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## Challenges, Opportunities and Strategies of Audit Engagement in The Time of Crisis

Apelina Teresia<sup>1</sup>, Bernadia Linggar Yekti Nugraheni<sup>2\*</sup>

<sup>1,2</sup>Master of Accounting, Faculty of Economics and Business, Soegijapranata Catholic University

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### Abstract

The audit process during the Covid-19 pandemic has changed due to various government regulations regarding social restrictions. These changes impact the audit process, especially related to audit procedures due to social and mobility restrictions. Despite various challenges, auditors must maintain the audit quality. This study aims to investigate the challenges, opportunities, and strategies of audit engagement during the Covid-19 pandemic. This study conducts interviews with auditors from Big Four and Non-Big Four to investigate the challenges, opportunities and strategies during audit engagement related to audit evidence, auditor independence, going concern opinion, and auditor-client relationships. This study applies institutional logic to generate an understanding pertaining to challenges, opportunities, and strategies during audit engagement in a time of crisis. This study finds that the quality of audits can be maintained even in a challenging situation. Auditors make various efforts to adjust to the pandemic situation by carrying out various alternative procedures. Institutional logic embedded in public accounting firms has changed due to routines, relationship systems, and artifacts that are depicted in how auditors think and work because they have to adjust to the Covid-19 pandemic.

**Keywords:** Audit, Institutional Logic, Pandemic.

### Abstrak

Proses audit berubah di masa pandemi Covid-19 karena berbagai peraturan pemerintah terkait pembatasan sosial. Perubahan ini berdampak pada proses audit, terutama terkait prosedur audit akibat pembatasan sosial dan mobilitas. Terlepas dari berbagai tantangan, auditor harus menjaga kualitas audit. Penelitian ini bertujuan untuk menginvestigasi tantangan, peluang dan strategi penugasan audit di masa pandemic Covid-19. Penelitian ini melakukan wawancara dengan auditor dari Big Four dan Non-Big Four untuk menyelidiki tantangan, peluang dan strategi yang terkait dengan perolehan bukti audit, independensi auditor, opini *going concern*, dan hubungan auditor-klien. Studi ini menerapkan logika institusional untuk menghasilkan pemahaman yang berkaitan dengan tantangan, peluang, dan strategi selama perikatan audit di saat krisis. Studi ini menemukan bahwa kualitas audit dapat dipertahankan bahkan dalam situasi yang menantang. Auditor melakukan berbagai upaya untuk menyesuaikan diri dengan situasi pandemi dengan melakukan berbagai alternatif prosedur. Logika institusional yang

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tertanam di Kantor Akuntan Publik telah berubah karena rutinitas, sistem hubungan, dan artefak yang digambarkan dalam cara berpikir dan bekerja auditor karena harus menyesuaikan diri dengan pandemi Covid-19.

**Kata kunci:** Audit, *Institutional Logic*, Pandemi.

## 1. INTRODUCTION

The audit quality can be determined by various factors (Mayasari, 2018; B. Nugraha & Syafdinal, 2021; E. Nugraha et al., 2019; Pamungkas et al., 2020; Pradana, 2021). Audit evidence is one factor determining the quality of the audit because audit evidence directly affects the auditor's opinion regarding the fairness of the financial statements. If the evidence obtained is inadequate, it will impact the audit opinion. For example, the auditor cannot express an opinion due to a lack of audit evidence. However, during the Covid-19 pandemic, the process of taking audit evidence could not be generated in a normal procedure. The collection and examination of audit evidence change from a field assessment to a remote audit (Fatmasari, 2020; Pertiwi et al., 2022; Purnomo, 2021; Sari & Novita, 2021). The auditor must adapt the audit approach to the current conditions to obtain sufficient and appropriate evidence before issuing the audit report.

Previous studies have investigated the importance of maintaining the adequacy and reliability of audit evidence affecting the quality of audits (Mayasari, 2018; B. Nugraha & Syafdinal, 2021; Pamungkas et al., 2020; Pradana, 2021). The more reliable and sufficient audit evidence, the better the quality of the audit. According to Indarto et al. (2021), alternative audit procedures are substantial to obtain sufficient and adequate evidence during the Covid-19 pandemic.

In addition to audit evidence, auditors' independence also affects the quality of the audit (Ariningsih & Mertha, 2017; Mayasari, 2018; Pradana, 2021; Sa'adah & Challen, 2022; Soares et al., 2021). During the pandemic, the challenges for auditors have become increasingly severe as the economy weakens and client businesses experience a slump. At the same time, auditors' primary source of income comes from clients. The fear of losing clients is one obstacle for auditors to being professional. Previous research has shown that audit fees affect audit quality (Fauzan et al., 2021; Munidewi et al., 2020; Sa'adah & Challen, 2022; Soares et al., 2021). In such a difficult situation, some negotiations between auditor and client may exist which threaten the auditor's professionalism. Therefore, maintaining independence during a pandemic is challenging for auditors.

The quality of the audit is also related to assessing the client's business continuity (Baskan, 2020; Hossain et al., 2020; Junaidi & Nurdiono, 2016; Oswald, 2021). During the Covid-19 pandemic, the going concern issue has become increasingly prominent. Companies from any industrial sector have experienced a business decline. The declining revenue and income cause the company's operations to be unable to run as usual. As a result, the company has to reduce some operational costs, including labor costs. This condition needs special

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consideration for auditors in providing a going concern opinion because of the extraordinary events (Baskan, 2020).

The last factor that is also considered in determining the quality of the audit is the relationship between the auditor and the client. The excellent relationship between auditors and clients will support the audit process. However, limited mobility during the Covid-19 pandemic has also caused the auditor-client relationship to change. Communication in face-to-face meetings is replaced by remote communication. Although several digital communication media can be used for communication, they cannot replace direct encounters (Hazaea et al., 2022). Therefore, auditors need more effort to maintain communication with clients during the audit engagement.

This study focuses on the challenges, opportunities, and strategies faced by auditors during audit engagement. This study investigates phenomenon of audit engagement during the Covid-19 pandemic, which leads to audit engagement changes due to various restrictions. This condition affects audit quality and opinion. Thus, this study will explore the the audit process during the pandemic and how audit quality can be maintained. Some studies have been conducted to explore the audit engagement and quality (Hamdan et al., 2021; Illuzzi et al., 2020; Johnsson & Persson, 2021; Kaka, 2021; Munidewi et al., 2020; Murphy, 2020; Nazarova et al., 2021; Oswald, 2021; Pertiwi et al., 2022; Purnomo, 2021; Sari & Novita, 2021). However, studies investigating audit evidence during the pandemic are still overlooked.

This study uses institutional logic theory to explore the challenges and opportunities for audit assignments during a pandemic. The institutional logic theory explains that each institution has a central logic guiding its actors thoughts and habits in the organization (Alsharari, 2017; DiMaggio & Powell, 1983; Friedland & Alford, 1991; Parker et al., 2021; Teresia & Nugraheni, 2022; Thornton & Ocasio, 1999). The changes of central logic are caused by various things, including challenges and opportunities. Therefore, this study analyses how the challenges and opportunities during the pandemic can create various changes in audit procedures. The results of this research are expected to contribute practically and academically, impacting the development of policies or guidelines for future audits.

Institutional logic is also used to analyze how auditors can adapt to unpredictable conditions or situations which bring various changes during the audit engagement.

## 2. LITERATURE REVIEW

### Institutional Logics

According to Friedland & Alford (1991), every institutional order has a central logic that guides its organizational principles. Every institution has a central logic that limits the behavior of individuals (actors), including auditors. Auditor behavior in organizations can be influenced by various aspects, namely symbolic and material aspects. According to Thornton & Ocasio (1999), the symbolic aspect refers to the process of ideas and meanings. The symbolic aspect consists of rules, norms, and belief systems embedded in the organization. In contrast, the material aspect refers to the structure and practices of the organization. The material aspect

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consists of relational systems, routines, and artefacts (Scott, 2003). Both aspects have changed due to the new situation i.e. the Covid-19 pandemic. As a result, auditors also change because they have to adapt to current conditions. Changes in work patterns, ways of thinking and work culture faced by the auditors will be able to affect their performance related to audit quality.

### **Audit Quality**

According to Agoes (2012), the audit is an examination carried out critically and systematically by an independent party on the financial statements prepared by management, along with bookkeeping records and supporting evidence to provide opinions on the fairness of the financial statements. Audits can be classified into three types: financial statement, operational, and compliance (Hayes et al., 2014).

Audit quality can be interpreted as the level of conformity between the audit process and applicable audit standards. DeAngelo (1981) states that the quality of the audit is an assessment of the reasonableness of the financial statements in which the auditor seeks to find and report material errors. The audit quality needs to be considered from two sides: the client and the auditor. DeAngelo (1981) states that the quality of the audit can be created if a competent and independent auditor carries it out. Independent means not being attached to the client, having a solid stance, and not being easily influenced by threats or rewards. Meanwhile, competent means that auditors have superior competence in the field of auditing, such as being able to understand audit standards and master various audit procedures well.

### **Audit Evidence**

Based on Audit Standard 500, it is known that audit evidence is the information used by auditors in concluding a basis for determining audit opinions. Audit evidence includes information contained in accounting records underlying financial statements as well as other information. The auditor must design the audit procedure in such a way as to obtain sufficient and appropriate audit evidence to draw adequate conclusions as a basis for the auditor's opinion.

According to Hayes et al. (2014), auditors must conclude whether sufficient and appropriate audit evidence has been obtained to reduce the risk of material misstatements in financial statements to an acceptable level. Adequacy is a measure of the quantity (quantity) of audit evidence. Meanwhile, accuracy is a measure of the quality of audit evidence, namely its relevance and reliability in providing support or detecting misstatements in transactions, account balances, and assertion disclosures. The evidence's relevance is the evidence's conformity to the purpose of the audit being tested. Reliability is the quality of information when it is free from errors and material biases so that the information can be relied upon by the user to be presented honestly or reasonably.

### **Independence**

As an external auditor, independence is an attitude that must be owned and maintained. Independence refers to the attitude of not being impressionable (Hayes et al., 2014; Tandiontong, 2015). The attitude of independence in the audit process can be interpreted by doing work professionally, not accepting engagement due to close relationships, being able to carry out review and verification functions correctly, and recognizing the fact that public

recognition and acceptance of the status of auditors is essential for the achievement of goals. The auditor must maintain independence when carrying out his work, especially by not having an interest in the management (client) and in conducting an assessment or providing an opinion not influenced by other parties.

### Going Concern

International Standard on Auditing 570 requires that auditors obtain sufficient and appropriate audit evidence to conclude whether there are material uncertainties related to events or conditions that could create doubts about the entity's ability to continue its business continuity. Based on Statements on Auditing Standards No. 59, it is known that auditors are responsible for conducting evaluations if there are substantial doubts about an entity's ability to continue its survival for a reasonable period.

Many factors can undoubtedly influence the survival of an entity. The conclusion of how long an entity can last can also not be done by looking at it from one side, but it must still be seen from many sides and considering many factors. The business risks faced by one entity are undoubtedly different from other entities. Each type of business or industry must have a different type of risk, and the ability of each entity to manage these risks and survive is also different (Hossain et al., 2020; Oswald, 2021).

### Auditor-client Relationship

The relationship between the auditor and the client (auditee) begins when planning the engagement. In this case, the auditor and the client equalize each other's perceptions. The auditor looks at the client's business environment. If it is felt that the auditor has resources capable of handling the client, the engagement can be started. Fostering good communication between auditors and clients is essential. Thus, the audit process can continue to run smoothly. Misunderstandings due to miscommunication are avoided as much as possible. Both auditors and clients must realize the importance of fostering this good relationship. Therefore, clients are also expected to cooperate during the audit process, and auditors can establish good communication. The figure below shows the model of this study.

### The impact of covid-19 pandemic on audit activities

The Covid-19 pandemic has caused the audit process to be unable to run as usual, especially regarding audit procedures that cannot be carried out directly in the field but must be carried out virtually. Restrictions on mobility during the pandemic have resulted in limited physical examinations. At the same time, some accounts require direct inspection, such as inventory, cash, and fixed assets that rely heavily on the existence assertion. In addition, because they cannot meet in person, communication is carried out using digital media. These changes can create both challenges and opportunities.

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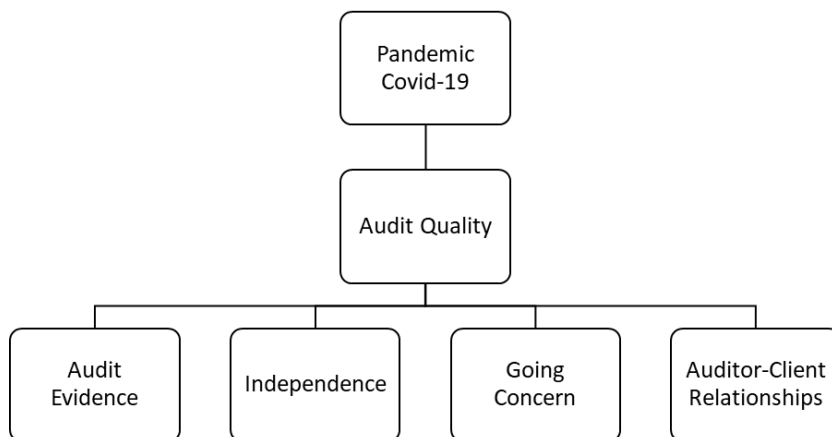


Figure 1. Research Model

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Audit quality can be influenced by some factors including audit evidence, auditor independence, going concern opinion and the relationship between the auditor and the client (Albitar et al., 2020; Hazaea et al., 2022; Knechel et al., 2012; B. Nugraha & Syafdinal, 2021; E. Nugraha et al., 2019; Tandiontong, 2015). However, the Covid-19 pandemic has changed various aspects of audit engagement, including audit procedures. Changes in audit processes or procedures also change the way auditors collect audit evidence, create a threat to auditor independence, affect the auditor's assessment of going concerns, and bring changes in communication patterns in the auditor-client relationship. These changes are believed to affect the quality of audits during the pandemic. This study aims to obtain an overview of the audit process that occurs in the field and its impact on audit quality.

### 3. RESEARCH METHODS

In order to address the research question, this study applies a qualitative. Researchers conduct on-on-one interviews with auditors to get an idea of the audit process, opportunities and challenges and work pressures during audit engagement. Participants in this study are auditors from both big four and non-big four public accountants. This study applies the snowball sampling method where the researcher initially only has a relationship with 2 participants who connect with other participants. Interviews are semi-structured to allow in-depth data acquisition. This study uses purposive sampling, where participants must be auditors having experience of audit engagement during pandemic and be willing to help this study. Participants of this study are as follows:

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Table 1. List of Participants

| Code           | Position                             | Accounting Firm | Date      |
|----------------|--------------------------------------|-----------------|-----------|
| Interviewee 1  | Senior Auditor                       | Non-Big Four    | 21/4/2022 |
| Interviewee 2  | Senior Auditor                       | Non-Big Four    | 21/4/2022 |
| Interviewee 3  | Public Accountant                    | Non-Big Four    | 22/4/2022 |
| Interviewee 4  | Senior Auditor                       | Non-Big Four    | 22/4/2022 |
| Interviewee 5  | Senior Auditor                       | Non-Big Four    | 22/4/2022 |
| Interviewee 6  | Senior Auditor                       | Non-Big Four    | 23/4/2022 |
| Interviewee 7  | Financial Assurance Senior Associate | Big Four        | 11/5/2022 |
| Interviewee 8  | Assurance Associate                  | Big Four        | 17/5/2022 |
| Interviewee 9  | Senior Auditor                       | Non-Big Four    | 6/6/2022  |
| Interviewee 10 | Partners                             | Non-Big Four    | 7/7/2022  |
| Interviewee 11 | Senior Associate                     | Big Four        | 13/7/2022 |
| Interviewee 12 | Public Accountant                    | Non-Big Four    | 14/7/2022 |

#### 4. RESULTS AND DISCUSSION

The business process of a company is influenced by internal and external factors. The Covid-19 pandemic is an external factor that changes a company's business process that cannot be predicted and avoided by organizations, including public accounting firms. [The pandemic brought changes to the organization, especially regarding collecting and examining audit evidence (Al-Khasawneh, 2021; Hazaea et al., 2022; Pertiwi et al., 2022)]. Prior to the Covid-19 pandemic, the organization had a central logic that guided the organization and limited the behavior of its members. [This central logic is referred to as institutional logic that can be formed by material carriers consisting of routines, relationship systems, and artifacts (Scott, 2003)]. Those factors can affect the logic of individuals or actors within the organization.

Due to the Covid-19 pandemic, routines, relationship systems, and artifacts shape institutional logic in public accounting firms. Routines changed the habit of conducting traditional audits to remote audits. The relationship between clients and auditors has changed from face-to-face meetings and field trips to online communication. Thus, artifacts have also departed from rarely utilizing technology to heavily dependent on technology. [Therefore, the logic of individuals (auditors) within the organization also changes].

One of factors forming institutional logic in organizations is routines, artifacts, and relational systems (Scott, 2003). Prior the pandemic, auditors had a way of working, mindset, and culture ingrained in them for a long time. For example, to ensure the existence of fixed assets, the auditor must conduct a physical examination directly to see the asset's condition. When a pandemic occurs, physical examinations cannot be carried out because various government regulations limit the mobility of auditors. As a result, auditors have to use an

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alternative procedure such as use virtual audits via video calls. This example is an evidence of a change in the auditor's routine. Changes in the way auditors work are affected by the pandemic conditions.

#### Audit Evidence

Audit evidence is substantial in drawing conclusions or determining an opinion and it becomes the logic of an audit engagement. Institutional logic is influenced by material carriers, one of which is in the form of artifacts i.e. audit evidence (Parker et al., 2021). Audit evidence is one of the critical elements in the audit process for determining the opinion to be given by the auditor. Based on the audit evidence, the auditor can conclude whether a financial statement has been presented reasonably according to applicable accounting standards (Parker et al., 2021). The purpose of the audit itself is to collect sufficient and appropriate audit evidence.

However, collecting or examining audit evidence during the Covid-19 pandemic has also changed. The auditor cannot perform observation and physical examination. The auditor must also conduct the confirmation and interview online and it can endanger the reliability of audit quality. Vouching takes longer because clients have to scan the necessary documents. There are some adjustments in collecting and examining audit evidence.

The regulation regarding PSBB (*Pembatasan Sosial Berskala Besar*) [large-scale social restriction] was first imposed on March 31, 2020, followed by the implementation of PPKM (*Pemberlakuan Pembatasan Kegiatan Masyarakat*) [Community Activities Restrictions Enforcement] which is routinely evaluated. The restrictions on community activities and mobility certainly impact the audit process, especially related to audit procedures. The auditor conducted a field visit to obtain sufficient and proper audit evidence as required in Audit Standard 500. However, during the pandemic, field trips cannot be conducted and the auditor must use an alternative procedure to collect audit evidence. This condition becomes a challenge and obstacle for auditors. Some documents are sent via mail because of the restriction of conducting field work.

\*

*"Before the pandemic, the audit process could have been carried out more quickly because auditors could directly retrieve data in the field. But during the pandemic, data is sent by post, and it is impossible to scan because there is too much data" (Interviewee 10 – Partner).* \*

Physical examination of cash, inventory, fixed assets, and vouching procedures is also considered a reasonably onerous audit procedure to be carried out during the pandemic. In the pre-pandemic period, the vouching procedure could be done within one to two days, but during the pandemic, it took a long time, one to two weeks. This is because the checking of documents must be done in more detail. In addition, with limited visits, clients also need a longer time to scan documents so they can be sent via email to auditors. There are some changes about how the physical examination of cash, inventory, fixed assets, and vouching procedures are conducted during the pandemic.

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don't think this is the way a qualitative research report is presented. So we keep how it was for this comment. You may refer to any reputable journal on how they present the study. However, we still add some contexts regarding this.

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\*

*"Vouching is one of the most difficult procedures during the pandemic. Before conduct vouching, we asked for the general ledger and then selected the accounts which have material amounts, [...] we cannot immediately confirm the reliability of the evidence because it may be hanged or has been adjusted to match the general ledger" (Interviewee I – Senior Auditor).\**

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During the pandemic, auditors must maintain and even sharpen their level of prudence. Given that the evidence examination is conducted virtually, it becomes more challenging to confirm whether such evidence is valid and reliable. Auditor needs various alternative procedures in obtaining an adequate confidence level. The auditor finds it difficult to ensure that audit evidence is not manipulated by the client.

Researchers conducted online interviews with senior auditor of a public accounting firm in Semarang to ask about how can auditors trust that audit evidence is not manipulated during a pandemic because more audits are carried out online.

\*

*"Yes, that is the challenge. When dealing with old clients, we know the client's business process, types of documents available, and how we do the vouching. The challenge is more pronounced when dealing with new clients. We cannot easily confirm whether the audit evidence is correct or not" (Interviewee 9 – Senior Auditor).*

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The pandemic creates opportunities to use digital audit evidence. Digital evidence is more effective than paper-based evidence because it can be sent to auditor more quickly and easily by simply uploading it to an online storage media. However, auditor needs more efforts to ensure clients to switch from paper-based to digital evidence to support auditor works. There are some technological adjustments in audit firms especially in big audit firms to address the changes during the pandemic.

*"At the big four, we use databases in doing audit process. In the database, the auditor must fill up some templates during the audit process. For example, conducting an audit of accounts receivable, there is a template available for answering questions, such as "is there an unusual balance" and "is there a negative balance". Since the pandemic, the big four have continuously updated the question lists and templates, so there will be additional questions that allow the auditor to be me cautious" (Interviewee 11 – Senior Associate).*

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## Going Concern

During the Covid-19 pandemic, the assessment of client business continuity has changed. It is undeniable that the Covid-19 pandemic caused tremendous economic turmoil and certainly had an impact on client businesses, such as a decrease in sales because customer purchasing power declined. As a result, the company suffers losses and cannot achieve maximum performance, and inevitably the company has to reduce costs by reducing the number of employees. This condition needs to be a special consideration for auditors in providing opinions on going concerns because of an extraordinary event.

Whether the Covid-19 pandemic has caused the emergence of going concern opinions is an exciting issue to discuss. Therefore, auditors need to make some efforts to conclude precisely whether clients are experiencing going concern problem caused by fundamental problems or just due to the Covid-19 pandemic that shook all types of industries. The efforts of auditors show that the role of individuals or actors is of great importance in the formation of the central logic of the organization. Each individual seeks to adjust to the unfavorable conditions so the organization can survive in a challenging situation (Alsharari, 2017; Parker et al., 2021; Teresia & Nugraheni, 2022). Prior the pandemic, red flag conditions such as increased debt, declined sales, and financial losses were signals of going concern problems. However, during a pandemic, auditors need special and more considerations in expressing going concern opinions.

Auditor needs to consider whether the red flags are caused by the pandemic or there are critical problems from the prior years leading auditor to issue a going concern opinion. Auditor categorizes companies whether they are in high, medium or low risk in terms of financial condition. Auditor will focus on companies having critical financial problems happening prior the pandemic.

\*

*"During the pandemic, we made many adjustments. To determine our going concern opinion, we looked at certain high-risk companies. Before the pandemic, we had been assisted by ATLAS [application]; we identified which companies were at high risk and low risk; there was a measuring tool to determine high, medium, and low-risk companies. So during the pandemic, we are more concerned with high-risk companies" (Interviewee 3 – Public Accountant).*

\*\*\*

Several studies find an increase number of entities having going concern opinions due to the impact of the Covid-19 Pandemic (Baskan, 2020; Hossain et al., 2020; Oswald, 2021). However, this is mostly influenced by the company's financial condition prior the pandemic. Therefore, auditors must consider various aspects in determining business continuity during the pandemic and beyond. One of primary consideration for auditors to determine going concern problem is the existence of negative capital not only during the pandemic period but in previous years.

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In assessing the continuity of business, auditors may refer to Presidential Decree 12, 2020 in the audit report to state that Covid-19 pandemic affects company unexpected conditions. The decree shows an external pressure from the government which affects the logic of thinking of individuals or organizations. Auditor may accommodate regulation which push them to adjust audit process and report. Users of audit reports may expect that various limitations in the audit process cause the level of audit confidence declines. Therefore, regulations can be seen as symbolic carriers (Darono & Panggabean, 2015; Lepoutre & Valente, 2015; Scott, 2003).

### Independence

The importance of maintaining the integrity of auditors during a pandemic is also one of the crucial issues. One factor affecting the audit's quality is the auditor's independence (Hariyanto, 2020; Napitupulu et al., 2021; Sa'adah & Challen, 2022). Audit Standard 210 states that auditors must ensure that they can maintain their independencies before accepting an audit agreement. Independence is one of the essential points regulated in the Indonesian Accountant Code of Ethics paragraph 120.12-A1. The Independence Standard requires auditors to maintain the independence during the engagement.

Despite obstacles, limitations, and uncertain situations, auditors must maintain professionalism, independence, and skepticism during the engagement. Given that misjudgment increases, auditors must be more careful and thorough in conducting examinations. Auditors are one of the professions that must comply with the Code of Ethics hence they must maintain integrity in conducting their works. Based on the Indonesian Accountant Code of Ethics, it is stated that auditors must comply with the basic principles of ethics i.e. integrity, objectivity, competence, prudence, confidentiality, and professionalism. The challenges of maintaining professional attitudes i.e. independence during the pandemic is not only felt by auditors at local public accountants but also by auditors who work at Big Four.

*"We always have to be suspicious or skeptical, but due to limited visits, we inevitably have to do more efforts to convince [public that we are independent]. But indeed, the auditor independence [during the pandemic] sometime cannot be maintained [in small audit firm] because small audit firm has limited number of clients and depend on audit fee for its revenue" (Interviewee 1 – Senior Auditor).*

Maintaining integrity in audits during the pandemic is quite challenging. Auditors who work at Public Accounting firms on a small scale (regional) face a dilemma related to audit fees and ethical issues. The longer audit process during the pandemic is, the higher audit fee despite financial difficulties experienced by clients. The primary source of income for Public Accounting firms comes from audit fees. Thus, auditors must maintain clients while maintaining their independence. The auditor may not disclose the actual condition because the client wants to cover its financial problems. This ethical dilemma of auditors is one of the phenomena during the pandemic.

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*"This is a dilemma. Small public accounting firms have to maintain independence[...]. If the audit fee is high, we are able to provide satisfactory results, but we cannot conduct an adequate procedure and provide an adequate report when the audit fee is lower. For example, the normal audit period is up to 2 months; but if the client does not provide data within two months, then who will pay the excess fee? This becomes the auditor's dilemma" (Interviewee 1 – Senior Auditor).*

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The pandemic pressure has caused auditors to become more challenging to maintain independence. This shows that the external environment also affects the central logic within the organization. Previous studies have also proven the existence of coercive isomorphism as a sign of organizations making adjustments (Chiwamit et al., 2014; Nugraheni et al., 2022; Thornton & Ocasio, 1999). One of the threats to auditor compliance comes from the fear of losing clients. Local public accountants often experience this condition with a small number of clients (Paramastri & Suputra, 2016; Shan et al., 2019; Yen et al., 2018).

#### Auditor-Client Relationship

The relationship between the auditor and client starts when auditor accept the engagement (Go & Ardiarti, 2015; Rajagukguk, 2017; H. Yin & Du, 2021). Accepting the engagement is the earliest important stage before starting other audit procedures (Herawati & Selfia, 2019; Permana & Setyawan, 2018). This process is not challenging when it comes to existing or pre-audited clients. However, challenges arise when establishing an engagement with a new client. This logic is influenced by the relationship between the auditor and the client. Relationships that have been established for a long time will produce different things than those that are just about to be built (Daron & Panggabean, 2015; Parker et al., 2021; Scott, 2003). The auditor must be able to assess the client's inherent risks. In the process of accepting the agreement, the auditor usually conducts a field review to gain an understanding of the client's business environment and its risks. However, the limitations during the pandemic require auditors to carry out a series of alternative procedures such as contacting previous auditors, checking reports and financial data, or utilizing the ATLAS (Audit Tool and Linked System) application features. Challenges in auditing for existing clients will be different compared to new clients.

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*"We already knew the old client's business environment because we have had several audit engagements [previously]. This is different with new clients. Therefore, we limit to accept new clients [during the pandemic]. We have rejected many clients, but at the same time, we are also short on staffs because many auditors have been infected by Covid-19 [virus] and were unable to work effectively" (Interviewee 10 – Partner).*

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During the pandemic, there was a change in communication patterns between auditors and clients. Communication that previously could be done face-to-face changed to virtual during the pandemic. Communication is carried out using digital media such as WhatsApp, zoom, and google meet. The impacts are varied such as miscommunication or misinformation between auditors and clients. Auditors also cannot read gestures that are signals or omens that can be the subject of their analysis and assessment for auditors regarding the honesty of the information submitted by the client.

Changes in the communication patterns of auditors and clients are a form of institutional logic change in Public Accounting firms that is influenced by the relationship system (Darono & Panggabean, 2015; Lepoutre & Valente, 2015; Scott, 2003). The direct or face-to-face communication should be transformed into virtual communication. The change is also not an easy effort for auditors, especially auditors who should obtain convincing evidence.

*"Before the pandemic, we conduct audit procedure and meet auditee directly hence could see the auditee's gestures during the discussion [about audit evidence]. However, we could not see the gesture very clearly during an online [discussion] in the pandemic period to see whether he/she tells the truth " (Interviewee 10 –Partner).*

During the pandemic, clients should be cooperative to sending documents and providing evidences. If the financial statements or data are not sent immediately, the audit process will be delayed. A well-established and mutually beneficial auditor and client relationship will speed up the audit process. **Client and auditor must maintain an opened communication to generate data and information for audit evidences.**

*"Auditors face challenges to wait for client to submit data. It takes efforts to require clients to provide data in a timely manner " (Interviewee 6 – Senior Auditor).*

## Discussion

Changes in routines, relationship systems and artifacts change the central logic in the Public Accounting Firm organization. This change occurred due to the impact of the uncontrolled external factor i.e. Covid-19 pandemic. Therefore, everything has changed according to the conditions that are currently happening. The habits, culture, work procedures, systems and rules have also changed. Auditors will adjust in order to adapt to the current environment.

As a result, auditors experienced a series of challenges, such as the inability to conduct field examinations, on-site audit procedures, longer audit times, high risk of covid-19 transmission, limited communication, and technical obstacles. However, these changes also create new opportunities, such as the emergence of more flexible alternative procedures, the development of sophisticated technology in auditing, and the opportunity for unlimited improvement of auditor expertise.

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Auditors have also made some efforts to adjust and adapt to changes and overcome various obstacles. Even though they are in a challenging situation during the Covid-19 pandemic, auditors still strive to maintain integrity and professionalism at work. In addition, auditors are also trying to find various appropriate audit procedures to obtain adequate confidence in the audit engagement. Thus, the quality of audits can be maintained during the pandemic.

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## 5. CONCLUSIONS AND SUGGESTIONS

This study aims to investigate the challenges, opportunities and strategies of audit engagement in the time of crisis, i.e. Covid-19 pandemic. The challenges faced by auditors during the pandemic include online communication and difficulties to conduct field inspections, especially for physical test of assets. Online communication between auditor and client limits in-depth analysis because auditor cannot generate and read emotional response from client. In addition, the auditor-client relationship has become very limited to digital communication media, which has a high risk of miscommunication. However, there is an opportunity of this situation in where audit engagement may apply new alternative procedures and utilize technology in providing digital evidence. Various efforts have been made by auditors to overcome the obstacles and take advantage of the opportunities. In order to maintain the quality of the audit, auditors make more efforts during the pandemic hence the audit evidence and professional integrity can be maintained.

Before the pandemic, Public Accounting Firms already had institutional logic formed through a series of rules and cultures brought from each individual. Various changes occurred during the pandemic. Auditor naturally seeks to make adjustments by changing the habits, ways of working and culture that have been possessed prior the pandemic. Thus, institutional logic that was previously embedded had changes to adapt to the conditions of the Covid-19 pandemic.

Through this research, it is expected that it can be used for providing policy for future audits in the time of crisis. The public accounting firm is expected to be more open to opportunities to invest in technology that can facilitate auditors' work. Auditors also need to receive intensive trainings on the importance of maintaining independence, scepticism and objectivity.

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