



# The Impact of the Coronavirus Pandemic on Auditing Quality in Jordan

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The research aimed to identify the impact of the coronavirus on auditing quality in Jordan. Due to the hazardous situation of movement in Jordan, the researcher contacted six international audit firms by phone to examine the impact of the pandemic on the auditing quality to collect the data. All of the auditors who were contacted by the researcher confirmed that the coronavirus affected the audit quality in Jordan, and due to social distancing and restrictions on movement, the auditors face difficulties in collecting proper evidence which may increase the possibility of making wrong opinions regarding the auditing performance by them. For carrying out an effective study, the researcher used a secondary method of data to gather information on the research topic. Also, in order to carry out the research in a dynamic manner, the researcher has adopted a systematic review method to clarify the processing auditing pattern in the field.

**Keywords:** *Audit Quality, Coronavirus*

## 1. Introduction

The outbreak of the coronavirus, which started in December 2019, has affected all business and every economy in the world. In this study the research area will be to identify the impact of this global pandemic on the auditing quality in Jordan in particular. Different challenges will be identified and appropriate recommendations will be given at the end of the study that can assist in reducing the impact of the coronavirus pandemic on the auditing quality in Jordan.

Audit quality is the process which ensures that through constant improvements in its components, the quality of audit evolves with the environment where the audit is conducted. It is the procedure of systematic evaluation of the quality system which is performed through an

external or internal quality auditor or the auditing team (Abozaid, Elshaabany, and Diab, 2020). This research is based on the topic "impact of the coronavirus pandemic on audit quality in Jordan". It involves information about research methodology, approach, design, systematic review methods, search strategy, geographical focus and analysis of searching results. Apart from this, it also involves critical review of literature along with the discussion, brief conclusion and recommendations based on that.

### ***1.1 Study Problem:***

The audit quality is bound to be heavily affected due to the lockdown of the country, in this study we will answer the following questions:

What is the impact of the coronavirus on auditing quality in Jordan?

Which strategies can be recommended for the challenges that have been identified in the auditing quality in Jordan?

### ***1.2 Importance of the study***

The study importance comes from the research topic, since this research highlights the impact of the coronavirus pandemic on the auditing quality in Jordan, considered a new topic since this pandemic started in December 2019.

### ***1.3 Research Objectives***

The research objectives could be summarised as the following:

To identify the impact of the coronavirus on auditing quality in Jordan.

To ascertain the challenges that will arise in boosting the auditing quality.

To recommend appropriate strategies that can be adopted in order to meet the challenges identified.

### ***1.4 Study Hypotheses***

Further to the study problem and objectives, the researcher formulated the following hypothesis:

**H0:** There is no impact of coronavirus on the auditing quality in Jordan.

## **2. Systematic Review Method**

### ***2.1 Introduction of Systematic Reviews***

Systematic review is defined as a sort of literature review which uses a systematic method to collect secondary data, critical appraisal of research studies and synthesise findings quantitatively or qualitatively. Systematic reviews are designed to render a complete, exhaustive summary of evidence, unpublished and published, which is methodical, transparent, replicable and comprehensive. It aims to determine, evaluate as well as summarise the findings of relevant studies over a particular issue, therefore making available evidence accessible to decision makers (Garcia-Blandon, Castillo-Merino and Martinez-Blasco, 2020).

### ***2.2 Components of Systematic Review***

The main components of systematic review involve systematic and extensive searches in order to ascertain all the relevant unpublished and published literature; study selection as per the predefined criteria of eligibility; assessment of bias risk for studies involved; presentation of findings in an autonomous and impartial way; and discussion of limitations of evidence and review.

### ***2.3 Challenges & Limitations of Systematic Reviews***

The limitation associated with a systematic review includes the fact that the summary provided in the literature is only as reliable to utilised methods to estimate the influence in each of the primary investigations. The limitation is that it relies on a limited number of databases for determination of potentially eligible studies. On the other hand, the challenges associated with systematic review include that it requires access to a broad range of pre-reviewed journals and databases, which can be very expensive and problematic (Chui, Kim, and Pike, 2020).

### ***2.4 Search Strategy***

In conducting a systematic review, a well-built search strategy is very crucial. It regains the majority of studies that the researcher assesses for annexation and eligibility. In context of this study, some keywords are used for searching the date on the topic including covid-19, audit, audit quality etc. Apart from this, Boolean operators like AND and OR are also used for searching the data. Search filters like publication date and language are also used to narrow down the outcomes so that relevant articles can be retrieved.

### 3. Critical Literature Review

According to the view of Mike Suffield, (2020), the impact of the coronavirus is having a significant influence on the auditing profession. From rising pressure to finish audit work to problems in getting evidence of audit as well as very sensitive judgement in fields like going concern, auditors are required to re-evaluate the way they undertake normal activities of auditing. In auditing firms, the coronavirus pandemic has specific implications with the nature of process of audit needing involvement and direct interaction with the audited entity. Although the advancements in digital technology constantly influence the way audits are performed and the way evidence is collected along with the reporting process aspects, the crisis is creating sequential shock to normal activities associated with client engagement for many organisations. Around 53% of people said that they were experiencing pressures in finishing work of client services, around 36% people said that they are unable to meet reporting deadlines, and a quarter said that they are experiencing difficulties in collecting audit evidence (Covid-19 having noteworthy influence on the auditors of world, 2020).

According to Duh, Knechel and Lin (2020), around 27 % of people saw a rise in auditing risk associated with completeness of liabilities and valuation of assets for going concern problems. The ability of a business to continue is impacted by many factors. This involves geographic area of operations and industry, financial health of suppliers and customers, solvency, and financial liquidity of business entity. An unprecedented challenge is created by the covid-19 pandemic for all the organisations all over the world. Organisations are striving to manage as well as maintain their supply chains and in order to reduce impact, they need to follow government directives, restrict travel, limit social contact and make sure they prevent exposure to infection of the coronavirus.

As per the viewpoint of Harb (2020), as the spread of the coronavirus pandemic rises, business entities are experiencing situations which are often related to general economic downturn, involving erosion of market value, liquidity concerns, financial market volatility, deteriorating credit, further rise in government intervention, broad decrease in consumer discretionary spending, increasing unemployment, reduction in production due to a decline in supply and demand constraints, maximising inventory levels and other activities associated with restructuring. The ongoing situation could have a prolonged adverse impact on the financial condition of business entities and outcomes. The Jordanian audit bureau undertook an ex-post audit of all the inflows of crisis mitigation.

As per the viewpoint of Khurram Shahzad, Ghulame Rubbaniy, Thierry Pouw and Dr. Osama El-Temtamy (2017), auditors play a significant role in the development of financial markets and the promotion of public listed companies. They increase the trust between an organisation and its investors by providing an independent opinion about whether the financial statements

of the company give a fair and true view regarding the financial position of the organisation. As the role of auditors is significant in assisting investors in making informed decisions and improving the financial markets integrity, regulators around the world strive to enhance the audit quality performed by auditors (Audit quality during global financial crisis: The perspective of investors, 2017).

According to the report published by KPMG, the operations of financial institutions have been shaken up by the covid-19 pandemic. The second line functions and organisations are understandably emphasising crisis management in order to make sure that financial institutions can keep playing a significant role in society. Several difficulties are faced by financial institutions with regard to difficulties in loans, distressed economy, imposed travel limitations, mortgages as well as insurance payments and potential shortfalls in the workforce because of sickness.

Some internal audit functions maximise their intrinsic audit capacity in order to address urgent matters as well as other risks. In the current situation, audits are understood to provide more value in supporting the processes of business from an advice-giving approach instead of covering that with inspection at this time (Rahmawati, 2020). Due to remote working, the way auditing is carried out has changed drastically. Although, remote walkthroughs and interviews have been more effective, it is expected that audits which are planned are delayed, postponed or even cancelled. When performing field work, auditors face challenges and the travel restrictions mean they have to work from home. Subsequently, travel restrictions cannot influence quality of work in Jordan. When it comes to accessing confidential data, conducting interviews as well as verifying the documentation authenticity, there are auditor face-to-face restrictions (Impact of coronavirus pandemic on internal functions of audit of financial institutions, 2020). The face-to-face disruption in interaction with the auditing team means they do not have direct access to required data, which directly impacts on the quality of an audit.

As per the views presented by Khaldoun Albitar, Ali Gerged, Hassan Kikhia and Khaled Hussainey (2020), during the outbreak of the coronavirus pandemic, the work might be more sophisticated as the level of uncertainty is high, which implies a significant necessity to utilise a proper level of workforce and to administer sufficient support to auditors. During the outbreak of the virus, the common cause for issuing the reports of audit with uncertainties is due to doubts regarding the continuity of a company. The performance of analytical procedures which is a significant part of the process of an audit is also affected by the covid-19 pandemic. Analytical procedures are utilised for planning auditing, field work, conclusions, evaluations, as well as reporting stages. The possible threat to the quality auditing has many explanations whilst considering the risk associated with fraud. Generating various alternative explanations doesn't trigger critical thinking consistently and may even have an adverse effect (Shakhatreh, Alsmadi, and Alkhataybeh, 2020). Apart from this, the auditors tried to depend more on the analysis processes which helped them to get a complete understanding regarding the financial

position of a company. This declined the number of detailed test, which are exclusive and take extended time considering the communication method of email required during the coronavirus pandemic. The audit evidence quality is very significant to ensure that the conclusion of the auditors is correct. If the quality of reported information is low or is not very strong, then the risk of the audit creating a wrong view is high.

Meanwhile, quality of auditing evidence relies on sources and forms of evidence. Due to the spread of the coronavirus pandemic, auditors quite likely depend on evidence from extrinsic sources like evidence acquired directly from extrinsic parties such as suppliers, banks and consumers which are more reliable in comparison to those acquired from clients. On the other hand, the spread of the coronavirus pandemic has declined the utilisation of original forms, like original invoices which are utilised to support transactions which are more reliable in comparison to copies of invoices sent through the mail. Therefore, the work from home strategy influences the reliability and sufficiency of auditing evidence and subsequently influences the quality of auditing (Auditing with social distancing: The influence of corona virus on auditing quality, 2020).

#### **4. Research Methodology**

##### ***4.1 Research Approach***

The research approach can be referred to as a procedure which includes steps and approaches to collecting data, its analysis and elucidation. The research approach selection is done on the basis of the nature of the research issue which is being investigated. There are two main types of research approaches that are used by researcher: an inductive and a deductive approach. An inductive approach involves formulation of a hypothesis and starts with a research question required to be accomplished during the process of investigation (Almarayeh, Aibar-Guzmán, and Abdullatif, 2020). On the other hand, a deductive approach involves formulation of a hypothesis which is required to be rejected or confirmed during the study. This study is applying an inductive research approach as it involves a systematic procedure for analysing the qualitative information where analysis is guided through an evaluation objective.

In addition, the data collection for this research is done via one-on-one phone call interviews with the auditors, the dialog is guided by self-administrated questions developed by the researcher.

##### ***4.2 Sources of Data***

The data has been collected through secondary and primary methods. In the primary method of collecting the data, fresh data is gathered which is firsthand and has never been collected before - the researcher contacted six audit firms to examine the research topic. In the secondary



data collection method, the information is gathered through pre-existing sources which is already collected by others. In relation to this study, secondary sources of data collection were websites, publications, journals and articles (Benson, and Nandhra, 2020).

#### ***4.3 Research Design***

Research design is defined as the strategy which is choosing to incorporate distinct components in a rational and comprehensible manner. This assists in ensuring that the research problem is addressed effectively. There are three types of research design: experimental, descriptive and exploratory design. In the context of this study, descriptive research design is taken into consideration. It aims to systematically and accurately describe the issue or area of investigation.

#### ***4.4 Geographical Focus***

The geographical focus in relation to this study is Jordan.

#### ***4.5 Study Population***

Six international auditing firms in Jordan were selected to participate in the study.

#### ***4.6 Analysis of Search Results***

The search results are analysed by using an appropriate method. An analysis of search results is broken down into seven sets: affiliation, source, author, subject area, document type, country, and funding sponsor. A Qualitative analysis method is used for analysing the data. It helps in addressing the area of study in an appropriate way in the form of narratives and text (Ding, Levine, Lin, and Xie, 2020).

### **5. Discussion**

Covid-19 is considered a type of virus that is associated with a similar family of viruses such SARS. And from the above provided review of literature, it can be said that the consequences of the coronavirus pandemic on audit engagements and financial statement reporting are complex, and the outcomes is challenging for administrations and those charged with governance as well as auditors. There is an unparalleled level of uncertainty regarding the economy, upcoming earnings and other inputs, which depicts important components of financial reporting. The uncertainty arises from current situations that may maximise the challenge in acquiring appropriate evidence for auditing requirements to form an autonomous view regarding reasonableness of estimates and judgements of management (Sheikh, and Siddiqui, 2020). It is crucial for auditors and preparers to be involved in early discussions to

determine the influence on the auditing process and preparation time frame, as it is possible there are problems that may not have been encountered earlier, which may now require consideration. Meanwhile, it has been found that the auditors face issues due to restrictions on travel and need to stay at home, presenting practical challenges to audit engagement. Organisations may acquire information in distinct ways or operating controls on generation of financial information differently. It has been found from the review that auditors face difficulties because of the spread of the coronavirus and there are high chances of auditors making a wrong opinion regarding the audit. This significantly impacts on the quality of an audit performed by the auditors (Yu, Kwak, Park, and Zang, 2020).

## **6. Conclusion and Recommendations**

As per the above-mentioned studies in the literature review part, it has been concluded that auditing quality is impacted by the spread of the coronavirus pandemic and leads the auditors to face various challenges. The uncertainty arises due to the pandemic situation, which increases challenges in providing an independent view about the financial position of companies. This may increase the chances of making a wrong opinion about the auditing. In addition to that, the researcher of this study concluded from phone calls with the auditors, that auditing quality in Jordan is impacted by the coronavirus and the auditors are facing difficulties in getting proper audit evidence from their clients due to the restrictions on the movement and travel in the country. This may lead the auditors to made wrong opinions on the presentation of financial statements and the financial position of the clients.

The researcher of this study recommends that the auditors must have full access to all relevant documents so that auditing can be done in proper way. Apart from this, internal control activities should by enhanced by management to ensure the accuracy of financial reporting and complying with the internal policies and procedures.

Auditors must exercise professional care to maximise and use the alternative procedure approach to avoid any legal responsibility in the future.

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