

## FACTORS INFLUENCING GOING-CONCERN AUDIT OPINIONS AND THEIR CONSEQUENCES: EVIDENCE FROM INDONESIAN LISTED FINANCIAL FIRMS

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### Abstract

This study aims to examine the antecedents of going concern audit opinions and their consequences for auditor switching among financial sector companies listed on the Indonesia Stock Exchange (IDX) during 2019–2023. The independent variables include financial distress, audit committee effectiveness, and audit report lag. The dependent variable is the going concern audit opinion, and the consequence variable is auditor switching. A quantitative method was applied using logistic regression on a sample of 88 companies. Results indicate that financial distress and audit report lag significantly influence going concern opinions, whereas audit committee effectiveness has no significant impact. Furthermore, going concern opinions do not significantly affect auditor switching. These findings emphasize the importance of financial health and timely financial reporting in audit assessments and investor confidence.

Keywords: Financial Distress, Audit Committee, Audit Report Lag, Going Concern Audit Opinion, Auditor Switching.

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### 1. Introduction

The going concern assumption is a fundamental principle in financial reporting, which assumes that a company will continue its operations for the foreseeable future. Auditors play a critical role in evaluating and disclosing any material uncertainty that may cast significant doubt on an entity's ability to continue as a going concern. This evaluation is typically communicated through the issuance of a going concern audit opinion, which can signal potential financial instability to stakeholders and significantly affect investor perception and confidence.

In Indonesia, the issuance of going concern audit opinions has gained increased attention, especially following several high-profile corporate failures. Financial sector companies, in particular, are considered highly sensitive to macroeconomic changes and regulatory shifts. As intermediaries in the economy, these institutions are not only systemically important but also heavily regulated. Consequently, any doubts regarding their financial sustainability can have far-reaching implications.

The decision to issue a going concern opinion is influenced by several antecedent factors. Financial distress is one of the most prominent predictors, as companies that struggle to meet their short-term obligations are often viewed as having uncertain futures. Likewise, the role of corporate governance mechanisms such as the audit committee has been emphasized as a means of enhancing oversight, ensuring the reliability of financial reporting, and potentially mitigating the risk of receiving a going concern opinion. Additionally, audit report lag, or the time delay between the fiscal year-end and the publication of the audited report, may signal issues encountered during the audit process, including the need for additional procedures related to going concern assessments.

On the other hand, there is growing interest in understanding the consequences of receiving a going concern audit opinion. One potential implication is auditor switching the replacement of the current external auditor. Auditor changes can be driven by both mandatory rotation policies (as mandated by Indonesia's Ministry of Finance regulations) and voluntary actions stemming from dissatisfaction, audit costs, or reputational concerns. While some companies may view a going concern opinion as justification for switching auditors, others may retain their auditor to maintain consistency and credibility.

Previous studies on this topic have yielded inconsistent results. For example, while some researchers find a significant link between financial distress and going concern opinions, others report otherwise. Similarly, the relationship between audit committee effectiveness or audit delay and going concern opinions has shown mixed findings. Moreover, the evidence regarding whether going concern opinions influence auditor switching remains inconclusive.

In light of these research gaps, this study aims to comprehensively examine the antecedents including financial distress, audit committee effectiveness, and audit report lag of going concern audit opinions and to assess their consequences on auditor switching. Focusing on the financial sector companies listed on the Indonesia Stock Exchange from 2019-2023, this study contributes to the literature by providing empirical evidence in a highly regulated and economically significant industry. The findings are expected to offer meaningful insights for auditors, regulators, company management, and investors in understanding the dynamics behind going concern assessments and audit-related decisions.

## **2. Theoretical Background**

### **2.1 Theoretical Foundation**

This study is grounded in two primary theories that explain the dynamics of audit reporting and its consequences: Agency Theory and Signaling Theory.

#### **2.1.1 Agency Theory**

Agency theory explains the inherent conflict of interest between principals (e.g., shareholders) and agents (e.g., management). This relationship is characterized by information asymmetry, where agents may act in their own self-interest rather than in the best interest of the principals. Auditors, as independent third parties, play a critical role in mitigating this conflict and reducing information asymmetry by providing an unbiased opinion on the fairness of financial statements, including their assessment of the company's ability to continue as a going concern (Jensen & Meckling, 1976).

#### **2.1.2 Signaling Theory**

Signaling theory suggests that in markets with information asymmetry, companies communicate their internal conditions to external stakeholders through observable signals (Spence, 1973). An audited financial report is a key signal. A going concern opinion (GCO) serves as a potent negative signal, indicating substantial uncertainty about a firm's long-term sustainability. In response to such a signal, management may alter its behavior for instance, by enhancing corporate governance or changing auditors to project a more favorable image to the market.

### **2.2 Hypothesis Development**

#### **2.2.1 The Effect of Financial Distress on Going Concern Audit Opinion**

Financial distress is a critical determinant in an auditor's decision-making process. Firms experiencing severe financial problems manifested through sustained operating

losses, deteriorating cash flows, or high leverage ratios pose a greater audit risk, leading auditors to rigorously assess their ability to continue as a going concern. From an agency theory perspective, financial distress heightens the risk of managerial opportunism, prompting auditors to perform enhanced due diligence. Practically, auditors often rely on metrics like the Altman Z-score to quantify this risk.

Empirical evidence in the Indonesian context supports this relationship. Studies by Wawo and Kusumawati (2019) and Utami and Darsono (2022) found that companies with poor financial health are significantly more likely to receive a GCO. Furthermore, Divira and Darya (2023) validated the predictive power of financial distress using the Z-score model, confirming a robust relationship with GCO issuance, particularly in high-risk sectors like finance. Therefore, the first hypothesis is proposed:

*H1: Financial distress has a positive effect on the issuance of a going concern audit opinion.*

### 2.2.2 The Effect of Audit Committee on Going Concern Audit Opinion

The audit committee is a cornerstone of corporate governance, tasked with overseeing financial reporting and audit integrity. Theoretically, a strong and independent audit committee should enhance financial transparency and bolster auditor confidence, potentially reducing the likelihood of a GCO. However, empirical findings on this relationship are mixed and often contradictory.

Some scholars, such as Indra and Halim (2022) and Saputra and Halim (2022), found no significant relationship between audit committee characteristics (e.g., independence, size) and the issuance of GCOs. This suggests that the mere presence of an audit committee may not influence auditor assessments if the committee lacks substantive effectiveness or authority. In contrast, Ramadan and Mareta (2023) argued that a competent and financially literate audit committee can reduce audit risk by improving oversight and communication. Given the inconclusive evidence and the context of developing economies where audit committees may sometimes be merely ceremonial, the following hypothesis is formulated:

*H2: The effectiveness of the audit committee has no significant effect on the issuance of a going concern audit opinion.*

### 2.2.3 The Effect of Audit Report Lag on Going Concern Audit Opinion

Audit report lag (ARL), the period between the fiscal year-end and the audit report date, is a proxy for audit complexity and potential issues. A prolonged lag may indicate that auditors encountered difficulties in gathering sufficient evidence or needed extra time to deliberate on complex matters, such as going concern uncertainties. According to signaling theory, a delay in audit completion can itself be a negative signal to the market about a company's underlying problems.

Empirical research supports this association. Putri and Pradhika (2021) found that companies with longer audit lags were more likely to receive a GCO, as the additional time reflected deeper scrutiny of the firm's viability. Similarly, Saifudin et al. (2023) noted that prolonged engagements are common in distressed firms, where auditors perform more rigorous procedures. Thus, the third hypothesis is:

*H3: Audit report lag has a positive effect on the issuance of a going concern audit opinion.*

#### 2.2.4 The Effect of Going Concern Audit Opinion on Auditor Switching

Auditor switching, the replacement of an external audit firm, can be a strategic response to an unfavorable audit opinion. A GCO signals substantial doubt about a company's future, potentially damaging its reputation. Management may engage in "opinion shopping" switching auditors to seek a more favorable opinion or to signal a fresh start to stakeholders. Research by Agnia and Dedik (2020) and Tika (2021) supports this, showing a link between GCOs and subsequent auditor changes.

However, this relationship is not straightforward. Other studies, such as Fitriani and Wirakusuma (2020), suggest the effect is conditional on factors like firm size and audit firm reputation. More importantly, in Indonesia, the institutional context is dominated by mandatory audit rotation policies enforced by the Financial Services Authority (OJK). This regulation requires periodic auditor changes regardless of audit opinion, making it difficult to attribute switching directly to the GCO itself. Research by Savitri and Andayani (2022) confirms that auditor changes are often routine and rule-driven. Consequently, it is hypothesized that in this regulated environment, the GCO itself may not be a primary driver:

*H4: The issuance of a going concern audit opinion has no significant effect on auditor switching.*

### 3. Methods

#### 3.1 Research Design

This study employs a quantitative associative approach with a causal-explanatory design. The research aims to examine the relationship between financial distress, audit committee effectiveness, and audit report lag on the issuance of going concern audit opinions, as well as the impact of going concern opinions on auditor switching. The study utilizes secondary data from financial statements and audit reports of financial sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2023.

#### 3.2 Population and Sample

The population of this study comprises all financial sector companies listed on the Indonesia Stock Exchange during the 2019-2023 observation period. The sampling technique used was purposive sampling with the following criteria:

- 1) Financial sector companies that consistently published audited annual financial statements during the 2019-2023 period
- 2) Companies with complete data required for variable measurement
- 3) Companies that experienced at least one going concern audit opinion or auditor switching event during the research period

Based on these criteria, 88 company-year observations were obtained as the final research sample.

#### 3.3 Data Collection Technique

Data were collected through documentation technique by gathering:

- 1) Annual financial reports from the Indonesia Stock Exchange website ([www.idx.co.id](http://www.idx.co.id))
- 2) Audit reports and independent auditor opinions from company annual reports
- 3) Corporate governance information from company annual reports and sustainability reports

All data were cross-checked for completeness and consistency before analysis.

### 3.4 Variable Operationalization

The research variables are operationally defined as follows:

#### 1) Dependent Variables:

- Going Concern Audit Opinion (GCO): Dummy variable (1 if the company receives going concern opinion, 0 otherwise)
- Auditor Switching: Dummy variable (1 if the company changes auditor, 0 otherwise)

#### 2) Independent Variables:

- Financial Distress: Measured using Altman Z-Score model
- Audit Committee Effectiveness: Composite index of independence, size, meeting frequency, and financial expertise
- Audit Report Lag: Number of days between fiscal year-end and audit report date

### 3.5 Data Analysis Technique

The data analysis technique used is logistic regression analysis with the following model specifications:

Model 1 (GCO Determinants) ..... (1)

$$GCO = \alpha + \beta 1FD + \beta 2ACE + \beta 3ARL + \varepsilon$$

Model 2 (Auditor Switching) ..... (2)

$$AS = \alpha + \beta 1GCO + \beta 2FD + \beta 3SIZE + \varepsilon$$

Where:

FD = Financial Distress,

ACE = Audit Committee Effectiveness,

ARL = Audit Report Lag,

SIZE = Company Size (control variable)

Data processing was performed using statistical software with a significance level of 5% ( $\alpha = 0.05$ ).

## 4. Results and Discussion

This study employed logistic regression analysis to investigate the antecedents and consequences of going concern audit opinions in Indonesian financial sector companies. The analysis was conducted in two parts: first, examining the factors influencing the issuance of going concern opinions, and second, analyzing the impact of such opinions on auditor switching behavior.

### 4.1 The Impact of Financial Distress, Audit Committee, and Audit Report Lag on the Probability of a Going Concern Audit Opinion

The regression analysis yielded robust empirical evidence indicating that financial distress significantly and positively influences the likelihood of an auditor issuing a going concern audit opinion. The statistical output reveals a regression coefficient of 1.158 accompanied by a p-value of 0.002, signifying a high level of significance at the 5% threshold. This suggests that for each unit increase in financial distress as measured using the Altman Z-score the probability of receiving a going concern opinion increases considerably. Firms that are financially unstable, typically indicated by prolonged net losses, insufficient working capital, rising liabilities, or declining solvency, are more likely to trigger auditor concern about their ability to continue as a going concern within the next twelve months. In these conditions, auditors are compelled to apply heightened professional skepticism and are more inclined to issue a qualified opinion containing a going concern paragraph.



This empirical result strongly aligns with both theoretical expectations and prior empirical research. Drawing from agency theory, a financially distressed firm is considered to be at higher risk for information asymmetry and managerial opportunism. As financial pressure escalates, managers may attempt to withhold negative information or manipulate financial reports to project a better image to external parties. In such contexts, auditors as independent agents safeguarding the interests of shareholders (principals) adopt a more conservative stance to mitigate potential audit failure and reputational risk. The issuance of a going concern opinion thus becomes a risk-avoidance mechanism. This theoretical framework is supported by the empirical findings of Firmansyah et al. (2021), Wawo and Kusumawati (2019), and Irsyad and Nelvirita (2024), who consistently found that companies facing financial hardship as indicated by negative Z-score values are statistically more likely to receive going concern audit opinions. These studies emphasize that financial indicators offer objective and quantifiable benchmarks for auditors to evaluate an entity's operational sustainability.

In contrast, the effect of audit committee effectiveness on going concern audit opinions was found to be statistically insignificant in this study. The regression coefficient was reported at  $-0.089$ , with a p-value of  $0.189$ , indicating no meaningful influence within the 5% significance level. This finding suggests that the existence, size, or even independence of the audit committee does not materially influence the auditor's decision to issue a going concern opinion. While corporate governance frameworks and regulatory best practices advocate for the establishment of strong, independent audit committees to enhance oversight and accountability, this result casts doubt on their actual operational effectiveness at least in the context of Indonesian financial sector firms.

Several possible explanations may account for this outcome. It is plausible that many audit committees operate more as symbolic entities that fulfill regulatory requirements rather than functioning as truly active governance bodies. Moreover, the quality of audit committee oversight may be undermined by a lack of financial expertise, infrequent meetings, or insufficient independence from executive management. These limitations diminish the committee's ability to intervene meaningfully in financial reporting and risk management processes. This view is supported by previous research such as Indra and Halim (2022) and Ravinda and Indah (2023), who also found that audit committee variables such as number of members, independence level, or meeting frequency did not significantly influence the auditor's going concern assessment. Their findings collectively suggest that structural governance elements alone may not be sufficient to alter audit judgments unless coupled with real, effective engagement in the firm's oversight.

Perhaps the most remarkable result in the analysis pertains to the variable audit report lag, which emerged as a strong and statistically significant predictor of going concern audit opinions. The regression output displayed a coefficient of  $4.649$  with a p-value of  $0.000$ , indicating a highly significant relationship. This result means that companies with longer audit completion times are substantially more likely to be issued a going concern opinion by their external auditors. The logic behind this finding is well-established: audit delay often reflects complications in obtaining reliable evidence, prolonged discussions between auditors and management, or internal challenges related to financial disclosures. These delays often signal elevated audit risk, especially in firms with complex transactions or ambiguous future cash flows.

This outcome supports the arguments of prior scholars such as Putri (2020) and Saifudin et al. (2023), who emphasized that prolonged audit processes are frequently observed in firms facing potential financial failure or restructuring. From the lens of

signaling theory, the length of time it takes to finalize an audit report functions as a form of indirect communication to stakeholders. Before any formal disclosure is made, a delayed audit report may already trigger market suspicion about the company's operational health. Moreover, auditors may require additional time to consult with senior partners, assess management's future projections, and verify assumptions in financial statements before issuing a qualified opinion. The longer the audit process, the more likely that auditors have encountered indicators of substantial doubt regarding the firm's going concern status. Table 1 presents the detailed results of the logistic regression analysis for the going concern opinion model.

**Table 1.** Logistic Regression Results for Going Concern Opinion Determinants

Variable	Coefficient (B)	Std. Error	t-value	Sig. (p-value)
Constant	-0.131	0.060	-2.184	0.030
Financial Distress	1.158	0.371	3.121	0.002
Audit Committee	-0.089	0.068	-1.315	0.189
Audit Report Lag	4.649	0.681	6.827	0.000

Source: Processed research data (2024)

The regression results presented in Table 1 clearly indicate that financial performance indicators particularly those reflecting financial distress and timing-related audit variables, such as audit report lag, have a strong and statistically significant influence on auditors' assessments regarding the likelihood of an entity's continued operations. These quantitative metrics provide auditors with objective, observable signals that guide the decision-making process when evaluating whether a going concern modification is warranted in the audit opinion. In situations where a company is facing severe financial difficulties or when the audit process is unusually prolonged likely due to difficulties in obtaining sufficient appropriate audit evidence auditors are more inclined to express doubt about the company's ability to survive in the near future.

In contrast, corporate governance mechanisms, particularly the role of the audit committee, appear to exert less influence in shaping these professional judgments. Although audit committees are widely regarded as essential components of effective corporate governance tasked with overseeing financial reporting processes, facilitating communication with external auditors, and ensuring the integrity of internal control systems the empirical findings of this study suggest that their presence or structural configuration may not be sufficient to meaningfully affect auditor conclusions in high-risk or uncertain audit environments.

This outcome may reflect the practical limitations of audit committees in certain jurisdictions, including Indonesia, where regulatory compliance often emphasizes the formal existence of governance bodies over their substantive functionality. In many cases, audit committees may lack the independence, expertise, or authority needed to challenge management or to significantly influence the audit process. Furthermore, the effectiveness of audit committees can vary significantly between organizations, depending on factors such as industry characteristics, board culture, and the quality of committee leadership. As such, their impact on complex audit decisions such as issuing a going concern opinion may be marginal or indirect at best.

From a theoretical perspective, this finding also aligns with the notion that governance structures, while important, are enabling mechanisms rather than direct determinants of audit outcomes. The agency theory posits that effective governance structures should reduce information asymmetry and protect shareholder interests. However, in practice, their success depends not only on formal compliance (e.g., meeting size or frequency) but

also on the depth of engagement, financial literacy, and willingness of committee members to exercise critical oversight. When such qualitative elements are lacking, governance mechanisms become symbolic rather than substantive, thereby limiting their ability to influence crucial auditor judgments such as the issuance of going concern opinions.

Moreover, in contexts characterized by economic volatility or institutional weaknesses, auditors may place greater reliance on quantifiable, documentable evidence rather than on subjective governance attributes. This risk-averse behavior is understandable, as audit firms are exposed to significant litigation and reputational risk should they fail to identify material uncertainties about a company's going concern status. Hence, measurable indicators such as deteriorating financial ratios or extended audit report lag times carry more weight in audit planning and opinion issuance than governance-related variables.

In summary, while financial data and audit timing present clear and actionable insights for auditors in evaluating going concern risk, governance structures such as audit committees without operational strength and authority may fall short of influencing such critical professional judgments. This highlights the ongoing challenge in many corporate environments: bridging the gap between governance form and governance function. Strengthening the effectiveness of audit committees requires not only regulatory reinforcement but also cultural shifts within organizations that prioritize transparency, accountability, and active oversight over mere procedural compliance.

#### 4.2 The Effect of Going Concern Audit Opinion on Auditor Switching

The subsequent phase of the analysis aimed to examine the consequential relationship between the issuance of a going concern audit opinion and the phenomenon of auditor switching, whether that change is undertaken voluntarily by the company or mandated through regulation. Within the framework of agency theory, it is postulated that firms facing reputational risk especially after receiving an unfavorable audit opinion may seek to regain stakeholder trust by altering their relationship with the external auditor. This strategy is often referred to as "opinion shopping," whereby management hopes that a new auditor might offer a more favorable audit outcome or simply enable the company to distance itself from the negative signal embedded in the previous audit report.

From a practical standpoint, auditor switching can serve as a strategic response aimed at restoring investor confidence, improving market perceptions, or fulfilling corporate governance requirements. In jurisdictions with weaker enforcement or limited audit oversight, this behavior is sometimes exploited to escape accountability. However, in more regulated environments, mandatory auditor rotation policies which require companies to change audit firms after a certain number of years may reduce the discretionary nature of auditor changes. In such cases, switching is driven by compliance with statutory rules rather than by dissatisfaction with the audit opinion or the auditor's perceived credibility.

In the empirical context of this study, the regression model tested whether the issuance of a going concern opinion had any statistically significant association with the company's decision to replace its external auditor. The analysis revealed an F-value of 0.736 and a p-value of 0.391, both of which indicate that the relationship is statistically insignificant at the conventional 5% level. This implies that companies which received going concern opinions were not demonstrably more likely to switch auditors than those receiving clean (unqualified) audit reports.



These findings suggest that, at least within the sampled companies in the Indonesian financial sector, the presence of a going concern opinion does not act as a meaningful determinant of auditor switching behavior. This contradicts the expectations derived from earlier studies conducted in different institutional contexts, where firms have been shown to react to adverse audit opinions by changing auditors either to improve market perception or to seek leniency in future audits. For instance, prior research by Agnia and Dedik (2020) and Tika (2021) documented a tendency among companies to replace auditors after receiving going concern modifications, particularly in less regulated or emerging markets.

One plausible explanation for this divergence lies in Indonesia's regulatory framework, which mandates auditor rotation both at the individual partner level and, in some cases, at the audit firm level. These rotation requirements, as stipulated by Indonesia's Ministry of Finance and financial regulatory bodies (e.g., OJK), diminish the extent to which auditor switching can be attributed solely to audit opinion content. Instead, auditor changes may reflect institutional compliance rather than a discretionary management decision responding to an unfavorable audit report.

Furthermore, in the highly regulated financial sector, auditor appointments are often scrutinized by supervisory authorities, and audit firms are typically selected from among a small pool of accredited firms with industry-specific expertise. This limits the flexibility of companies to change auditors based solely on strategic or reputational motives. In such a tightly monitored sector, the dynamics of auditor switching may be less influenced by audit outcomes and more governed by institutional relationships, regulatory expectations, and long-term contracting patterns between companies and audit firms. Table 2 summarizes the regression output testing the relationship between going concern opinions and auditor switching.

**Table 2.** Regression Results for Auditor Switching Determinants

Model	Sum of Squares	df	Mean Square	F-value	Sig. (p-value)
Regression	0.183	1	0.183	0.736	0.391
Residual	108.404	436	0.249		
Total	108.587	437			

Source: Processed research data (2024)

This empirical finding that the issuance of a going concern opinion does not significantly correlate with auditor switching stands in contrast to the results of several prior studies conducted in different regulatory or institutional contexts. For instance, Agnia and Dedik (2020) found compelling evidence that companies receiving going concern opinions were more likely to engage in opinion shopping, a practice where management seeks to replace their current auditor in favor of one perceived to be more lenient or likely to provide an unqualified opinion in subsequent periods. The underlying assumption of such behavior is rooted in agency theory: when auditors issue unfavorable reports that signal risk to stakeholders, managers who may prioritize firm reputation or personal incentives may attempt to circumvent future unfavorable disclosures by appointing a new, more accommodating auditor.

However, the absence of such a relationship in this study's findings may be better understood when viewed through the lens of Indonesia's regulatory environment, particularly as it pertains to the financial services sector. In Indonesia, both the Ministry of Finance and the Financial Services Authority (OJK) have enacted mandatory auditor rotation policies that require companies to periodically change their external auditors either at the individual partner level or at the audit firm level after a predetermined number

of years. These rules are aimed at maintaining auditor independence and reducing the risk of excessive familiarity between auditors and clients. Because of this regulatory requirement, many auditor switches observed in practice are not initiated voluntarily by management, but rather are part of routine compliance obligations. As a result, it becomes challenging to determine whether an auditor change is a strategic response to a going concern opinion or simply a regulatory mandate.

Moreover, the financial services industry comprising banks, insurance companies, and other financial institutions is among the most heavily regulated and closely supervised sectors in Indonesia. Firms operating in this domain are required to comply not only with standard financial reporting regulations but also with sector-specific audit and governance standards. In this environment, the selection of external auditors is not entirely discretionary; instead, companies tend to engage with a limited pool of large, reputable audit firms often members of the Big Four or top-tier national firms that possess the technical expertise and regulatory credentials necessary to navigate complex financial operations.

Consequently, for companies in this sector, the cost of switching auditors voluntarily can be substantial. It may involve not only financial expenses but also significant disruptions to audit continuity, particularly when the outgoing auditor has developed deep familiarity with the firm's operations, internal controls, and risk profile. Additionally, incoming auditors would face steep learning curves, increasing the burden of re-auditing or reassessing historical judgments. For this reason, unless there is a major dispute or breakdown in trust between the client and the auditor, companies may prefer to maintain their audit relationships even after receiving a going concern opinion.

Another plausible explanation relates to auditor credibility and market discipline. In a tightly regulated financial ecosystem, stakeholders including investors, creditors, and regulators often monitor auditor changes closely. A sudden or unexplained auditor switch following the issuance of a going concern opinion could raise suspicions regarding management's motives and further damage the firm's market reputation. Therefore, the reputational cost of switching auditors under these circumstances may outweigh the potential benefit of obtaining a more favorable audit opinion in the future.

Taken together, these contextual realities point to the conclusion that the decision to switch auditors in Indonesia's financial sector is influenced more by institutional frameworks, regulatory mandates, and practical limitations than by audit opinion content alone. This may explain why the empirical analysis did not reveal a significant association between going concern opinions and auditor switching in this study, despite evidence to the contrary in other jurisdictions. It also suggests that future research should carefully differentiate between voluntary and mandatory auditor switches, and consider sectoral and regional regulatory nuances that may mediate the relationship between audit outcomes and auditor replacement behavior.

#### 4.3 Broader Implications

The findings of this study carry significant implications for multiple stakeholders. For auditors, the significant impact of financial distress and audit lag underscores the importance of incorporating both financial indicators and audit execution signals into risk assessments and audit planning. The strong predictive power of these variables suggests that they should be central components in audit risk models, particularly when evaluating going concern assumptions.

For regulators, the lack of audit committee influence on audit outcomes suggests a need to reevaluate how corporate governance structures function in practice not merely in form but in operational substance. The findings indicate that current governance requirements may be insufficient to ensure substantive oversight, pointing to the need for more rigorous enforcement of audit committee effectiveness standards, including requirements for financial expertise, regular meetings, and genuine independence.

For investors and creditors, audit report delays and signs of financial instability should be closely monitored as early warnings of potential going concern issues, even before formal opinions are released. The strong relationship between audit report lag and going concern opinions suggests that timing signals in financial reporting can provide valuable insights into a company's underlying financial health.

Furthermore, the absence of a relationship between going concern opinions and auditor switching suggests that such audit opinions may not carry as much weight in the client's decision to retain or dismiss their auditor at least within the current legal and institutional frameworks in Indonesia. This has implications for regulatory policies aimed at enhancing auditor independence and audit quality, suggesting that mandatory rotation rules may be effectively limiting opinion shopping behavior in the financial sector.

## 5. Conclusion

This research arrives at the conclusion that among the variables analyzed, financial distress and audit report lag demonstrate a significant and consistent influence on the issuance of a going concern audit opinion. Companies experiencing financial instability such as operational losses, reduced liquidity, or deteriorating solvency are more likely to be flagged by auditors as potentially unable to sustain operations. Likewise, the presence of a prolonged audit process, as reflected in the audit report lag, suggests heightened uncertainty or difficulty in financial reporting, which may prompt auditors to issue a more cautious assessment of the company's future viability.

On the other hand, the effectiveness of the audit committee, which is often viewed as a critical component of corporate governance, does not appear to have a meaningful effect on auditor decisions regarding going concern evaluations. This implies that structural governance mechanisms may not function optimally or exert enough influence to alter the perception of business continuity risks, particularly in high-risk sectors such as finance.

In addition, the study finds that receiving a going concern opinion does not automatically lead to a change in external auditors. This suggests that companies may not respond to adverse audit signals by replacing their auditors, contrary to expectations of "opinion shopping." Instead, auditor changes may be more strongly influenced by institutional rules such as mandatory rotation requirements than by the content of audit opinions alone.

These insights are valuable for multiple stakeholders. Regulators may need to reassess the practical impact of audit committees, ensuring their roles go beyond compliance and contribute meaningfully to risk oversight. Auditors are encouraged to prioritize financial indicators and audit complexities when forming their opinions. Investors and market analysts should pay close attention to signs of financial distress and audit delays as early indicators of going concern risks, even before formal audit disclosures are released.

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