



THE EFFECT OF ECO EFFICIENCY, NUMBER OF AUDIT COMMITTEES AND SUSTAINABILITY REPORT ON GOING CONCERN AUDIT OPINION

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ABSTRACT

The evaluation of a business's ability to continue its operations, known as the "going concern," holds paramount importance for management. A crucial indicator of this assessment is the going concern audit opinion, a factor that not only enhances investor confidence but also serves as a guarantee for companies facing potential issues regarding their continuity. This research focuses on exploring the impact of eco efficiency, the quantity of audit committees and boards of commissioners, as well as sustainability reports on the formulation of going concern audit opinions within the mining sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. Utilizing secondary data in the form of audited financial statements, the study employs Structural Equation Modeling - Partial Least Square (SEM-PLS) for data analysis. The findings underscore that eco efficiency, the presence of audit committees and boards of commissioners, and the disclosure of sustainability reports exert a notable influence on the determination of going concern audit opinions for the examined companies. These outcomes contribute valuable insights into the multifaceted factors shaping the credibility and assurance surrounding the ongoing viability of businesses in the mining sector.

Keywords: *Eco Efficiency; Audit Committee; Board of Commissioners; Sustainability Report; Going Concern Audit Opinion*

RESEARCH HIGHLIGHTS

Eco Efficiency's Crucial Role: The research underscores the pivotal role of eco efficiency in influencing going concern audit opinions for mining companies. Proper implementation of eco efficiency is shown to significantly reduce the risk of negative audit opinions, emphasizing the importance of environmental responsibility for long-term company sustainability (Sinkin et al., 2008).

Sustainability Reports and Investor Trust: Companies engaged in mining need to prioritize sustainability reporting, as it correlates with perceived good performance and higher investor trust (Aditya, 2017). The study affirms the positive impact of sustainability reports on avoiding going concern issues, highlighting the need for transparency in environmental practices.

Audit Committees' Limited Influence: Contrary to expectations, the number of audit committees doesn't directly impact going concern audit opinions for mining companies (Dewi, 2023). The rejection of Hypothesis 2 suggests that internal supervision alone may not suffice to prevent unfavorable audit opinions, urging companies to consider a broader range of factors.

Comprehensive Understanding of Business Activities: The research emphasizes that companies benefit from a comprehensive approach, combining eco efficiency, strong audit committees, and transparent sustainability reporting. This holistic strategy is essential for strengthening management systems, minimizing environmental impact, and ensuring a favorable standing with stakeholders for prolonged business success.

Research Objectives

The research objectives emanate from the imperative of ensuring a company's long-term profitability and going concern. Firstly, to evaluate the role of financial statements in communicating performance and the external auditor's involvement in public companies. Second, to investigate instances where auditors hesitate to voice concerns about a company's going concern, leading to negative statements (Gallizo & Saladrignes, 2016). Third, to underscore the importance of environmental considerations, emphasizing eco efficiency as a metric to assess business processes' environmental impact and overall operational value. The study aims to understand how organizations, at times, neglect environmental concerns, potentially causing apprehension about industry impact on the surroundings. Fourth, to delve into the phenomenon of companies facing delisting, exemplified by cases in 2019, such as ATPK, BORN, GMCW, and SIAP, to identify contributing factors and implications for going concern. Lastly, to address discrepancies in prior research on audit committees, sustainability reports, and elements affecting going concern opinions, introducing eco efficiency as a novel variable. The overarching goal is to enhance understanding and contribute valuable insights into the multifaceted dynamics influencing going concern audit opinions, with a focus on mining companies.

Methodology

This research uses a quantitative approach. The population of this study consists of companies in the minings companies are listed on the IDX. Information (financial statement and company sustainability reports) was obtained from the official website of the Indonesia Stock Exchange (<https://www.idx.co.id>), and several reports obtained from the company's official website. To determine the sample in this study, we used purposive sampling technique.

Regarding data analysis, this study uses the PLS-SEM method with the help of the smartPLS v3.0 application. The testing stages are outer model test (reliability and validity) and inner model test (Hair et al., 2020).

Results

The results of the study, outlined in Table 8, bring clarity to the factors influencing going concern audit opinions in the mining sector. Eco efficiency, despite its negative impact, emerged as a significant influencer, indicating that companies embracing environmentally conscious practices may face a more favorable audit opinion. The substantial impact of sustainability reports further underscores their role in shaping perceptions of corporate performance and trust among investors.

Conversely, the number of audit committees did not yield a significant influence, challenging conventional wisdom regarding internal supervision. The R-squared value of 40.2% reflects the model's ability to explain a notable portion of the variance in the dependent variable. The Q-Square value of 0.322 signifies a moderate predictive ability, reinforcing the model's utility in anticipating going concern audit opinions. These results

collectively provide valuable insights into the intricate dynamics of environmental responsibility, corporate practices, and audit evaluations in the mining industry.

Findings

The findings of this study, as presented in Table 2, shed light on the audit landscape within the mining industry. Notably, 22.7% of the 141 mining companies under scrutiny received a going concern audit opinion, indicating potential financial stability concerns. In contrast, the majority, comprising 77.3% of the sample, did not receive such an opinion, hinting at a more optimistic financial outlook. The data's normal distribution, supported by minimal standard deviation values, reinforces the reliability of the findings.

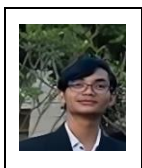
Further scrutiny into the measurement model (Section 4.2) validates the efficacy of the chosen indicators in capturing the constructs under consideration. The reliability tests, conducted through Composite Reliability (CR) and Cronbach's alpha, assure the trustworthiness of the information. Convergent validity tests, assessed by Average Variance Extracted (AVE) values exceeding 0.5, affirm the safety of the data.

Discriminant tests, employing Fornell Lacker and Heterotrait-Monotrait Ratio (HTMT) criteria, confirm the data's adherence to safety standards. The absence of significant multicollinearity issues, as indicated by low VIF values, attests to the robustness of the structural model.

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Author's Biography



Andika Eka Putra, an accounting student at Universitas Islam Riau, is passionate about audit practices. Andika is dedicated to mastering audit intricacies. Actively engaging in campus research, he seeks internships to bridge academic knowledge with practical skills. With a proactive mindset and commitment to learning, Andika is poised to make a positive impact in the dynamic world of audit.



Dian Saputra is a Lecturer and also an internal auditor at Universitas Islam Riau. Dian holds several accounting certifications, including Asean Chartered Professional Accountant (ACPA), Certified Accountant (CA), and Accountant (Ak). Dian has worked as an external auditor in a leading accounting firm. As an expert in his field, Dian Saputra conducts research on accounting, auditing, and behavioral issues. He has written several academic papers and publications in national and international journals and participated in various international conferences.