

# **A TEST ON AUDIT TENURE, AUDITOR SIZE, INDEPENDENCE OF AUDIT COMMITTEE AND THE ISSUANCE OF GOING CONCERN OPINION**

## **ABSTRACT**

The issue of audit tenure has been discussed since four decades ago. Nowadays, due to the recent corporate scandals in the United States, the issue is discussed together with auditor independence that led to companies' demise. Mandatory audit rotation debates come from the arguments that long audit tenure would create cosy relationship between auditors and clients and thus would lead to audit reporting failure such as in the case of bankruptcy. Therefore, this study attempts to investigate the situation in Malaysia whereby no empirical study using archival data has been done. Specifically, the current study examines the impact of audit tenure on the issuance of going concern opinion.

The result shows that the variable of audit tenure is positively significant in determining going concern opinion. Our findings also pointed that if a client never changes its auditor since listed, there is a tendency to issue a clean opinion though the client suffers apparent financial problems. Therefore, it can be said that, "auditor change would do well, but forcing an unrealistic auditor rotation might not yield what it hopes for". For the benefit of auditing profession, we echo the importance of self-regulation and *Laissez-faire* practice in Malaysia as a better alternative than a mandatory auditor rotation. Besides, the results show no significant impact of Big Five firms and independence of audit committee on auditor going concern opinion. Further sensitivity analyses show that the results are robust to different measurements.