



## Research article

# Corporate going-concern report in early pandemic situation: Evidence from Indonesia

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## ABSTRACT

A going-concern report (GCr) in the audit opinion adds value and ensures that the firm's sustainability is secured. This study sheds light on this relationship of listed infrastructure, utility, and transportation firms in Indonesia as the most affected firms by Covid-19. Data were collected from published audited annual reports and extracted from 73 firms as a sample. Logistic regression was employed to test the hypotheses. The results show the importance of leverage, audit quality, prior opinions, and dividend policy in ensuring corporate GC. In contrast, audit committee and institutional holder as corporate governance indicators are unrelated to GCr. Beyond its contribution to the literature, this study offers valuable feedback for regulatory bodies to consider the enforcement of corporate governance implementation and assists investors in making better-informed decisions. Furthermore, due to a pandemic crisis, a postponed dividend payment has not caused the firm to accept a GCr.

## 1. Introduction

A company's sustainability can be seen based on an audit opinion [1]. In addition, an audit opinion, especially related to going-concern (GC) assumptions, is very helpful for investors to decide whether to keep or withdraw their investment. So, business continuity in the future is crucial information for investors, whether it is good news or bad news [1,2]. The audit opinion assures the public or investors that the financial statements have been presented fairly under generally accepted principles and ensure the company's continuity in the future. Audit opinion emphasizing GC can reduce public confidence in the entity [3].

The Covid-19 pandemic has significantly impacted business activity and economic well-being worldwide [4]. In Indonesia, following the results of a survey conducted by the Central Bureau of Statistics in the third quarter of 2020, 66.09% of companies claimed to have experienced a decline in revenue. Weakening business activity during a pandemic can impact the existence and continuity of a business entity. Economic uncertainty raises investor expectations for have an early warning system of the entity's business continuity in the form of an audit opinion.

The auditor can give an unmodified audit opinion, emphasizing going-concern about an entity that shows deep concern about GC. Prior research has demonstrated the entity's potential for bankruptcy after receiving an unmodified opinion in a report in the most recent year [5]. Companies that receive a GC report tend to have a higher probability of experiencing business uncertainty in the future.

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According to relevant audit studies, several major sources of risk continuity exist: poor corporate governance (CG) [6–8], a high percentage of leverage [9–11], audit quality [12], prior audit opinions [13,14], and dividend [15]. GC risk not only harms investors' interests and trust but also creates significant barriers to the Indonesian capital market's effective operation.

CG is a set of rules, laws, and regulations that affect how a company is controlled and directed. According to Shleifer and Vishny [16], CG can be viewed as a collection of mechanisms that align the goals and interests of managers so that the investor is somewhat protected from the risk. Despite the fact that CG systems vary from country to country, stakeholders assume that certain instruments must be in place to ensure corporate transparency and disclosure and reduce problems with corruption and misbehavior [17]. "CG is therefore designed to carry out a system of monitoring that uses board structure, audit committees, and compensation to give shareholders the information necessary to restrain management and hold them accountable for their actions." One might infer from the given definition of CG that its main focus is protecting shareholders' rights. It is very clear that the shareholder has no tolerance for poor company performance. An earlier study proved that poor CG leads to survival issues [9], so it is likely to receive a GC report from an auditor. These firms need to improve their controlling and monitoring mechanisms in order to avoid financial problems. Enhanced CG could reduce management's opportunistic conduct, and thus the firm could avoid the risk of firm continuity.

Our main premise is that CG structures reflect elements that have an impact on a firm's capacity to withstand financial stress and, consequently, the auditor's going concern evaluation (Guo et al., 2020; Masocha and Weetman 2005; Pillai and Al-Malkawi 2018). Prior study of CG has identified various factors that are classified under monitoring schemes. They are independent boards and board size [18], ownership structure [19], institutional ownership [20], number of meetings per year, CEO profile [21], etc.

Good CG might depend on the audit committees (AC), since they are bringing rigorous scrutiny to today's businesses and promoting management responsibility (Coetzee et al., 2021; Turley and Zaman 2014). Audit committees that are effective play a crucial role in assisting management in combating fraud and irregularities [22]. In reality, auditors contribute to audits by improving audit quality. The occurrence of high-profile company failures, including fraud, bad accounting, and internal control breaches, particularly since 2000, has offered evidence to justify concerns about the quality of the monitoring provided by AC. Since the AC has a variety of responsibilities that include an oversight role (to keep an eye on the quality of financial reporting) and an assurance role (to establish a link between the AC and external audits), it will lead to a good audit outcome. Thus, the audit committee is viewed as an important measure to improve audit opinion (going concern) as an external CG instrument, which may inhibit the risk of firm continuity.

It is a well-known fact that CG mechanisms, namely institutional holders, have the capacity to avoid the risk of going concern through monitoring mechanisms. The agency theory and the institutional theory both support the notion that institutional holders are actively engaged in business supervision [17]. Institutional ownership is believed to be active monitoring, as the owners have the tools, knowledge, and capacity to control managers' decisions and curtail their self-serving behavior [16]. Accordingly, we could expect that by implementing effective monitoring mechanisms (ie., institutional holders and audit committees), we can help an auditor remove worries about a firm's continuity and thus obtain an opinion with a "no going-concern" report.

According to audit literature, high-quality audits raise the need for external monitoring from institutional investors to check the truth of financial statements [23,24]. A high proportion of institutional holders will increase monitoring of management decisions, reducing the potential for bankruptcy [25,26]. The supervisory role substituted by investment entities will result in a more effective monitoring mechanism, and thus, it will motivate managers to improve their performance to ensure its GC. Furthermore, acceptable CG practices require an audit committee. The audit committee (AC) is responsible for overseeing the financial reporting process and ensuring the credibility of financial reports before they are published to external stakeholders in a timely manner [27], as well as controlling and supervising to avoid bankruptcy. The AC is also expected to increase the effectiveness of financial reporting and the audit process.

Several variables can enhance an auditor's worries about an entity's continuity. Leverage is one of them. Leverage is widely used as a benchmark for the acceptance of GC reports in audit opinions. Leverage is related to the company's risk in the future. Leverage is unavoidable since business expansion always requires external funding. However, if it is out of control, a high leverage ratio can reduce its performance and create uncertainty; thus, it can raise an audit opinion with modifications [9–11].

Violation of debt covenants or delays in debt payment and dividends [15] indicate a company with financial difficulties. Companies with financial problems will tend to delay dividend payments. Firms with financial issues will tend to be given a GC report in the audit opinion. Previous studies on the audit opinion focused more on the ability to pay debts rather than the ability to pay dividends.

There is a gap in the literature that links dividend policy to the GC report in the audit opinion. The current study adds to the literature by investigating whether dividend decisions influence audit opinions. Profitability influences dividend decisions. Profitability is closely related to the firm's operational capabilities and other competitive advantages under normal conditions. During a crisis, however, many companies face financial difficulties, which impact dividend decisions [28]. The financial crisis is another factor that may limit dividend payments [29].

Besides financial and non-financial factors [11,30,31], the audit opinion is also determined by external factors such as prior opinions [12]. The GC report is frequently associated with the auditor's reputation. The public always trusts reputable auditors like the Big Four Auditors (BFA) in terms of competence, independence, and prudence in rendering opinions. BFA provides a quality opinion on their ability to face audit risk and lawsuits. Furthermore, BFA is thought to be capable of representing the public interest by providing helpful information to investors and other users for them to make investment decisions. Moreover, BFA will provide independent and competent auditors, offering more objective audit opinions. According to some research, auditors from reputable accounting firms are critical in delivering audit opinions with GC reports [32].

Business activities from the previous year will impact business continuity in the current year. Because the previous year's performance heavily influenced the firm's performance, the audit opinion is inextricably linked to the earlier years. The last year's GC report will eliminate public confidence, causing the company to deal with problems and financial difficulties in the current year,

creating business uncertainty and raising concerns about business continuity. As a result, companies that receive an audit opinion with a GC report are more likely to receive the same opinion in the following year [13,14]. Previous research shows that auditors are more likely to issue a GC report to firms that received the same audit opinion in the last year [13].

In the current research, we expand on some earlier studies of the GC report related to CG, financial performance, audit quality, and dividend judgments in an Indonesian setting. Indonesia is an Asean country in which most firms are small, privately owned, and supported by bank loans.

Further, most of the extant literature on audit opinions with GC reports was carried out in stable economic conditions. However, recent studies were conducted during the Covid-19 pandemic, in which almost all firms were at risk of bankruptcy, and this had an impact on businesses' capacity to continue operating under this assumption. Management should prepare for increased auditor scrutiny in critical areas. Only companies that are truly surviving can avoid audit opinions with GC reports.

Moreover, there are inconclusions from previous research related to audit opinions. Financial and non-financial factors can affect GC positively or negatively. Regarding CG, for example, various studies yielded different results, with some studies successfully verifying CG and an audit opinions [33]. However, another study in Jordan rejected the association [34,35]. In addition, a prior study has mostly linked managerial ownership to the quality of financial statements [34] or audit fees [36,37]. In contrast, this study links institutional holders with GC reporting in audit opinions.

Investigating the relationship of financial ratios against the GC report did not yield a conclusive result. In 2015–2016, studies on manufacturing companies failed to verify any effect [38], whereas another study successfully tested the association of financial ratios to audit opinions [32,39]. Next, while leverage is still limited, the profitability variable is primarily used to predict the audit opinion. In a pandemic situation, the firm's risk will be directly related to its external funding sources.

Studies related to audit quality and GC report have no inconsistent results. Some studies accept a negative relationship [32], but other studies have not succeeded in verifying this effect [10,38]. This study will investigate audit opinion with GC report of infrastructure, utility, and transportation companies during the pandemic by considering CG, leverage, audit quality, and dividend decisions.

This study also contributes to the literature as a preliminary attempt at examining dividends from the GC report, especially during the early pandemic crisis. In stable economic conditions, the impact of dividends on financial performance is effective [40]. However, 258 Pakistani companies prefer to maintain liquidity during a crisis, so dividend payments were postponed [28]. Simply put, a pandemic situation causes an economic crisis that will encourage firms to suspend dividend payments.

## 2. Literature review

### 2.1. Going concern audit report

Under the global audit standard, the auditor must assess the assumption of a continuing business. Moreover, the auditor must determine if there is serious doubt about the entity's capacity to continue, not more than one year after the audit [41].

Since the GC assumes that the firm will not be liquidated soon, it highlights that the firm has enough time and resources to manage commercial operations and contracts. According to prior research, one of the most challenging audit duties is the decision to report a going concern [42]. Establishing GC status is a complex process that puts the auditor's reputation on the line. As a result, the auditor must use professional judgment to determine if a client's likelihood of continuing is low enough to warrant issuing a GC report [41]. The auditor only issues a GC report when the client is in jeopardy of going out of business, and thus a firm on the verge of going out of business is granted a GC [30].

This view considers the firm's operational capabilities as well as macroeconomic variables. In this scenario, the auditor should determine whether there is any evidence of a going concern based on negative cash flows. Second, financial challenges such as failure to meet debt covenants, dividend delays, and credit rejection are indicators that GC assumptions have not been met. Although there isn't specific guidance on selecting whether to issue a GCr, various prior studies can be used as a resource for determining the shape of the GCr [43,44]. Third, the GC shows that the auditor took continuity risk into account. These factors include operational performance, macroeconomic conditions that affect the business, debt-paying liquidity, and other long-term financial capabilities.

Furthermore, the GC standard identifies four broad categories [41] of occurrences that could raise serious doubts about a client's ability to continue as a going concern: internal and external issues, unfavorable trends, and other indicators of possible financial challenges. We combined a multi-dimensional model that incorporates all four categories as suggested by the standard: internal (audit committee and institutional holder) and external issues (audit fee and prior opinion), unfavorable trends (debt), and other indicators of possible financial challenges (dividend policy).

### 2.2. Audit committee and GC report

For businesses with poor CG, a going-concern is the most frequent issue that results from an increase in losses, a reduction in operations, restructuring, or firm dissolution. Most research on governance relied heavily on the agency theory that separated the roles of ownership and control. According to Jensen & Meckling [24], agency theory views managers as self-interested actors who engage in opportunistic behavior. Various contractual agreements have been used to control this behavior. Best CG practices require the existence of an audit committee. Therefore, the existence of an audit committee will protect the shareholders' interests and provide sound CG.

According to previous studies, one of the most difficult audit duties is to report a GC. The audit committee is responsible for

guaranteeing the authenticity of the financial reports [27]. The frequency of audit committee meetings is frequently utilized as a proxy for the audit committee [26] since it is an indicator of diligence [45]. Recent studies imply that meeting frequency plays a significant role in the financial reporting process [5] by reducing any detrimental effects on the auditor. The audit committee's effectiveness determines the company's capacity to avoid GC assumptions. Further, due to the complexity of the GC reporting determination, the auditor may be vulnerable to pressure from management. By defending the auditor in disagreements with management, an audit committee may be able to reduce this pressure [5,46].

In other words, we expect that having more frequent audit committee meetings will lessen any pressure from management to have a clean opinion when a GC is necessary [13,17,42]. More particularly, we anticipate that the likelihood of GC will decrease the more effectively the audit committee meets. The highly effective audit committee will strengthen monitoring of management choices, lowering the risk of bankruptcy [25,26]. Referring to the above arguments; this research presents the first hypothesis.

**H1.** Audit committee effectiveness reduces the probability of GC report.

### 2.3. Institutional holders and GC report

One of the primary mechanisms for CG is the ownership structure. According to agency theory, the ownership structure may result in a majority-minority conflict over agency costs. When the ownership level is high, institutional ownership reduces agency conflict. Previous studies have mostly focused on managerial ownership of the quality of financial statements [34] or audit fees [36,37]. In contrast, this study links institutional holders' attitudes toward GC report.

The "active monitoring hypothesis" proposes a positive institutional holder-firm performance relationship, claiming that institutions have the tools, knowledge, and capacity to monitor the firm's choices in terms of performance and competitiveness and to limit self-serving behavior [16,19].

Institutional ownership can significantly influence firm decisions through collective action, especially if they cooperate and coordinate their actions. Another justification that may explain that the institutional holder is expected to play a role is to eliminate the information asymmetry in agent-principle conflict, enhance the competitive advantage, and expertise in managing the business's portfolio, and ensure the firm's continuity [24]. Institutions may actively participate in disciplining and monitoring management discretion.

The higher the level of institutional ownership, the better the control of managerial misbehavior, implying that institutional ownership can strengthen CG [47]. Since institutional holders own a sizable portion of the firm, they may have substantial incentives to monitor and participate in the governance of the corporation. Moreover, institutional monitoring could prevent managers from making bad decisions that hurt shareholder value. It also lowers the agency costs associated with ownership and control separation.

Kane & Velury [48] argue that when institutional ownership is low, it will allow for more opportunistic action in managers' behavior. Thus, it will be more likely to reduce the probability of receiving a GC report. Several researchers have studied the role of institutional ownership on GC. It is understandable that a high proportion of institutional holders will increase monitoring of management decisions, thereby reducing the potential for bankruptcy [25,26]. The monitoring mechanism substituted by the institutional investor is more effective than individual monitoring. Thus, it will motivate managers to improve their performance to ensure their GC. We set the following hypothesis:

**H2.** Institutional holders reduce the probability of GC report.

### 2.4. Leverage and GC report

Leverage is one of the financial ratios widely used as a benchmark in audit opinions. Leverage is related to the firm's future risk. Leverage is unavoidable due to business expansion always requiring more funding. However, if it is uncontrollable, a high leverage ratio can lead to an insolvable condition, so it can cause the firm to accept an audit opinion with a GC report [38,49]. Leverage is commonly measured by the debt ratio, which compares the debt-to-equity ratio with the liabilities to asset ratio [50,51]. Prior study associates' leverage with audit opinions indicates a positive relationship [10,38,52].

The signaling theory from Ross [53] assumes asymmetric information between managers and investors. Managers have a better understanding and more information about the firm's conditions than investors. Ross [53] argues that when there is a change in the capital structure, it will signal the investors that there is a change in the prospects of the firms. If the firms have a high level of leverage, their future may be jeopardized, making them more likely to receive a GC report.

**H3.** Debt to assets ratio increases the probability of GC report.

### 2.5. Audit fee and GC report

The audit opinion is also determined by external factors such as audit quality [54]. Audit quality reflects the auditor's professional competence to detect material misstatements in the financial reports. A GC report is a supplementary skill for auditors because it involves a predictive component. Expertise, the acquisition of business processes in specific industries, and experience will shape the auditor's ability to produce a more accurate opinion. BFA has been trusted to acquire audit market share internationally [55], so it's worth paying dearly.

The BFA is identical with reputable auditors who are always trusted by the public regarding competence, independence, and

prudence in giving opinions. The public trusts them to guarantee a quality opinion related to their ability to face audit risk and lawsuits. Furthermore, BFA is considered capable of representing the public interest by providing useful information for investors and other users to make investment decisions.

The previous study conceptualized and measured audit quality in many ways, including audit fee and size of audit firm [56–59]. Many people mistakenly believe that audit fees are a proxy for audit effort [60], and thus, failed audit quality is reflected in a low audit fee. The audit fee has been extensively examined to represent audit quality as well as audit experience [5,61].

Since the audit fee model is commonly employed as a proxy for audit quality [62–65], the audit fee models indicate that the highest-ranking firms demand much higher audit fees than lower-ranking firms [66]. Under the reputation-based perspective, the highest-reputation audit firms will receive higher audit fees. As a result, the premium audit fee charged by a high-reputation audit firm reflects its high reputation.

Moreover, the auditee firm is willing to pay a premium to a Big Four Audit (BF) or Big Six Audit (BSA) firm to reap the associated ‘signaling’ and ‘reputational’ consequences [67], so BFA firms usually receive a premium audit fee compared to non-BFA firms. BFA characteristics allow them to provide a better going-concern report than non-BFA [33]. Some research supports the notion that BFA is very likely to give an audit opinion with an explanation about going-concern [31,32,38]. The more reputable the auditors, the higher the audit fee, which will encourage the auditor to enhance the professionalism that is reflected in the GC report.

In addition, BFA will be able to provide independent and competent auditors so that they are more objective in giving a GC or non-GC report. Compared to other audits, the BFA has much higher fees [65]. Therefore, managers should compare the advantages of having an audit performed by the BFA firms against the higher prices those firms demand. Specifically, due to higher fees, larger audit firms (BFA) are more likely to issue GC reports [65,68] and their GC reports are more precise in predicting client bankruptcy in the next period.

Audit fees are strongly correlated with engagement hours; therefore, higher fees will result in more hours of experience with the subject of a clean opinion. Thus, audit fees are likely to be associated with more GC issues [9,69]. Further, assessment of the GC assumption will require additional time during the audit and result in higher audit fees. According to Basioudis et al. [70], auditors are more likely to present GC problems when audit fees are higher.

However, current audit fees also reflect the audit’s time commitment. DeFond et al. [71] contend that the level of auditor effort can be viewed as a function of audit quality. Higher audit fees consider more investigation time, insight, and knowledge of the firm, providing more chances for complete audits and a better foundation for decision-making [72]. Higher audit fees encourage auditors to flag survival issues. It has been reported that higher audit fees produce more amended audit opinions [72].

The evidence on the connection between audit fees and the likelihood of issuing a GC report is conflicting. DeFond et al. [71], Callaghan et al. [73], Ratzinger-Sakel [69], and Read [74] found no association between audit fees and GC. In contrast, some researchers discover a positive relationship between the GC report and audit fees [68,70,75]. We present the hypothesis based on inconclusive evidence.

**H4.** An Audit fee increases the probability of GC report

#### 2.6. Prior auditors opinion and GC report

The previous year’s business operations will impact the current year’s business continuity. Because last year’s performance primarily determines the firm’s performance, the audit opinion is inextricably linked to examining the previous year’s audit opinion. As a result, entities that receive an audit opinion with a GC report are likely to receive the same opinion the following year [13,14].

According to Mutchler [13] and Carcello and Neal [42], the auditor is much more likely to issue another GC report in the current year if they issued those reports in the prior year, especially if there is no effort to improve the firm’s operation. Thus, a firm that receives a GC report must demonstrate considerable financial progress to get a clean opinion decision in the next year [42]. We anticipate that the auditor will be more likely to produce a GC report this year after issuing one in the previous year. Since the auditor should consider the previous year’s GC report as a comparable opinion [13], it is concluded that firms receiving a GC report in the previous year are more likely to get the same opinion in the following year.

**H5.** Prior audit opinion increases the probability of GC report.

#### 2.7. Dividend policy and GC report

Macro-economic factors such as crisis conditions highly impact dividend decisions. Firms prefer to maintain liquidity in crisis conditions, thereby delaying dividend payments [28]. A study of 285 publicly traded companies in Pakistan found that dividend policy changed significantly during the financial crisis of 2007–2009 [28]. In times of crisis, public firms in Pakistan have decided to maintain liquidity and delay paying dividends. This study also concludes that dividend policy is not only determined by the firm’s cyclical position but also influenced by financial capacity.

Dividend payments contain financial capability information [76]. The auditor will not issue an opinion with a GC report on a firm that does not have financial doubt. Delays in paying debts and dividends are signs of financial troubles, which might raise concerns about the business’s long-term viability. They may be able to get an opinion with a GC report.

There is a gap in the literature linking opinions with dividend policy. This study tries to fill this gap by relating dividend payments to a GC report. Dividend policy is related to profitability. Under normal conditions, profitability is closely associated with the firm’s operational capabilities and other competitive advantages. However, many firms have encountered financial difficulties due to the

crisis, which has had an impact on dividend policy [28]. The financial crisis is also a factor that may limit dividend payouts [29]. Due to the growth of debt, dividends were reduced. Debt is the factor that determines whether or not a firm will pay out dividends. Debt repayment will take precedence over dividend distribution in companies with a high debt-to-equity ratio. Furthermore, the firm's financing agreements frequently include provisions that limit the payout of dividends.

Several corporations with substantial debt risk, on the other hand, pay dividends to attract investors. Cohen and Yagil [77] shows that companies in financial distress give higher dividends in order to enhance investor interest, and as a result, corporations receive new funds to avoid bankruptcy. To prevent these GC situations, dividend distribution will increase the company's operational capabilities and performance.

**H6.** Dividend policy has a negative impact on GC report.

### 3. Research method

#### 3.1. Population and sample

The study utilizes a quantitative research design. The study extracted data from the audited annual reports and accounts of 73 listed infrastructure, utility, and transportation Indonesian firms for the three-year periods of 2018–2020. The worldwide Covid-19 pandemic, which began in March 2020, forced all major developed countries to halt most of their economic activity. Manufacturing and service industries were shut down, air travel was halted, and the general public was placed on lockdown. As a result, the economy saw a massive drop in overall output on the one hand and a significant drop in consumption on the other. The ensuing income shock resulted in a stock market crash, a sharp drop in real GDP, and growing unemployment. As a result, the chosen observation year is 2018–2020 to observe dividend distribution behavior when the pandemic strikes, i.e., at the end of the 2019 financial year. Several well-known names in Indonesia are not immune to the problem. There are four sub-sectors in this industry: energy, telecommunications, transportation, nonbuilding construction, and the airport, toll road, and port. The control variables are utilized since the entire population is dominated by healthy or unhealthy firms that do or do not have apparent indications of GC problems.

A logit regression technique was used to assess the effect of financial as well as non-financial factors on the going-concern report. Logistic regression (LR) is acceptable because the dependent variable is a binary categorical variable [78] and the independent variables can be either metric or non-metric. It was formulated to explain a dichotomous (yes or no) response rather than a metric scale. Further, it describes how the likelihood of an event varies with the predictors as the result of logistic regression [79]. The LR model is a form of extended generalized modeling that ties a set of actual numbers into the 0–1 range [80].

#### 3.2. Regression models

We regress equation (1) to examine the effect of CG, leverage, audit quality, and dividend policy on GCr. The logit regression is presented below:

$$GCr = a + \beta_1 AC + \beta_2 IH + \beta_3 DAR + \beta_4 AF + \beta_5 PriorGC + \beta_6 Div + \beta_7 Size + \beta_7 Prof + e$$

These are the definitions for the variables: GCr (going concern report) is a type of audit opinion associated with a GC report received by the firm (a dummy variable that equals 1 if the firm received a going concern report and 0 otherwise). AC is a proxy for audit committees, measured by the yearly meeting frequency of each member of the audit committee. DAR is the debt-to-asset ratio, measured as the sum of total debt divided by the total assets, while AF is the audit fee, calculated as the natural logarithm of the audit

**Table 1**  
Variable operational definition.

Variable	Definition and Indicator	Measurement	Reference
Audit Opinion	Audit opinion with GC report	1 with GC report 0 otherwise	Citron and Taffler [81], Feldmann and Read [82], Carson et al. [9], Boskou et al. [6]
Institutional ownership	Stock owned by the institution	IH: stock owned by entity/ outstanding stock	Demsetz [83], Alkilani et al. [34]
Audit committee	Yearly meeting frequency of audit committee	AC: Yearly meeting frequency	Menon and Williams [45], Abbott et al. [5]
Leverage	Balancing the amount of short-term and long-term debt	DAR: Total Liabilities/Total Asset	Parker et al. [26], Al-Thuneibat et al. [11]
Audit Fee	Measured by audit fee	Audit fee: In audit fee	Krauß et al. [84], Gerayli et al. [85], Tarighi et al. [3], Paredes and Wheatley [86]
Prior auditor opinion	Measured by experiencing GC opinion in the previous year	Prior auditor opinion 1 with GCr in previous 0 otherwise	Feldmann and Read [82], Geiger and Rama [68]
Dividend policy	The amount of profit distributed to shareholders at the end of the year	1 dividend payment 0 otherwise	Al-Najjar and Kilincarslan [12]
Firm size	The size of the firm	FS: Natural logarithm of total assets	Simunic [63], Krauß et al. [84], Parker et al. [26]
Profitability	Firms performance	ROA: Net profit/total asset	Paredes and Wheatley [86]

fee. Prior GC is a dummy variable that equals 1 if the firm experienced a going concern report in the previous year and 0 otherwise. Size is firm size measured by the natural logarithm of total assets, while prof is the profitability ratio, which is the net income over total assets.

Logarithm regression is used to estimate the parameters of the empirical model, also used by Pillai and Al-Malkawi [17], among others.. Initial diagnostic procedures include testing for overall model fit and goodness of fit.

### 3.3. Measurement for variables

Following prior research, this research utilizes an audit opinion with a GC report. Going concern assumption, prior auditors' opinion, and dividend policy are dummy variables that have a value of 1 if they experience receiving the GC report, prior auditors' opinion, or dividend policy, and a value of 0 if they do not [6,9,81,82]. Table 1 shows the measurement of data and operational variables.

Audit committee is measured by yearly meeting frequency, as used by Menon and Williams [45] and Abbott et al. [5]. The overall percentage of Indonesian institutions in the firm's total capital shares is referred to as institutional ownership, in line with previous studies such as Alkilani et al. [34] and Demsetz [83].

Debt to total assets ratio scaled by total liabilities toward total assets. Audit fee and corporation size were calculated using the natural logarithm of audit fee and total assets [26,63,84]. The profitability of a firm is determined by the ratio of net income to total assets (ROA) [28,86].

### 3.4. Robustness test

Various control variables have been employed in similar studies, the most prominent of which is firm size [35,87,88]. Auditors are more conservative with larger clients due to a greater risk of litigation. Smaller businesses may be more susceptible to variables that affect their ability to survive and, as a result, are more likely to fail. As a result, smaller businesses may be more likely than larger businesses to receive a GC report [68]. This study used firm size as a control variable and assessed it using the natural logarithm of total assets, as other researchers have done [9,89,90].

The second control variable is the return on assets (ROA). Return on assets is the ratio that measures how profitably a firm utilizes its assets to create profits. The most common way to calculate it is to divide net income by total assets. Thus, considering the size and profitability of the firm sector as a control variable allows us to avoid some possible biases [91].

## 4. Results and discussion

### 4.1. Descriptive statistics

Table 2 shows the mean, minimum, median, standard deviation, and maximum value of variables from 2018 to 2020. It is illustrated that 73 companies obtained an audit opinion with GC report of 77% with a deviation rate of 42%. Table 2 indicates the effectiveness of the audit committee (AC) as represented by the number of meetings in a year during the period 2018 to 2020 and shows an average value of 6.89, which means that the meetings generally range from 6 to 7 times a year. However, there is also an audit committee meeting held only once a year, while the highest frequency of meetings in a year is 44. There is high variability between companies, as indicated by the standard deviation value of 7.006.

The institutional holder (IH) shows an average of 0.6855 (69%), indicating that institutional investors control the majority of the sample companies in 2018–2020. The standard deviation of 0.2052 (20%) supports the fact that IH is dominant. It shows that almost all the sample companies have more share ownership controlled by IH. However, some companies have institutional holders owning only 10% of their stock, while others have institutional holders owning 100% of their stock.

The perspective of leverage (DAR), known as the leverage level of the sample company, is 0.5823 (58%), which means that almost half of its assets are funded from debt sources with a deviation of 0.5236. There is also a sample company that is quite conservative towards debt. Its leverage portion is at the level of 4%. Some businesses are so aggressive with debt that their leverage ratio is 250%

**Table 2**  
Statistical description of variables.

Var	Min	Max	Mean	SD	Variance	Skewness	Kurtosis
GC	0	1	0.7500	.434	0.179	−1.201	−0.384
AC	2	44	6.8900	7.006	49.087	3.501	13.91
IH	0.10	0.99	0.6855	0.2052	0.0420	−0.758	−0.052
DAR	0.04	2.58	0.5823	0.5236	0.274	2.547	6.659
AF	17.91	24.81	20.0667	1.22480	1.500	0.964	1.796
PriorGC	0	1	0.7800	.417	0.174	−1.386	−0.081
Div	0	1	0.4000	.493	0.243	0.429	−1.868
FSize	24.11	33.04	28.0456	2.02713	4.109	0.416	−0.359
ROA	−1115.73	15.84	−15.0101	130.9450	17146.613	−8.479	72.244

Note: Obs = 219 (Source: own statistical calculation).

(2.58).

The prior audit opinion variable (PriorGC), a dummy variable, has a minimum value of 0 and a maximum value of 1. The audit quality, which is proxied by the logarithm of audit fees (AF), obtains an average number of 20.0667, a minimum value of 17.91, and a maximum value of 24.81. The dividend policy variable (Div) in 73 companies with a dummy variable proxy obtained a minimum value of 0 and a maximum value of 1.

#### 4.2. The dividend payment policy

Fig. 1 shows the dividend payment policy for the companies in this study between 2018 and 2020. The dividend payment policies are divided into two categories: paying a dividend and not paying a dividend during 2018–2020. The years 2018–2019 represent the period before the pandemic crisis, and 2020 represents the period during the pandemic.

##### 4.2.1. The pattern of paying dividends during 2018–2020

During 2018–2020, only 23% (17 of 73 firms) consistently paid the highest dividend. Understandably, most of the sample (41%) are state-owned firms (SOFs); thus, they're still appealing to investors due to their stock prices being very stable, even though they don't pay.

Dividends, but they do pay dividends consistently due to their earning stability. On the other hand, 24% of them are newly public companies; thus, paying dividends demonstrates a commitment to shareholders. The remaining 24% are enterprises keeping their cash to invest in infrastructure development to welcome the 4.0 age, and the remaining 11% are foreign capital corporations.

##### 4.2.2. The pattern of unpaying any dividends during 2018–2020

During the 2018–2020 timeframe, 54% of the 73 infrastructure firms did not pay any dividends. We grasp from the annual report that most of this is attributable to the company's current loss situation or the prior period's cumulative retained earnings deficit. The profit generated is utilized to bridge the profit gap built up during the years before 2018. For companies that are not in a loss position but have not distributed dividends for the past three years, this is because the profit is used for business development such as opening branches, new product lines, and other types of business expansion (14 out of 39 firms).

Many infrastructure and telecommunications firms postponed dividend payments in 2018. This has to do with the necessity of investment to usher in the "4.0" era. The sample companies were later found to be affected by the Covid-19 pandemic by the end of 2019–2020. As a result, they did not declare dividends due to a loss in economic capability, except for SOFs as indicated above.

##### 4.2.3. The pattern unpaying dividends in 2020, except 2018–2019

Five firms paid dividends in 2018–2019 but not in 2020. According to an explicit explanation in the annual report, two companies did not pay dividends due to being affected by the covid –19 pandemic. Meanwhile, three companies describe deferred dividends in terms of business development. It can be concluded that the unpaid dividend in 2020 is the impact of Covid-19.

##### 4.2.4. The pattern paying dividends in 2020, paying/unpaying during 2018–2019

Even though the pandemic conditions have had an impact on the decline in the company's economic capacity, it appears that some companies have benefited during the pandemic, especially well-established telecommunication companies such as XL Axiata and Gihon Telekomunikasi Indonesia. These two companies reap double profits, allowing them to pay dividends when other companies are generally in financial difficulty.

During the pandemic, the public's need for face-to-face physical communication moved to face-to-face virtual communication, which enhanced the public's demand for online communication networks. Various enterprises are constrained by government contracts, such as PT. Dana Brata Luhur Tbk was able to gain a competitive advantage during the pandemic season, allowing companies that did not deliver dividends in 2018–2019 to enhance dividend payments in 2020. Energy firms that are not affected by the COVID-19 outbreak are in the same boat.

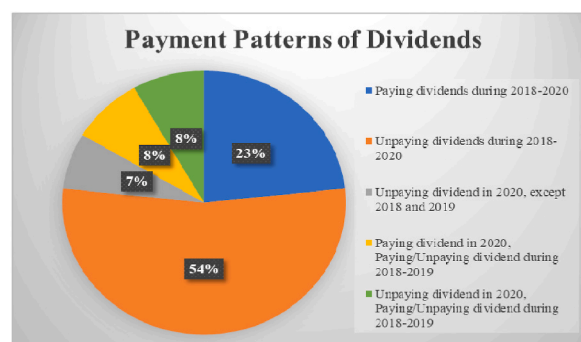


Fig. 1. The dividend payment policy.



4.2.5. The pattern unpaying dividends in 2020, paying/unpaying during 2018–2019

Six corporations distributed dividends in one year, notably in 2018 or 2019, but not in 2020. This was done as part of a business development strategy. Furthermore, the company’s business development is tightly linked to predicting the impact of the pandemic that struck at the end of 2019.

4.2.6. The dividend payment policy’s trigger

According to information supplied by the company in the audited annual financial report, the Covid-19 pandemic generally raises the unpredictability of the dividend distribution pattern of sample companies.

Fig. 2 shows the trigger in the paying dividend policy. In preparation for a pandemic in 2020, most sample enterprises (34%) have allocated their revenues to the development and upkeep of corporate activities. The financial situation of shipping and aviation businesses, which has suffered losses because of the epidemic, is the second-most important trigger. Meanwhile, state-owned firms (SOFs) such as Perusahaan Gas Negara Tbk and Telekomunikasi Indonesia Tbk are reasonably stable in their dividend distribution. They are not influenced in the least by the epidemic conditions. IPO firms, on the other hand, strive to sustain investor commitment by continuing to pay dividends and using this as a strategy to attract new investors.

4.2.7. The difference test results

The difference test results of the dividend policy before (2018–2019) and during the pandemic crisis (2020) show substantial differences in dividend decisions. Looking at the t-test result ( $1 < 1.99$ ) on a set of dividend payouts, our findings show that dividend policy fluctuates significantly by pandemic crisis.

4.3. Overall model fit test

The overall model test is carried out by assessing the overall model’s fit to the data. This test is carried out to prove whether the model fits the data, or, in other words, to test the hypothesis that the hypothesized model fits the data. This test is done by comparing the initial value (Block Number = 0)  $-2$  Log-Likelihood (-2LL) against the final value (Block Number = 1)  $-2$  Log-Likelihood (-2LL) [80]. The next step is to reduce the initial value of  $-2\text{LogL}$  to a final value of  $-2\text{LogL}$  (see Table 3).

All estimating variables, namely audit committee, institutional ownership, leverage, previous audit opinion, audit fee, and dividend policy, are included in the  $-2\text{LL}$  model. Based on the test results, it was found that the value of block 1 (L1) was  $24,648 < 81.547$  (L0), or the value of  $-2\text{LL}$  decreased by 56.899 (see Table 3).

The decrease in the value of  $-2\text{LL}$  means that adding independent variables to the test model can improve model fit and show the regression model better. It is concluded that the hypothetical model fits the data.

4.4. The goodness of fit test

The logistic regression feasibility test is carried out with the goodness of fit test scheme using the Hosmer and Lemeshow test, looking at the Chi-Square value. The obtained probability of significance is then matched at a significance level ( $\alpha$ ) of 5%. Based on the Hosmer and Lemeshow test results, the Chi-Square value is 2537 with a significant probability of 0,960 (see Table 4).

This significance value exceeds the level value of 5% (0.05), so it is accepted. This means that there is no significant difference between the classification obtained and the classification of observations. In other words, the model can predict the value of the observations. It is concluded that the regression model is feasible to implement. The chi-square test, i.e., the difference between the 2LLs, i.e., the initial and final, indicates the model’s improvement [44]. The base model includes the control variables, i.e., firm size and profitability, which are statistically significant, improving the model’s accuracy.

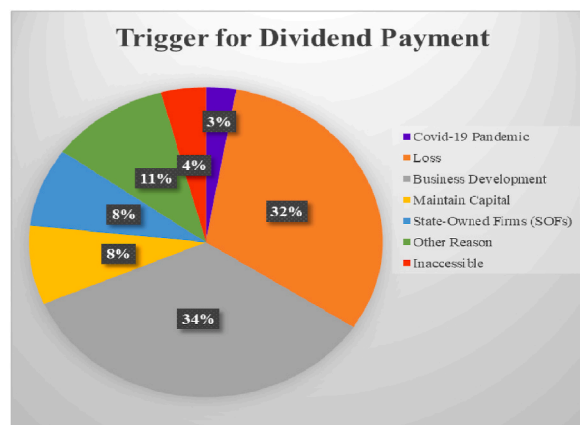


Fig. 2. The trigger in paying dividend policy.

**Table 3**  
Overall model fit test.

Block number = 0 -2 Likelihood	Block number = 1 -2 Likelihood
81.547	24.648

**Table 4**  
The goodness of fit test.

Step	Non-GC Observed	Expected	GC Observed	Expected	Total
1	7	6.934	0	.066	7
2	6	6.529	1	.471	7
3	4	2.759	3	4.241	7
4	1	.911	6	6.089	7
5	0	.425	7	6.575	7
6	0	.199	7	6.801	7
7	0	.110	7	6.890	7
8	0	.078	7	6.922	7
9	0	.043	7	6.957	7
10	0	.012	10	9.988	10
Chi-Square					2.537 (.960)

4.5. Correlation test result

According to Judge et al. (1980) and Gujarati (2004), there is a serious multicollinearity problem if the correlation coefficient is greater than 0.80, which isn't the case in our situation. Table 5 shows that the coefficients range from -0.637 to 0.551, indicating that these variables do not have a serious multicollinearity problem, and thus GC has no meaningful correlation with any variable.

4.6. Classification matrix

The classification matrix is used to explain the predictive power of the regression model on the probability of receiving an audit opinion with a going concern explanation. According to the classification matrix table, companies that receive audit opinions without a going-concern report are 18 and companies that receive audit opinions with a going-concern report are 55. This means the accuracy of the estimation model is 83.3%.

It is predicted that 18 companies will receive an audit opinion without a GC report, while in fact, 55 companies will receive an audit opinion without a GC paragraph. This means that the accuracy of the prediction model is 98.2%. It can be concluded that the overall estimation accuracy of this model is 94.5% (see Table 6). Furthermore, as indicated in Table 6, the accuracy of both "GC" and "non-GC" classification is relatively high, at 98.20% and 83%, respectively. Therefore, the results are satisfactory.

4.6.1. Determination coefficient test (nagelkerke R square)

The coefficient of determination is used to show the degree of ability of the independent variable to explain the estimated variable. The coefficient of determination can be seen in the Nagelkerke R Square value. How to interpret the Nagelkerke R Square value is equivalent to the R Square value in multiple regression [80].

The value of the coefficient of determination test (Nagelkerke R Square) is 0.805. This means that the ability of the variability of the independent variable to explain the dependent variable is 80.5%, and 19.5% is another explanatory variable that is not tested in this model. When the Nagelkerke R-squared number approaches one, it indicates that the selected independent variable can explain well [80].

**Table 5**  
Correlation matrix among variables.

	AC	IH	DAR	AF	Div	PriorGC	FSize	Prof
AC	1.000							
IH	-.443	1.000						
DAR	.352	.012	1.000					
AF	-.403	.333	-.090	1.000				
Div	-.156	.110	-.132	-.263	1.000			
PriorGC	-.637	.408	-.434	.510	.164	1.000		
FSize	-.311	.042	-.116	-.551	.423	-.051	1.000	
Profit	.055	.122	.415	.125	.166	.106	-.073	1.000

Source: own statistical test result, 2021

**Table 6**  
Classification matrix.

Observed	Predicted		
	Non-GC	GCr	Correct (%)
Non-GCr	15	3	83.3
GCr	1	54	98.2
Overall			94.5

Source: own statistic test result, 2021.

**Table 7**  
Statistical test result.

Variable	B	Wald	Df	Sig	Expect. Sign	Description
AC	.257	.221	1	0.246	-	H <sub>1</sub> rejected
IH	-4.047	3.544	1	0.253	-	H <sub>2</sub> rejected
DAR	1.031	1.272	1	<b>0.017</b>	+	H <sub>3</sub> accepted
AF	-.032	.846	1	<b>0.044</b>	+	H <sub>4</sub> accepted
Div	-2.836	1.955	1	<b>0.015</b>	+	H <sub>6</sub> accepted
PriorGC	-6.169	2.042	1	<b>0.003</b>	-	H <sub>5</sub> accepted
Fsize	-.285	.320	1	<b>0.017</b>		
Prof (ROA)	.011	.038	1	<b>0.046</b>		
Const	14.691	.871	1	0.351		
Nagelkerke R Square						0.805

Source: own statistic test result, 2021.

4.7. Robust estimator testing result

The issue of detecting outliers and influential examples and their treatment is critical in logistic regression [92]. In many applications of logistic regression analysis, the real data set contains some outlier cases. These outlying cases may have significant residuals and have dramatic effects on the likelihood linear predictor, indicating that the outcomes of the analysis were influenced disproportionately and inaccurate inferences were made. In short, these outliers can skew the results of the analysis and lead to erroneous conclusions.

We utilized robust estimator testing in the logistic regression model as Bianco & Martínez [93] suggested that we could handle several outliers in the data without excluding their outlier from our sample data. A robust estimator generates a list of residuals that shows which cases have a residual greater than or equal to a specific number of standard deviation units. Large deviation values (more than 2.0) suggest that the model does not adequately fit the data. Our model listed two cases that could be deemed outliers with studentized residuals more excellent than 2.0 in the output for our problem (see Fig. 3).

By implementing a robust estimator, we enhanced the quality of standard error, as shown in Table 8.

We find that a robust estimator improved the quality of the standard error (lower), leading to correct parameter estimation and better generating inferences and judgments. Robust logistic regression improved the standard error of all predictors. We should note that the standard error value has decreased, suggesting a more qualified model.

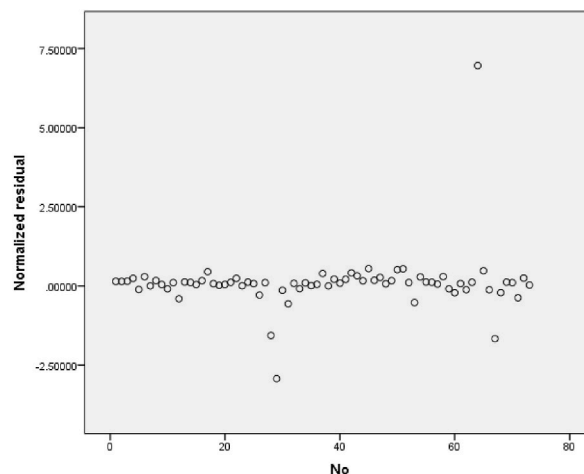


Fig. 3. Data with outliers. Source: own statistical test result, 2021.

A similar pattern can be found in Table 10 for the regression estimated in the models. Our results after matching are similar to those tabulated, and our inferences remain unchanged. More importantly, we see that the results for all of our test variables are highly similar to those calculated when this control variable is included. All results on our statistical test are fairly similar, even though we add firm size and profitability as an additional control variable in the model. It is concluded that robust logistic regression can lead to similar significance and explanatory variable coefficients.

Table 9 presents the result of partial correlation, in which we test the relationship GC report between explanatory variables while controlling for firm size and profitability. The relationship we are testing in GC and AC while utilizing the controlling variable has a  $p = 0.607$  and  $r = 0.062$ . Therefore, we still have a relationship between GC and AC while controlling for FS and ROA.

Table 10 shows that the control variables (firm size and profitability) have significance values of 0.017 and 0.046 (lower than 0.05) with negative and positive relations. The negative correlation indicates that the larger the firm, the less likely it is to get a GC report. In the meantime, the higher the company's profitability, the more likely it is to receive a GC report.

#### 4.8. Discussion and interpretation

Logistic linear regression analysis was used to test the ability of the independent variable to predict the probability of the dependent variable. More concretely, the audit committee's ability, institutional holder, debt-to-asset ratio, audit fee, previous audit opinion, and dividend policy all play a role in predicting the GC report. The statistical tests with logistic linear regression are presented in Tables 7 and 10. The logistic regression equation obtained shows a negative direction for the variables audit committee and dividend policy. In contrast, institutional holders, debt policies, audit fees, and prior opinions are positive. Tables 7 and 10 show that the models that included control variables are significant ( $p < 0.05$ ) in the expected directions except for the AC and IH variables, which are significant at  $p < 0.05$ . Below, we elaborate on the interpretation of each result in terms of its influence on the going concern.

#### 4.9. Audit committee and GC report

Based on the results of the test with linear logistic regression, the significance number for the audit committee variable exceeds the 5% level, so the first hypothesis, which states that the effectiveness of the audit committee reduces the probability of receiving a GC report fails to obtain statistical support (see Tables 7 and 10). It may be argued that the audit committee's effectiveness does not affect the audit opinion.

A high audit committee's oversight role will result in more effective monitoring, motivating managers to enhance their performance in order to safeguard the firm's GC in the future [94] and lowering the risk of bankruptcy [25,26]. In fact, the lack of effect of the audit committee on the audit opinion does not imply that it does not function in terms of effective control and supervision [27]. In general, the audit committee has carried out a monitoring function that is fulfilled through a year-long meeting agenda. The frequency of meetings, however, is not the only indicator that the audit committee is doing an excellent job of supervising and controlling. The audit committee meeting mechanism is only used a few times to achieve regulatory targets connected to CG practices or to meet quotas. It is less focused on carrying out the intended monitoring role [85]. In terms of collective culture, like in Indonesia, the frequency of audit committee meetings is usually limited to a few times to achieve regulatory targets.

Recognizing that the mere existence of AC (frequency of meetings) does not guarantee its effectiveness in assisting in the resolution of issues with management and the overall level of audit quality. According to a previous study, audit committees are perceived to be ineffective and powerless, performing a passive function rather than engaging in an active conversation with auditors [95].

Prior studies have shown that the audit committee does not affect the audit opinion classification [36,85]. Another study by Soobaroyen et al. [96] reported that in other circumstances, however, governance systems appear to exist outside of organizational practice with little impact on decision-making and accountability.

**Table 8**  
Robust test result.

Predictor	Result for all observation					The result after the utilizing a robust estimator						
	Coef	S.E	Z	P	95% Conf. Int.		Coef	S.E	Z	P	95% Conf. Int.	
					Lower	Upper					Lower	Upper
Constant	5.687	14.452	.155	.694	–	–	5.687	11.553	.242	.623	–16.957	28.330
AC	.257	.221	1.348	.246	.838	1.996	.257	.120	2.930	.087 <sup>a</sup>	–.037	.552
IH	–4.047	3.544	1.304	.253	.000	18.151	–4.047	2.58	2.453	.011 <sup>c</sup>	–9.111	1.017
DAR	1.031	1.272	.658	.417	.232	33.922	1.031	.829	1.550	.021 <sup>b</sup>	–.592	2.655
AF	–.032	.846	.001	.970	.185	5.084	–.032	.649	.002	.046 <sup>b</sup>	–1.298	1.234
Div	2.836	1.955	2.104	.147	.369	786.112	2.836	1.846	2.359	.012 <sup>c</sup>	6.454	2.359
PGC	6.169	2.042	9.124	.003 <sup>c</sup>	8.724	26134.419	6.169	2.046	9.088	.003 <sup>c</sup>	2.158	10.179
Fsize	–.285	.504	.320	.571	.280	2.020	–.285	.401	.508	.016 <sup>b</sup>	–1.070	.499
Profit	.011	.056	.038	.846	.905	1.129	.011	.025	.195	.041 <sup>b</sup>	–.038	.060

Source: own statistic test result, 2021.

<sup>a</sup> Indicates asymptotic significance at 10% level.

<sup>b</sup> Indicates asymptotic significance at 5% level.

<sup>c</sup> Indicates asymptotic significance at 1% level.

**Table 9**  
Correlation result.

	Correlation between variable and control variable (firm size and profitability)						Correlation between variables								
	AC	IH	DAR	AF	Div	PGC	AC	IH	DAR	AF	Div	PGC	Fs	ROA	
<b>AC</b>	1.000	.062	-.065	.259	.130	.019	1.000	.028	-.057	.493	.302	.106	.543	.086	
	.	.607	.588	.029	.281	.874	.	.812	.629	.000	.009	.371	.000	.468	
	0	69	69	69	69	69	0	71	71	71	71	71	71	71	
<b>IH</b>	.062	1.000	.026	-.240	.170	-.078	.028	1.000	.024	-.222	.150	-.048	-.030	.143	
	.607	.	.830	.044	.156	.517	.812	.	.839	.059	.206	.690	.801	.228	
	69	0	69	69	69	69	71	0	71	71	71	71	71	71	
<b>DAR</b>	-.065	.026	1.000	-.015	-.285	-.189	-.057	.024	1.000	-.015	-.266	-.185	-.006	-.011	
	.588	.830	.	.903	.016	.114	.629	.839	.	.903	.023	.117	.961	.926	
	69	69	0	69	69	69	71	71	0	71	71	71	71	71	
<b>AF</b>	.259	-.240	-.015	1.000	-.280	.280	.493	-.222	-.015	1.000	.000	.309	.575	.062	
	.029	.044	.903	.	.018	.018	.000	.059	.903	.	.998	.008	.000	.600	
	69	69	69	0	69	69	71	71	71	0	71	71	71	71	
<b>Div</b>	.130	.170	-.285	-.280	1.000	.322	.302	.150	-.266	.000	1.000	.362	.373	.122	
	.281	.156	.016	.018	.	.006	.009	.206	.023	.998	.	.002	.001	.305	
	69	69	69	69	0	69	71	71	71	71	0	71	71	71	
<b>PGC</b>	.019	-.078	-.189	.280	.322	1.000	.106	-.048	-.185	.309	.362	1.000	.184	.247	
	.874	.517	.114	.018	.006	.	.371	.690	.117	.008	.002	.	.119	.035	
	69	69	69	69	69	0	71	71	71	71	71	0	71	71	
<b>FSize</b>	As controlling variable						.543	-.030	-.006	.575	.373	.184	1.000	.237	
							.000	.801	.961	.000	.001	.119	.	.043	
							71	71	71	71	71	71	0	71	
<b>ROA</b>	As controlling variable						.086	.143	-.011	.062	.122	.247	.237	1.000	
							.468	.228	.926	.600	.305	.035	.043	.	
							71	71	71	71	71	71	71	0	

Source: own statistical test result, 2021.

**Table 10**  
Statistical test results with and without control variables.

Predictor	Result without control variables					Result with control variables						
	Coef	S.E	Wald	Sig.	95% Conf. Int.		Coef	S.E	Wald	Sig.	95% Conf. Int.	
					Lower	Upper					Lower	Upper
Constant	3.572	13.268	.072	.788	–	–	5.687	14.452	.155	.351	–	–
AC	.229	.203	1.270	.260	.844	1.873	.257	.221	1.348	.246	.838	1.996
IH	–4.087	3.485	1.375	.271	.000	15.538	–4.047	3.544	1.304	.253	.000	18.151
DAR	.937	1.109	.714	.098	.291	22.427	1.031	1.272	.658	.017	.232	33.922
AF	–.321	.676	.226	.063	.193	2.728	–.032	.846	.001	.044	.185	5.084
Div	2.502	1.725	2.104	.047	.415	359.003	2.836	1.955	2.104	.015	.369	786.112
PGC	6.465	1.972	10.751	.004	13.470	30634.153	6.169	2.042	9.124	.003	8.724	26134.419
Fsize	–	–	–	–	–	–	–.285	.504	.320	.017	.280	2.020
Profit	–	–	–	–	–	–	.011	.056	.038	.046	.905	1.129

Source: own statistic test result, 2021.

This result does not support the agency theory that AC will provide sound CG and lower the probability of a GC report. However, assuming that AC will act independently and be more likely to be effective monitors for management action was a limitation of research in agency theory. This limitation could explain why there is no relationship between the AC and GC report.

#### 4.10. Institutional holder and GC report

The test with linear logistic regression indicated that the significant number for the institutional holder variable exceeded the 5% level, see [Tables 7 and 10](#). The percentage of institutional ownership does not influence the likelihood of an audit opinion explanation. This can be explained by the fact that institutional holders, over a lengthy period, can only monitor and influence corporate policy [97].

Agency theory has put investors in a supervisory role. The high percentage of investment entities can act as a good governance mechanism, influencing corporate policy and lowering monitoring expenses. The investment entity will strengthen management decision monitoring, reducing the risk of insolvency [25,26,97]. The supervisory role played by the institutional investor is thought to be more effective in motivating managers to enhance their performance to ensure the firm's GC. Our causation association, however, was not statistically supported in this investigation. This outcome is consistent with previous research showing that institutional investors have no impact on audit opinions [34]. Speculators are less concerned with the company's performance and are primarily interested in the capital market's performance. The descriptive data table shows that institutional investors (69%) dominate share ownership, but it is unclear whether this is a speculative or long-term investor. This means that only long-term investors, including the firm's future GC, are concerned about the corporation's performance.

Regular corporate visits will improve institutional investors' ability to monitor the effects. In particular, a higher frequency of visits, active interaction, and engaged institutional investors lead to better audit outcomes. However, the empirical literature provides an essential insight related heterogeneity matters in terms of institutional investor: not all of them are consistently motivated of actively control and monitor their investee firm [98] by voting on significant corporate decisions and having regular interactions with the boards of directors. Consequently, uneven institutional investors' attention lapses directly impact audit outcomes.

#### 4.11. Leverage and GC report

This causality relationship obtained statistical support with a significance level of 0.017 (smaller than the level of 5%); see [Tables 7 and 10](#). An increase in debt will increase risk or increase the debt-to-equity ratio. Increased risk means increased chances of receiving an audit opinion with GC reports. Prior research that associates leverage with auditor opinions concludes a positive relationship [10, 38,52].

Under the signaling theory [53], firms will avoid debt when they are in bad conditions since it will signal to the shareholders and potential investors that firms struggle to maintain their sustainability. However, in dire economic conditions such as the pandemic crisis, firms can not avoid using debt to make up for the decrease in revenue. It will force the firms to receive a GC report because their risk increases with higher leverage. Therefore, this study supports and confirms the signaling theory.

Leverage is related to the corporation's risk in the future. Leverage is unavoidable because business expansion always requires external funding. However, if not appropriately managed, a high leverage ratio can lead to insolvency (the inability to repay the debt), forcing the company to a GC report [38,68]. The findings of this study support the hypothesis that leverage enhances the likelihood of a GC report [34].

#### 4.12. Audit fee and GC report

This relation is supported statistically with a significance level of 0.044 (smaller than the level of 5%); see [Tables 7 and 10](#). High audit fees increase the probability of receiving a GC paragraph. This finding is supported by previous research that proves audit fees'

effect on audit opinions [37,55]. Quality auditors will be better equipped to recognize GC's potential. Corporations with strong financial performance and resources are willing to pay significant audit fees on the auditee side. This also indicates that the company has ensured that there will be no GC involvement and that it is willing to be audited by BFA.

The audit quality, linked to the auditor's reputation, will be reflected in the audit opinion. On the other side, auditor quality is represented by high audit fees [99]. Because it is predictive, linking the audit opinion with the GC explanation paragraph is an additional skill for the auditor. The auditor's ability to offer a more accurate opinion will be shaped by their expertise, mastery of business procedures in specific industries, and experience.

BFA is considered as a high-cost auditor because it is regarded as an expert in the global audit market [55]. The high audit fee for the BFA section is due to public trust in the firm's ability, independence, and prudence in giving opinions. The public trusts auditors from respected accounting firms (BFA) to provide a high-quality opinion on their ability to withstand audit risk and lawsuits. Furthermore, BFA is thought to be capable of representing the public interest by providing accurate information for making investment decisions.

Furthermore, BFA will be able to provide independent and competent auditors who will be more objective when delivering GC or non-GC reports. According to specific data, BFA is more likely to issue a GC report [31,32,38,100].

The quality of the auditor reflects the quality of the client's monitoring. The more respectable the auditors, the more likely managers will evaluate opportunistic and fraudulent activity in order to drive enormous profitability and dividend distribution chances. In addition, the quality of financial information (earnings) on corporations that give dividends will be reflected in the quality of auditors [101].

#### 4.13. Prior audit opinion and GC report

This hypothesis is supported statistically with a significance level of 0.003 (less than the level of 5%); see Tables 7 and 10. It can be explained that the previous year's business activities will affect business continuity in the current year. The audit opinion cannot be divorced from that consideration because its recent performance is primarily driven by its previous performance. As a result, entities that receive an audit opinion with a GC report are likely to receive the same opinion the following year [13,14]. The auditor's decision to issue a comparable opinion based on the previous year is crucial. Especially if there is no management effort to rectify the situation.

According to previous research, auditors are more likely to provide a GC report to entities that received similar decisions the previous year. In fact, re-issuance of these audit opinions is considered the effects of the opinion, which include a drop in stock prices and a loss of public trust in the firm's sustainability, making recovery extremely difficult for management.

Furthermore, if management has no plan to preserve its viability or has a plan, but it is not implemented correctly, the company's chances of receiving a GC report in the next period will grow. The outcomes of this study support previous research that shows the impact of last year's audit opinions on the current year's audit opinion [13,102].

#### 4.14. Dividend policy and GC report

This hypothesis is supported statistically with a significance level of 0.015 (less than the level of 5%); see Tables 7 and 10. The dividend policy determines the audit opinion, which provides information indicating that the company is not in financial distress. Information on the firm's financial capability is included in dividend distributions [44,76]. The auditor will not issue a GC report on a company that is not experiencing financial difficulty. Delays in paying debts and dividends indicate financial difficulties that can raise a concern about business continuity, so they have the potential to obtain a GC report.

Due to the growth of debt, dividends were reduced. Debt repayment will take precedence over dividend distribution in companies with a high debt ratio. Furthermore, most loan arrangements executed by the firm include provisions that limit the payout of dividends. Under normal circumstances, profitability is intimately linked to a company's operating capabilities and other competitive advantages. However, many companies have encountered financial difficulties due to the crisis, which has had an impact on dividend policy [28,29].

Many corporations did not pay dividends in this study, primarily due to the pandemic situation, but this did not drive the firm to seek a GC paragraph because the company was battling to overcome its operational performance in general. Macro-economic factors such as crisis conditions significantly impact dividend policies. In times of crisis, companies seek to protect liquidity by deferring dividend payments [28]. A study of 285 companies in Pakistan found that dividend policy changed significantly (delayed) during the financial crisis of 2007–2009 [28]. This study concludes that dividend policy is not only determined by the firm's cyclical position but is also influenced by financial capacity as well as situational conditions. Furthermore, due to the pandemic situation, the firm's financial capacity was not as strong as it should have been, and many corporations did not pay dividends during the observation period.

## 5. Conclusion

This study aims to obtain empirical evidence of the effect of audit committees, institutional investors, leverage, audit fees, previous opinions, and dividend policies on the audit opinions of infrastructure firms on the Indonesia Stock Exchange for the 2018–2020 observation year. Based on the logistic regression test results, this study concludes that the audit committee and institutional investors do not affect audit opinion. This study also found a significant relationship among leverage, audit fees, previous opinions, and dividend policy on a GC report.

Initially, we find no evidence of a predictive relationship between CG and going concern. The lack of evidence of CG in the audit opinion can be explained by the fact that corporations typically focus on the formal implementation of good governance, causing them to overlook the substance of such governance. Many public firms with good governance practices have been proven to be financially failing. Public firms must establish good CG processes to realize their prosperity for all stakeholders. This was an interesting result, since it appears that CG has failed to serve as a monitoring mechanism. If governance methods can complement or replace one another, no clear association between monitoring systems and audit outcomes can be established when they are studied separately [103]. This may explain why the paper came up with results that were inconsistent. Furthermore, this evidence may be attributable to the lower quality of the substance of CG. As suggested by previous research, which also finds no relationship between CG and audit outcomes [103], most CG systems appear outside of organizational context, resulting in little impact on decision making and accountability.

In terms of the audit committee, firms must evaluate not only the formal placement of the audit committee in the role of internal audit but also the substantial and effective responsibilities of the firm's monitoring operations in order to improve the quality of the external audit outcome [5]. Furthermore, according to the Sarbanes-Oxley (SOX) Act of 2002, the audit committee functions and oversight of the external auditor have been increased to include the nomination, removal, and remuneration of external auditors [104]. Recognizing that the mere existence of AC (frequency of meetings) does not guarantee its effectiveness in assisting in the resolution of issues with management and the overall level of audit quality. According to a previous study, audit committees are perceived to be ineffective and powerless, performing a passive function rather than engaging in an active conversation with auditors [95].

Furthermore, within the particular context of Indonesia, certain collective cultural predispositions may play a role in reducing the effectiveness of the work of the audit committee. In terms of collective culture, like in Indonesia, the frequency of audit committee meetings is usually limited to a few times to achieve regulatory targets. It is less focused on carrying out the intended monitoring role [85]. Prior studies have shown that the audit committee does not affect the audit opinion classification [36,85]. Soobaroyen et al. [96] reported that in other circumstances, however, governance systems appear to exist outside of organizational practice, with little impact on decision-making and accountability. The findings have consequences for regulators, audit committee members, and external auditors as they attempt to balance the various CG instruments in order to achieve better accountability. The regulators should pay considerable attention to strengthening CG activities, specifically by encouraging companies to employ monitoring mechanisms effectively and significantly.

Having examined the relationship between institutional holders (IH) and the GC report, we found no association between IH and the GC report. The empirical literature provides an essential insight into why related heterogeneity matters in terms of institutional investors: not all of them are consistently motivated to actively control and monitor their investee firm [98] by voting on significant corporate decisions and having regular interactions with the boards of directors. Consequently, uneven institutional investors' attention lapses directly impact audit outcomes. That is, there will be no beneficial monitoring if institutional investors do not make regular visits and actively engage with their investee firm.

Dividend perspectives produce an intriguing result. The Covid-19 pandemic generally raises questions about the unpredictability of the dividend distribution patterns of sample companies. Most of the sample companies are not paying dividends due to being affected by the Covid-9 pandemic. Interestingly, they did not drive the firm to seek a GC explanation because the company was battling to overcome its operational performance in general. Thus, due to a pandemic crisis, a postponed dividend payment has not caused the firm to accept a GC report. It contributes significantly by expanding the literature on dividend decision-making in a running firm. This is the first study to look at how deferred dividend payments during a pandemic, when the firm's financial capacity was not as strong as it should have been, will not improve the auditor's ability to produce a GC report as long as the firm is not in financial distress. Based on these results, in a pandemic situation that causes an economic crisis, investors must consider whether the company has the financial difficulty to pay the dividend and to stay in business. The going concern report will help investors make a decision about their investment.

This study is subject to several limitations. First, we focus only on two CG characteristics, such as institutional holder and audit committee, while failing to address other CG attributes measured by the board of directors (BoD) size and managerial ownership [35], the board of supervisors [105], and CEO compensation [106] due to a lack of data availability. We especially encourage further archival researchers to use all of CG's constructs, then use the appropriate proxies to illustrate the complete function of CG structures in the GC report.

Second, following the development of appropriate CG proxies, researchers may consider an economic shock, such as the recent financial crisis due to pandemics. Third, the pandemic conditions caused the firm's financial capacity to be lower than it should be, so many companies did not pay dividends during the observation year. Even though dividend policy is theoretically a determinant of the auditor's consideration in deciding the audit opinion, this is not well represented due to the instability of the company's performance during the pandemic.

All of these could have ramifications for future CG and GC research. Future research might investigate the same relationship using various CG proxies, such as audit committee characteristics and ownership structures. The same relationship could be analyzed using a negative auditor's opinion instead of a GC view. Finally, whether dividend payments can avoid receiving a GC report might help reduce the agency problem and the loss of trust in the financial crisis era. Lastly, it is interesting to expand the scope of this research by testing audit opinions before and after the pandemic on companies that distribute or do not distribute dividends with a multigroup test.

#### Author contribution statement

Fidiana, Prawita Yani, Diah Hari Suryaningrum: Conceived and designed the experiments; Performed the experiments; Analyzed



and interpreted the data; Contributed reagents, materials, analysis tools or data; Wrote the paper.

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### Data availability statement

Data will be made available on request.

### Declaration of competing interest

The authors declare no conflict of interest.

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