The Influence of Audit Quality, Financial Distress, Audit Tenure, Debt Default, and Audit Delay on Going Concern Audit Opinion (A Case Study on Transportation and Logistics Service Companies Listed on the Indonesia Stock Exchange in 2018-2022)

Syabina Maharani Zelovena[1*], Yudi[2], Rahayu[3]
Universitas Jambi, Indonesia[1]
Universitas Jambi, Indonesia[2]
Universitas Jambi, Indonesia[3]
Corresponding Email: syabinazelo@gmail.com*

Abstract

This research aims to examine the influence of Audit Quality, Financial Distress, Audit Tenure, Debt Default and Audit Delay on Going Concern Audit Opinions simultaneously and partially. This research is quantitative research. The population in this research is the Transportation and Logistics Sector Services companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2022 period which have been audited totaling 36 companies. The sampling method was carried out using a purposive sampling method. The sample in this study was 17 companies over 5 years, so the total sample in this study was 85. The data analysis method used to test the hypothesis was descriptive statistics and logistic regression analysis using SPSS version 26 software. The results of this study indicate that Audit Quality, Financial Distress, Audit Tenure, Debt Default and Audit Delay simultaneously influence the Going Concern Audit Opinion. Meanwhile, partially Audit Quality and Audit Delay influence the Going Concern Audit Opinion. Financial Distress, Audit tenure, and Debt Default have no effect on Going Concern Audit Opinion.

Keywords: Audit Quality, Financial Distress, Audit Tenure, Debt Default, Audit Delay, Going Concern Opinion

Introduction

A going concern opinion is an opinion issued by an auditor to determine whether the company can continue as a going concern. Audit opinion on financial statements is one of the considerations for investors when making investment decisions. The assumption of business continuity or going concern is one of the assumptions that must be used by management in

preparing and presenting financial reports. The financial condition of a company can reveal its true level of security, users of financial reports can analyze the financial health of a company and make predictions about the continuity of its business in the future. The company's financial condition influences the going concern audit opinion (Putra, Astuty and Sari, 2021).

Cases regarding going concern audit opinions occurred in the transportation sector in Indonesia, one of which was PT AirAsia Indonesia Tbk (CMPP), a transportation company in Indonesia which faced serious challenges in obtaining going concern audit opinions. The independent auditor's reports for 2019 and 2020 for PT AirAsia Indonesia Tbk (CMPP) indicate the existence of material uncertainties that could create significant doubt regarding the group's ability to maintain its operational continuity (Fitrawansyah, et al., 2023).

The going concern audit opinion was also experienced by one of the airline companies, namely Merpati Nusantara Airlines (Persero). After being declared bankrupt, PT Merpati Nusantara Airlines (Persero) or known as Merpati Airlines, was recorded as having debts worth IDR 10.9 trillion with negative equity reaching IDR 1.9 trillion based on the results of the 2020 financial report audit. This company was finally declared bankrupt by the Surabaya Commercial Court on June 2nd, 2022 (Faruqi, 2022).

A similar phenomenon was also experienced by one of the largest transportation companies in Indonesia, namely PT. Garuda Indonesia. Tbk. It is recorded that many parties with debt claims have filed lawsuits against Garuda Indonesia in court due to several obligations that have not been settled for payment. Without reaching any agreement, Garuda's financial status could be at risk of bankruptcy and and possibly lead to insolvency (Idris, 2022).

Based on the results of research that has been done before, as well as the non-uniformity of the results of the research above, this study aims to examine more deeply the effect of audit quality, financial distress, audit tenure, debt default dan audit delay on going concern audit opinion on transportation and logistics service companies listed on the Indonesia Stock Exchange in 2018-2022.

Literature Review

Agency Theory

Agency theory is a contractual relationship where one or more shareholders (principal) ask management (agent) to carry out a number of tasks on behalf of the principal which involves delegation of authority and business decision making by management (Hamza et al., 2023). In agency relationships, problems arise, namely information asymmetry, information imbalance occurs because the agent as the manager of the company has more complete information than the principal (Jensen and Meckling, 1976).

Going Concern Audit Opinion

According to SPAP (2011), a going concern audit opinion is an audit opinion issued by the auditor because there is great doubt regarding the entity's ability to maintain its survival. The going concern opinion in the auditor's report is always the center of attention (Pratiwi et al., 2024). The main reason is already known business failure (i.e. bankruptcy) of companies that recently audited. This event has generated various proposals that could change auditing, national audit regulations, and the auditing market (Schaub, 2022).

Audit Quality

Audit quality is defined as the level of auditor's understanding capability in analyzing the client's company (Tarfin et al., 2023). High audit quality will assist financial statement users in making decisions because the information presented by the auditor is relevant, valid and reliable. Auditors are responsible for conveying information of the highest quality. High-quality auditors will confidently provide audit opinions that are of concern to companies experiencing issues related to business continuity uncertainty (Rahmawati and Darsono, 2022).

Financial distress

Financial distress can be defined as a complete display or condition of a company's finances during a certain period, described by experiencing negative net profit for several years which will ultimately lead to bankruptcy. Financial distress conditions in a company lead to negative cash flow, poor financial ratios, and failure to pay debts (Senjaya and Budiartha, 2022).

Audit Tenure

Audit tenure is the length of engagement between the auditor and the client company. Based on Government Regulation No.20 of 2015 and OJK No. 13/POJK.03/2017, it is stated that the KAP's engagement/contract period with clients is not limited. There are concerns about the disruptionof auditor independence if there is too much comfort between the auditor and the client during the engagement period, which could lead to a decline in auditor quality (Sari and Satyawan, 2022).

Debt default

Debt default is defined as the failure of the debtor (company) to repay principal and/or interest on time. The benefits of debt default status have been previously studied by Chen and Church (1992) who found a strong relationship between default status and going concern audit opinion. When the company's debt is very large, a lot of the company's cash flow will be allocated to cover its debt, which will disrupt the continuity of the company's operations. If the debt cannot be repaid, the creditor will grant default status. Default status can increase the possibility of the auditor issuing a going concern report (Agustina, 2020).

Audit Delay

Audit delay is a delay in completing the audit process, which is calculated from the closing date of the financial year to the signing of the audit report by the auditor. This delay has an

impact on delays in the publication of audited Financial Reports, which can affect investors' perceptions of the company's condition (Chikita, et al., 2022).

Research Method

The type of research used in this research is quantitative. Quantitative methods are research methods that use data in the form of numbers and the collected data is analyzed using statistical formulations (Ghozali, 2021)..

This research uses the literature study method and documentation method by collecting and reviewing secondary data in the form of financial reports of companies in the Transportation and Logistics sector services listed on the IDX for the 2018-2022 period. The population of this research was 36 companies. After carrying out the purposive sampling method, the research sample was 17 companies with 5 years of research. Therefor, the total sample is 85 samples.

The following is a table of operational variables in this research:

No	Variable	Indicator	Scale
1	Audit Quality (X_1)	Measured by the benchmark earnings surprise proxy: **$\mu - \sigma < ROA < \mu + \sigma$** • KA=1, if it meets the benchmark • KA=0, if it does not meet the benchmark	Nominal
2	Financial distress (X_2)	Measured using the dummy method, Springate model calculations: Value of 1, if S Score < 0,862 (financial distress). Value of 0, if S Score > 0,862 (not financial distress)	Nominal
3	Audit Tenure (X_3)	Measured using an interval scale. The first year of the engagement starts with 1 and increases by one for subsequent years.	Interval
4	Debt default (X_4)	Companies with debt default status are given a dummy value of 1 Companies with no debt default status are given a value of 0	Nominal
5	Audit Delay (X_5)	Audit delay = number of days from the closing date of the financial year – the date of publication of the independent auditor's report	Interval
6	Going Concern Audit Opinion (Y)	Dummy variable valued of 0 if the company does not get a going concern opinion and 1 if the company gets a going concern opinion.	Nominal

This research uses a test model carried out with logistic regression analysis which is formulated as follows:

$$Y = \alpha + \beta_1 KA + \beta_2 FD + \beta_3 AT + \beta_4 DD + \beta_5 AD + \text{€}$$

Information:

Y = Going Concern Audit Opinion

α = Constant

β = Variable Coefficient

KA = Audit Quality (X_1)

FD = Financial distress (X_2)

AT = Audit Tenure (X_3)

DD = Debt Default (X_4)

AD = Audit Delay (X_5)

€ = Error Coefficient

The data analysis technique will be carried out using the logistic regression equation. Logistic regression is a type of regression that connects one or more independent variables with a dependent variable. This data analysis technique does not use normality tests and classical assumption tests on independent variables (Ghozali, 2021).

Result and Discussion

Descriptive Statistical Analysis

Descriptive statistical analysis is a test used to see statistical description of the independent variables and the dependent variable on a study. This analysis includes the number of samples (N), minimum value, value maximum, mean (mean), and standard deviation and frequency distribution for each variable used in the study.

Descriptive Statistical Test Results Table

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Going Concern Audit Opinion	85	0	1	.41	.495
Audit Quality	85	0	1	.89	.310
Financial Distress	85	0	1	.75	.434
Audit Tenure	85	1	5	2.47	1.368
Debt Default	85	0	1	.61	.490
Audit Delay	85	33	210	101.72	31.635
Valid N (listwise)	85				

Source: Data processed by SPSS 26, 2024

The table above explains the results of descriptive statistical tests with an explanation of each variable as follows:

1. The average value of going concern audit opinion is 0.41 with a standard deviation of 0.495. This average value means that the number of companies experiencing a going

concern audit opinion is 44%. The standard deviation value is 0.495, which means that the level of data distribution for the audit quality variable is 0.495

2. The average audit quality score is 0.41, which indicates that most of the sample companies in this study tend to have high audit quality scores. The standard deviation value of 0.495 is greater than the average value, so it can be concluded that the audit quality data is homogeneous.
3. The financial distress variable has a minimum value of 0, which is a company with an S-Score > 0.862, while the maximum value for the financial distress variable is 1, which is a company with an S-Score < 0.862. The average financial distress calculation is 0.75, which is smaller than the standard deviation value of 0.434.
4. The average audit tenure value in the table is 2.47 with a standard deviation of 1.368. The average audit tenure value is 2.47. This value means that the audit engagement period for the sample company is 2.47 or 2 years. The standard deviation value of 1.318 is smaller than the average value.
5. Debt default has a minimum value of 0, and a maximum value of 1. This is because this variable is measured using a dummy variable with a value of 0 if the company does not experience a debt default and a value of 1 if the company experiences a debt default. The average value is 0.61, and has a smaller standard deviation value of 0.490.
6. The minimum value of the audit delay variable is 33, while the maximum value of audit delay is 210. Based on the table, the average audit delay value is 101.72, which shows that the average company in the transportation and logistics sector experiences an audit delay of around 102 days. The standard deviation value of the audit delay variable is 31.635. Because the average value is greater than the standard deviation, this result shows that there is good data distribution.

Logistic Regression Analysis

Logistic regression analysis is a test conducted to determine whether the probability of occurrence of the dependent variable can be predicted with the independent variable. In logistic regression analysis there are simultaneous and partial tests. Simultaneous testing on logistic regression, namely following the Chi-Square distribution, using the criterion of a significance value from the omnibus test of less than 0.05.

Table of Omnibus Tests of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	16.844	5	.005
	Block	16.844	5	.005
	Model	16.844	5	.005

Source: Data processed by SPSS 26, 2024

The table above shows that the difference value of -2 Log likelihood before the dependent variable enters the model minus -2 Log likelihood after the independent variable enters the

model is 16.844 (115.174 – 98.330). Chi-Square value 16.844 > Chi-Square table on df 5 (number of independent variables 5) namely 11.070 or with a significance of 0.005 < 0.05. This means that the addition of independent variables can have a real influence on the regression model, or in other words the regression model is declared fit. Thus, the variables audit quality (X1), financial distress (X2), audit tenure (X3), debt default (X4), and audit delay (X5) influence the Going Concern Audit Opinion (Y), so that H1 is accepted.

In testing the logistic regression model the independent variables are tested simultaneously, but interpretation of the model output can be done partially for each variable. Following are the results of the data significance test (partial test).

Table of Variables in the Equation

		B	*S.E.*	*Wald*	*Df*	*Sig.*	*Exp(B)*
Step 1ᵃ	Audit Quality	-1.931	.898	4.622	1	.032	.145
	Financial Distress	1.045	.644	2.636	1	.104	2.843
	Audit Tenure	-.338	.197	2.950	1	.086	.713
	Debt Default	-.413	.531	.606	1	.436	.661
	Audit Delay	.016	.008	3.928	1	.047	1.016
	Constant	-.043	1.356	.001	1	.975	.958

Source: Data processed by SPSS 26, 2024

From testing the logistic regression equation, the following logistic regression model is obtained:

Y = α + β₁KA +β₂FD + β₃AT + β₄DD + β₅AD + €

Y = -0,043 – 1,931KA + 1,045FD – 0,338AT – 0,413DD + 0,016AD

From the results of the regression analysis calculations, the interpretation of the regression coefficients can be explained as follows:

1. The intercept value of the regression equation above is -0.043 with an odds ratio value of 0.958. This means that the chance of a company getting a going concern audit opinion is 0.958 compared to the chance of a company not getting a going concern audit opinion assuming all independent variables have a value of 0.
2. The regression coefficient value of the audit quality variable is -1.931. This means that for every one unit increase in audit quality, the company's chance of getting a going concern audit opinion will decrease by 1.931 units assuming the other independent variables are considered constant.
3. The regression coefficient value for the financial distress variable is 1.045 (positive). This means that for every one unit increase in financial distress, the company's chance of getting a going concern audit opinion will increase by 1.045 units assuming the other independent variables are 0.
4. The regression coefficient value of the audit tenure variable is -0.338. This means that for every one unit increase in audit tenure, the company's chance of getting a going concern audit opinion will decrease by 0.338 units assuming the other independent variables are considered constant.

5. The regression coefficient value for the debt default variable is -0.413. This means that for every one unit increase in debt default, the company's chance of getting a going concern audit opinion will decrease by 0.413 units assuming the other independent variables are considered constant.
6. The regression coefficient value of the audit delay variable is 0.016. This means that for every one unit increase in audit delay, the company's chance of getting a going concern audit opinion will increase by 0.016 units assuming the other independent variables are 0.

Conclusion

Based on the data that has been collected and the results of tests that have been carried out using the logistic regression test and the description of the discussion that has been explained previously, several things can be concluded as follows:

1. Audit quality, financial distress, audit tenure, debt default and audit delay simultaneously influence the Going Concern Audit Opinion;
2. Audit Quality influences Going Concern Audit Opinion;
3. Financial Distress has no effect on Going Concern Audit Opinion;
4. Audit Tenure has no effect on Going Concern Audit Opinion;
5. Debt Default has no effect on Going Concern Audit Opinion;
6. Audit Delay affects the Going Concern Audit Opinion.

Declaration of conflicting interest

The authors declare that there is no conflict of interest in this work.

References

Agustina, H. (2020). Pengaruh Debt Default Terhadap Opini Audit Going Concern Dengan Reputasi Audit Sebagai Variabel Moderasi. *Prosiding Seminar Nasional Pakar*, 1–5. https://doi.org/10.25105/pakar.v0i0.6913

Chen, K. C. W., & Church., B. K. (1992). Default on Debt Obligation and the Issuance of Going-Concern Report. *Auditing: A Journal of Practice & Theory*.

Chikita Rizky, F., Satya Azhar, K., & Suryani, Y. (2022). Pengaruh Audit Delay, Audit tenure, Dan Opini Audit Terhadap Auditor Switching Dengan Financial Distress Sebagai Variabel Moderating. *Jurnal Ilmu Komputer, Ekonomi, Dan Manajemen (JIKEM)*, *2*(2), 1548–1560.

Faruqi, A. M. (2022). Pelaksanaan Lelang Pesawat PT Merpati Nusantara Airlines (Persero) (Dalam Pailit). *Kementrian Keuangan RI*.

Fitrawansyah, F., Irawan, A., Saepudin, U., & Rahmawati, I. (2023). Determinan Akuntan Publik dalam Memberikan Opini Audit Going Concern pada Perusahaan Jasa Sub

Sektor Transportasi di Bei Periode 2019-2021. *Journal on Education*, *5*(3), 8061–8071. https://doi.org/10.31004/joe.v5i3.1403

Ghozali. (2021). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 26* (10th ed.). Badan Penerbit Universitas Diponegoro.

Hamza, L. O. F., Sabir, S., & Aswan, A. (2023). Influence Of Government Accounting Information Systems, Implementation of Government Accounting Standards, Human Resource Competence, and Internal Control Systems as Moderator Variables on the Quality of Regional Government Financial Reports in the Study of Buton Selatan District. *Pancasila International Journal of Applied Social Science*, *1*(02), 110–123. https://doi.org/10.59653/pancasila.v1i02.199

Idris, M. (2022). Begini Kondisi Keuangan Garuda yang Mau Diselamatkan Pakai Uang Rakyat. *Kompas.Com*.

Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *The Economic Nature of the Firm: A Reader, Third Edition*, 283–303. https://doi.org/10.1017/CBO9780511817410.023

Pratiwi, D. D., Haliah, H., & Nirwana, N. (2024). The Effect of Sales on Net Profit of Food and Beverage Companies Listed on the Indonesian Stock Exchange. *Pancasila International Journal of Applied Social Science*, *2*(02). https://doi.org/10.59653/pancasila.v2i02.715

Putra, R. A. S., Astuty, W., & Sari, E. N. (2021). Pengaruh Kondisi Keuangan, Debt Default, Ukuran Perusahaan, Dan Pertumbuhan Perusahaan Terhadap Penerimaan Opini Audit Going Concern. *Simak*, *19*(01), 126–140. https://doi.org/10.35129/simak.v19i01.177

Rahmawati, I., & Darsono, D. (2022). Kondisi Keuangan, Kualitas Audit, Debt Default, Firm Size, Dan Audit Lag Terhadap Opini Audit Going Concern(Studi pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2019-2020). *Diponegoro Journal Of Accounting*, *11*, 1–10. https://repofeb.undip.ac.id/10506/

Sari, D. N., & Satyawan, M. D. (2022). *Pengaruh Kualitas Audit, Audit Tenure, Profitabilitas Terhadap OAGC*. *7*(6), 1–23.

Schaub, M. (2022). Investor overreaction to going concern audit opinion announcements. *Economic Research-Ekonomska Istrazivanja*, *35*(1), 106–121. https://doi.org/10.1080/1331677X.2021.1888766

Senjaya, K., & Budiartha, I. K. (2022). Opini Audit Sebelumnya, Financial Distress, Auditor Switching dan Opini Audit Going Concern. *E-Jurnal Akuntansi*, *32*(1), 3511. https://doi.org/10.24843/eja.2022.v32.i01.p14

Standar Profesional Akuntan Publik, (2013).

Tarfin, R., Kadir, A. R., & Sabir, S. (2023). Factors Affecting the Completion of Follow-Up On Audit Results In Regional Equipment Organizations in South Buton District. *Pancasila International Journal of Applied Social Science*, *1*(02), 124–132. https://doi.org/10.59653/pancasila.v1i02.205