tenure variable increases by one unit, the going concern audit opinion increases by 0.359.
5. The KAP reputation regression coefficient is - 0.387. This can be interpreted as meaning that if the KAP reputation variable increases by one unit, the going concern audit opinion decreases by 0.387.

Table 5. Model Feasibility Test Results

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	4,009	8	,856

Source: Processed data

Table 5, a significant value of  $0.856 > 0.05$  is obtained, so it can be concluded that the independent variables, namely company size, audit tenure, audit committee, and KAP reputation, are declared appropriate in explaining the dependent variable, namely going concern audit opinion.

Table 6. Overall Test Results for Model Step 1

Iteration History <sup>a,b,c</sup>			
Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	533,736	-,618
	2	533,695	-,639
	3	533,695	-,639
a. Constant is included in the model.			
b. Initial -2 Log-Likelihood: 533.695			
c. Estimation terminated at iteration number 3 because parameter estimates changed by less than .001.			

Source: Processed data

Table 7. Overall Model Test Results

Iteration History <sup>a,b,c,d</sup>		
Iteration		-2 Log likelihood
Step 1	1	521,130
	2	520,605
	3	520,603
	4	520,603
a. Method: Enter		
b. Constant is included in the model.		
c. Initial -2 Log-Likelihood: 533.695		
d. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.		

Source: Processed data

Based on the data in Table 6, a value of -2 log-likelihood step 0 is obtained amounting to 533,695, and in Table 6 the value of -2 log-likelihood step 1 is 533,695, so it can be concluded that the hypothesis formed fits the data because there are similarities between step 0 and step 1.

Table 8. Coefficient of Determination Test Results

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	520.603 <sup>a</sup>	,031	,043
a. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.			

Source: Processed data

Based on Table 8, the coefficient of determination value in the Nagelkerke R<sup>2</sup> column is 0.043 or 4.3%. This means the variables are company size, audit tenure, audit committee, and KAP reputation and can only influence the going concern audit opinion variable by 4.3% and the remaining 94.7% of the question mark is influenced by other variables outside the research.



This test is carried out to assess whether each independent variable can influence the dependent variable. If the significant value is less than 0.05 then the independent variable has an effect on the dependent variable.

Table 9. T Test Results

Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup>	Audit Committee	.318	.144	4.859	1	.027	1.375
	Company Size	.000	.000	2.457	1	.117	1.000
	Audit Tenure	.359	.185	3.782	1	.052	1.432
	KAP Reputation	-.387	.256	2.288	1	.130	.679
	Constant	-1.438	.597	5.796	1	.016	.237
a. Variable(s) entered on step 1: Audit Committee, Company Size, Audit Tenure, KAP Reputation							

Source: Processed data

## CONCLUSION

Based on the research results described in the previous chapter, the following conclusions can be drawn:

1. Audit committee variables have a positive effect on going concern audit opinion. An entity that obtains an unqualified audit committee will provide good news so that the company will release an audit report quickly.
2. The company size variable has a negative effect on going concern audit opinion. Companies that have been in business for a long time and those that are new to business will work together to build a good image, this is to attract the attention of investors so that company size cannot be a benchmark for whether a company will be better.
3. The audit tenure variable has a positive effect on going concern audit opinion. KAPs that have collaborated with a company for a long time will know the characteristics of the company's business so that they can reduce the potential for going concern.
4. The KAP reputation variable has a negative effect on going concern audit opinion. The accuracy of the presentation of financial reports is very influential on the auditor's professional performance, independence, and integrity so that it does not depend on the reputation of the big four owned by a KAP.

## SUGGESTIONS

1. For companies  
Companies that want to change KAP are advised to collaborate with KAP which usually carries out audits with the same line of company, so that auditors can more easily understand the characteristics of the company so that they can speed up the delivery of financial reports. Apart from that, companies should evaluate company performance periodically to control prominent factors that can influence going concern audits and companies are also expected to be able to provide the necessary data during the financial report audit process so that financial reports can be published early.
2. For investors  
Investors or potential investors are expected to be wiser in managing the information obtained from the company in terms of assessing the company's performance, where the important parts to be traced are the opinions from the audit to see whether the condition of

the company is in good condition or not due to the company's long age or the company Using a KAP affiliated with the big four does not guarantee that the company is in good health.

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