

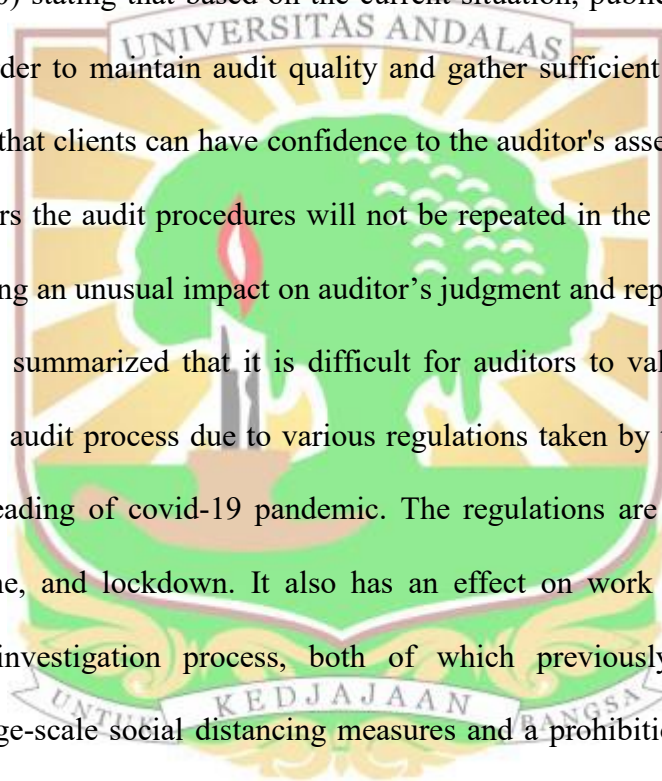
CHAPTER 1

INTRODUCTION

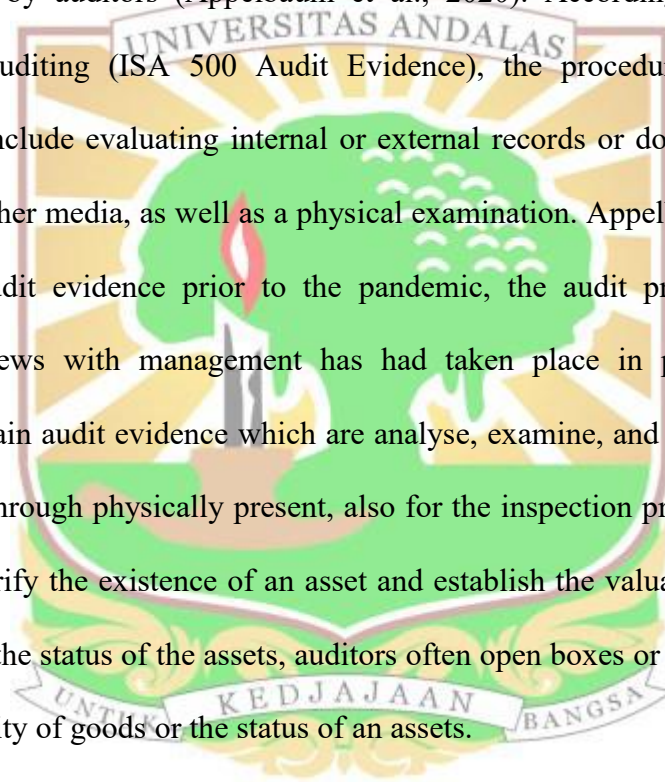
1.1 Background

The outspread of Covid-19 (Coronavirus Disease) pandemic from Wuhan, China, in December 2019, to other regions of the world has revolutionized many people's lives. Many people in the economic and business sectors have been affected by the pandemic. Auditing is among the sectors that have been affected. When conducting the audit process, auditor need to collect audit evidence. Audit evidence is any information utilized by the auditors to determine whether the information under audit is stated in line with the defined standards. There are some audit procedures to obtain audit evidence, such as physical examination, confirmation, inspection, analytical procedures, inquiries of the client, re-calculation, re-performance, and observation (Arens et al., 2016). External and internal auditors are required to collect audit evidence according to the predetermined procedures which are used by auditors all around the world in order to complete the audit process. In order to meet the audit objectives, auditors must be able to gather appropriate and high-quality audit evidence. Auditors need to think critically by using the questioning approach and constantly testing audit evidence. With their professional skills, auditors can be sure that financial statements are free from any errors and fraud, so this profession requires high integrity and objectivity to maintain public trust (Joshi, 2020).

Auditors are frequently required to undertake particular business trips in order to obtain audit evidence. However, under current pandemic conditions, the mobility of auditors is restricted since the pandemic drives individuals to stay at home and minimize travel. Covid-19 has influenced audit activities to conduct audit procedures and obtain valid audit evidence. Therefore, in facing this challenge, it is necessary to adjust the procedures to the current conditions. In conclusion, the pandemic is expected to have an impact on audit evidence collection (Ugurlu & Sarisoy, 2021). Budiandru (2020) stating that based on the current situation, public accounting firms are working harder to maintain audit quality and gather sufficient audit evidence to avoid errors, so that clients can have confidence to the auditor's assessment. However, for many auditors the audit procedures will not be repeated in the same manner, and covid-19 is having an unusual impact on auditor's judgment and reports (Kaka, 2021). Suwandi (2021) summarized that it is difficult for auditors to validate the findings collected during audit process due to various regulations taken by the government to prevent the spreading of covid-19 pandemic. The regulations are social distancing, work from home, and lockdown. It also has an effect on work activities and the internal audit investigation process, both of which previously had their own procedures. Large-scale social distancing measures and a prohibition on face-to-face activities have resulted in limited travel access to inspection points in some areas, and most organizations are adjusting their audit programs as a result (Putra, 2021). Al-khasawneh (2021) summarized that the pandemic has had an impact on the amount of audit evidence that can be gathered, and there is a statistically significant association between the corona pandemic and the change in methods for collecting audit evidence.

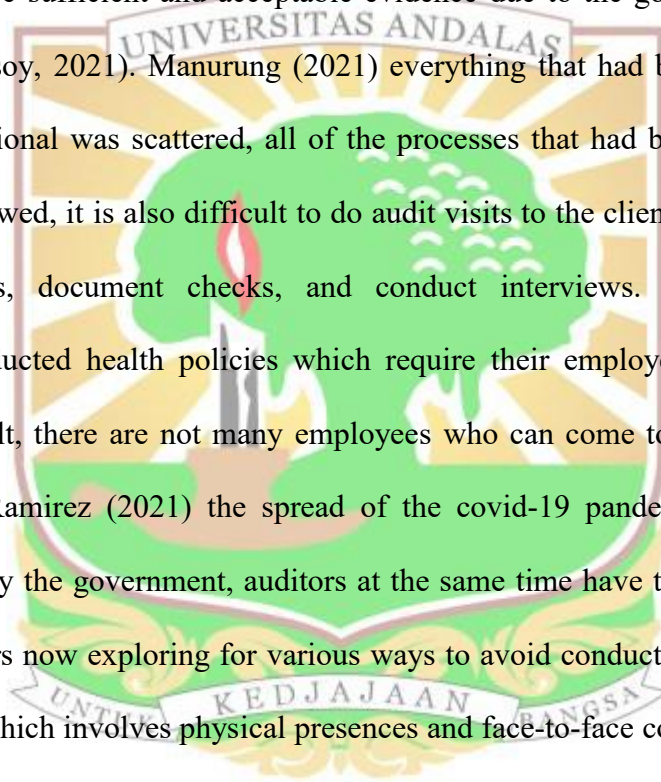


Prior to the epidemic, auditors could collect audit evidence without restriction or limitations. Audit evidence collection procedures sometimes involve auditors to travel and engage directly with clients and the management of the company, this condition presents no difficulties because there were no lockdown or social restrictions. Prior to the outspread of the pandemic, inventory observations, inventory verification, document collection, property plant and equipment (PPE) assessment, interviews, dialogues, and observations are among the physical in-person evidence collection processes used by auditors (Appelbaum et al., 2020). According to International Standard on Auditing (ISA 500 Audit Evidence), the procedures to gain audit evidence are include evaluating internal or external records or documents in paper, electronic, or other media, as well as a physical examination. Appelbaum et al. (2020) in gathering audit evidence prior to the pandemic, the audit procedures used to conduct interviews with management has had taken place in person, and audit procedures to gain audit evidence which are analyse, examine, and inquire have done by the auditor through physically present, also for the inspection process, prior to the pandemic to verify the existence of an asset and establish the valuation by providing information on the status of the assets, auditors often open boxes or take other steps to check the quantity of goods or the status of an assets.



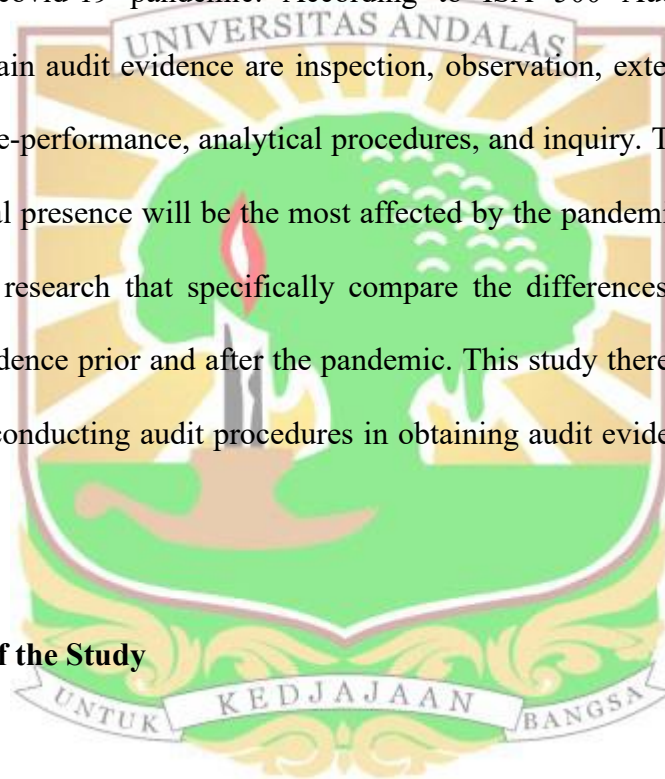
In contrast, after the escalation of the pandemic governments all around the world imposed lockdown and social distancing policies for their citizens. The government prohibits its citizens from traveling and closes the access to go outside and inside the area. This has an impact on auditors where they have to collect audit evidence which before the pandemic was collected by being physically present and interacting with the management of the company. Efremova et al. (2021) stated that auditors can no

longer visit the client's company due to the restrictions given by government. This poses clear practical difficulties for auditors who require physical evidence. The global pandemic of the corona virus has put immense pressure on auditors to discover new ways to collect audit evidence and traditional audit evidence collection methods rely on in-person procedures, which are currently unfeasible or impractical (Appelbaum et al., 2020). Several other policies conduct by the government besides lockdown and social distancing are working from home. Independent auditors were unable to acquire sufficient and acceptable evidence due to the government's policy (Ugurlu & Sarisoy, 2021). Manurung (2021) everything that had been set regarding the audit operational was scattered, all of the processes that had been made seemed difficult to followed, it is also difficult to do audit visits to the client's office, perform physical checks, document checks, and conduct interviews. There are many companies conducted health policies which require their employees to work from home, as a result, there are not many employees who can come to work every day. Litzenberg & Ramirez (2021) the spread of the covid-19 pandemic causes travel limitations set by the government, auditors at the same time have the necessity to do an audit, auditors now exploring for various ways to avoid conducting audits as prior the pandemic, which involves physical presences and face-to-face communication, the possible option is to conduct the audit procedures remotely such as documents review which completed remotely, physical examination conducted remotely, and interviews are also conducted remotely.



1.2 Problem Statement

Numerous research have been conducted regarding the impact of pandemic to auditing. Appelbaum et al. (2020) studied auditing and accounting during and after covid-19 crisis. Efremova et al. (2021) studied audit in the context of corona virus. This research is to compare the rules and procedures to obtain audit evidence prior and after the covid-19 pandemic. According to ISA 500 Audit Evidence, the procedures to gain audit evidence are inspection, observation, external confirmation, re-calculation, re-performance, analytical procedures, and inquiry. The procedure who requires physical presence will be the most affected by the pandemic. However, there is no available research that specifically compare the differences in procedures to obtain audit evidence prior and after the pandemic. This study therefore examines the comparison of conducting audit procedures in obtaining audit evidence as a literature review.



1.3 Objective of the Study

The research objectives could be summarized as the following:

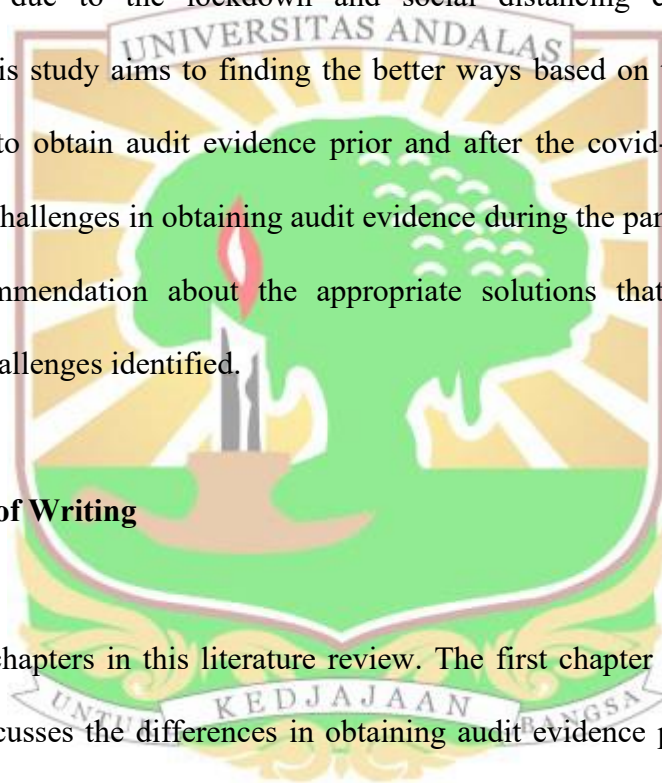
1. To compare the procedures & rules to obtain audit evidence prior and after the covid-19 pandemic
2. To explore the challenges that will emerge in obtaining audit evidence after the covid-19 pandemic
3. To recommend appropriate solutions that can be adopted in order to meet the challenges identified

1.4 Significance of the Study

This study has several potentials in contributing to finding the better ways to gain audit evidence as the pandemic has changed the procedures to obtain audit evidence. The covid-19 pandemic that occurs in 2019 has made the practice of the auditor profession disrupted. There are many auditors experiencing problems in obtaining audit evidence due to the lockdown and social distancing conducted by the government. This study aims to finding the better ways based on the comparison of the procedures to obtain audit evidence prior and after the covid-19 pandemic and identifying the challenges in obtaining audit evidence during the pandemic. This study will give recommendation about the appropriate solutions that can be adopted regarding the challenges identified.

1.5 Systematic of Writing

There are five chapters in this literature review. The first chapter is an introductory chapter that discusses the differences in obtaining audit evidence prior and after the pandemic. This also features the problem statement, the study's purpose, the significance of the study, and the study's systematic writing. The second chapter is devoted to a review of the literature that has been discovered. The study's methods and procedures are outlined in the third chapter, which utilizes a qualitative approach as the research design and descriptive analysis as the research methodology. The fourth chapter presents the discussion of the study about the comparison in obtaining audit evidence prior and after the pandemic as well as the challenges identified during



the pandemic. The final chapter summarizes the topic and provide recommendations for further research.

