



## **Analysis of the Effect of Remote Audit, Professional Scepticism and Going Concern Assessment on Audit Quality During the Covid-19 Pandemic (Case Study at Public Accountant Firm in Bali Province)**

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**Abstract:** *Audit quality plays an important role in ensuring the fairness of financial statements to improve decision-making by interested parties. However, there were several cases of suspension of public accountants' licenses in recent years reflecting the low audit quality. The existence of the Covid-19 Pandemic which causes business economic instability conditions and changes in the auditor work mechanism make audit quality increasingly need to be considered. Remote audit during the pandemic cause limited scope for inspection, availability of technological tools, and weak document validity. Fraud increasing is also note for auditors to sharpen their professional skepticism. Another thing in supporting audit quality during the pandemic is the accuracy of going concern assessment which can provide an overview of the company's sustainability. This study aims to analyze and explain the effect of remote audit, professional skepticism, and going concern assessment on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province. The population in this study are 115 auditors in 17 Public Accountant Firms registered in IAPI Bali with a total of 69 respondents based on convenience sampling method. Primary data were obtained from questionnaires and analyzed with Partial Least Square (PLS) through SmartPLS 3.0 application with a significance level of 5%. The results showed that remote audit, professional scepticism, and going concern assessment have a positive and significant impact on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province.*

**Keywords:** *remote audit, professional skepticism, going concern assessment, audit quality*

### **1. Introduction**

Audit quality plays an important role to ensure that the financial statements are presented fairly to improve the decision-making of interested parties [1]. Audit quality is defined as the opportunity for public accountants to find and report violations of the financial information [2]. However, there were several cases of permit suspension such as to AP Kasner Sirumapea in July 2019, AP Marlinna and Merliyana Syamsul in 2018, and also happened in Bali to AP Ketut Gunarsa in May 2007 reflecting the low audit quality. Audit quality is increasingly being considered during unstable economic and the implementation of remote audit that has an impact on the limitation of physical inspection, technological tools, and low



document validity which can reduce audit quality [3]. The result of previous research state that remote audit has a negative effect on audit quality [4], [5], meanwhile the others states the opposite [6]–[8].

The survey results by RSM Indonesia state that fraud is increasing and KPAP states that the risk of fraud is more difficult to detect during the pandemic, so auditors need to sharpen their professional skepticism. The previous research state that professional skepticism has a positive effect on audit quality [9]. Based on this background, this research aims to analyze and explain the effect of remote audit, professional skepticism and going concern assessment on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province.

## 2. Method

This study uses a quantitative approach with causality associative type. The study started from February to July 2022. The sampling method is convenience sampling with total population are 115 auditors who work at 17 Public Accountant Firms in Bali according to IAPI 2021. The number of questionnaires distributed was 72 copies and returned as many as 69 copies so that the respondent's rate of return was 95.83%.

Primary data was obtained from observation and a 5-point scale questionnaire and secondary data through documentation. The research questionnaire has been tested for validity and reliability through the IBM SPSS Statistics 23 application. Hypothesis testing was carried out using Partial Least Square (PLS) through the SmartPLS 3.0 application with a significance level of 5%. The steps for testing the hypothesis are: (a) designing the outer model which in this study the relationship between indicators and latent variables is reflective, (b) designing the inner model, (c) building path diagrams, (d) conversion paths of system equations diagrams, (e) estimation, (f) goodness of fit evaluation and (g) hypothesis testing.

## 3. Result and Discussion

### 3.1 Research Results

#### *Instrument Test*

The validity and reliability test of the instrument was carried out on 30 respondents with the results that all instrument indicators had met the validity criteria assessed based on the Pearson correlation value  $>0.30$  with a significance level of  $<0.05$ . All indicators have also been reliably assessed based on the Cronbach alpha value  $>0.70$ .

### 3.2 Model Evaluation

#### *Measurement Model (Outer Model)*

Evaluation of the measurement model with reflective indicators is carried out to describe the relationship between latent variables and their indicators. The validity test was carried out by two methods, namely convergent validity and discriminant validity. Convergent validity describes the measuring instrument of a construct that should have a high correlation value. Convergent validity criteria for confirmatory research is loading factor value  $>0.70$  while explanatory research is  $0.60-0.70$ . Another criterion is the AVE value  $>0.50$  [10]. The results of validity testing on SmartPLS are as follows:

**Table 1.** Indicator List Variable

Variable	Indicator	Code
Remote Audit (X <sub>1</sub> )	Understanding technological developments.	X <sub>1,1</sub>
	Remote Audit as a future breakthrough.	X <sub>1,2</sub>
	Audit planning becomes more efficient.	X <sub>1,3</sub>
	Document review, physical check, interview, closing are not constrained by time and space.	X <sub>1,4</sub>
	Auditors take careful decisions during remote audit.	X <sub>1,5</sub>
	Consider appropriate technology and methods.	X <sub>1,6</sub>
	Study the details of previous audit reports, business structure, and client internal controls in detail.	X <sub>1,7</sub>
	Technology can ensure the correctness of audit evidence.	X <sub>1,8</sub>
Professional Skepticism (X <sub>2</sub> )	Do not simply believe the evidence provided by the client.	X <sub>2,1</sub>
	Evaluate audit evidence.	X <sub>2,2</sub>
	Questioning evidence with dubious validity.	X <sub>2,3</sub>
	Ask for additional evidence if unsure.	X <sub>2,4</sub>
	Gather sufficient and detailed audit evidence.	X <sub>2,5</sub>
	Skeptics are influential in finding violations.	X <sub>2,6</sub>
	Skeptic with audit findings related to the fairness of financial statements.	X <sub>2,7</sub>
Going concern assessment (X <sub>3</sub> )	Taking into account the financial, operation, and other relevant conditions.	X <sub>3,1</sub>
	Pay attention to the conditions that cause business uncertainty.	X <sub>3,2</sub>
	Assess going concern based on management's future considerations.	X <sub>3,3</sub>
	Going concern assessment is based on sufficient, precise, relevant information.	X <sub>3,4</sub>
Audit Quality (Y)	Have professional skills.	Y <sub>1</sub>
	Comply with ethical & independence requirements.	Y <sub>2</sub>
	The timing of the engagement determines the quality of the audit.	Y <sub>3</sub>
	Public Accountant Firms is required to establish a quality control system.	Y <sub>4</sub>
	Internal and external audits drive audit quality.	Y <sub>5</sub>
	Take into account the responsibilities of the engagement at the same time.	Y <sub>6</sub>
	Public Accountant Firms must have adequate structure and governance.	Y <sub>7</sub>
	Get an adequate audit service fee.	Y <sub>8</sub>

**Table 2.** Results of Outer Loading Test

Latent Variable	Indicator	Outer Loading	Information
Remote Audit	X <sub>1,1</sub>	0.790	Valid
	X <sub>1,2</sub>	0.802	Valid
	X <sub>1,3</sub>	0.778	Valid
	X <sub>1,4</sub>	0.779	Valid
	X <sub>1,5</sub>	0.842	Valid
	X <sub>1,6</sub>	0.743	Valid
	X <sub>1,7</sub>	0.879	Valid
	X <sub>1,8</sub>	0.854	Valid
Professional Skepticism	X <sub>2,1</sub>	0.723	Valid
	X <sub>2,2</sub>	0.810	Valid
	X <sub>2,3</sub>	0.822	Valid
	X <sub>2,4</sub>	0.844	Valid
	X <sub>2,5</sub>	0.841	Valid
	X <sub>2,6</sub>	0.909	Valid
	X <sub>2,7</sub>	0.843	Valid
Going Concern Assessment	X <sub>3,1</sub>	0.962	Valid
	X <sub>3,2</sub>	0.881	Valid
	X <sub>3,3</sub>	0.894	Valid
	X <sub>3,4</sub>	0.848	Valid
Audit Quality	Y <sub>1</sub>	0.883	Valid
	Y <sub>2</sub>	0.850	Valid
	Y <sub>3</sub>	0.772	Valid
	Y <sub>4</sub>	0.818	Valid
	Y <sub>5</sub>	0.896	Valid
	Y <sub>6</sub>	0.862	Valid
	Y <sub>7</sub>	0.870	Valid
	Y <sub>8</sub>	0.744	Valid

**Table 3.** Results of Average Variance Extracted (AVE) Test

Variable	Score AVE
Remote Audit	0.655
Professional Skepticism	0.687
Going Concern Assessment	0.805
Audit Quality	0.703

Based on Table 2, the value of the loading factor of all indicators are  $> 0.70$  so that all indicators have met the convergent validity. The higher the loading factor score means the bigger influence indicator on the latent variable. Based on Table 3, all variables get average variance extracted (AVE) score  $> 0.50$  so that all variables have met the convergent validity.

Discriminant validity is used for knowing the correlation between indicator construct and other indicator constructs. The criterion of validity discriminant is the score of cross loading indicator must be greater compared to other indicators construct. Another method is with the fornell-larcker test with the criterion root square of AVE must be greater compared to other indicators construct [10]. Discriminant validity test results are as follows:

**Table 4.** Results of Cross Loading Test

Indicator	Remote Audit	Professional Skepticism	Going Concern Assessment	Audit Quality
X <sub>1,1</sub>	0.790	0.529	0.593	0.608
X <sub>1,2</sub>	0.802	0.588	0.472	0.656
X <sub>1,3</sub>	0.778	0.522	0.499	0.644
X <sub>1,4</sub>	0.779	0.524	0.528	0.628
X <sub>1,5</sub>	0.842	0.569	0.606	0.628
X <sub>1,6</sub>	0.743	0.487	0.549	0.565
X <sub>1,7</sub>	0.879	0.570	0.696	0.677
X <sub>1,8</sub>	0.854	0.588	0.733	0.708
X <sub>2,1</sub>	0.429	0.723	0.385	0.439
X <sub>2,2</sub>	0.424	0.810	0.383	0.366
X <sub>2,3</sub>	0.508	0.822	0.355	0.533
X <sub>2,4</sub>	0.696	0.844	0.523	0.570
X <sub>2,5</sub>	0.681	0.841	0.501	0.550
X <sub>2,6</sub>	0.580	0.909	0.462	0.613
X <sub>2,7</sub>	0.552	0.843	0.453	0.599
X <sub>3,1</sub>	0.696	0.553	0.962	0.814
X <sub>3,2</sub>	0.759	0.627	0.881	0.852
X <sub>3,3</sub>	0.513	0.330	0.894	0.631
X <sub>3,4</sub>	0.587	0.329	0.848	0.634
Y <sub>1</sub>	0.721	0.595	0.746	0.883
Y <sub>2</sub>	0.710	0.512	0.803	0.850
Y <sub>3</sub>	0.618	0.600	0.616	0.772
Y <sub>4</sub>	0.569	0.395	0.704	0.818
Y <sub>5</sub>	0.727	0.581	0.750	0.896
Y <sub>6</sub>	0.700	0.628	0.674	0.862
Y <sub>7</sub>	0.699	0.511	0.735	0.870
Y <sub>8</sub>	0.528	0.501	0.489	0.744

**Table 5.** Results of Fornell-Larcker Criterion Test

	Remote Audit	Professional Skepticism	Going Concern Assessment	Audit Quality
Remote Audit	0.810			
Professional Skepticism	0.677	0.829		
Going Concern Assessment	0.725	0.532	0.897	
Audit Quality	0.792	0.645	0.830	0.838

Based on Table 4, each cross-loading indicator value is higher than the correlation value with other constructs, as well as the Fornell-Larcker criterion test in Table 5 shows that the entire value of the square root of the AVE of each variable is greater than the other variables so that all variables have met the requirement of discriminant validity.

The reliability test is used to measure the consistency of the questionnaire measurement. The reliability requirement is the value of Cronbach's alpha and composite reliability which must be  $> 0.70$  [10]. The results of reliability test are as follows:

**Table 6. Results of Reliability Test**

Variable	Cronbach's Alpha	Composite Reliability
Remote Audit	0.924	0.938
Professional Skepticism	0.924	0.939
Going Concern Assessment	0.920	0.943
Audit Quality	0.939	0.950

Based on Table 6, the value of Cronbach's alpha and composite reliability was greater than 0.70 so that all questionnaire items were reliable.

### Structural Model (Inner Model)

Evaluation of the structural model (inner model) is carried out by reviewing the values of R<sup>2</sup> Adjusted (R Square Adjusted) and F<sup>2</sup> (F Square). R<sup>2</sup> Adjusted value describes the level of variation changes in exogenous variables on endogenous variable without any measurement confounding value (error) [11]. The results of the R<sup>2</sup> and F<sup>2</sup> tests are as follows:

**Table 7. Results of R Square Adjusted Test**

Y_Quality Audit	R Square	R Square Adjusted
	0.779	0.769

**Table 8. Results of F Square Test**

Information	F Square	Big Effect
Remote Audit → Audit Quality	0.146	Small
Professional Skepticism → Audit Quality	0.063	Small
Going Concern Assessment → Audit Quality	0.593	Big

Based on Table 7, the value of R<sup>2</sup> Adjusted is 0.769, which means that 76.90% of audit quality can be explained by variables of remote audit, professional skepticism, and going concern assessment, while the remaining 23.10% is explained by variables outside the study. Based on the test results, the research model is considered strong because it exceeds the value of 0.67.

Another inner model evaluation is through F<sup>2</sup> which is used to see the magnitude of the substantive effect of exogenous on endogenous variable. Based on Table 8, the F-square of remote audit and professional skepticism have small effect on the audit quality variable because the value is  $< 0.15$ , while the going concern assessment has a large effect on the audit quality variable because its value  $> 0.35$ .

## 4. Discussion

Hypothesis test is done by performing a bootstrapping procedure by reviewing the path coefficient and the significance value of t-statistics and p-values. The results of the hypothesis test are shown as follows:

**Table 9.** Results of Hypothesis Test

Information	Original Sample	T Statistics	P Values
Remote Audit → Audit Quality	0.301	2,417	0.016
Professional Skepticism → Audit Quality	0.161	2,198	0.028
Going Concern Assessment → Audit Quality	0.527	5,437	0.000

#### 4.1. *The Effect of Remote Audit on Audit Quality*

H1 states that remote audit has a negative and significant effect on audit quality. Based on the Table 9, the path coefficient value is positive at 0.301, indicating that the relationship between remote audit and audit quality is positive. The p-value of  $0.016 \leq 0.05$  and the t-statistic value of  $2.417 \geq 1.989$  (t-table) show that the relationship between remote audit and audit quality is significant. Based on the test results, then H1 is reject- ed. The test results show that remote audit has a positive and significant impact on the audit quality of Public Accountant Firms in Bali Province during the Covid-19 Pandemic. The remote audit procedure has the same stages as a direct audit but has technical differences in the implementation through technology and communication tools [6]. This alternative procedure can be the auditor's response to keep doing the audit process to maintain audit quality. Although remote audit is an alternative that is considered responsive, it does not rule out other risks that arise such as fraud in the data provided. The results of the study support the agency theory where with the approval of the ability to carry out remote audit between the auditor and the auditee, the auditor as a third party can maintain audit quality so that the auditor can handle owner and management agency problems such as information asymmetry and differences in interests [6]. Based on the results of the descriptive test, most of the auditors at Public Accountant

Firms in Bali agree with the statements X1.5 and X1.7. This reflects auditors at Public Accountant Firms in Bali can minimize remote audit risk by being careful in making decisions during remote audit (X1.5) and previously study the audit reports, business structure, and internal controls in detail (X1.7) to find out the right procedure to be carried out next. Based on the previous explanation, it can be stated that the higher the remote audit activity, the higher the audit quality with the requirement that the remote audit implementation is supported by adequate technology and communication tools for auditors and auditees. The results of this study are supported by research by [6] and [7] which state that auditors feel the same level of efficiency, and effectiveness of audit quality during remote audits. Another similar study by [8] stated that the higher the remote audit activity, the higher the audit quality. However, contradicts to the research by [4] and [5].

#### 4. 2. *The Effect of Professional Skepticism on Audit Quality*

H2 states that professional skepticism has a positive and significant effect on audit quality. Based on Table 9, the path coefficient value is positive at 0.161 indicating the relationship between professional skepticism to audit quality is positive. The p-value of  $0.028 \leq 0.05$  and the t-statistic value of  $2.198 \geq 1.989$  (t-table) indicate the relationship between professional skepticism to audit quality is significant. Based on the test results, then H2 is accepted. The test results show that professional skepticism has a positive and significant effect on the audit quality of Public Accountant Firms in Bali Province during the Covid-19 pandemic. Paragraph thirteen of Auditing Standard 200 explains professional skepticism is an attitude and mind that is alert to conditions that indicate fraud. The risk of fraud becomes more vulnerable and difficult to detect in the difficulties of audit procedures such as direct inspections. This makes the implementation of professional skepticism being one thing to support audit quality in the high risk of fraud. The results of the study support the agency theory, that professional skepticism helps auditors to be critical in finding violations, collecting and assessing evidence so that the auditor's opinion is based on sufficient and appropriate evidence [12]. Thus, the auditor can handle the existence of information asymmetry between management and company owners such as investors. Based on the results of the descriptive test, most of the respondents strongly agree with the statement X2.6. This shows that most of the auditors at Public Accountant Firms in Bali agree on the importance of applying

professional skepticism in carrying out their profession as an auditor. Based on the previous explanation, it can be stated that the higher the application of professional skepticism, the higher the audit quality.

### 4.3. The Effect of Going Concern Assessment on Audit Quality

H3 states that the going concern assessment has a positive and significant effect on audit quality. Based on Table 9, the path coefficient value is positive at 0.527, indicating that the relationship between the assessment of going concern assessment on audit quality is positive. The p-value of  $0.000 \leq 0.05$  and the t-statistic value of  $5.437 \geq 1.989$  (t-table) indicate the relationship between the going concern assessment on audit quality is significant. Based on the test results, then H3 is accepted. The test results show that the going concern assessment has a positive and significant effect on the audit quality of Public Accountant Firms in Bali Province during the Covid-19 Pandemic. Based on SA 570, the going concern assumption is an assessment of whether an entity can carry on its business in the future without the intention or obligation to liquidate, cease operations, or have no other alternatives. The Covid-19 pandemic has added to the challenge for auditors to conclude going concern which has been assumed by management [9]. To ensure that going concern assessment can represent the actual situation, the auditor must communicate to managers regarding plans to reduce going concern problems along with supporting evidence. The evidence obtained must be relevant and obtained from the results of the examination to reduce the existence of an auditor's opinion error which results in a decrease in audit quality [5]. The results of this study support the signal theory, that the going concern opinion as a signal or information on the final condition of the company to users of financial statements as signal recipients [13]. The going concern assessment helps in making decisions so that the more accurate the going concern opinion can improve the audit quality because it can represent the state of the company in the future (Sari, 2021). Based on the results of the descriptive test, most of the auditors at Public Accountant Firms in Bali agree with the statement X3.1. This shows that the auditor assesses going concern based on the company's financial condition related to the company's liquidity and cash flow, operating conditions related to the smooth running of the company's operations, as well as other conditions related to non-operational and financial matters such as legal cases and others. Based on the previous explanation, it can be stated that the higher the accuracy of the going concern assessment, the higher the audit quality.

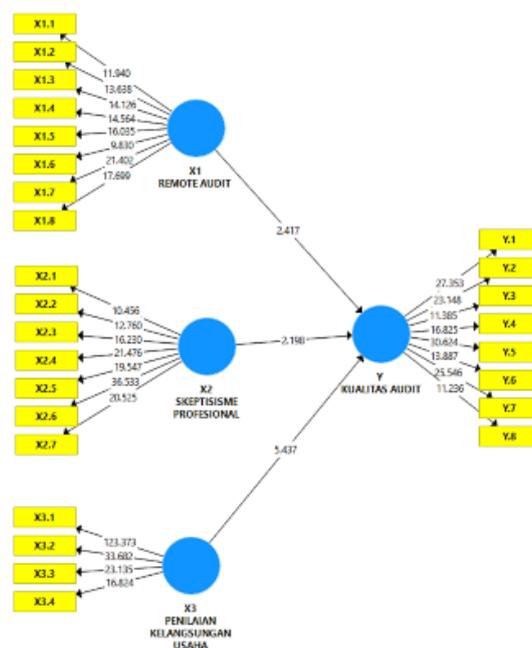


Figure 1. Output Bootstrapping

## 5. Conclusion

Based on the results of testing and discussion, the conclusions obtained are:

- 1) Remote Audit has a positive and significant impact on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province. This means that the higher the implementation of remote audit, the more the audit quality will improve on the condition that the implementation of remote auditing is supported by adequate technology and communication tools for auditors and auditees.
- 2) Professional skepticism has a positive and significant impact on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province.
- 3) Going concern assessment has a positive and significant impact on audit quality during the Covid-19 Pandemic at Public Accountant Firms in Bali Province.

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