The Affect Good Corporate Governance, Debt Default, Auditor Client Tenure, Audit Delay On Audit Going Concernopinion

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Abstract: This research is to examine the effect good corporate governance (GCG), debt default (DD), auditor client tenure (ACT) and audit delay (AD) to acceptence of audit going concern opinion(AGCO) in manufacturing company. Thesampels of this reseach is 21 company taken from the website of Indonesian Stock Exchange period 2012-2015 years. The technical sampling method used purposive sampling. To test the data, research used descriptive statistics, classical assumption test and logistic regression. The results concluded audit committee (AC), managerial ownership (MO), independent commissioner (IC) and auditor client tenure (ACT) has no influanced partially on acceptance of AGCO whereas DD and AD has influence partially on acceptance of AGCO.

Keywords: Audit Going Concern Opinion, Good Corporate Governance, Audit Delay.

1. Introduction

American Institute of Certified Public Accountant (1988) stated professional audit standards every auditor is required to evaluate each client's ability to continue as a going concern (GC) and to provide a Going ConcernOpinion (GCO) when there is a substantial doubt about a client's future viability. According International Standard on Auditing 570 (ISA 570),auditor should issue GCO upon realising their client may not be able to continue operations or meet its obligation in the next accounting period. The period is estimated not to exceed more than a year from the date a financial statement has been audited. In Indonesia, based on SA (Audit Standard) Section 570-Business Continuity (IAPI, 2013), auditors are allowed to publish an opinion that contains a description the auditor's doubts on the ability of a company to maintain its viability. This opinion is known as GCO.Conditions and events that trigger the auditor to issue GCOare also stated in SA 570. Research on the GCOusually focuses on (1) auditor judgment in determining whether the auditor needs to modify the audit opinion by giving an explanation about the viability, (2) errors that may occur in the issuance of GCO, (3) individual GCOconsequences for companies receiving GCO(announcing firms), (4) GCOconsequences for other companies in the same industry (rival firms) (Hapsoro and Suryanto, 2017). According (Carson *et al.*, 2013), many firms that received GCOduring 2000 to 2010 have survived for at least one year. This can suggest that GCOhas limited predictive value because of the Type I audit reporting mistake (Geiger and Raghunandan, 2001), however manyreference suggests that stakeholders consider GC audit opinion predictive (Chen and Church, 1996; Gray and Manson, 2000; Geiger and Raghunandan, 2001), so

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probably GC audit opinion by itself has significant positive effect on the financial condition of the companies.The approriate issuance of GCO is pertinent for the preservation of stakeholder interest. Stakeholders who include investors, customer, supplier and creditor are the main beneficiary of the issuance of such audit opinion. GCO functions as an early signal to the stakeholder about the ability of a company to stay a float and without this signal stakeholders would lose billions of dollars when the company sunddenly death (Osman *et al.*, 2016).

2. Overview Teori

2.1 Agency Theory

(Jensen and Meckling, 1976) show that there could be a misalignment between the interests of the firm’s shareholders and the interest of the firm’s CEO. In general, this theory assumes that principals are neutral towards risk while agents behave in an effort to resist effort and risk. Agents and principals are assumed to be motivated by their own interests, and often the interests between them clash. In the principal's view, the compensation given to the agent is based on results. Meanwhile, in the agent's view, he would have preferred if the compensation system was not solely looking at the results but also the level of business (Ikhsan, 2010).

2.2 Audit GC Opinion

Companies that fail and do not explain GC on their audit opinion show that the auditor is more concerned with commercial aspects, and this has a negative impact on the auditor's image and loss of investor confidence in the auditor. The auditor can no longer just accept the management's view that everything is good (Ikhsan, 2011b). GC assessment is based more on the company's ability to continue its operations within the next 12 months. To arrive at a conclusion whether the company will have GC or not, the auditor must conduct a critical evaluation of management plans.

2.3 Good Corporate Corporate (GCG)

According to (Djauhari and Sihotang, 2010) GCG is a concept about controlling businesscorporations. This concept explain distribution of rights and obligations between thefirms stakeholders and the procedures for taking decisions on firms scandal. It provides a mechanism through which the company’s objectives are set, and forattaining those objectives and monitoring performance.

2.4 Audit Committee (AC)

We can defines an audit committee as "a committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of thefinancial statements of the issuer".

2.5 Managerial Ownership (MO)

Managerial ownership islevel of management ownershipwho actively participates in takingdecisions, such as directors and commissioners. Other literatur said managerial ownership is the ownership of shares by the firm management as measured by the percentage of shares held by management.

2.6 Board of Commissioners (BoC)

BoC is one of the control functions contained in acompany. The control function carried out by the BoC is onepractical form of agency theory. In a company, the board of commissioners representsthe main internal mechanism to carry out the supervisory functions of the principal andcontrol opportunistic behavior of management. The BoC covers the interestsprincipal and manager within the company. (KNKG, 2006) defines the BoCas the highest internal control mechanism that is collectively responsibleto supervise and provide input to the board of directors and ensure thatthe company implements good corporate covernance.

2.7 Debt Default(DD)

Accoriding to (Chen and Church, 1992) stated DD is a debtor failure (firm) to pay the principal debt or interest at maturityThe benefits of DD status have been previously examined by (Chen and Church, 1992) who conclude a strong relationship to the default status of GCafter events suggesting that such an opinion might have beenaccordingly, the cost of failure to issue a GCO when the firmin a very high default state. Therefore, it is expected that the default status can beincrease the likelihood of the auditor issuing a GC report.

2.8 Tenure Audit(TA)

TA iaa time of audit assignment between auditors with companies that are continued continuously without replacing other auditors. The long relationship between accountant office and clients has the potential to cause closeness between them, this can hinder auditor independence and reduce audit quality.

2.9 Audit *Delay*

Audit delay is a phenomenon experienced by all public companies in Indonesia. The delayaudit is thetime span required by the independent auditor to be able to complete the audit report on the fairness of thecompany's financial statements from December 31 to date on the independent auditor's report (Rachmawati, 2000). Audit delay can be a problem if the audit delay range that occurs in a company is too long which canultimately lead to delays in the delivery of financialstatements. The phenomenon of audit delay in Indonesia isalso a problem for some public companies in Indonesia.

3. Material And Methods

In accordance with research objectives revealed above, this study seeks answer for the following research questions:
RQ 1: What is audit committee effect on GC opinion?
RQ 2:What is managerial ownership effect on GC opinion?
RQ 3: What is independent commissaries effect on GC opinion?
RQ 4: What is debt default effect on GC opinion?
RQ 5: What is audit delay effect on GC opinion?

3.1 Population, Sample Selection and Data Collection

Indonesian companies listed on the Indonesian Stock Exchange(ISE) are the sample population of this study. The sample companies are selected based on some selection criteria. First, company must listed on the Indonesian Stock Exchange after 1 January 2012. Second, company not delisting during research. Third, company must publish their financial report audited during 2012-2015. Secondary data chosen as the source data, whereas the sources of the data indirectly obtained through intermediary media (Ikhsan, 2011a, p. 122). There are many advantages in using secondary data since the data gathered are less expensive, faster, and easier to obtain compared primary data.

3.2 Data Analysis

The dependent variables for the study is GCO opinion while the independent variables are good corporate governance (GCG proxies with AC, MO, and IC), DD, ACT (TENURS), and AD (ADELAY). Logistic regression is used in this research to predict the significance of the relationship between independent and dependent variables in the model. This analytical technique does not require normality testing on the independent variables (Ghozali, 2009). Furthermore, the application of the logistic regression to test relationship between factors and GC opinion is consistent with prior studies on this topic conducted in Indonesia. The logistic regression model used in this study is shown in the following equation:

$$\text{Ln}\frac{\text{GC}}{1-\text{GC}} = \alpha + \beta_1\text{COMMIT} + \beta_2\text{MAN\_OWN} + \beta_3\text{IND\_COM} + \beta_4\text{DEF} + \beta_5\text{TENURS} + \beta_6\text{ADELAY} + \varepsilon$$

4. Result And Discussion

4.1 Descriptive Analysis

The purpose of the variable description is to provide a short overview of the research variables. Description of research variables described using the minimum, maximum, and mode of each variable. The minimum, maximum, and mode values of each variable are based on data from 21 companies listed on the ISE during 2012-2015. Some of the variables in this study were measured using more than one indicator based on previous research and other relevant refrentions. Table 1 presents the results of research data processing that results in minimal, maximum, and mode values of the research variables.

Table 1. Descriptive Statistics

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
OAGC	84	0	1	,39	,491
COMMITTEE	84	2	4	3,04	,327
MAN_OWN	84	,00000	70,00000	3,8317145	14,91191904
IND_COM	84	25,00	66,67	39,8400	10,97347
DEF	84	0	1	,36	,482
TENYERS	84	1	3	1,60	,746

ADELAY	84	52	150	82,58	16,919
Valid N(listwise)	84				

Source:SPSS reserach output

4.2 Logistic Regression

The logistic regression analysis has been carry out using SPSS. The model summary indicates that Nagelkerke R squarevalues 0,688(68,8%) of the variability is explained by this set of variable.Thus, 0,3120 (31,20%) of the variability model is explained by others variables. The classification table 2 indicates that the GC opinion issuances that have been accurately identified by model is 0,133% of the distresse company.

Table 2. Variables in the Equation

Variables in the Equation						
		B	S.E.	Wald	Sig.	Exp(B)
Step 1a	COMMITTEE	,133	1,850	,005	,943	1,142
	MAN_OWN	-,045	,046	,978	,323	,956
	IND_COM	,004	,036	,015	,902	1,004
	DEF	4,430	,882	25,256	,000	83,960
	TENYERS	,342	,516	,441	,507	1,408
	ADELAY	,056	,021	6,814	,009	1,057
	Constant	-7,911	6,851	1,333	,248	,000

a. Variable(s) entered on step 1: COMMITTE, MANOWN, INDCOM, DEF, TENYERS, ADELAY.

Source:SPSS reserach output

According to the B weight from the output of logistic regression (Table 2), the regression equation can be expressed as follow:

$$\mathrm{Ln}\frac{\mathrm{GC}}{1-\mathrm{GC}} = -7{,}911 + 0{,}133\ \mathrm{KOMITE} - 0{,}045\ \mathrm{MAN\_OWN} + 0{,}004\ \mathrm{IND\_COM} + 4{,}430\mathrm{DEF} + 0{,}342\ \mathrm{TENYERS} + 0{,}056\ \mathrm{ADELAY}$$

The result of the logistic regression show that audit committee is not significant in predicting GC opinion issuance. This is consistent with the result obtained Sihombing dan Kristianto (2014) that the audit committee does not significantly affect the auditor GC opinion. The result also show Managerial ownership (MAN_OWN) is not significant in predicting GC opinion. The result also show Independent Commissaries (IND_COM)is not significant in predicting GC opinion. This is consistent with the result obtainedRamadhany (2004). The result also show *debt default* (DEF)is significant in predicting GC opinion.. The failure to fullfill debt default and interest is indicator GC uses most of auditor to predict GC company. Furthermore, the result of *Auditor client tenure* (TENYERS) show that the variables is not significant in predicting GC opinion. The last, Audit *delay* (ADELAY)is significant in predicting GC opinion.

5. Conclusions

With the general objective to identify characteristics related to GC opinion issuance this study then test the effect of five variables namely audit committee, managerial ownership, independet commissaries, debt default dan audit delay on GC opinion. It is foud that audit committee, managerial ownership, independet commissaries and audit delay is not significant in predicting GC opinion. But debt default variables is significant in predicting GC opinion (positive affect, p=00,5). Overall, the findings of this study confirms contention made by Sundgren and Svanstrom (2014) that auditor characteristics should be seen as main factors that could influence the propensity of auditor to issue GC opinion. Future studies should explore the impact of other characteristic of auditors such renumeration and auditor switching of GC opinion as well.

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