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## THE IMPACT OF FINANCIAL CONDITION, AUDIT TENURE, PROFITABILITY, AND OPINION SHOPPING ON GOING-CONCERN AUDIT OPINION

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### Abstract

The aim of this study is to evaluate and experimentally demonstrate the impact of financial conditions, audit duration, profitability, and opinion shopping on the going concern opinion. The research employs numerical methodologies and secondary sources of information to examine the population of mining enterprises listed on the Indonesia Stock Exchange among 2017 until 2021. The sample in this research was 25 mining companies within 5 years, with purposive sampling as a technique for taking the sample. In the analysis process, this study used logistic regression. The results showed that financial condition variables had a partial impact on going-concern audit opinion. However, audit tenure, profitability, and opinion shopping have not been significantly impacted on going-concern assessment. It is hoped that this research can subsequently be used to develop theory related to going-concern audit opinion and may be applied by companies and independent auditors to improve understanding of the factors that impact these opinions.

**Keywords:** Audit Tenure; Financial Condition; Going-Concern Audit Opinion; Opinion Shopping; Profitability.

### Abstrak

*Tujuan dari studi ini untuk mengevaluasi dan membuktikan secara eksperimental dampak kondisi keuangan, waktu audit, profitabilitas, dan belanja opini terhadap opini keberlangsungan usaha. Metode numerik dan sumber sekunder digunakan dalam studi ini, yang melibatkan populasi perusahaan pertambangan yang terdaftar di Bursa Efek Indonesia dari tahun 2017 hingga 2021. Sampel dalam penelitian ini adalah 25 perusahaan pertambangan dalam waktu 5 tahun, dengan purposive sampling sebagai teknik pengambilan sampel. Dalam proses analisisnya, penelitian ini menggunakan Regresi Logistik. Hasil penelitian menunjukkan bahwa variabel kondisi keuangan memiliki dampak parsial terhadap opini audit going concern. Namun, audit tenure, profitabilitas, dan opinion shopping tidak memiliki dampak pada opini audit going concern. Penelitian ini diharapkan dapat digunakan untuk mengembangkan teori terkait opini audit going-concern dan dapat diaplikasikan oleh perusahaan serta auditor independen untuk meningkatkan pemahaman terhadap faktor-faktor yang mempengaruhi opini tersebut.*

**Kata Kunci:** *Audit Tenure; Kondisi Keuangan; Opini Audit Going-Concern; Opinion Shopping; Profitabilitas.*



## INTRODUCTION

The long-term goal of the entity when it was founded was to maintain the continuity of its business through the assumption of going concern. Going concern is a concept that refers to whether a company can continue operating business activities in the future based on its ability to operate and generate cash flow. Ardianingsih (2021:169) said that substantial concerns regarding business continuity stemmed from the client company's failure to satisfy its upcoming obligations, the incidence of debt restructuring, and the presence of external pressure on the company's operations. The going-concern assumption is crucial for company stakeholders because it has a direct impact on their decision-making and risk assessment on the business's financial health and long-term existence.

In a company, its survival can be seen from its annual financial reports. Financial reports are an important medium use by companies to communicate financial information to stakeholders. Financial reports show a company's financial situation, performance, and cash flow, which is useful for many users when making decisions. Auditing Standard (SA) 570 states that financial statements are prepared on a continuing business accounting basis unless management intends to liquidate the business or stopped operations.

To minimize the possibility of making poor decisions, financial reports must contain correct information. Based on agency theory, differences in interests among management, creditors, and investors result in a state known as information asymmetry, in which management knows more about the company's condition than stakeholders. So, financial reports will be more trustworthy if an independent auditor has audited them. Therefore, auditors must provide an opinion that describes the company's actual situation. According to Auditing Standard (SA) 570, a going-concern opinions is an opinion expressed by an auditor if there is significant uncertainty regarding circumstances that raise significant doubt about the entity expertise in maintaining its business continuity (IAPI, 2021).

The audit report contains a section, both in the explanatory and opinion paragraphs, that discloses a going-concern audit opinions, which serves as a prediction of the companies' potency bankruptcy. Although the primary purpose of an audit isn't to assess a company's financial health, the auditors is tasked with evaluating whether the company can continue its operations (Arens et al., 2020: 59). These going-concerns audit opinions hold significant importance as they provide substantial information to various stakeholders, including investor. An investor must clearly understand the company's financial situation, therefore the auditors bear a significant duty for issuing a going concern audit opinion is accurate (Rahmadona *et al.*, 2019).

As a result, the auditor bears a significant duty for issuing a going concern audit opinion that is accurate the companies' insufficient ability to maintain commercial continuity has been proven by its stability issues, and as a result, it has been wiped off the public exchange of shares. In Indonesia, data shows that going-concern audit opinions have become a major issue since 1995, with the collapse of Bank Summa, which obtained an unqualified opinion from the auditor but went bankrupt the following year. Many companies are still suffering going-concern issues, this can be seen from the many cases of company delisting a few years ago.

One such case is PT Cakra Mineral Tbk which operates in the mining sector, delisted on August 28, 2020, due to significant factors negatively impacting its ability to continue operations. The company cannot run properly, thus affecting financial conditions. Unfortunately, PT Cakra has not shown any clear signs of recovery. Since 2018, PT Cakra Mineral Tbk has been unable to generate any revenue and reported a net loss (Rahmawati, 2020).

Another company that experienced a going concern failure is PT Sugih Energy Tbk which operates in the mining, service, and trade sector. Indonesia Stock Exchange has reiterated to PT Sugih Energy Tbk that the company may be delisted from the exchange because the stock suspension has lasted more than 24 months. PT Sugih may be withdrawn from the exchange if the trading suspension exceeds 24 months and does not improve (Saumi, 2022). On July 1, 2021, the suspension of PT Sugih Energy Tbk shares reached 24 months. Thus, the company shares fulfilled the delisting criteria. Based on the above phenomenon, both companies received a going-concern audit opinions because they had problems in maintaining business continuity which was characterized by unhealthy financial conditions, suffering ongoing losses and having low profitability and liquidity ratios, which indicate that the business is unable to fulfill all of its financial obligations and were unable to carry out their operational activities due to significant losses.

From 2017-2021, IDX delisted 24 companies, including 7 mining companies, recorded as unable to maintain business continuity and received going-concern audit opinion. The business activity sector most impacted by delisting, when all company sectors on the IDX are summed up, is the oil, gas, and coal mining industry, followed by the real estate sector (Maulana, 2020). Previous research has examined the correlation between the issue of going-concern audit opinions and a variety of variables. In this study looks at four variables—financial situation, audit tenure, profitability, and opinion shopping that are thought to have an impact on going-concern audit opinions.

According to various publications, financial conditions are one of the components that auditors analysed when reviewing the status of business continuity, because the company's financial condition indicates its ability to continue running in the future. Based on research by Suryani (2023), when giving an opinion to the auditor, one of the things that should be observed is the financial condition, because good financial conditions give the auditor confidence that the company can continue its business in the future, whereas inadequate finances raise doubts for the auditor about the company's resilience to survive in the future. Previous research conducted by Kurnia & Mella (2018), as well as Pratama et al. (2021), indicates that the state of finances has an effect on the going-concern audit opinions. Although financial conditions have an influence on the auditor's considerations when generating a going-concern audit opinion, numerous past studies have stated that financial conditions do not have an impact on the going-concern audit opinion, such as research by Putra et al. (2021) and Effendi (2019), argue the state of economy hasn't impact on the going-concern audit opinions, they stated that financial condition does not raise the probabilities of a company receiving a going-concern audit opinion. This occurs when the auditor takes into account other circumstances, such as economic conditions or the company's growth.

The International Financial Accounting Committee (IFAC) published a

statement titled Rebuilding Public Confidence in Financial Reporting, in which it identifies the link between auditor and client as a danger to auditor independence. The audit tenure reflects the extent of the agreement between KAP and the company. Based on previous research conducted by Damanhuri & Putra (2020) as well as Laura et al. (2021) it is said that audit tenure influences the business continuity audit opinions, because long-term partnerships can also create issues about auditor independence and objectivity, this may impair their ability to objectively assess financial potential dangers. However, according to research by Kurnia & Mella (2018) and Suryani (2020) audit tenure hasn't impact on this because according to them, the term of the audit implementation agreement has no influence on the auditor's independence in issuing a going concern audit opinion on the company.

Profitability assesses companies' ability to seek profit. Profitability indicates the level of management efficacy in creating profit from the company's activities, therefore if a company's profitability is rated as good, it is protected from continuing troubles (Juanda and Lamury, 2021). Previous research conducted by Aprinia & Hermanto (2016), as well as Ramadhan & Sumardjo (2021), as demonstrated by the proof that profitability had an effect on the business viability opinion. This contrary the outcome of Abdurrachman et al. (2021) followed by Juanda & Lamury (2021), who found profitability hasn't impact on going-concern audit opinions because they stated that claimed that profitability is not the only parameter that auditors use to make decisions when providing a going-concern audit opinion. Opinion shopping is a management practice that involves soliciting opinions from auditing going concerns. Previous research conducted by Simamora & Hendarjatno (2019) and Laura et al. (2021) found opinion shopping had no impact on going-concern audit opinion. Furthermore, according to Uly & Indrasti (2020), as well as Rani & Helmayunita (2020), opinion shopping hasn't on this because this demonstrates that whether a firm changes auditor has no bearing on the company's adoption of a continuing concern audit judgement.

The present inquiry is a diversifying on Pratama et al. (2021) research. What differentiates this research from the previous one is the previous year's audit opinion variable with profitability was replaced and the opinion shopping variable was added. The reason for adding profitability is because it is a ratio to assess the company's ability to generate profits, which provides a measure of the level of effectiveness of a company's management, so that it can show the company's ability to maintain its business continuity. Meanwhile, the results of the previous year's audit opinion research have consistently influenced the going-concern audit opinion. The researcher added the opinion shopping variable because when a company receives a going-concern audit opinion, management often foresees this by changing auditors in the hope that the new auditor will not provide a going-concern opinions. This research endeavors to further investigate and clarify empirically whether the company's opinion shopping will enhance the acceptance of going-concern opinions. The final findings of this research will be shown here. Apart from that, there is also a research field, where this study was carried out in the mining sector, while previously it was carried out in the transportation sector, as the mining industry is the one with the highest number of delisting instances, which are brought on by threats to the company's ability to continue business.

## LITERATURE REVIEW

According to agency theory, Jensen & Meckling (1976) argue this theory develops from a relationship or contract between principals and agents that causes imbalances in interests, resulting in agency conflicts. The auditor has a responsibility to act as an independent third party and intermediary between the principal and the agency. The relationship between agency theory and going-concern audit opinions, namely the auditor as an intermediary evaluates the financial reports prepared by agent and provides an opinion on whether the company can sustain its commercial continuity.

In signal theory, there are two parties involved, there are information owner who sends signals to the recipient in the form of business circumstances that are helpful to the recipient of the information. The receiving parties will use the signal to make a decision. Brigham & Houston (2013: 185) define signal theory as how entities should signal to readers of financial statements. Going-concern audit opinions have negative implications for financial statement users. As a result, the connection between signal theory and going-concern audit opinions is a signal the companies' business continuity would be maintained, which constitutes essential information for stakeholders.

An unhealthy financial situation increases the potential that company could have going-concern issues. With outstanding financial conditions, the company is less likely to encounter going-concern issues. McKeown et al. (1991) argue the more serious the financial condition of a business cause a high possibility of obtaining going-concern audit opinions and inversely. There is a connection between agency theory and financial conditions; specifically, the auditors, performing as an intermediary between the principal and the agent, will investigate economic conditions to look for signs of financial troubles in the organization. This contention has been corroborated by what was found of the research conducted by Pratama et al., (2021) and Kurnia & Mella (2018), they argued that companies in bad financial condition or faced financial difficulties will have a greater chance of receiving a going-concern audit opinions from an independent auditor. Based on the findings of previous research, it can be inferred that financial condition has impact on going-concern audit opinion. Therefore, the first hypothesis can be formulated as follows:  
**H<sub>1</sub>: Financial condition has an impact on going-concern audit opinion.**

According to Kurnia & Mella (2018), there are two sides to understanding audit tenure. It is assumed that a long audit assignment will cause auditors to lose their independence, but on the other hand, the length of the audit assignment can make it easier for the Public Accounting Firm to detect going-concern issues in the companies. In the study by Yanuariska & Ardiati (2018), an auditor's independence may be weakened if they audit the financial statements, which could have an impact on the audit opinion they offer. According to agency theory, shareholders and managers have an information asymmetry. Auditors assist in reducing information asymmetry by analyzing impartial financial statements. Long tenure can provide auditor a better understanding of the business, thus decreasing information inequality, but resulting in the lack of independence of an auditor. The findings of

Damanhuri & Putra (2020) and Laura et al. (2021) shows that the auditor's relationship with the company develops a sense towards affinity, and the auditor loses independence and objectivity when issuing a going concern opinion. Hence, the subsequent secondary hypothesis of the probe can be articulated as:

**H<sub>2</sub>: Audit tenure has an implication on going-concern audit opinions.**

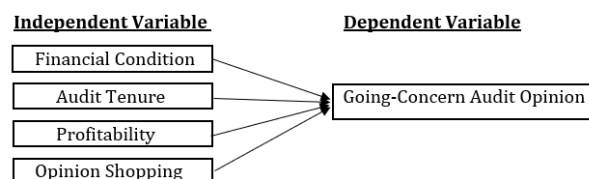
Considering high profitability, that is a companies shows management's ability to generate profits and it is unlikely that auditors will be able to express an opinion regarding sustainable business. According to Suryani (2020), the greater a company's potential for making profits, the lesser its chances of obtaining going-concern audit opinions. There is a connection between signal theory and profitability. The profitability ratio is one of the signals used by the company to determine whether it is profitable or not. This is supported by the research results of Aprinia & Hermanto (2016), Ramadhan & Sumardjo (2021), and Sari & Satyawan (2022). Based on the previous research, the potential of being granted a going-concern audit conclusion increased if the enterprise's low revenue generation is a possible indicator that it is having difficulty preserving business continuity. Therefore, the third hypothesis is proposed, namely:

**H<sub>3</sub>: Profitability has an impact on going-concern audit opinion.**

Ongoing statements regarding auditing concerns create an untenable initial impression for the business, thus the business will shop for opinions in the hopes of receiving a better opinion. The aim of reporting in opinion shopping is to improve the company's operating results or financial situation. Thus, to secure accounting treatment along with the intentions of the company management, the company engages in opinion shopping to avoid acquiring a going-concern audit opinion (Kristin, 2021). The relationship between agency theory and opinion shopping is that agents, like corporate managers, aim to receive good value from principals. Agents employ strategies such as supplying restricted information and concealing the difficulties that happen, one of which is opinion shopping to prevent going-concern opinions. This statement is in line with Simamora & Hendarjatno (2019) and Laura et al. (2021) findings. They argue that the more a company practices opinion shopping, the less likely it's that the company will get audit opinion for ongoing concerns. Hence, fourth hypothesis of this research endeavor can be stated as follows:

**H<sub>4</sub>: Opinion shopping has an impact on going-concern audit opinion.**

**Figure 1. Research Model**



## **RESEARCH METHODOLOGY**

### **Research Design**

Assessment and experimentally verifying the effects of financial condition, audit tenure, profitability, and opinion shopping on the financial stability opinion is the primary purpose of this study. In this research categorized as descriptive research, utilizing a quantitative approach, and used logistic regression analysis. Secondary data is compiled from annual and financial data on the regulated IDX and corporate websites. In order to obtain the details needed for this investigation, data collection techniques are carried out by the library and documentary studies. Researchers search for literature related to the research conducted and collect company financial report data by downloading from each company's website via internet.

### **Population and Sample**

The population included for this research investigation comprises public mining firms that were registered on IDX involving 2017 until 2021. Then, purposive sampling was used to take research samples with the following criteria:

1. During 2017 to 2021, mining firms had been listed on IDX in successive order.
2. Mining firms who encountered financial losses or underwent a continuing concern opinion at least once during 2017 until 2021.

**Table 1. Sample Picking Proses**

Criteria	Total
The Population: Mining Firms Recorded on the IDX 2017-2021	<b>58</b>
Mining companies that are not registered consecutively across the IDX from 2017 until 2021	<b>-20</b>
Mining firms that have suffered no losses and/or have at least one instance of opinion business continuance	<b>-13</b>
<b>Research Sample</b>	<b>25</b>

Source: Author's own calculations based on our research data (2023)

Based on the table above, research obtained as many as 25 companies in the mining sector and the period used as the research sample namely for 5 (five) years, so the sample used in this research totaling 125 research samples.

### **Definition of Variable and Measurement**

The going-concern audit judgement serves as the dependent variable in the present inquiry, that is opinion expressed by auditors if there is material uncertainty about circumstances or situations that give rise to significant doubt about the entity's skill in maintaining its business continuity (IAPI, 2021). The dummy variable used for assessing this variable is coded as 1 for enterprises which obtain an opinion on their continued existence and 0 for businesses that do not (Pratama *et al.*, 2021).

The research specifies financial condition, audit tenure, profitability, and opinion shopping as the independent variables. Reflects the actual degree of

company wellness during a specific period is called financial condition (Pratama *et al.*, 2021). The financial condition variable is measured using Altman Z-Score formula (Rudianto, 2013: 254). The benchmark of the Altman Z-Score formula can be detailed as follows: if value  $Z > 2,99$  can be referred a safe zone, meaning that the company is continues to perform well financially. If  $1,81 > Z > 2,99$  can be referred a grey area, meaning that the company is in a vulnerable situation. If value  $Z < 1,81$  can be referred as a dangerous zone, meaning that the company is having financial troubles and is in bankruptcy. Below displays the Altman Z-Score formula:

$$Z = 1,2X_1 + 1,4X_2 + 3,3 X_3 + 0,6 X_4 + 1,0X_5$$

Explanation:

Z = Overall Index

X<sub>1</sub> = Working Capital / Total Assets

X<sub>2</sub> = Retained Earnings / Total Assets

X<sub>3</sub> = Earnings Before Interest and Taxes / Total Assets

X<sub>4</sub> = Stock Market Value / Total Liability

X<sub>5</sub> = Sales / Total Assets

The number of years of audit engagement can be used to calculate the period during which the company assigns audit services to the same KAP continuously is called audit tenure (Suryani, 2020). The audit tenure variable is measured by interval scale, where is the number 1 starts in the first year and then increases by 1 in the following year (Suryani, 2020).

According to Juanda & Lamury (2021), profitability is a company that has a lot of assets during a certain period determines how big its operating results will be. In this study, the profitability variable is calculated through *return on assets* (ROA) as Juanda & Lamury (2021) as follows:

$$ROA = \frac{Net\ Profit}{Total\ Asset} \times 100\%$$

Abdurrachman *et al.* (2021) argue that asset management is more successful if the ROA value rises, as this suggests improved business performance and large profits, so going-concern audit opinions is not provided by the auditors. Dummy variables are utilized as an instrument for quantifying the opinion shopping variable. Whenever the companies that do not change auditor after obtaining a going-concern audit opinion is given code 0, while those that change auditors then the code is given 1 (Simamora and Hendarjatno, 2019).

### **Data Analysis Technique**

The author uses logistic regression analysis in this study. Ghazali (2018:255) said that logistic regression is an analysis that determines whether the independent variables can predict the occurrence of the dependent variable. This condition is because the free variables are a mixture of metric and nonmetric variables, no normality or classical assumptions checks are needed for this logistic regression. In this research, the logistic regressions equation is as follows:

$$Y = \beta_0 + \beta_1FC_{it} + \beta_2AT_{it} + \beta_3ROA_{it} + \beta_4OS_{it} + e$$

Explanation:



- Y = Going-Concern Audit Opinion
- $\beta_0$  = Constant Number
- $\beta_1 - \beta_4$  = Regression Coefficient
- FC = Financial Condition
- AT = Audit Tenure
- ROA = Profitability
- OS = Opinion Shopping
- e = error

The aim of this study is to determine how each independent variable impacts the dependent variable. Using statistical computation methods and the IBM SPSS Statistics 25 software, the analysis was carried out. That level of significance is 5%. Hence, the following are the criteria used in decision making (Ghozali, 2018).

1. The independent variable impacts the dependent variable if (P-Value) < 0.05, rejecting H0 and accepting H1.
2. H0 is accepted and H1 is rejected if (P-Value) > 0.05, indicating that the independent variable has no impact on the dependent variable.

## **RESULT AND DISCUSSIONS**

The severity of PT Ratu Prabu Energi Tbk's financial situation is demonstrated by the data in Table 2, which shows that the firms' economic condition has a minimum value of -5.494. The fact that PT Alfa Energi Investama Tbk continues to retain the highest amount of 28.726 indicates whether the firm is in outstanding financial situation or whether it is on the verge of having to declare bankruptcy. Standard deviation, or variance, of 4.212 exceeded its mean amount of 1.901. The standard deviation value is greater than the mean value, indicating that the financial situation contains varied or heterogeneous data, resulting in a scattered distribution of findings. Of the total sample of 125 data, there are 92 companies whose Z-Score values are in the dangerous category, 6 companies whose Z-Score values are in the grey category, and 27 companies whose Z-Score values are in the safe category. This shows that during the research period, most companies were indicated to go bankrupt because their financial condition was unhealthy.

**Table 2. Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
FC	125	-5.494	28.726	1.901	4.212
AT	125	1.00	5.00	2.528	1.359
ROA	125	-1.122	.238	.177	.107

**Notes:** FC = Financial Condition; AT = Audit Tenure; ROA = Profitability

Sources: SPSS Processed Files (2024)

The audit tenure variable has a minimum value of 1.00 and maximum value of 5.00. The minimum value of 1 is interpreted as a 1-year engagement between KAP and the company, while the maximum value of 5 is interpreted as a 5-year engagement between KAP and the company. The standard deviation value of 1.359 < the mean value 2.528. A standard deviation value less than the mean value

suggests that the audit tenure's data distribution is steady or homogeneous.

The calculated ROA for PT Ratu Prabu Energi Tbk is -1.122 indicating low profitability and severe going concern difficulties for the organization. PT Golden Eagle Energy Tbk, on the other hand, has the greatest amount, which is 0.238. This could indicate that the firm's profitability is so enormous that it doesn't have any ongoing problems. Consequently, the mean score of 0.177 is less than the standard deviation value of 1.107. This shows that the data for profitability is homogeneous. Furthermore, Table 3 displays the opinion shopping statistic.

**Table 3. Opinion Shopping Frequency Statistics**

	Frequency	Percent	Valid Percent	Cumulative Percent
0	113	90.4	90.4	90.4
1	12	9.6	9.6	100.0
Total	125	100.0	100.0	

Source: SPSS Processed Data (2024)

The table above shows that majority of companies did not change auditor after obtaining a going concern audit opinions, so 113 companies or 90.4% did not change their auditors and just 12 or 9.6% companies did. Also shown in Table four is the ongoing-concern audit opinion statistic.

**The Table 4. The Going Concern Audit Opinion Frequency Statistics**

	Frequency	Percent	Valid Percent	Cumulative Percent
0	77	61.6	61.6	61.6
1	48	38.4	38.4	100.0
Total	125	100.0	100.0	

Source: SPSS Processed Data (2024)

Table 4 shows that most of the companies don't obtain business continuity audit opinions. Data shows that 77 or 61.6% of companies didn't obtain a going concern audit opinions and only 48 or 38.4% of companies did.

The subsequent phase of the data analysis process involved the assessment of the model. This resembles the initial phase in executing the logistic regression process. This investigation utilized the Likelihood L paradigm. Ghazali (2018:332) explains that overall model suitability is carried out to find out whether the resulting model is in accordance with the data, then assessed by comparing the -2LogLikelihood (-2LL) value at the start and the end. If the Likelihood value decreases from beginning to end, the hypothesized model fits the data.

**Table 5. The Initial -2LL Value**

Iteration History <sup>a,b,c</sup>			
Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	166.499	-.464
	2	166.497	-.473
	3	<b>166.497</b>	-.473

Source: SPSS Processed Data (2024)

As shown by the following table, the starting value of -2Likelihood (hinder number = 0) is 166.497. The fact that independent variables are not incorporated into the equation for regression is demonstrated by this table. Additionally, the next table displays the ultimate measurement of -2Likelihood.

**Table 6. Final -2LL Value**

Iteration History <sup>a,b,c,d</sup>							
Iteration		-2LL	Constant	FC	AT	ROA	OS
Step 1	1	152.303	-.078	-.102	-.091	-2.038	.240
	2	149.955	-.006	-.183	-.101	-2.548	.450
	3	149.746	.022	-.220	-.103	-2.554	.513
	4	149.744	.024	-.224	-.103	-2.543	.516
	5	<b>149.744</b>	.025	-.224	-.103	-2.542	.516

Source: SPSS Processed Data (2024)

The table above shows, after adding the independent variable into the model (-2LL) at the end (block number = 1) it becomes 149.744. This prompts the began culminating values of -2LL to decline by 16.753 (166.497-149.744). This decrease indicates that the addition of the dependent variable improves the model fits and shows a better regressions model. Therefore, it can be concluded that the model fits data.

Using the Nagelkerke R Square, the next step in the logistic regression process is to calculate the coefficient of determination. The Nagelkerke R Square value is used to measure how well the independent variable can describe the dependent variable (Ghozali, 2018: 333). The final outcomes of the Nagelkerke R Square assess are shown in next table.

**Table 7. Nagelkerke R Square Value**

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	149.744 <sup>a</sup>	.125	.170

Source: SPSS Processed Data (2024)

The number derived from the table above is 0.170, signifying that 17% of the ongoing concern audit opinion could possibly be elucidated by the independent factors (financial condition, inspection tenure, profitability, and opinion shopping). Meanwhile, the remaining 83% is account by others variable that aren't in this study.

In logistic regression, the subsequent step is to decide on the feasibility of the

model being considered. On this test aims to find out whether the actual data and the model match, and whether there aren't differences between the two data sets. The sustainability of the regression model is evaluated by Sig value in the Hosmer and Lemeshow columns (Ghozali, 2018:333). The subsequent table encapsulates the findings of this test.

**Table 8. Hosmer and Lemeshow Test Value**

Step	Chi-square	df	Sig.
1	2.861	8	.943

Source: SPSS Processed Data (2024)

In line with the table above, a significance score of  $0.943 > 0.05$  is obtained, additionally the regression model's viability is acceptable. So, the representation estimates the received value or is accepted because it is suitable for the observed data, thus this model can be useful for further analysis.

In this study, a t-test was used to evaluate four hypotheses. The results of hypothesis testing are displayed in Table 9. From the Table 9, the following equation is obtained:

$$Y = 0.025 + (-0.224) X_1 + (-0.103) X_2 + (-2.542) X_3 + 0.516 X_4 + e$$

**Table 9. Logistic Regression Analysis**

		B	df	Sig.
Step 1 <sup>a</sup>	FC	-.224	1	.025
	AT	-.103	1	.495
	ROA	-2.542	1	.269
	OS	.516	1	.482
	Constant	.025	1	.957

**Notes:** FC = Financial Condition; AT = Audit Tenure; ROA = Profitability; OS = Opinion Shopping

Source: SPSS Processed Data (2024)

### **The Impact of Financial Condition on Going-Concern Audit Opinions**

The first hypothesis test ( $H_1$ ) found financial condition impacts the assessment of opinion on financial stability. If financial condition is 0.025 or less than 0.05,  $H_1$  is permitted to occur, meaning that the Altman Z Score approach has an impact on going-concern audit judgement. This showcases that due to the Z-Score ratio reduces the likelihood of the business gaining a audit conclusion on viability of the entity rises. The going-concern perceptions are negatively impacted by financial difficulties, as evidenced by the negative regression coefficient of -0.224. The data suggest that the likelihood of the organization receiving a going-concern assessment escalates with the severity of its financial predicament. A going-concern opinion is highly likely if there are liquidity issues, a lack of working capital, or ongoing losses. These financial troubles can be observed.

The concept that a business's probability of receiving a going-concern audit

opinion increases with its financial health and that an auditor will not provide a going-concern opinion for companies that are not having financial difficulties lends credence to the study's findings (McKeown *et al.*, 1991). The auditor assesses whether the company can continue to operate without a serious threat to its business continuity. As a result, in this case, the auditor must determine if the company's financial condition is highly uncertain. The auditor's role in reviewing the company's financial condition is critical since it influences investment decisions and provides stakeholders with information about the company's financial health. These results are in line with research by Pratama *et al.* (2021) and Kurnia & Mella (2018), which explains that a business's probability of receiving a going-concern audit opinion increases with its financial health since it suggests that the company is having financial troubles. Thus, the audit opinion regarding the continuity of operations is impacted towards the firm's financial circumstances.

### **Impact of Audit Tenure on Going-Concern Audit Opinions**

The tenure audit variable has a significance level of  $0.495 > 0.05$ ,  $H_2$  is rejected, shows that audit tenure hasn't impact business continuity audit opinions. This show the length of the auditor's involvement between companies with the same KAP has not been proven to affect the level of auditor independence in providing business continuity audit conclusions. According to agency theory, principals and agents require auditors with a neutral viewpoint who can bridge their interests.

Based on previous research by Simamora & Hendarjatno (2019) argued that auditors will always offer going-concern audit views to entities whose business survival is uncertain, regardless of the long-standing audit relationship between the auditors and the company. This finding is in line with the opinion of Suryani (2020) and Kurnia & Mella (2018) which indicated that professional and independent auditors will remain focused on their tasks to deliver accurate audit opinions regardless of the length of contribution to clients.

### **The Impact of Profitability on Going-Concern Audit Opinions**

Variable profitability holds a level of significance of 0.269 greater than 0.05, and  $H_3$  is rejected. This result indicating that profitability, as assessed by ROA, doesn't impact on going-concern audit assessment. Based on signal theory, corporations send beneficial signals to readers of financial statements when their profitability ratio is high, allowing them to avoid receiving going-concerns audit conclusions. However, the findings of this study contradict signal theory because auditors usually conduct a more in-depth analysis and collect additional information beyond financial ratios, such as cash flow sustainability and the company's expertise in meeting short- and long-term liabilities.

According to the concept that a company's profitability indicates how well its assets are being used to keep it safe from danger, and vice versa, better profitability translates into greater efficacy. The study's findings, however, suggest that low profitability values are not always a bad thing. Although profitability shows how efficiently a company uses assets to make profit, it may not accurately reflect the organization's financial health or business continuity (Sari, 2020). Both Abdurrachman *et al.* (2021) and Juanda & Lamury (2021) have found that the findings of this study conform with their investigation, indicate profitability does

not impacts on this, that an auditor's judgment while providing a going-concern audit opinion is based on more factors than only profitability; in addition, the auditor must assess a company's capacity to satisfy its debts.

### **The Impact of Opinion Shopping on Going-Concern Audit Opinions**

The variable opinion shopping has a significance level of  $0.430 > 0,05$ ,  $H_4$  is rejected, implying that opinion shopping hasn't impact audit going-concern opinions. This means that whether or not a company employs an auditor has no effect on its business continuity opinions. Based on agency theory, the disparity in power between the principals and the agents causes the agents to have information derived from the principal. This statement is in line with agency theory because, even if a company has obtained an opinion going-concern after conducting opinion shopping, the auditor will maintain its independence and, if there are problems with the entity's expertise in maintaining service quality, the audit going-concern will be strengthened.

This is consistent with the research results of Uly & Indrasti (2020), as well as Rani & Helmayunita (2020) who concluded that opinion shopping hasn't impact the probability of receiving audit opinions. They declared that opinion shopping is not evidenced by management's attempts to switch auditors following the receipt of a going-concern audit opinion. Professional auditors will accurately and correctly examine the business's financial accounts without considering the management's goals through opinion shopping.

## **CONCLUSION**

The overarching objective of the present investigation is to investigate the effect of financial condition, audit tenure, profitability, and opinion shopping on going-concern opinions. Based on the outcomes of this research, financial condition has an impact on going-concern audit opinions. Consequently, a business's probability of receiving a going-concern audit opinion increases with its financial health since it suggests that the company is having financial troubles. Audit tenure has no impact on going-concern audit opinions. An independent auditor continues to carry out his duties professionally and objectively in producing accurate audit opinions without considering the length of the engagement relationship with the client. Because of this, an auditor who doubts a company's ability to continue in business will still offer a going-concern audit opinion.

There was no discernible impact of profitability on going-concern audit opinions. When evaluating a company, the auditor considers all factors, including its capacity to fulfil its financial obligations, in addition to profitability. Therefore, profitability does not yet reflect the financial health or business continuity of a company. From the results of the study, it was found that opinion shopping has no impact on going-concern audit opinions. This means that whether a company changes auditors have no influence on the auditor's issuance of a going-concern audit opinion.

This research comprises boundaries, just like any other investigative project. Firstly, only financial condition, audit tenure, profitability, and opinion shopping are independent factors in this research. Given the limitations point out, it is recommended that future research embrace into account other independent factors

not included in this study that may have an impact on audit going-concern assessments, in particular liquidity ratios, prior opinions, audit lag, company growth, and others. Researchers can then also add moderation and intervening variables to make updates so that research results will further develop in identifying going-concern audit opinions, such as company size as moderation variable. Second, the sample consist of mining industry businesses that were listed at 2017-2021 on the Indonesian Stock Exchange. More researchers can extend the observation time dan employ a larger sample that includes companies from other sectors.

From the results of this study, it can be concluded that the financial condition of mining companies has suffered losses, so it is likely that companies face financial problems that have an effect on doubting the company's survival. In this way, the companies can improve its financial condition to show the companies performances is in good situation. Companies that obtain a going-concern audit opinion in the research year should improve their performance and strategy so as not to regain the opinion. To some extent, the theory of going-concern assessment can be constructed by considering the theoretical implications of the research findings. The practical implications of this study are that it can enhance understanding and practice about the factors that impact the going-concern opinion.

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