

Reliability of Audit Evidence during Pandemic Restrictions

Fidiana Fidiana¹, Endang Dwi Retnani²

^{1,2}Accounting Study Program, Sekolah Tinggi Ilmu Ekonomi Indonesia Surabaya, Jalan Menur Pumpungan 30, Surabaya 60118, Indonesia

DOI: <https://doi.org/10.33005/jasf.v6i1.393>

Received: February 12, 2023. Revised: June 12, 2023. Accepted: June 30, 2023

Abstract

The latest technology-based audits have quickly overcome traditional barriers for auditors to access data, client resistance, and client readiness. However, the auditor's capacity to gather adequate and pertinent audit evidence may be hampered by limitations on travel and access as well as a shortage of human resources as a result of health issues. This research aims to analyze and discuss how auditors view and consider audit evidence throughout the pandemic. This qualitative method involves the perceptions of Indonesian Public Accountants (CPA Indonesia), especially in the Indonesian context. The informants were chosen by their involvement in their work as the partners or senior auditors of an audit firm. This research finds that during the pandemic, by fulfilling legal statutory audits and rendering a clean audit opinion even in the absence of compelling audit evidence, auditors can preserve their credibility and stability. Second, in the event of extraordinary circumstances, regulators ought to create audit guidelines and standards. Third, in order to perform audit procedures digitally and remotely, audit firms need to make investments in information technology. The implication is that the crusader, the safe pair of hands, the accommodator, and the truster are four different types of audit engagement partners discovered as a secondary result of this research.

Keywords: *audit evidence, materiality, pandemic, risk, virtual audit.*

How to cite (APA 7th style)

Fidiana, F. & Retnani, E. D. (2023). Reliability of Audit Evidence during Pandemic Restrictions. *JASF – Journal of Accounting and Strategic Finance*, 6 (1), 90-106.

INTRODUCTION

For all industries, the COVID-19 pandemic poses serious concerns. Public company audits and public accounting are not an exception. Many nations impose restrictions on domestic and international travel due to safety and public health concerns. The pandemic compelled everyone to adopt new auditing procedures. Auditors can do audits and gather evidence in a different way by extracting and downloading all client financial statement data, together with any supporting paperwork. There is no time for arguments because the pandemic compelled transformation. The

¹ Fidiana Fidiana

E-mail: fidiana@stiesia.ac.id

most recent technology-based audits have swiftly surmounted the conventional obstacles that auditors faced while attempting to obtain data, such as client opposition and preparedness. COVID-19 has significantly accelerated the evolution toward “virtual” audits (Butaka, 2022).

The government issued remain at home orders and workplace closures in Indonesia to prevent individuals from leaving. It is now challenging for auditors to finish audit engagements using their standard protocols for gathering evidence because of these stringent travel limitations (Gong et al., 2022). These processes usually involve looking over tangible goods or making queries, conversing, and having meetings with directors—all of whom benefit from gain by having direct contact with clients on their premises. Rather, auditors had to shift to an online work environment with less direct interaction inside the audit team and customers. Consequently, auditors cannot get adequate direct audit evidence or direct information. Rather, they are forced to depend on data that can be sent via online interactions, electronic paperwork, and contactless delivery from customers or other parties (Butaka, 2022).

A pertinent question in light of these significant modifications is how auditors’ capacity to assess how suitable and adequate audit evidence is in novel as well as inventive ways was impacted by the sudden shift to working remotely during the pandemic. Investors, regulators, and standard-setters can have a better understanding of how pandemic limits affect the validity and applicability of audit evidence by providing answers to these questions. Considering everything we know, no empirical study have been conducted to evaluate the caliber of audit evidence, despite numerous studies testing what effect the epidemic has had on audit quality (Albitar et al., 2021). Our research attempts to close this gap.

Many large companies are already accustomed to document digitization, even before the pandemic. This is not the case with audit clients in developing countries such as Indonesia, which are small companies, and even those in remote geographical locations. The audit process, especially for obtaining audit evidence, is not as easy as in large companies, where the obtained data is collected digitally and based on cloud computing.

Owing to health issues brought on by the COVID-19 epidemic, travel and access limitations, along with a shortage of manpower, have impacted the way auditors organize and conduct their audits, including determining if the audit evidence is adequate and acceptable in novel, creative, and original methods to back up the audit conclusion issued. Not all audit clients have been able to prepare electronic evidence for some time due to the pandemic. Although audit clients can prepare electronic evidence, it is important to realize that more persuasive audit evidence is required as risks increase. In traditionally somewhat regular audit domains, auditors must retain a suitable degree of PS (professional skepticism) while assessing the validity of audit evidence in historically relatively routine inspection areas, such as approving primary sources, getting third-party confirmation and taking care of inventory counts (Listalia & Suryaningrum, 2023).

Additionally, although advanced technology offers a wealth of data for auditors to use in decision-making, the auditor is the one who ultimately must make the decision. Technology is only a tool to help auditors collect evidence and data to make decisions. Audit standards (SA 500 revised 2021) require auditors to design and carry out appropriate audit procedures according to the conditions to gather adequate and relevant audit evidence in order to make judgments that will

serve as the foundation for the auditor's opinion. This standard allows auditors to consider certain conditions, including pandemics, in gathering enough pertinent data to enable the auditor to render an objective judgment.

In the interim, it is acknowledged that limitations or restriction on access and travel, along with restricted human resource availability as a result of health concerns, may impede the auditor's capacity to gather adequate and relevant audit evidence. Partners and auditors need to modify their audit strategy to fit the situation at hand. It has been suggested that auditors look at alternate methods, including technology, as much as they can. In the current scenario, conducting high-quality audits might take longer, which would compromise reporting timelines. Because of this, auditors might have to postpone releasing their audit reports or even change them to indicate that they were unable to gather the necessary audit evidence.

This research explores how audit evidence is evaluated and includes auditor tolerance amidst the COVID-19 outbreak. This research will provide insight into how the pandemic has affected how auditors evaluate the adequacy and suitability of evidence and how auditors compromise on this. This is important because audit quality depends on evidence's sufficiency so that high audit quality can be maintained. This research explores how audit evidence is collected and evaluated during the Covid-19 pandemic. Limited research has been done on this subject because the pandemic is not completely over. Several studies have discussed how the epidemic has affected quality of audit (Albitar et al., 2021; Butaka, 2022; Gong et al., 2022; Hazaea et al., 2022). However, none of these researches has conducted a more in-depth study by obtaining empirical evidence from authorized auditors to comprehend the COVID-19's effects on auditors' tolerance regarding audit evidence. Therefore, this paper contributes to the research community by discussing the role of auditors as providers of assurance and transparency in how auditors compromise audit evidence during turbulent economic times. Finally, this study will provide insight into the evolution of audit specifics on evaluating audit evidence, which could be important for stakeholders, academic researchers, and the audit community, as discussed further.

An audit based on risk, or RBA, is a procedure for audits methodology that provides confidence that an entity's risks are managed according to established risk limits (Bell et al., 1997). Viewed from an internal perspective, management better understands the priority risks that will be faced and in what way to overcome them to be efficient and effective in reducing audit errors (Le et al., 2022). The management must make sure that internal control is adequate and risk management is carried out appropriately, followed by various functions and work units in the company. The role of RBA is very comprehensive and strategic, which, if implemented consistently, can increase the effectiveness of internal control. RBA involves the phases of reporting, risk response, and risk assessment. This activity requires the auditor to comprehend the organization, its surroundings, internal controls, and the likelihood of a major false statement within the financial statements. The COVID-19 pandemic affects the risk level of business entities, which impacts audit risk assessment. Auditors need to be aware of how SA 330, or the Auditor's Response to Assessed Risks, serves as a roadmap for identifying pertinent modifications to their

capacity to gather adequate and pertinent audit records throughout the epidemic. The results of gathering audit evidence were also impacted by the COVID-19 epidemic. For instance, the introduction of large-scale social restrictions (PSBB) affected access and travel limitations as well as the availability of staff for audits and auditees. Auditors must investigate alternate audit techniques and implement pertinent adjustments.

The remote audit concept was understood as a process carried out by auditors by integrating information technology-based communication and analytical techniques to gather (digital) audit evidence and communicate with clients. Auditors then certify that internal controls are accurate (Teeter et al., 2010). Even though it is carried out remotely, audits must follow all standard provisions, such as collecting evidence and issuing statements if deviations from standards are found (Febriani & Martani, 2023). Fulfilling the requirements for remote audits is using media and software applications that support the availability of various documents audio and video communications.

Audit evidence. Audit Standard 500 (SA 500 revised 2021) describes what audit evidence is in a financial statement audit. It refers to the auditor's role to plan and execute audit procedures in order to gather suitable and sufficient audit evidence to enable the auditor's opinion to be formed. The auditor must develop and conduct on audit processes in such a way that acceptable and sufficient audit evidence is obtained to allow the auditor to form adequate conclusions as a foundation for the auditor's judgment. The auditor must develop and conduct on right audit processes in accordance with the situation, to collect relevant and sufficient audit proof. Data volume, data variety, and real-time data availability (velocity) as characteristics of big data are under the characteristics of audit evidence, namely "adequate", so this is following the requirements of audit standards. "Sufficient" audit evidence rely on assessing the risk of misrepresentation as well as the appropriateness or suitability (e.g., relevance and dependability) of the audit evidence gathered. Audit evidence will be more needed if the audit evidence has a low level of reliability and relevance, and vice versa.

In theory, auditor access should be granted to the required firm information. In practice, the extent and quality of audit evidence gathered are influenced by the application of technology (for example, if the audit proof is in a file or electronic form), cost-benefit considerations, as well as social contacts with clients or auditing firms. Information from relevant external sources produced by big data can be supporting/additional information to the internal client information that the auditor does not have. For instance, after conducting a production process audit, the auditor can request documents or sales forecast reports from management. The auditor can use these reports to understand production volumes and inventory levels. Suppose the sales forecast report is unavailable or the quality is so low that it is insufficient to be used as audit evidence. In that case, the auditor can employ text analysis to assess large amounts of data from news items, social networks and product discussion forums, to have a better understanding of the client's trades inclinations. Therefore, big data can support auditors in collecting audit evidence when the audit evidence obtained through traditional audits is insufficient, or the audit evidence is of low quality. This can also be done if the auditor wants to look for audit evidence related to a fraud case.

Obtaining audit evidence related to this fraud case is difficult because the audit evidence obtained must describe a person's motivation and rationalization for committing fraud.

Big data can assist in assessing the reliability of audit evidence obtained through traditional audit processes. For example, in traditional audits, external auditors generally use shipping documents to verify the shipping process. However, in reality, using data from GPS is considered more reliable, and the GPS data cannot be manipulated. In traditional audits, transaction manual checks are performed on documents in order to validate firm transactions. Auditors can utilize text analysis procedures like clustering in a big data nature to automatically parse phrases and summarize files. This technique is considered more efficient and provides more information than manual inspection.

The use of non-financial data collected as part of analytical methods can serve as an independent reference point for reviewing commercial reports (SAS No. 56). In this context, the usage of large amounts of data from outside sources, like as analyst reports, news articles, and government reports could serve an autonomous reference for evaluating company financial trends internally and externally. Analyzing customer satisfaction levels can help auditors understand their clients' sales levels. For instance, suppose the product's reputation on social networks is unfavorable, but sales are increasing. In that case, the auditor will see this as an inconsistency and should be suspicious.

The majority of the reliability of big data is because big data is difficult to manipulate due to the very large size of the data, particularly when the documents is generated in real time by third parties. The primary worry with big data is the data's quality. If the noise level in big data generates data overload and dishonest positive indications, data dependability will suffer. Besides that, because twitter users do not always reflect the total customer base, big data from those social media sources, might lead data to be biased.

Audit standards also require auditors to be able to evaluate risks associated with internal control flaws and fraud (SAS No. 107). One example of how an auditor can indicate the existence of these risks is by assessing management disclosure documents. SAS No. 99 gave an example: an annual report or press release that seems too optimistic or exaggerated is a risk factor for potential fraud. Previous researchers revealed that confusing language in the annual report's Management Discussion and Analysis sub-section can be used to reveal fraud within the company. Apart from that, language that seems excessive in "conference calls" activities can also aid in the detection of financial fraud. As a result, the document analysis method to management disclosures is seen as appropriate for assessing the risk of organization fraud.

Many studies related to audit evidence have tested the influence between variables, such as their effect on audit quality. This means that current research related to audit evidence mostly examines causal relationships and has not explored how evidence is obtained and evaluated. Al Amin (2022), for example, has tested audit evidence and audit materiality on audit quality. A questionnaire instrument was used in the investigation, distributed to 40 auditors in Yogyakarta. This research finds evidence of the effect of audit evidence on audit quality.

As explained previously, this research is the first study to explore how audit evidence is collected and evaluated during the pandemic. Most studies on auditing during the pandemic are related to audit quality (Albitar et al., 2021; Butaka, 2022; Gong et al., 2022; Hazaea et al., 2022) including in Indonesia, there are many studies on audit quality (Agusiady et al., 2022; Saputro & Mappanyukki, 2022). No study has explored audit evidence and how it is collected and evaluated as an important stage in issuing a quality opinion. This study finds that during the pandemic, auditors can preserve their legitimacy and stability by carrying out statutory audits in accordance with the law while also offering a clean audit opinion even if there is no persuasive audit evidence. These findings will contribute to the government and audit setters managing audit evidence as crucial evidence in audit opinion decision-making.

RESEARCH METHOD

Research Approach

A qualitative approach was thought appropriate to supplement most quantitative studies available in the literature in order to obtain deeper insight into the irregular audit issue. This paper's theoretical viewpoint is risk-based auditing. The current study aims to highlight the phenomenon of collecting audit evidence during the pandemic, where auditors have obstacles to obtaining evidence directly. Instead, they are limited to client documents, and testing is carried out via virtual or audio media.

To explore auditors' opinions of and how they compromise audit evidence, a qualitative exploratory study approach was used. Exploratory study is a suitable technique to build a field in the early phases of a new issue, particularly when researching expert procedures such as audit evidence collection. We used an interpretive research paradigm from an epistemological and ontological standpoint (Miles et al., 2014).

The primary goal of an interpretive method stance is not to "discover the truth" (Gephart, 2004) however, to comprehend the concepts and meanings employed by social actors (auditors) in their practicing environments as a technique of exposing multiple interpretations of reality for each social actor.

According to this assertion, social actors (auditors) are subjective (Guba & Lincoln, 1994). Because both social actors, researchers and auditors, are constantly influenced by social interactions that entrench existing and evolving realities by reflecting their views and values, our methodological approach is acceptable (Power, 1999; Power & Gendron, 2015).

Data Collection and Analysis Techniques

Because this phenomenon is novel (audit evidence), semi-structured interviews were done to obtain data directly from social actors (auditors). Semi-structured, flexible interviews are considered more appropriate for gathering insights from auditors (Horton et al., 2004). Selected auditors with over ten years of experience are specialist with process, technical, and interpretive skill of audit evidence collection.

According to Meuser and Nagel (2009), an expert is someone who is in charge of a concept and has pertinent factual knowledge, specialized or accumulated knowledge, information, or privileged entrance to data. The biographies of informants are less important in our expert selection procedure (Mergel et al., 2019).

However, we are more interested in their viewpoints and roles as senior auditors and even partners of public accounting firms and members of the standards board in accessing the decision-making process (Mergel et al., 2019). The chosen professionals are well-known in the auditing world for their extensive experience. Most are also academics, as speakers at audit-related seminars, webinars, and conferences. We select experts from senior auditors, supervisors, partners, and a team of standard setters.

The effectiveness of the expert discussion research procedure is relied by the number of interviews done and the quality of the experts who participate (Mergel et al., 2019). We employed a snowball sampling method, asking informants to recommend other experts who could provide an overview of the phenomenon. Glaser and Strauss (1967) recommended at least ten interviews, however Guest et al. (2006) recommended twelve interviews to acquire insight into the studied phenomenon.

Of course, generalizability is restricted because to the small number of interviews (11) and the environment (Indonesian audit seniors), and the study should be seen as an exploratory study whose findings are utilized to provide recommendations for future research into various areas of audit risk. The poor and tardy response to our interview requests was primarily owing to auditors' hectic schedules during the pandemic. Choosing the appropriate number of interviews for qualitative research is a never-ending task (O'Reilly & Parker, 2013). When no new insights were obtained from fresh interviews, the key concept we followed was theoretical saturation (Guest et al., 2006; O'Reilly & Parker, 2013). This means that theoretical saturation can be asserted.

We conducted a document analysis to round out the empirical. Documents include information about the environment in which social actors function (Mills et al., 2006). Document analysis assists researchers in uncovering meaning, developing understanding, and discovering pertinent insights about the topic under investigation (Merriam, 1998), and it can even contextualize data acquired during interviews. To triangulate study findings, we used document analysis as a supplemental research method (Bowen, 2009). Document analysis will be particularly useful in acquiring triangulation proof; corroborating results can be explored using the various data gathering and analysis methods employed in this current study.

RESULTS AND DISCUSSION

Online and Virtual Media: How to Get Audit Evidence during the Pandemic

Along the pandemic, audits must meet the specified requirements, which may necessitate different and expanded concerns by the auditor in the existing situation. The auditor may need to explore

adopting alternate procedures to collect appropriate and sufficient audit evidence to sustain or revise their audit opinion.

Regarding restrictions on physical mobilization and social distancing during the pandemic season, audit procedures must continue to be implemented using various mechanisms to obtain sufficient and high-quality evidence. Several informants stated that email and WhatsApp channels were the media most widely used to obtain audit evidence. Figure 1 presents the results of the informants' answers.

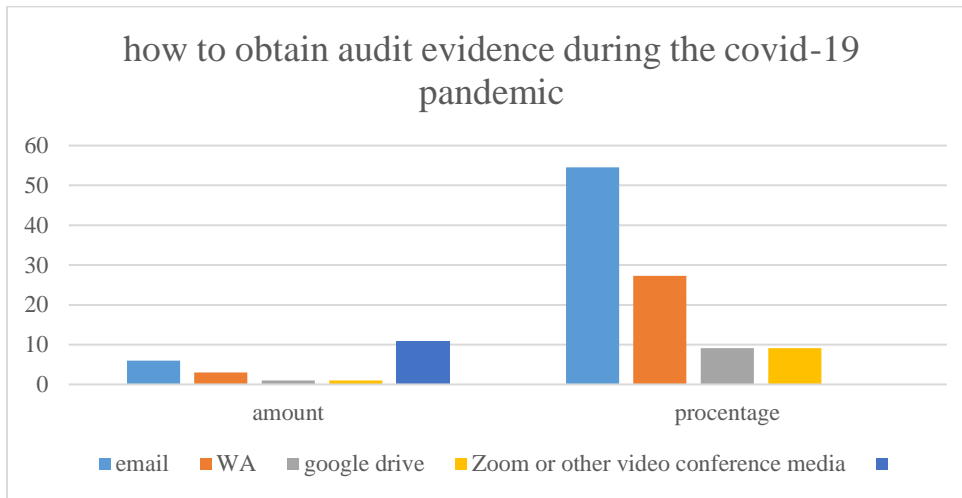


Figure 1. Audit Evidence Collection Media

Figure 1 shows that 54.5% of informants collected audit evidence via email. Most previous research also supports that Email is the primary form of interaction throughout the pandemic (Albitar et al., 2021). It can be understood that email channels are more effective for sending audit evidence because they relate to the legitimacy and validity of the sender so that they can be more legally accountable. Sending documents or images with a large capacity is more possible for email channels because it is equipped with a Google Drive link facility.

Following the restrictions on public mobilization and physical distancing during the pandemic, the majority of auditors were obliged to abandon face-to-face interactions in favor of strictly virtual engagement with clients. Audit procedures must continue to run even in pandemic conditions, while auditors have no other way except to use virtual or online communication. However, this virtual communication method could risk reducing audit quality. Auditors lose the opportunity to interact directly with their clients and cannot perform physical audit procedures. Instead, auditors must connect remotely with their customers via phone or email, which can have a substantial impact on the auditor's judgment and decision-making.

Even before the epidemic, audit partners expressed worry in a study performed by Bennett dan Hatfield (2013) that more young auditors were relying on CMC (computer-mediated communications) to engage with clients. Their concern is that fewer direct interactions will make

it more difficult for auditors to form relationships with clients and collect evidence. Previous research has also shown that increased electronic communication can influence audit procedures and outcomes. For instance, Bennett dan Hatfield (2018) discovered that when auditors contact with client managers online, they ask shorter interactions, have fewer follow-up questions, and avoid back-and-forth exchanges. They also discovered that when auditors communicated electronically, they requested more documentation and asked less questions. This supplementary documentation can supplement the auditor's analysis and enhance the review procedures.

The client's reaction to the auditor's queries can be influenced by communication tactics. Saiewitz dan Kida (2018) found that managers were more likely to provide information supporting their position when receiving emails than visual or audio questions. That is, client responses are more biased to email inquiries because managers have more time to respond to email questions and structure their responses. In contrast, virtual, audio, or visual meetings make managers more likely to react spontaneously. This means that the pandemic increases audit risk due to restrictions on physical interaction. On the other hand, given the unique nature of the epidemic, auditors expected financial reports issued during the crisis period to be scrutinized more closely. Previous research has indicated that auditors increased their audit efforts in response to financial crises (Geiger et al., 2014; Xu et al., 2013).

Concerning the onset of the pandemic, Kend dan Nguyen (2022) examined audit methods carried out by Australian audit companies. They discovered that several organizations implemented audit procedures explicitly geared to handle audit risks connected with the pandemic, which could have improved audit quality. Furthermore, due of the uncertainty produced by the epidemic, investors and regulators may pay special attention to financial reporting.

The pandemic has impacted the entire audit process and procedures (Xiao et al., 2020). Restrictions on physical mobility during the pandemic have directed auditors to use communication methods via digital platforms. This means that the pandemic has shifted the use of physical evidence in current audit procedures, evidence that in traditional audit procedures is considered more reliable than digital evidence.

External auditors' reliance on digital platforms transforms digital analytical procedures in obtaining detailed information on a company's performance and financial position performance in order to save time and money. Flexibility, speed of audit time, and increased communication are added values with this digital technique (Sujana & Dharmawan, 2023). This, of course, has an effect on the audit evidence's quality (Kend & Nguyen, 2022; Rose et al., 2020). In addition, the impact of the "everywhere" strategy influences the relevance and suitability of audit evidence, which in turn impacts supporting the audit opinion. So, it is important for external auditors today to adopt and adapt technology-based analysis into their auditing processes.

The quality of audit evidence has a significant impact on the correctness of audit findings and conclusions. Meanwhile, the pandemic has encouraged auditors to use external evidence acquired from another parties, in term PwC believes to be more reliable than direct evidence acquired from clients (Kend & Nguyen, 2022).

Especially when it comes to clients in certain industries with considerable volumes of tangible assets, auditors must undertake physical exams to establish the existence, ownership of accounts affirmed on the balance sheet, and valuation. While online tools allow auditors to undertake virtual plant, inventory and property, and equipment assessments, they cannot mimic the thoroughness of in-person physical checks. In line with this, one of the auditors stated that during the pandemic, they carried out inventory checks by:

"...The pandemic period means that auditors cannot come to the field, so what can be done is ask for the results of the stock take...which have been signed...after carrying out the materiality process, we take samples...with Zoom...to see the existing inventory."

"...Masa pandemic menyebabkan auditor tidak bisa datang ke lapangan, maka yang bisa dilakukan adalah meminta hasil stock opname...yang sudah ditandatangani... setelah melakukan proses materialitas kemudian kita ambil sampling....dengan zoom....untuk melihatkan stok persediaan yang ada." (in Bahasa)

The findings above imply the auditor's limitations in accurately ascertaining physical assets against client claims on inventory or other physical assets (Fadila & Suryaningrum, 2023).

Moyes (1997) questioned auditors and discovered that strategies involving direct proof gathering (such as directly inspecting inventory in warehouses) were more effective in detecting fraud than methods involving indirect evidence gathered (e.g. discussing inventory cycles with management). After seeing the premises, virtual assessments do not provide auditors to obtain direct proof, engage with underlying assets, or assess controls organically.

As a result, inquiries based on virtual assessments are less likely to be useful in generating significant data.

Appelbaum et al. (2020) propose virtual instruments, including as video streaming software, for conducting inventory audits during and after the pandemic, and warn that spotting specifics, such as inventory damage, may be more challenging than physical inspections. Similarly, Durkin et al., (2021) demonstrate that the prosperity of data is built into the transmission mode.

According to the findings of this study, when auditors use rich communication tools (e.g. virtual conferencing), they become more distracted with their clients than when they use less rich communication tools (e.g. electronic mail), and distracted auditors are more likely to rate client responses as great quality and to ask fewer follow-up inquiries, raising audit risk. For this reason, the quality of audits involving asset (inventory) assessments becomes lower quality with online audit methods. Similar to this study, Gong et al. (2022) show that audit engagements during physical distancing resulted in lower audit quality of physical inventory than before COVID-19, as determined by discretionary accruals and restatements.

Further analysis revealed that this drop in audit quality was caused by auditors' inability to overcome problems of the virtual work environment in companies with high inventory and R&D costs relative to assets.

Forms of Auditor Compromise on Audit Evidence

The audit process is significantly influenced by the evidence collected. In other words, collecting and evaluating appropriate and sufficient evidence is essential to obtaining an appropriate audit judgment. Previous research has shown that cases of lawsuits over audit results are generally caused by insufficient appropriate evidence to express an opinion (D'Aquila & Capriotti, 2011; Zarei et al., 2020). Therefore, the auditor must ensure that each conclusion is based on specific evidence. Auditors must also be careful about misinterpretation, especially concerning evidence obtained from other parties. Because relatively little audit evidence is completely conclusive, auditors must continue to prioritize quality and quantity of evidence and obtain more data if the available evidence is lacking or inadequate (Altıntaş, 2010).

The pandemic of COVID-19 has reduced the reliability of audit evidence because of the usage of hard copy documents that entities send via email; thus, work-from-home strategies will alter the reliability and adequacy of audit evidence, and thus audit quality in turn (Gong et al., 2022). The concept of adequate audit evidence does not imply that the auditor investigates all available material.

The concept of sufficient audit evidence does not mean that the auditor examines all available evidence. Conclusions are typically reached by audit sampling and other means of selecting objects to test (Kuan Pei See et al., 2020).

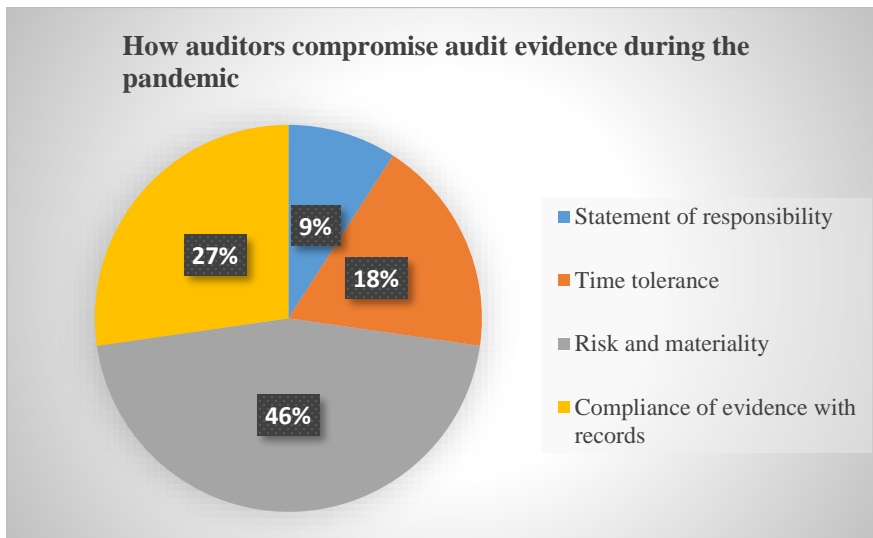


Figure 2. Forms of Auditor Compromise

Auditors are not free to gather a limitless amount of evidence since they must work within financial limits, and in this research, especially as a response to substantial changes in the auditor's working environment as a result of domestic and international travel restrictions. These strict travel restrictions make it difficult for auditors to complete audit assignments regularly. As a result,

auditors are very limited in collecting audit evidence and compromise by accepting higher audit risks (Ritonga & Suyanto, 2022). Existing literature shows that as a result of large-scale societal restraints, Indonesian auditors are more forgiving of material misstatements and issue clean opinions on audits of local government financial reports. Materiality and risk are the key considerations of the auditor in gathering excellent audit evidence.

Several informants stated that materiality and risk were the key factors that the auditor considers when accepting audit evidence (46%). Figure 2 presents the results of the informants' answers. Auditors rely on evidence to keep the risk of substantial misrepresentation to a manageable degree (Rowe, 2019; Saiewitz & Wang, 2020). They also use evidence to support their judgments in the face of criticism. Auditors must defend their findings to numerous parties, including client management, audit partners, and potential external or internal quality controllers.

The adequacy of audit evidence represents the auditor's confidence level in supporting management estimates. However, excessive evidence support will reduce the auditor's confidence. This aligns with the information processing theory that auditors' comfort level only increases because they need more evidentiary support to increase their confidence. Once this stage is reached, supporting more audit evidence can potentially undermine the auditor's confidence. One approach auditors can manage assessment risk is to collect no more data than is required to be confident that management's estimations are not considerably off. Meanwhile, obtaining suitable and sufficient audit evidence is a major factor in auditor comfort. This idea is consistent with previous research, showing that less evidence means fewer audit procedures (Backof, 2015; Xiao et al., 2020).

Audit evidence is in the form of photocopied documents or the form of digital documents sent electronically. International audit standards (ISA) require auditors to consider the evidence's dependability. Regarding audit evidence received from this client, the ISA also asks the auditor to carry out further audit procedures by conducting an analytical review or recalculating the account balance and comparing it with the entity's account balance. If the test results of the account balance show similarities with the client's account balance, this implies sufficient audit evidence.

The findings of this research (27% of auditor responses) confirm that substantive testing of the conformity of balances with client accounts guarantees that audit evidence is sufficient. Meanwhile, previous research has linked audit costs to the reliability of audit evidence. However, difficulty or expense is not an acceptable explanation to abandon the process if no suitable alternative exists. Auditor must maintain their conduct ethically and independently in obtaining the audit evidence (Gabiella & Suryaningrum, 2021). By obtaining audit evidence ethically and independently, auditors can improve audit quality and reliability. Quality and reliable audits can provide benefits to organizations, stakeholders and society. Audits can help organizations improve their operational efficiency, effectiveness and accountability.

CONCLUSION

This research aims to determine how auditors obtain audit evidence during the pandemic. This research involves auditors in Indonesia. Based on a qualitative study, this research found that auditors use electronic media, especially email, due to social restrictions to obtain audit evidence. This limitation of direct inspection means that auditors cannot maintain quality audit evidence under normal conditions as long as the risk and materiality levels are acceptable. In addition, in testing account balances, the auditor can accept audit evidence if there is a match between the test balance and the entity's account balance. This research is particularly limited in obtaining many responses due to the data collection period, which coincides with the auditor's busy level during the audit. This research suggests that future articles consider the audit firm level and the use of information technology in audits as one aspect that influences data accuracy. Furthermore, due to the uncertainty produced by the epidemic, investors and regulators may pay special attention to financial reporting.

Abbreviation List

CPA: Certified Public Accountant; SA: *Standar Audit* (Audit Standard); RBA: Risk Based Audit; PSBB: *Pembatasan Sosial Berskala Besar* (large-scale social restrictions); SAS: Statements on Auditing Standards; GPS: Global Positioning System; CMC: Computer Media Communication; PwC: PricewaterhouseCoopers; ISA: International Audit Standard.

Author's Contribution

FF conceptualized, drafted the manuscript, and final article draft. EDR data curation and data analyzed.

Author's Information

Fidiana Fidiana (FF) got her doctoral degree from Universitas Brawijaya and became a professor in 2023. She is a lecturer at the Accounting Study Sekolah Tinggi Ilmu Ekonomi Indonesia Surabaya. Her research interest is accounting, finance, Sharia, taxation, and behavior accounting. Her Google Scholar link: https://scholar.google.com/citations?hl=en&user=mwjK_ZIAAAAJ

Endang Dwi Retnani (EDR) got her master degree from Universitas Airlangga. She is a lecturer at the Accounting Study Sekolah Tinggi Ilmu Ekonomi Indonesia Surabaya. Her research interest is accounting and management accounting. Email: endangdwiretnani@stiesia.ac.id
Her Google Scholar link: <https://scholar.google.co.id/citations?user=vqD6umQAAAAJ&hl=id>

Funding

This research has no external funding.

Availability of Data and Materials

Research data are collected as explained in the research method. Interview notes, questionnaires, and data can be requested by email to the corresponding author.

REFERENCES

- Agusiady, R. R., Ismail, S., Paramarta, V., Ismail, M. T., Sedarmayanti, & Kushendar, D. H. (2022). Audit quality during the covid-19 pandemic: analysis of procedures, costs, reporting time pressure and audit situations. *Journal of Southwest Jiaotong University*, 57(4), 371–384. <https://doi.org/10.35741/issn.0258-2724.57.4.33>
- Al Amin, M. R. (2022). The effect of audit materiality and audit evidence on audit quality. *Jurnal Akuntansi Aktiva*, 3(1), 92–99. <https://doi.org/10.24127/akuntansi.v3i1.2053>
- Albitar, K., Gerged, A. M., Kikhia, H., & Hussainey, K. (2021). Auditing in times of social distancing: the effect of COVID-19 on auditing quality. *International Journal of Accounting & Information Management*, 29(1), 169–178. <https://doi.org/10.1108/IJAIM-08-2020-0128>
- Altıntaş, T. (2010). Attitudes to audit risk model and materiality: evidence from turkey. *Journal of Business Administration and Social Studies*, 1, 130–136.
- Appelbaum, D., Budnik, S., & Vasarhelyi, M. (2020). Auditing and Accounting During and After the COVID-19 Crisis. *The CPA Journal*, 90(6), 14–19.
- Backof, A. G. (2015). The Impact of Audit Evidence Documentation on Jurors' Negligence Verdicts and Damage Awards. *The Accounting Review*, 90(6), 2177–2204. <https://doi.org/10.2308/accr-51072>
- Bell, T. B., Marrs, F. O., Solomon, I., & Thomas, H. (1997). *Auditing organizations through a strategic-systems lens*. The KPMG Business Measurement Process.
- Bennett, G. B., & Hatfield, R. C. (2013). The Effect of the Social Mismatch between Staff Auditors and Client Management on the Collection of Audit Evidence. *The Accounting Review*, 88(1), 31–50. <https://doi.org/10.2308/accr-50286>
- Bowen, G. A. (2009). Document Analysis as a Qualitative Research Method. *Qualitative Research Journal*, 9(2), 27–40. <https://doi.org/10.3316/QRJ0902027>
- Butaka, G. (2022). The Evolution of Audit in the Wake of the Pandemic. *ICASA Journal*, 1(1), 1–7.
- D'Aquila, J. M., & Capriotti, K. (2011). The SEC's Case against California Micro Devices: A Lesson in Using Professional Skepticism and Obtaining Sufficient Appropriate Evidence. *Issues in Accounting Education*, 26(1), 145–154. <https://doi.org/10.2308/iace.2011.26.1.145>
- Durkin, M. P., Jollineau, S. J., & Lyon, S. C. (2021). Sounds Good to Me: How Communication Mode and Priming Affect Auditor Performance. *AUDITING: A Journal of Practice & Theory*, 40(1), 1–17. <https://doi.org/10.2308/AJPT-19-038>
- Fadila, R. N., & Suryaningrum, D. H. (2023). Fixed Assets Account Audit Procedures at the YG Community Health Center. *Sustainable Business Accounting and Management Review*, 5(2),

- 14–25. <https://doi.org/10.61656/sbamr.v5i2.70>
- Febriani, W., & Martani, D. (2023). Evaluation of the implementation of remote audit method on financial audit during pandemic covid -19 (case study at BPK RI). *Contemporary Accounting Case Studies*, 2(1), 632–651.
- Gabriella, Y., & Suryaningrum, D. H. (2021). Determinant Factors that Influence Auditors' Ethical Decision Making with Ethical Sensitivity as an Intervening Variable. *Public Management and Accounting Review*, 2(1), 23–35. <https://doi.org/10.61656/pmar.v2i1.66>
- Geiger, M. A., Raghunandan, K., & Riccardi, W. (2014). The Global Financial Crisis: U.S. Bankruptcies and Going-Concern Audit Opinions. *Accounting Horizons*, 28(1), 59–75. <https://doi.org/10.2308/acch-50659>
- Gephart, R. P. (2004). Qualitative Research and the Academy of Management Journal. *Academy of Management Journal*, 47(4), 454–462. <https://doi.org/10.5465/amj.2004.14438580>
- Glaser, B. G., & Strauss, A. L. (1967). *Discovery of Grounded Theory: Strategies for Qualitative Research*. Aldine.
- Gong, S., Ho, N., Jin, J. Y., & Kanagaretnam, K. (2022). Audit quality and COVID-19 restrictions. *Managerial Auditing Journal*, 37(8), 1017–1037. <https://doi.org/10.1108/MAJ-11-2021-3383>
- Guba, E. G., & Lincoln, Y. S. (1994). Competing paradigms in qualitative research. In *Handbook of qualitative research* (pp. 105–117). SAGE Publications, Inc.
- Guest, G., Bunce, A., & Johnson, L. (2006). How Many Interviews Are Enough? *Field Methods*, 18(1), 59–82. <https://doi.org/10.1177/1525822X05279903>
- Hazaea, S. A., Tabash, M. I., Abdul Rahman, A. A., Khatib, S. F. A., Zhu, J., & Chong, H. G. (2022). Impact of the COVID-19 Pandemic on Audit Quality: Lessons and Opportunities. *Emerging Science Journal*, 6, 71–86. <https://doi.org/10.28991/esj-2022-SPER-06>
- Horton, J., Macve, R., & Struyven, G. (2004). Qualitative Research: Experiences in Using Semi-Structured Interviews. In *The Real Life Guide to Accounting Research* (pp. 339–357). Elsevier. <https://doi.org/10.1016/B978-008043972-3/50022-0>
- Kend, M., & Nguyen, L. A. (2022). Key audit risks and audit procedures during the initial year of the COVID-19 pandemic: an analysis of audit reports 2019-2020. *Managerial Auditing Journal*, 37(7), 798–818. <https://doi.org/10.1108/MAJ-07-2021-3225>
- Kuan Pei See, J., Pitchay, A. A., Ganesan, Y., Haron, H., & Hendayani, R. (2020). The Effect of Audit Committee Characteristics on Audit Quality: The Moderating Role of Internal Audit Function. *Journal of Governance and Integrity*, 3(2). <https://doi.org/10.15282/jgi.3.2.2020.5309>
- Le, T. T., Nguyen, T. M. A., Do, V. Q., & Ngo, T. H. C. (2022). Risk-based approach and quality of independent audit using structure equation modeling – Evidence from Vietnam. *European Research on Management and Business Economics*, 28(3), 100196. <https://doi.org/10.1016/j.iedeen.2022.100196>
- Listalia, D., & Suryaningrum, D. H. (2023). Implementation of Audit Procedures for Inventory

- Accounts at the Melati Putih Health Center. *Sustainable Business Accounting and Management Review*, 5(2), 1–13. <https://doi.org/10.61656/sbamr.v5i2.71>
- Mergel, I., Edelmann, N., & Haug, N. (2019). Defining digital transformation: Results from expert interviews. *Government Information Quarterly*, 36(4), 101385. <https://doi.org/10.1016/j.giq.2019.06.002>
- Merriam, S. B. (1998). *Qualitative research and case study applications in education*. Jossey-Bass.
- Meuser, M., & Nagel, U. (2009). The Expert Interview and Changes in Knowledge Production. In *Interviewing Experts* (pp. 17–42). Palgrave Macmillan UK. https://doi.org/10.1057/9780230244276_2
- Miles, M. B., Huberman, A. M., & Saldana, J. (2014). *Qualitative Data Analysis: A Methods Sourcebook*. Sage Publication.
- Mills, J., Bonner, A., & Francis, K. (2006). The Development of Constructivist Grounded Theory. *International Journal of Qualitative Methods*, 5(1), 25–35. <https://doi.org/10.1177/160940690600500103>
- O'Reilly, M., & Parker, N. (2013). 'Unsatisfactory Saturation': a critical exploration of the notion of saturated sample sizes in qualitative research. *Qualitative Research*, 13(2), 190–197. <https://doi.org/10.1177/1468794112446106>
- Power, M. (1999). *The Audit Society*. Oxford University Press. <https://doi.org/10.1093/acprof:oso/9780198296034.001.0001>
- Power, M. K., & Gendron, Y. (2015). Qualitative Research in Auditing: A Methodological Roadmap. *Auditing: A Journal of Practice and Theory*, 34(2), 147–165. <https://doi.org/10.2308/ajpt-10423>
- Ritonga, I. T., & Suyanto, S. (2022). Impacts of the Covid-19 pandemic on the audit of local government financial statements: experience from Indonesia. *Public Money & Management*, 42(6), 452–459. <https://doi.org/10.1080/09540962.2021.1964770>
- Rose, A. M., Rose, J. M., Suh, I., & Thibodeau, J. C. (2020). Analytical Procedures: Are More Good Ideas Always Better for Audit Quality? *Behavioral Research in Accounting*, 32(1), 37–49. <https://doi.org/10.2308/bria-52512>
- Rowe, S. P. (2019). Auditors' comfort with uncertain estimates: More evidence is not always better. *Accounting, Organizations and Society*, 76, 1–11. <https://doi.org/10.1016/j.aos.2019.01.002>
- Saiewitz, A., & Kida, T. (2018). The effects of an auditor's communication mode and professional tone on client responses to audit inquiries. *Accounting, Organizations and Society*, 65, 33–43. <https://doi.org/10.1016/j.aos.2017.10.002>
- Saiewitz, A., & Wang, E. (Ying). (2020). Using Cultural Mindsets to Reduce Cross-National Auditor Judgment Differences. *Contemporary Accounting Research*, 37(3), 1854–1881. <https://doi.org/10.1111/1911-3846.12566>
- Saputro, K. B., & Mappanyukki, R. (2022). The Effect of Skepticism, Time Pressure, and Remote Audit During the COVID-19 Pandemic on Audit Quality: A Study of Auditors' Perception. *Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara*, 81–98.

<https://doi.org/10.28986/jtaken.v8i1.914>

- Sujana, E., & Dharmawan, N. A. S. (2023). Audit Quality Improvement and the Role of Risk Audit. *Australasian Accounting Business and Finance Journal*, 17(4), 223–238.
- Teeter, R. A., Alles, M. G., & Vasarhelyi, M. A. (2010). The Remote Audit. *Journal of Emerging Technologies in Accounting*, 7(1), 73–88. <https://doi.org/10.2308/jeta.2010.7.1.73>
- Xiao, T., Geng, C., & Yuan, C. (2020). How audit effort affects audit quality: An audit process and audit output perspective. *China Journal of Accounting Research*, 13(1), 109–127. <https://doi.org/10.1016/j.cjar.2020.02.002>
- Xu, Y., Carson, E., Fargher, N., & Jiang, L. (2013). Responses by Australian auditors to the global financial crisis. *Accounting & Finance*, 53(1), 301–338. <https://doi.org/10.1111/j.1467-629X.2011.00459.x>
- Zarei, H., Yazdifar, H., Ghaleno, M. D., & Azhmaneh, R. (2020). Predicting auditors' opinions using financial ratios and non-financial metrics: evidence from Iran. *Journal of Accounting in Emerging Economies*, 10(3), 425–446. <https://doi.org/10.1108/JAEE-03-2018-0027>