

Remote Audit Implementation, Cost Control, and Audit Quality

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Abstract. The purpose of this study is to analyze the implementation of remote audits in controlling audit fees and how they impact audit quality. This research method uses qualitative methods with a phenomenologically descriptive approach. This phenomenological descriptive approach is believed to be able to describe in depth the implementation and impact of remote audit implementation. The data source in this study is a primary source that was collected based on interviews with five internal auditors at PT GMU. The research was carried out throughout May 2023. The results of this study indicate that implementing remote audits is able to control audit costs by providing cost efficiencies. Remote auditing, in principle, is able to produce good audit quality. This research provides a recommendation to consider a hybrid audit. Hybrid audits need to be carried out so that auditors are still able to maximize their audit quality without incurring large cost of audit.

Keywords: Remote Audit, Cost Control, and Audit Quality

I. Introduction

The pandemic period is a very dark time for the entire business world. We may all have experienced several crises, such as the 1998 economic and political crisis and the 2008 world economic crisis, but the pandemic at the beginning of 2020 hit all sectors hard. If in 1998 and 2008 the Small and Medium Enterprises sector was still able to sustain the running of the economy, in 2020 this sector must also stop. All company activities also stopped. We all don't know what to do to keep business processes running; practically in the third month, several activities can be carried out using various methods. The work method used is efficient in terms of funding.

The activities of the auditors themselves also have an impact. Before the pandemic, auditors routinely went out of town to visit the business unit being audited and often even got frequent flyer cards from airlines, so during the pandemic, everything stopped (IIA UK, 2020). The cost of business travel is the biggest expense that must be incurred by companies for their operational audit needs. Business travel expenses consist of transportation costs (airline tickets, train tickets, fuel oil, etc.), accommodation costs (hotels, local transportation, consumption, etc.), the auditor's allowance, and others. Based on this, when there was work outside the city or island during the pandemic yesterday, it was certain that management did not approve it because the aim was to minimize or reduce costs. This made the auditors start thinking about remote audits. In the early stages, everything is done by trying new ways. The audit method has practically changed; the audit program has been revamped to meet these criteria, as has the audit period, with the hope that the quality of the audit results will remain. So remote auditing has become increasingly popular in recent years, especially with the widespread adoption of technology and the need for remote work due to the COVID-19 pandemic. Remote audits offer several advantages, apart from saving on official travel costs, as well as greater flexibility and accessibility for auditors and auditees.

This remote audit process has also been recognized as having been successfully used during the previous pandemic by the Big Four public accounting firms (Ernst & Young, Price Waterhouse Coopers, KPMG, and Deloitte). Ernst & Young said that remote auditing is a process that can be used during a pandemic to overcome limitations in conducting audits. (Young, 2020). Price Waterhouse Coopers also acknowledged the success of this remote audit. KPMG stated that the remote audit was carried out as a tool to deal with the pandemic and that the audit process would continue. (KPMG, 2020). Deloitte also added that steps and several changes to work patterns are needed in this remote audit. (Deloitte, 2021).

In the course of time, there are positives and negatives to how things work during a pandemic. Remote auditing also presents several challenges, such as potential technical difficulties, the need for effective communication, and potential data security risks. After entering the new normal period and the company's finances are in a positive condition, opportunities for onsite audits are opened again while taking efficient costs into account. Management's demand during this recovery is for the auditor to be able to provide quality information that is useful in making decisions. Therefore, auditors are required to think creatively in order to be able to meet management's expectations and continue to produce quality audits at an efficient cost.

Previous studies have shown that there are differences in the results related to the implementation of remote audits in terms of audit quality and audit cost efficiency. Research from Farcane et al., (2023), states that the remote audit does not affect the professionalism of the auditor's performance and is able to produce the efficiency of the auditor's work assignments. Research from Farcane et al., (2023), It was also

suggested that the remote audit itself requires the auditor's attention related to the determination of material misstatements and the accuracy of audit evidence and has the potential to make the auditor lose a number of things, such as innovative thinking and auditor creativity. Research from Wilasittha (2022), suggests that the external auditor wants to return to using the onsite audit, but there is still the possibility of a hybrid audit that can be carried out so that the audit can be more effective and efficient without sacrificing audit quality. Research from Kljajić et al., (2022), revealed that the use of remote audits carried out during the pandemic had more advantages than disadvantages. Research from Nazarova et al., (2021), states that the use of information technology is an important issue to ensure the success of remote audits. Research from Eulerich et al., (2021), shows that in Germany, the perception of the efficiency and effectiveness of remote audits is increasing, and good auditee support will result in time efficiency and good audit quality as well. The latest research from Tedjasuksmana (2021), stated that remote audits reduce business travel costs and increase the use of technology.

Research related to remote audits in the post-pandemic era produced different findings compared to previous studies regarding external auditors' views on audit quality resulting from remote audits. This difference causes the need for further research related to remote auditing. The differentiating factor in this study is the object of research. Where previous research involved an external auditor, in this study the object of research was an internal auditor. Therefore, the formulation of this research is: first, how is the implementation of remote auditing in cost control, and second, what is the impact of implementing remote auditing on audit quality.

II. Literature Review

Contingency Theory

Contingency theory reveals that if there is an increase in a dynamic (changing) environment, heterogeneous (different), and hostile (threatening) environments, it will increase the effectiveness of accounting information systems (Gordon and Miller in Gofwan, 2022). Contingency theory is a management theory or model that originated in organizational theory about leadership effectiveness. It has become increasingly accepted because it opposes traditional management theory's contention that there is one best way of doing things (Csaszar and Ostler in Abedin, 2022).

Auditing

Auditing is a systematic process that aims to objectively obtain and evaluate management statements contained in financial reports and then ensure the suitability of these statements with the general criteria that have been set. (Louwers, 2018). Johnstone, (2019), said that auditing is a systematic process for objectively evaluating evidence regarding an economic action to ascertain whether it is in conformity with the criteria and communicating it to users of the report.

In general, there are two types of auditors: internal auditors and external auditors. The external auditor generally evaluates the management report, compares it with the existing criteria, and finally makes a statement regarding the report. (Louwers, 2018). Meanwhile, internal auditors are different from external auditors; internal auditors often do not submit statements related to financial or management reports but rather provide opinions or suggestions on a business process; for example, internal auditors provide advice related to the need for a business to be closed or continued and how much funding is needed for that matter.

Remote Audit

When an onsite audit is not possible, a remote audit is used using information and communication technology (ICT). ICT here is a technology such as video sharing, screen sharing, and exchanging digital data through digital media (Google Drive, the cloud, etc.). Remote audits are also often referred to as virtual audits or can be said to be digital and non-digital-based activities using technology assets (hardware, automated devices, PLCs) in order to make some or all of the decisions. (ISO & IAF, 2020).

Remote auditing and agile auditing are closely related and can complement each other (Castka & Searcy, 2021). Remote auditing is currently also referred to as an agile audit process or audit agility, which is urgently needed by management. (Catlin, 2021). This is reinforced by research from Dwi Kurniawati, which states that remote auditing and agility auditing are new alternatives that can be used as standards in an audit implementation that can realize good corporate governance (GCG) (Koerniawati, 2021).

Audit Quality

Assessing audit quality involves evaluating the effectiveness and reliability of the audit process and audit reports. Based on the International Standards for Internal Audit Professional Practice (The IIA, 2017)

there are several things that can be measured related to attribute standards and performance related to internal audit quality :

1. Independence and objectivity: Auditors must be independent and impartial, without financial or other interests that could affect their objectivity.
2. Proficiency or Competence: The auditor must have the appropriate skills, knowledge, and experience to perform the audit effectively.
3. Audit planning: The auditor must have a well-designed audit plan to identify the risks and areas to be audited.
4. Implementation and supervision of assignments: Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the objectives of the engagement. Each assignment must also be properly supervised to ensure that targets are achieved, quality is guaranteed, and staff can develop.
5. Communication: Auditors must communicate their findings and conclusions clearly and effectively to clients and other stakeholders.
6. Progress Monitoring: The auditor must follow up on any issues or recommendations identified during the audit to ensure that the issues are addressed appropriately.

Cost

Costs are expenditures or sacrifices incurred to obtain benefits in the future (Yuesti & Merawaty, 2018). The purpose of cost control that is studied in the science of cost accounting is that it can be carried out quite well. Purpose of cost accounting (Yusra, 2017) is to calculate the costs that will be used for inventory valuation and the determination of profit or COGS. Thus, costs can play an important role in a business practice and require good treatment.

Cost of Audit

Audit fees in this study are divided into two categories: audit fees called audit fees for public accounting firms and audit fees incurred by internal auditors. External auditors' audit fees according to (Johnstone, 2019) divide in several ways, like :

1. Basic Fee: This is a basic fee based on time requirements, auditor speed, and administrative costs of the assignment.
2. Out-of-Pocket Cost: This is the cost incurred by the auditor during the engagement, which is billed separately from the base fee. This can include travel, lodging, meals, and other costs incurred in connection with the audit
3. Additional Fees: In some cases, the auditor may charge additional fees for services that are outside the scope of the basic engagement. For example, if a client requests additional tests or analyses beyond what was previously agreed upon, the auditor may charge additional fees for this work.
4. Other Fees: Depending on the circumstances, there may be other costs associated with an audit, such as fees for consulting services or fees for providing advice on regulatory compliance.

As for the internal auditor, the audit fees are as follows :

1. Salary Cost: A fixed fee paid by the company whether there is an assignment or not.
2. Technology costs: This is the cost invested when the internal auditor requires the use of special software to carry out an analysis process.
3. Travel costs: If the internal audit team needs to travel to a different location to conduct the audit, there may be additional costs such as airfare, lodging, and meals.

III. Research Method

Research Methods and Approaches

In this study, researchers used a qualitative descriptive research method based on a case study approach. Bogdan and Taylor argue that qualitative methods are defined as research procedures in which the resulting data are descriptive in nature, namely in the form of written sentences, information obtained orally, and the observed behavior of the subject. Sugiyono (2020:285), Qualitative research is descriptive research. Therefore, the data collected in this study were in the form of words or images, which included interview transcripts, field notes, videotapes, photographs, memos, and personal documents.

Informants and research time

The informants in this study consisted of five internal auditors at PT GMU. With qualifications already have a working period of 5–15 years. This research was conducted throughout May 2023. In this study, primary data was used. Primary data was obtained through interviews with internal auditors. The list of informants in this study is:

Table 1. informants

No	Name of Informant	Length of Work	Position
1	Willy	6 years	Med. Auditor
2	Leo	6 years	Med. Auditor
3	Yoga	10 years	Med. Auditor
4	Yuni	10 years	Senior Auditor
5	Adi	15 years	Senior Auditor

From the results of interviews with informants, the next researcher will describe the implementation of remote auditing at PT GMU and explore the effects of remote auditing during the pandemic on cost control and audit quality

IV. Results and Discussion

Remote Audit Implementation of Cost Control

To explore how the implementation of a remote audit is able to control audit fees, the researcher uses the following questions:

1. How are the implementation and stages of the remote audit carried out at PT GMU?

Based on the results of interviews with five informants, all stated that the stages of a remote audit are the same as onsite audits in general. These stages include:

- a. **Opening Meeting:** Of course, the opening stage can be carried out using online media (online meeting platforms: Zoom, Google Meet, etc.), which have been used by many people as with other remote meetings. All auditors feel that the delivery of messages can be done well. Mr. Adi (the senior auditor) gave a message that the opening meeting process in a remote audit must be well prepared regarding what will be delivered and especially related to the need for data to be requested to be prepared. Mr. Willy (the middle auditor) added that there needs to be an agreement regarding the deadline in the process of exchanging data and its storage media (for example, using Google Drive). All of this must be prepared carefully because there is a distance constraint between the auditor and the auditee.
- b. **Document Review:** This second stage depends on the type of data, conditions, and media sent, which can be in the form of scanned PDFs or other files. If there are questions that arise during document review, technically these questions will be collected first and asked during interviews. This is because confirming questions during document review will be ineffective if done in a remote audit. Ms. Yuni (the senior auditor) stated that the process of reviewing this document took longer than the onsite audit. This is because the auditor will prepare the data and digitize the documents. The auditee himself also has other operational work to be completed. This case is different if an onsite audit is carried out because the document inspection process can be directly carried out by the auditor.
- c. **Field Visits:** The field visit stages are generally carried out by means of live streaming or video calls; the constraints at this stage are generally weak networks and poor signal quality. If this happens, the auditor will utilize existing CCTV footage at the company for analysis, review, and testing. Mr. Adi and Leon (the senior and middle auditors) stated that the field visit process was mainly carried out for cash taking, stock taking, and operations analysis. This process is a little inconvenient because the auditor cannot see directly and has a broad view because he only uses video calls.
- d. **Interviews.** The interview stages are generally carried out by video conferencing, so that the auditor can analyze the movements of the individuals being interviewed. Regarding the duration of the interview, all auditors share the same view that the duration of the interview is adjusted to the capacity and position of the position being interviewed by the auditor to make it more accurate.

- e. Closing Meeting: The last stage, namely the closing meeting, is carried out like the opening meeting stage that was carried out before by presenting the results of the findings obtained to be followed up immediately.

2. How is Cost Control in the Remote Audit conducted at PT GMU?

All auditors stated that the remote audit process was able to produce efficiency in the audit cost control process. Mr. Adi (the senior auditor) gave an example of how the most cost-saving was the cost of accommodation outside the city, including airplane tickets, hotels, and the auditor's pocket money. A remote audit is able to cut costs because the auditor does not need to go out of town. Related to the need to spend on purchasing tools (hardware) to support remote audits (such as laptops with remote specifications, 360 cameras, and increasing wifi speed), Mr. Leon (the medium auditor) stated that a remote audit requires additional hardware for a smooth remote audit, but the value is much smaller than the travel costs that must be incurred if an onsite audit is carried out. Procurement of tools is minimal because, according to Mr. Yoga (a medior auditor), before the pandemic, auditors on average used laptops and various equipment such as wifi and others, so companies did not need to make a lot of additional investment during a pandemic.

Implementation of Remote Audit in Audit Quality

To explore how the implementation of remote audits is still able to maintain audit quality, researchers use the following questions :

1. Is auditor independence not affected by holding a remote audit?

All auditors are of the opinion that remote audit will not reduce their independence in conducting audits. Mr. Willy (Medior Auditor) added that independence and objectivity are still well embedded in the auditor so that they are not affected by the use of any audit method.

2. Does Auditor Proficiency/Competency need to be added when remote audit is conducted?

Mr. Adi (the senior auditor) explained that the auditor added competence to be able to adjust his work process and still produce a quality audit. The process of adding competence is carried out by participating in online seminars, adding insight into how to use IT in auditing (video conferencing processes, databases, data exchange processes, ways of communication, and time management), so that the auditors indirectly experience additional competencies and capabilities.

3. How is Audit Planning carried out in the remote audit process?

Mr. Adi and Yuni (the senior auditors) stated that even though the audit was conducted remotely, they were still able to carry out audit preparation and planning quite well. The preparation process, from risk identification to the preparation of the audit program, can all be carried out quite well without any significant obstacles. Based on the results of the next planning meeting, an opening meeting was held to explain the audit process to be carried out. This is reinforced by the statement of Mr. Willy (the middle auditor), who stated that there were no significant obstacles to holding the opening meeting even though it was conducted online. The communication resulting from the remote audit during the opening meeting went well; the messages between the auditor and the auditee were still well received, and there were no significant misunderstandings that disrupted the audit process. Mr. Adi (Senior Auditor) added that the planning process based on predetermined risk factors is also not affected because making risk factors can be done without having to visit the business unit concerned.

4. How is the implementation process or field work in the remote audit?

During a field inspection, Mr. Adi, Yuni, and Yoga stated that remote audits cannot be used to ensure data validity as a support in the process of making audit conclusions related to the physical inspection of cash, inventories, invoices, and assets, along with documents such as cash or bank disbursement documents, agreement certificates, etc. This opinion is based on the premise that the auditor must see directly in the field so that he can provide audit recommendations that are in accordance with the needs and capabilities of the auditee. So that the recommendations can work well, it is necessary to agree with the auditee, and to make it easier, the auditor must understand the field. On the other hand, Mr. Leo and Willy (the middle auditor) provide a different view that remote audits in the process of field work can still obtain good data validity on the condition that the auditor must carry out the audit program properly. To ensure data validity, Mr. Leo added that in the process of ensuring proper supporting evidence, it can be done by means of video conferencing, and if you use photos, you must use other supporting evidence (e.g., ID cards, etc.).

5. How is the audit communication and reporting process for the remote audit process?

All auditors agree that the audit reporting process can be carried out properly through the remote audit process. Submission of results using the online method can still be carried out properly without reducing the quality of reporting. Communication at the time of reporting can be done well.

6. How is the progress monitoring process for the remote audit process?

All auditors agree that the process of monitoring audit progress will not be reduced if it is carried out remotely. This is because the process of monitoring previous developments was also carried out online through e-mail, telephone, and other media.

The Future of Remote Audit

To find out whether remote auditing will become a future audit process, researchers use the following questions: Will remote audits replace onsite audits in the future and produce quality audits?

According to Mr. Adi (the senior auditor), remote audits are on their way to continuing to produce higher quality audits, so it is necessary to think about a hybrid audit. This hybrid is able to reduce the cost of official travel by almost 50%. Mr. Adi (the senior auditor) is of the opinion that the planning process up to the opening meeting as well as initial data analysis can be carried out in a remote audit. An onsite audit is carried out for the process of confirming financial data in order to be able to find out gestures and facial expressions, physical checks related to cash, inventory, assets, and others. This is also the answer to some of the auditor's opinions, which state that remote audits are incapable of being used to process data validity, especially for consulting needs. Mrs. Yuni (the senior auditor) also added that many auditees are currently asking for onsite activities so they can have more discussions with their internal auditors, especially related to several corporate policies. This opinion was formed after being asked by other auditors, who all want the same thing.

V. Conclusion

Based on the discussion above, researchers can draw two main conclusions. The remote audit stage in PT GMU is the same as the onsite audit in general, including: (i) the opening meeting, which is conducted using online media (online meeting platforms: Zoom, Google Meet, etc.); (ii) document review; the stage is adjusted to the type of data, conditions, and sent media; (iii) field visits; the stages of field visits are generally carried out by means of live streaming or video calls; (iv) interviews, which are generally carried out by video conferencing; and (v) the closing meeting, which is technically the same as the opening meeting by presenting the results of the findings obtained for immediate follow-up. All of these stages are carried out online (in a network) by utilizing technological devices. In its application, remote auditing is able to produce efficiency in the audit cost control process.

Remote audits in PT GMU can still produce good audit quality if done carefully. To produce good audit quality, a prudential process is needed, and the auditor needs to improve his competence. From the research results, most of the auditors have increased their competence so that they are able to produce quality audit reports. However, to increase audit quality, especially in the current era where social restrictions have been lifted and the pandemic has ended, a hybrid audit can be a solution so that the auditor has strong confidence in field work related to physical inspection of documents, cash, inventories, assets, and others. Hybrid audit as a middle-way solution so that auditors are still able to maximize their audit quality without incurring large cost of audit.

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