

Auditor's Response in Facing Challenges in Implementing Audit During the Covid-19 Pandemic

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Abstract. During the Covid-19 pandemic, auditors need to make adjustments to face the challenges to maintain audit quality. This study is a qualitative research with a single case study conducted at KAP X with semi-structured interviews. This study aims to find out and analyze the auditor's response in dealing with the Covid-19 pandemic and to evaluate the auditor's response to the Covid-19 pandemic situation in maintaining audit quality. The results of this study indicate that KAP X auditors have responded and implemented relevant audit standards that must be considered according to IAPI in the Technical News Flash bulletin (2020). Technology has a big role to play in overcoming the challenges that arise due to the Covid-19 pandemic. Technology is a long-term investment that has no time limit. Thus, in this study, KAP X is suggested to start conducting studies and considerations to have advanced technology to support audit process.

Keywords: Audit; Covid-19; Remote Audit; Auditor Responses; Technical News Flash

I. Introduction

Public Accounting Firm ("KAP") is one of the industries affected by Covid-19 pandemic. Due to limited access and mobility caused by Covid-19 pandemic, auditors need to make adjustments caused by new challenges in the audit process during the Covid-19 pandemic. According to Levy (2020) the Covid-19 pandemic has impact on the inability of auditors to access the required documents due to distance constraints, causing auditors to find it difficult to obtain sufficient and appropriate audit evidence. The travel ban imposed by the government to break Covid-19 pandemic chain has also affected changes in the work schedules of auditors. Luo and Malsch (2020) explained that auditors' working hours became irregular, so many team members work at least one day on weekends. Government regulations related to the handling of the Covid-19 pandemic in Indonesia, which include travel bans and office activities for a maximum of 50% of total employees, have made the Public Accounting Firm ("KAP") change its strategy by conducting remote audits. The condition of auditors who need to plan, collect audit evidence and prepare audit reports remotely makes auditors need to increase certain knowledge, especially in the use of technology in the field of auditing. Auditors who lack knowledge of technology during remote based auditing can raise doubts about their competencies and the audit results provided (Nezhyya and Miniailo, 2020). Efendi (2020) explained that the Covid-19 pandemic has provided lessons for auditors to have the competence to use Computer Assisted Audit Techniques ("CAATs") to maintain audit quality.

KAP X is one of the KAPs affected by the Covid-19 pandemic because KAP X implements work from home policy for its employees. The audit process performed by KAP X during the Covid-19 pandemic underwent many adjustments, especially for the audit period of December 31, 2020. The difficulties faced by KAP X are feared to affect audit quality. This study was conducted because a phenomenon that occurred in KAP X which was facing challenges in carrying out audits during the Covid-19 pandemic. The aim of this study is to find out how KAP X auditors respond to the problems experienced by KAP X auditors during the Covid-19 pandemic in the audit process.

II. Literature Review

Audit is a necessity for companies as a form of company protection in order to detect irregularities in their financial statements. Auditor will issue an opinion that provides assurance on the audited financial statements with assurance engagement (Collings, 2011). According to Mautz & Sharaf (1961), the audit process can be performed by auditors with various different methods but still going towards the same goal. This is due to various conditions and situations, such as differences in the type of industry being audited and the obstacles in the audit process that affect the auditor's steps in conducting audit risk assessments as well as the audit program. Due to this condition, there has been a renewal of audit methods and procedures as an alternative. In this study KAP X faced a new situation that hindered the implementation of audits during the Covid-19 pandemic. KAP X needs to make adjustments and develop alternative procedures during the Covid-19 pandemic to overcome these obstacles.

Technical News Flash

In the conditions of the Covid-19 pandemic, auditors must look for alternative ways to obtain audit evidence because of the social restrictions imposed by the government. Alternative audit procedures are also needed by auditors in conducting audits during the pandemic. Due to this condition, the Indonesian Institute of Public Accountants (IAPI) issued guideline for implementing audit procedures during the Covid-19 pandemic. The guideline published by IAPI is Technical News Flash bulletin (IAPI, 2020). This study used Technical News Flash (IAPI, 2020) as a basis to the response made by KAP X in facing challenges during auditing during the Covid-19 pandemic.

Conducting audits during the Covid-19 pandemic

According to Dohrer and Mayes (2020) auditors will experience limitations during the Covid-19 pandemic. This is due to environmental changes that have arisen due to the Covid-19 pandemic, so auditors need to make adjustments to several things. Luo and Malsch (2020) supports Dohrer and Mayes (2020) who explained that auditors need to improvise in dealing with the Covid-19 pandemic. According to Lapitkaia (2020) in this pandemic situation, auditors do not always get 'unrestricted' access so auditors need to make appropriate decisions regarding additional audit procedures in order to obtain sufficient and appropriate audit evidence to produce an appropriate opinion. The development of audit objective for carrying out audit procedures, adjusting the format regarding how audit evidence is collected and new behavior, especially how communication with clients is carried out, needs to be considered by auditors during the Covid-19 pandemic. Appelbaum et al. (2020) stated that the majority of the documentation process is done electronically. This affects the longer document collection time for clients who have not implemented the paperless concept.

Remote audit approach

Teeter et al. (2010) defines remote audit as a process where auditors use information and communication technology with data analysis processes to assess and report the truth and accuracy of financial data and internal controls. This process also includes collecting electronic evidence, interacting with the auditee independently away from the auditee's location. Evaluation and re-planning related to the audit need to be done by auditors who carry out remote audits as well necessary adjustments to the implementation of remote audit effectively. Curtis (2019) states that remote auditing is an alternative that can make auditing easier and more efficient for both auditees and auditors. According to Kaka (2021), technology is something that auditors need to have if they want to survive in a pandemic situation like this and in the future. However, the application of technology in the audit process has a challenge, as for the transition period time needed to change the process to the use of technology (Teeter et al., 2010). In addition, Nezhyva and Miniailo (2020) also stated that the use of technology in the form of official software requires considerable acquisition and installation costs. During the pandemic, the remote audit is applied by KAP X so that it can still achieve the target given by the client. Even though the audit was conducted using a remote audit, the auditors still need to maintain the quality of the audit.

III. Research Method

This study used a single case study strategy so that this study focused on one phenomenon about the auditor's response to the challenges of conducting audits during the Covid-19 pandemic. This study used a single unit analysis because this study only chose KAP X as unit analysis. Semi-structured interviews were used to obtain more in-depth information on the informants from partner level to junior level. The results from interview will be compiled in the form of interview transcripts which will then be subject to data analysis. The stages of data analysis used three steps of analysis from Miles and Huberman (2014) which consist data reduction, data presentation and conclusion. The guidelines for the auditor's response during the Covid-19 pandemic referred to the components of the Technical News Flash (IAPI, 2020) relating to the implementation of remote audits with the following indicators (IAPI, 2020):

- a. Collection of audit evidence
- b. Engagement team training and supervision
- c. The engagement team's communication process with management and those charged with governance
- d. Human resources management
- e. Employee welfare
- f. Deadline for submission of audit report

IV. Results and Discussion

Collection of audit evidence

Based on the results of interviews, the Covid-19 pandemic had an impact on the audit evidence collection process. Prior to the Covid-19 pandemic, audit staff could check documents directly at the client's office, but after the Covid-19 pandemic, document checking had to go through online media. It takes longer time because the client must be prepared softcopy of the documents that required by the auditor. Especially if the client has not implemented a paperless system. In addition, physical checking of client assets during the pandemic is also a new challenge. At a time when high-level social restrictions were implemented, KAP X auditors were strictly not allowed to make physical visits so they had to do physical checking by online media. Based on the results of the interview stated that technology is a very important thing because technology is the main factor that helps KAP X auditors in overcoming challenges in the audit evidence collection process.

Engagement team training and supervision

During the Covid-19 pandemic KAP X auditors were more flexible in participating training. Online media is easily accessible as long as they had a good network. It makes the training held more cost efficient because there is no need to pay for transportation or accommodation. However, the drawback of training conducted using online media is the effectiveness of delivering material to participants. Often, trainees don't actually follow the online training until it is finished. To anticipate this, KAP X implemented an evaluation system after the training was carried out by conducting a post-test for the training participants.

Regarding the supervision process, during the Covid-19 pandemic the supervision process still run effectively even though it is held by online. Through the sharescreen feature, supervisors can see directly the progress of audit work papers when reviews are carried out. Engagement teams can also discuss by viewing the screen shared by team members reporting progress to other team members. In addition, the recording feature also helps the audit documentation to be more complete so that if there are review points left behind, members of the engagement team can repeat the recording of the review process carried out with supervisors.

The engagement team's communication process with management and those charged with governance

There were obstacles in communication process of KAP X auditors with management and those charged with governance during the Covid-19 pandemic that arose as result of the work from home system. Compared to before Covid-19 pandemic, it is difficult for KAP X auditors to meet directly with management representatives to communicate intensely to collect data and information. In addition, there is often a miscommunication regarding the required data to be provided to the KAP X auditors, thus creating additional waiting time for the KAP X auditors to continue their work. To overcome this, KAP X auditors have carried out intensive periodic follow-ups and set a time limit for providing feedback on the delivery of the data provided.

Human resources management

KAP X conducted management of human resources to maintain the quality of its human resources during the Covid-19 pandemic. The recruitment process for new employees is only through references from partners who are lecturer at several universities. Meanwhile for the existing employees, KAP X applies a work from home system in order to maintain the health of the employees so that they can work optimally. In addition, the instillation of corporate values has also been implemented for a long time to create a sense of belonging between the auditors and the firm.

Employee welfare

The results of the study concluded that even during the Covid-19 pandemic, KAP X auditors still felt well-being from both a financial and non-financial perspective. No rights have been reduced by KAP X to its employees and the creation of a safe and comfortable environment during the pandemic has also been enforced. KAP X pays attention to the welfare of its employees. It is because the welfare of employees is very influential on the output produced by employees. As it is known that each auditor has a solid workload, if it is not balanced with the welfare provided by the KAP, it will reduce the performance of the auditor.

Deadline for submission of audit report

During the Covid-19 pandemic, the obstacles that arose greatly impacted the timeliness of submitting audit reports. The limited mobility makes auditor cannot immediately 'pick up' the data and documents

needed, but rather often 'wait' for the data to be sent by the client via online media. This has resulted in more waiting time during the audit implementation process during the Covid-19 pandemic. KAP X auditors have conveyed the urgency of the support provided by management in providing data which influences the timeliness of submitting audit reports. KAP X auditors have also carried out the communication process at the beginning of the engagement regarding the deadline for submitting audit reports which could be affected by the Covid-19 pandemic.

V. Conclusion

The main finding that emerged based on this study is that the auditors at KAP X faced several obstacles in their audit process during the Covid-19 pandemic and have responded to these obstacles with several new adjustments to their audit procedures. Based on the results of the study, it can also be concluded that technology is a main factor that helps KAP X auditors in overcoming the challenges that arise due to the Covid-19 pandemic. Therefore, this study recommends KAP X to conduct a study and consider having advanced technology to support the implementation of the audit. Technology is a long-term investment that has no time limit, so this study suggestion can still be applied to the further period.

This research is limited to only 8 informants, so it is possible that there is other information that has not been explored more deeply related to the auditor's response in facing challenges during the Covid-19 pandemic at KAP X. Further research can expand research in relation to topics in the audit field, not only tied to the Covid-19 pandemic situation but in other extraordinary situations that auditors are necessary to make adjustments to the audit implementation. Also, further research is expected to be able to increase the number of informants in order to obtain more in-depth data and information related to research questions.

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