

Remote Auditing: Alternative Approach Facing The Challenges of Internal Audit During The Pandemic Covid19

Vermita Effendi^{a*}, Cahyawati D. Kusumarini^b, Dharma Tintri Ediraras^c

* vermitaeffendi@student.gunadarma.ac.id

^aPostgraduate Program in Accounting Information System

^bComputer Science Faculty

^cDoctoral Program in Economic

Gunadarma University, Jalan Margonda Raya 100 Depok 16424 West Java, Indonesia

Abstract

Remote auditing has been going on for several years especially in latency area, but COVID-19 has driven innovation in auditing activities. The internal auditor's audit profession is to optimize remote technology to face the challenges of the remote audit process as well as offer strategies to overcome every part of the audit process in the site of auditee area. This study aims to determine the effect of the role of remote auditing and the challenge of remote auditing on the quality of internal audit during pandemic (work from home). Survey conducted to Public Entities in Jakarta, capital of Indonesia. 87 Auditor internals are research samples whose were taken by convenience sampling method. This study collected Primary data using by distributing questionnaires via google form. Research hypotheses were tested using by multiple regression analyse. The research results show that the Remote Audit Role and Remote Audit Challenges simultaneously have big simulant effect on the Quality of Internal Audit and the challenge of Remote Audit has moderate effect on the Quality of Internal Audit.

Keywords: Remote Audit, Audit Role, Audit Challenges, Internal Audit Quality, Covid19.

1. Introduction

The COVID-19 pandemic that has hit the world has caused quite complex impacts in various sectors of life, especially health, economic and social impacts. This crisis also has an impact on the accounting profession, especially auditors because they cannot work separately from the surrounding environment, and the greater the uncertainty associated with the business environment, the greater the challenges faced in carrying out its various functions.

Several industrial companies continue to operate by implementing the COVID-19 prevention protocol in accordance with government policies. Among them by issuing a circular containing a work from home policy for employees of the Ministry of Finance. Working from home (work from home) with the remote audit method is beneficial because the auditor can work more flexibly. The remote auditing process is the best alternative that can be used for the current situation. This is mainly because most companies have restricted travel to only critical business functions. This has been done by various countries in the world (Olivia, 2020).

An audit process for the reliable presentation of financial statements remains a necessity for many companies. The existence of worldwide travel restrictions, together with the need to conduct audits in accordance with regulations/laws or the urgent need to conduct audits have brought back discussion and attention to internal audit efforts to find alternatives to the traditional audit process using face-to-face methods. This statement is supported by research (Deloitte, 2020; KPMG, 2020a,b) which shows that prudent decision-making and procedures, which are followed to deal with the crisis of the spread of the COVID-19 virus in the world, such as physical distancing and the application of remote work systems, have many effects in the field of accounting, and the most important of these effects is the increase and exacerbation of the severity of the risks associated with the use of electronic accounting information systems in business enterprises, as a result of the increase in the number of users of information systems. Internal auditors must consider how this pandemic is affecting their organization, how to help, and how to remain relevant to audit quality by bringing new value to the work (Fatmasari, 2020).

The studies added that the extraordinary circumstances and conditions resulting from the spread of the COVID-19 virus also led to an increased risk of electronic information systems being hacked due to weak and ineffective internal control procedures. Thus, it poses a threat to the security and confidentiality of data and increases the possibility of exposure to loss or distortion, and reduces the quality of information system output. Therefore, audit activities must evaluate the adequacy and effectiveness of control procedures over the information system.

This study aims to analyze the influence of Remote Auditing's Role on Internal Audit Quality during the COVID-19 pandemic, analyze the influence of Remote Auditing challenges on Internal Audit Quality during the COVID-19 pandemic, and analyze the Remote Auditing Role and Remote Auditing Challenges affect Internal Audit Quality during the pandemic. COVID-19.

2. Literatures Review

Internal audit (internal audit) is an examination carried out by the company's internal audit department, on the company's financial statements and accounting records as well as compliance with predetermined top management policies and compliance with government regulations and applicable professional bond provisions (Agoes, 2017).

The role of internal audit activities in crisis management. While business continuity and crisis management have been prevailing topics for several years now, the COVID-19 outbreak has brought these areas to the forefront of doing business (Deloitte, 2016). Organizations that have effective crisis management programs prove to be more resilient, flexible, and efficient. Internal audit has an important role to play in these challenging times. Many companies struggle to cope with the challenges we face today, in part because of the limited attention paid to business continuity in the past.

Remote audits are partly carried out through a combination of remote and on-site procedures, remote auditing departments must follow auditing standards when using technological tools to access the required evidence. This is an effective way of verifying compliance with the requirements of the standard that requires documentary evidence. A limited series of interviews or other visual evidence will also be collected remotely. The on-site audit section is intended to verify conclusions from remote audits and perform additional verification of issues that cannot be detected through the remote audit process (Iso-Iec Standards, 2018).

Whereas, full remote audits are conducted entirely remotely using technology to gather the information necessary to ensure compliance with the Standards. Where onsite verification is not realistically possible in the current audit cycle, a full remote audit will be required. It should follow auditing standards when using technological mechanisms and tools to access the necessary evidence, including interviews using appropriate sampling techniques (Iso-Iec Standards, 2018).

3. Research Methods

The objects of this research are Remote Audit Role (X1), Remote Audit Challenge (X2), and Internal Audit Quality Audit (Y). The research unit is the internal auditor of a Public Accounting Firm (KAP) surveyed as the person in charge of providing assurance and consulting services, as well as preparing audit reports in Jakarta. This research is quantitative, conducted by a survey company located in Jakarta. The type of data used in this research is primary data. The data collection technique was a closed interview using a questionnaire containing statement items measured on a Likert scale of 1-5 with the lowest score of 1 and the highest score of 5.

The data analysis tool in this study uses a regression analysis technique whose calculations use SPSS version 21.0. Regression is used to measure the effect of the independent variable on the dependent variable. There are 2 types of regression analysis, namely simple linear regression and multiple linear regression. This study uses multiple linear regression because the independent variable used is more than one variable. Multiple regression analysis techniques used in this study include instrument testing, descriptive statistics, classical assumption test, hypothesis testing and statistical testing.

The following are the stages of determining the sample based on the criteria set in the study as follows:

Table 1. Sampling Stage

| No | Criteria | Number of |
|----|--|-----------|
| | Data obtained | 688 |
| 1. | Auditor working in Jakarta | (-) |
| 2. | Auditors who can use the ATLAS | (-) |
| 3. | Auditor who has worked at least 2 years | (600) |
| 4. | Auditor who has CA/CPA/CISA/QIA /Ak certification. | (1) |
| | Total of Respondents (samples) | 87 |

Source: Data Processed by Author, 2021

The following is a table of operationalization of variables that have been set for use in research:

Table 2. Variables Measurement

| Variable | Variable Concept | Dimension | Indicator | Scale |
|----------|--|------------------------|---|---------------------------------|
| KIA (Y) | Internal audit is an examination to financial statements, accounting records, as well as compliance with policies management, compliance with regulations government and the provisions of the applicable professionalities (Parth, 2021). | Internal Audit Quality | strongly agree agree neutral do not agree strongly disagree | (5) (4) (3) (2) (1) |

Table 2. Variables Measurement

| Variable | Variable Concept | Dimension | Indicator | Scale |
|-------------|---|--------------|-------------------|-------|
| PRE (X1) | The audit should assess changes, whether temporary or permanent, in the organization's control environment, with a particular focus on automated business controls (Parth, 2021). | Role | very important | (5) |
| | | Remote Audit | important | (4) |
| | | | neutral | (3) |
| | | | not important | (2) |
| | | | very unimportant | (1) |
| TRA (X2) | Inability to access location, timeliness of receiving information, lack of face-to-face interaction (Parth, 2021). | Challenge | strongly agree | (5) |
| | | Remote Audit | agree | (4) |
| | | | neutral | (3) |
| | | | do not agree | (2) |
| | | | strongly disagree | (1) |

Source: Data Processed by Author, 2021

4. Result and Discussions

The object of research used in this study is an internal auditor who worked in Jakarta during the COVID-19 pandemic. The object of this research is using purposive sampling method. Based on the predetermined criteria, the data that can be used are 87 of the 689 data obtained.

Statistical analysis can be used to show how much data is used in research and what is the maximum value, minimum value, average value, and standard deviation of each variable, the minimum value, maximum value, average value and standard deviation value are each described in Table 3 as follows:

Table 3. Descriptive Statistical Analysis Results

| | N | Min | Max | mean | Std. Deviation |
|-------------|----|-------|-------|-------|----------------|
| PRA (X1) | 87 | 15.00 | 35.00 | 27.34 | 5.79 |
| TRA (X2) | 87 | 10.00 | 30.00 | 23.12 | 4.96 |
| KAI (Y) | 87 | 6.00 | 30.00 | 23.16 | 5.43 |
| Valid N | 87 | | | | |

Source: SPSS 21.0 Data Processing Results

Based on the results of descriptive statistical analysis, it can be concluded that the Remote Auditing Role (PRA) variable from the 87 data used in this study has a value ranging from 15.00 to 35.00. The average is 27.34 and the standard deviation is 5.79. The standard deviation which is smaller than the mean value indicates a small distribution of data variables. The Remote Auditing Challenge (TRA) variable from 87 data used in this study has a value ranging from 10.00 to 30.00. The average is 23.12 and the standard deviation is 4.96. The standard deviation which is smaller than the mean value indicates a small distribution of data variables. The Internal Audit Quality (KAI) variable from the 87 data used in this study has a value ranging from 6.00 to 30.00. The average is 23.16 and the standard deviation is 5.43.

Partial test results (t test) can be done by looking at Table 4 as follows:

Table 4. Partial Test Results (t Test)

| Model | t | Sig. |
|------------|--------|------|
| (Constant) | -.993 | .323 |
| 1 PAI (X1) | .145 | .885 |
| TRA (X2) | 10,781 | .000 |

Source: SPSS 21.0 Data Processing Results

Based on the results of data processing, sig. t count of 0.885 (p-value 0.05) means that the Role of Remote Audit (PRA) has no effect on the Quality of Internal Audit (KAI), meaning that the first hypothesis, namely the Role of Internal Audit (PAI) affects the Quality of Internal Audit (KAI) is rejected. However, in this study, it can be said that the inspection and evaluation of organizational activities indirectly tend to have no effect on the Quality of Internal Audit (KAI). This is why the Remote Auditing (PRA) role does not affect the Internal Audit Quality (KAI), because the inspection and evaluation of organizational activities does not affect the Internal Audit Quality (KAI).

Based on the results of data processing obtained the value of sig. t is 0.000 (p-value < 0.05). This shows that the Remote Auditing Challenge (TRA) has an effect on the Quality of Internal Audit (KAI), so the second hypothesis is accepted. In this study, technology-based activities were applied to review remote audit quality during the COVID-19 pandemic, but many internal auditors were not ready to use it. The higher the Remote Auditing Challenge (TRA) level, the higher the risk, which causes auditors to seek to improve the Quality of Internal Audit (KAI).

Simultaneous Test (Test F) can be done by looking at Table 5 as follows:

Table 5. Simultaneous Test Results (F Test)

| Model | F | Sig. |
|-------|---------|-------|
| 1 | 391,944 | ,000b |

Source: SPSS 21.0 Data Processing Results

Based on the results of data processing, the value of the multiple linear regression equation and the F test resulted in a significance level of 0.000 (p-value < 0.05). So that the results of the first hypothesis test, namely that there is a simultaneous influence between the Role of Remote Audit (PRA) and Challenges of Remote Auditing (TRA) on the Quality of Internal Audit (KAI) can be accepted. So it can be seen that First, the role of Remote Auditing (PRA) can be used to perform remote audits better. However, its role needs to be adapted to the challenges faced during the remote audit process. Because remote auditing roles and challenges are related to Remote Audit Quality. Second, the higher the Remote Auditing Challenge (TRA) level, the higher the internal audit effort in improving and maintaining the Quality of Internal Audit (KAI).

5. Conclusion

Based on the testing and discussion of the role of Remote Auditing (PRA) it does not affect the Quality of Internal Audit (KAI) on the internal auditors of the Public Accounting Firm (KAP) surveyed as the person in charge of providing assurance and consulting services, and preparing audit reports in Jakarta. The Challenge of Remote Auditing (TRA) affects the Quality of Internal Audit (KAI) on the internal auditors of Public Accounting Firms (KAP) surveyed as those in charge of providing assurance and consulting services, and preparing audit reports in Jakarta. The role of Remote Audit (PRA) and Remote Auditing Challenges (TRA) affects the Quality of Internal Audit (KAI) of the internal auditors of the Public Accounting Firms (KAP) surveyed as responsible for providing assurance and consulting services, and preparing audit reports in Jakarta.

References

- Deloitte .2016. Dealing with the Ignorance: Crisis Management and the Role of Internal Audit. Available in: www.Deloitte.com
- Deloitte .2020a. Internal Audit Considerations in Response to COVID-19. Available at :www.Deloitte.com
- Deloitte .2020b. Delivering remote internal audits responding to COVID-19. Available at :www.Deloitte.com
- ISO ISO 19011:2018. Guidelines for auditing management systems. ISO-IEC Standards 2018.
- Istia., Ciciulia Erly, Margianti., E.S., Ediraras., Dharma Tintri (2021). Analisa Faktor-Faktour yang Mempengaruhi Adop[si Remote Audit Saat Pandmeik C19. Proceeding 1st Seminar Nasional KPIBIB. L2Dikti. Jakarta
- Olivia, S., Gibson, J. and Nasrudin, R. 2020. "Indonesia in the Time of COVID-19". Bulletin of Indonesian Economic Studies. Vol 56 (2):143–174.
- Parth, Sharma. Remote IT Compliance Audits During Covid-19 Pandmeic. International journal of Bussiness and Management Invention. VOL. 10 (6): 18-19.
- Serag, A. A. E., and M. M. Daoud. "Using modern audit methods to overcome the challenges facing the audit profession in the COVID-19, pandemic." via https://caf.journals.ekb.eg/article_166213_760e6505b9799652caddcdcf6ffec67e.pdf