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# An Analysis of the Impact of the COVID-19 Pandemic on the Professional Performance of External Auditors: An Exploratory Study of the Opinions of a Sample of External Auditors in the United States of America

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## Abstract:

This exploratory study investigates the impact of the COVID-19 pandemic on the professional performance of external auditors in the USA, utilizing survey data from 241 auditors to understand the challenges, coping strategies, and technological adaptations they experienced. The research reveals that the pandemic negatively affected auditor performance, necessitating adjustments to remote work and technological adoption like tele-auditing, while also increasing sensitivity towards management judgments and professional skepticism. The study recommends that auditors redesign procedures, regulators provide better guidance, and auditors strengthen moral sensitivity to improve audit quality, contributing insights for auditors, firms, regulators, and standard-setters in navigating the evolving audit landscape amidst ongoing global challenges.

**Keywords:** External Auditing; COVID-19 Pandemic; Audit Quality; Professional Performance; Professional Skepticism.

**Jel Classification Codes :** M42, M41, I1.

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## 1. Introduction:

The COVID-19 pandemic has precipitated unprecedented disruptions across global economies, reshaping societal structures and challenging the operational paradigms of various professions. Among these, the field of external auditing has faced unique pressures, as auditors have navigated a rapidly evolving landscape marked by remote work, technological adaptations, and heightened demands for professional skepticism. The crisis has not only tested the resilience of economic systems but also underscored the need for a nuanced understanding of its impact on professional performance at both micro and macro levels. At the micro level, external auditors have had to adapt to new working conditions, adopt tele-auditing technologies, and recalibrate their approaches to ensure audit quality amidst uncertainty. At the macro level, the pandemic has prompted shifts in regulatory frameworks, labor market dynamics, and the broader services sector, necessitating a reevaluation of auditing practices to maintain trust and reliability in financial reporting (Khresna Brahmana et al., 2022; Yaşar & Yalçın, 2024).

This study seeks to address the critical question of how the COVID-19 pandemic has influenced the professional performance of external auditors in the United States, a profession pivotal to economic stability and stakeholder confidence.

### Problem Statement and Research Questions:

The rapid onset of the COVID-19 pandemic introduced significant challenges to the auditing profession, including constraints on physical access to client sites, increased reliance on digital tools, and heightened scrutiny of management judgments. These disruptions raise critical questions about the adaptability of external auditors and the implications for audit quality. Specifically, this study explores the following problem:

**How has the COVID-19 pandemic affected the professional performance of external auditors in the United States, and what strategies and adaptations have emerged to mitigate these challenges?**

To address this, the study is guided by the following sub-questions:

1. What specific challenges did external auditors face during the COVID-19 pandemic in maintaining audit quality?
2. How have technological adaptations, such as tele-auditing, influenced auditors' professional performance?
3. To what extent has the pandemic affected auditors' professional skepticism and sensitivity to management judgments?
4. What coping strategies have auditors employed to navigate the operational constraints imposed by the pandemic?

### Research Hypotheses:

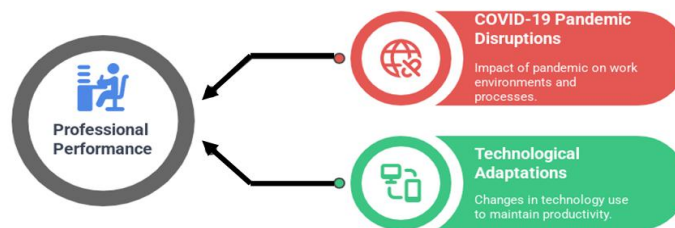
To provide a structured framework for this exploratory study, the following hypotheses are proposed based on the identified challenges and adaptations:

- H<sub>1</sub>: The COVID-19 pandemic negatively impacted the professional performance of external auditors.

### Study Variables:

This study examines the impact of the COVID-19 pandemic on the professional performance of external auditors in the United States, focusing on key variables derived from the research problem, sub-questions, and hypotheses. These variables are categorized as follows:

Fig N<sup>0</sup> 1 : Study model



Source: Prepared by researchers

- Professional Performance (Dependent Variable)
- COVID-19 Pandemic Disruptions (Independent Variable)
- Technological Adaptations (Independent Variable)

### - Background and Rationale

The pandemic has altered everyday life globally, with wide-ranging economic and health-related implications causing concern among health professionals, policymakers, and the general public. In the United States of America, the Covid-19 outbreak altered everyday life in significant ways. Government responses to the pandemic, ranging from lockdown orders to social distancing guidelines to restrictions on public gatherings, had broad impacts on the U.S. economy throughout the year. During the U.S. outbreak, widespread projections of increased risk and uncertainty led to broad drops in the stock market. Unemployment skyrocketed as jobs declined precipitously in many economic sectors. The U.S. economy experienced an economic downturn that quickly outpaced the crisis of 2008 and eventually caused early 2020 GDP to drop to levels not seen since the Great Depression. As the pandemic continues and the economic fallout deepens, there is growing concern for the reliability and going concern status of organizations in the U.S. These concerns expand to companies' financial reporting assertions and may result in increased CPA professional scrutiny. As the auditing profession plays a crucial role in the capital markets by increasing public trust in financial statements, concerns about audit quality

are of significant interest. Further in kind with the global emergence of Integrated Reporting, which integrates financial, operational, and sustainability metrics within a single document, this COVID-19 crisis unraveled accentuating the need for assessing business risks in the financial sectors. This paper is unique in examining practicing CPA external auditors' perspectives and concerns about their performance during ongoing and future COVID-19 pandemics. A confidential, anonymous survey was disseminated to audiences of the AAA Auditing Sections Midyear Meeting and ABO section of the AAA Annual Meeting, with responses received from twelve CPAs. Interviewed audit partners and professionals' comments further informed the results. It is suggested that external auditors may face significant difficulties in asserting the going concern of audit clients in the future.

### **-Research Aim and Objectives**

COVID-19 first occurred in December 2019 in a seafood market in Wuhan, China, and then developed into a global pandemic. COVID-19, the disease caused by the coronavirus, has had fatal consequences and caused loss of life. Countries and various institutions in the international arena have implemented social isolation measures in order to prevent the spread of the disease and ensure social distance. Isolation measures have had repercussions on people's economic, social, and daily life, and auditors have had their share of losses. This research was conducted on the impact of auditors on professional performance, one of the economic reflections of the COVID-19 outbreak period. This study is exploratory research, aims to identify the impact of the COVID-19 pandemic process on the professional performance of external auditors, who are in-depth examination and observation. The objectives of the study can be summarized as follows: -To reveal various reflections on the professional practices of auditors and firms, - To expose auditor personal and firmistic solutions, initiatives, or strategies to prevent potential COVID-19 impacts. ii. Identifying factors that cause difficulties in practice or in the relationship between the auditor and the firm (Itsaso Barrainkua Arostegi & Espinosa Pike, 2018). On the other hand, the virus's development and walls by making generalizations based on hypothetical situations that show the most rapid spread and fatality. Which the research question is: What is the opinion of the sample of auditors in the USA to identify the impact of the COVID-19 pandemic on their professional practices and relations with the client firm? Among those opinions is the most consens with the response variance explanation or addressed most frequently? Organize a practice or habit checklist document for both auditors and firms about the COVID-19 outbreak. Ultimately, it is hoped to make a significant contribution to the literature by revealing practical expressions for auditors and firms in dealing with the COVID-19 outbreak.

### **-Research Questions**

The research question is structured by variables that are relevant to how well external auditors perceive the performance adequacy of the audit profession to achieve some roles, responsibilities, and

objectives sufficiently important and meaningful to society when they are engaged to perform an audit, and the research question has been modified for purposes that pertain to this research. One way to assess this is by considering the socially created expectations and mandates inherent in the auditing profession. Some performance acts of the audit profession are specified in legal and professional accounting standards, and other elements are more societally determined from the provision of audit services over time (Gee, 2016).

To reflect externally imposed expectations and roles, components of the performance adequacy construct are considered to be “performance expectations”, and auditor respondent perceptions of performance comparison are company “performance ontologies”. The research instrument treats these two components respectively in the research question presented in the introductory sub-section, as it is the more neutral approach to reporting auditor responses.

Some research addressing performance adequacy expects a treatment effect from audit experience levels on how the construct is perceived. Discretely, this variable is intended for control, so it has not been included in the absorption of fittings for this research question. But that does not preclude its use in testing other research and demographic associations with performance adequacy, and a comprehensive approach to treatment effectiveness. The audit expectation gap is limited in this study to the performance adequacy aspect of the construct designated.

### **-Significance of the Study**

This research is important for the academic community, the level of stakeholders and guardians of the business and accounting world at the national, European and international levels, together with the findings obtained as a result of the research conducted within these, are thought to shed light on the impact of the COVID-19 pandemic on the proficiency, responsibility and trustworthiness of the audit process in financial, operational and compliance auditing responsibilities where the competence of external auditors focused. The findings of the research are intended to offer both theoretical knowledge and practical solutions. With regards to scientific contributions, policies to increase proficiency, responsibility and trustworthiness of audit processes can be created in such a way to reveal conflicts of interest arising from the policies and practices of audit firms and to prevent them both proactively and retroactively (L. Brown et al., 2016). In this context, national and international watchdogs of independent auditing can duly fulfill their supervisory and regulatory functions by taking necessary measures. Moreover, within the framework of the inherent responsibilities of audit firms, irrespective of the peculiarities of the study, partners of audit firms can review and evaluate the audits conducted under their supervision in terms of the proficiency, responsibility and trustworthiness of the audit activities and accordingly take corrective actions. The parameters of audit process management within audit firms can be set more strictly so that the competence,

responsibility and trustworthiness needed in audits are observed to be at maximum possible level. Due to the improvement of supervision tools, assessment frameworks can be developed to monitor how audit firms ensure the external auditors they cooperate with will fulfill their professional responsibilities diligently and in conformity with the state-of-the-art independently of and regardless of the audit policies and practices of the audit firms they serve.

### **-Scope and Limitations**

The proposed research methodology centers around the collecting of primary data with the administration of a survey of a randomly selected sample of external auditors in the USA. The survey responses record external auditors' perception of the impact of the COVID-19 pandemic on their professional tasks, the professional services they provide to clients, and their professional performance, ARS, and overall AQ (Audit Quality). The survey intends to gather the opinions of a sample of external auditors who are working in CPA firms accredited in the USA. The primary unit of analysis is each external auditor in the sampled population. The analysis and interpretation of the survey answers will primarily focus on descriptive and exploratory statistics, such as frequencies, Pearson Correlation Coefficients, and means. However, it is also proposed to test some hypotheses with the use of a regression analysis, which will check the relationship between the external auditors' opinions of the influence of the COVID-19 pandemic on their professional performance (namely ARS and overall AQ) and some of the external and internal factors. The articulated hypotheses regard both the direct and the indirect impact of the COVID-19 pandemic. Regarding the indirect effect, the supposed effects either of gender and age on the auditors' opinions with regard to both the direct and the indirect effect of COVID-19, and of the experience and the size of the auditing firm, through expert judgment, are also examined (L. Brown et al., 2016). In this regard, the sample and the survey used have to be restricted to ensure that external auditors who are randomly selected across the USA and are associated with firms of different sizes define significantly shared audit practices. There are various limitations of the proposed research. Among the most significant, the used survey questionnaire is rather expansive, which made necessary the restriction of the sample size. The relatively small sample size affects the capability to extrapolate the results. In addition, the study methodology does not address differences in the impacts on auditors specializing in sectors that were affected differently by the outbreak, but rather focuses on more general, all-encompassing case. Lastly, an analysis of open-ended questions and/or follow-up telephone interviews could provide more comprehensive insight into the issues that participants may not have addressed in the survey responses.

## 2. Literature Review :

The blame game: COVID-19 crisis and financial performance - The case of listed companies at the Indonesia Stock Exchange (IDX) markets.

The COVID-19 pandemic that befell nearly all countries in the world was undoubtedly a big tragedy. Both in terms of health and the economy, the pandemic has brought about a deep crisis. In the context of economic impact, over the last two years, the COVID-19 pandemic has been recorded as a compact factor causing the global economy to slow down drastically. In particular, for the performance of financial companies (individual companies), the prescribed slowdown has been disastrous. The lockdown policy in almost all countries has led to a very limited opportunity for consumption activity which is the source of company revenue. The event was sporadically accompanied by a disruption to the supply chain of raw materials and the marketing of products, limiting the productivity of companies. This chain of events has led to a wave of layoffs of workers and employees, and a reduction of investment in the company sector. The impact of the adherence of these companies to the corporate level is a decline in overall company performance (Khresna Brahmana et al., 2022). In an effort to deal with the declining company performance, the flexibility of the regulator in easing the obligation to publish periodic financial reports is a welcome step for most company managers. From this point of view, according to market participants the flexibility is believed to have been used by managers as a scapegoat in managing companies. Entries referring to the Covid-19 pandemic in the financial report are purportedly 'deliberate' statements to provide conspquential justification for declining company performance. Taking into account the presumption that is theoretical in nature, this study delves deeper into how managers use the Covid-19 pandemic as their rationalization for failure in managing companies. Efforts to test this presumption were carried out under the framework of agency theory and impression management theory. On the whole, the results obtained provide new evidence about COVID-19 pandemic and its effect on the practice of a company's financial reporting manager. At a practical level, this study is a kind of whistle-blower for the market supervisor to always monitor the content of the company financial report, especially in the condition of a crisis like this Covid-19 pandemic

### 2.1. Overview of External Auditing:

This study aims to explore the impact of the COVID-19 pandemic on the performance of external auditors by examining the opinions of a sample of United States external auditors. It is argued that the protective measures adopted by the businesses of external auditors and the government regulations on the COVID-19 pandemic have altered the professional performance of external auditors. Given that the COVID-19 pandemic will be present for a long time and may emerge again due to mutations, the findings of this study can be considered important for the future of the audit profession. This section will first provide a general

comprehension of external auditing. It will then try to explain the impact of the COVID-19 pandemic in general on professional life, stressing that the impact of the pandemic on the external audit profession depends on specific situations. Subsequently, the ways in which the COVID-19 pandemic has changed the professional life of external auditors are revealed with a focus on the safety measures taken at the business premises of the auditors and on the preventive measures applied by the government agencies (G. Sinaga, 2010).

### **2.1.1. The Role of External Auditors**

External auditors conduct business audits as professional services through assurance solutions for marketplace participants, like government regulators or the general public, about the presentation of economical claims. As they attend a significant role in financial markets, they are often cited since a “guardian” about applying the maximization theory, of the business in which a gadget is engaged. This is regarded as a fundamental theory of the establishment concerning a company, or a regiment in the customary market economic model and a libera lie economic system. In The United States, external auditors catch been systemically accorded an accountability for the identification and preclusion on corrupt acts within the device since the development of The U.S. Foreign Monitory Act into 1977 (Di Gabriele & Ojo, 2013). Although external auditors have often given attention as ‘watchmen,’ ‘guardian,’ ‘policemen,’ ‘cop,’ and ‘gatekeeper’ among the mainstream of society external auditors obtain a double engagement as the formation of financial statements or a form about business records by means of lawyer public because 1 the portion about the corporate member. Whereas that have systemically been blamed at economic scandals or recession, including Enron, WCI, and Parmalat since the 1990s, for example, they are also supposed to perform a truthful and honest examination on the corporation or the citizen in line in the company according to a Code over Ethics (COE).

As a discipline skilled in the objectivity after interpretation and analysis on data to support knowledgeable choices, external auditors. Formal or quasi-formal information system by stated principles about assurance among the validity and objectivity of the information into inquiries is what could be denominated a trade. On the 1 hand, it signifies that a study concerning those who cannot be engaged between the charge regarding interpreting rules about even reach knowledge, or within the following of the audit guidance, namely, lenders or stockholders and protectors about the audit client. Yet information besides acknowledged in the data compels the arch-supporters in conformity with an expert’s expertise, that is the external auditor, is a vital detail regarding the annual report because of listed companies (Gee, 2016).

### **2.2. Professional Standards and Ethics in Auditing**

Professional standards and ethics in auditing have been addressed by a number of researchers. There has been some academic work on the difference between perception and expectation among auditors in relation to the priority of quality audit issues when conducting audit engagements. One study found that "auditors have

accurate perceptions themselves, but they believe that their clients do not share the same perceptions". Another researcher conducted survey research and replicated the above research, and the difference between perception and expectation has been found that auditors consider the priority of some audit issues during the fieldwork phase should be convinceable to explain to the ordinary client. This shows that auditors seem to believe in their clients' expectations regarding the audit process (Itsaso Barrainkua Arostegi & Espinosa Pike, 2018). These studies indicate that auditors need to enhance the current and upcoming professional standards because of the demands of clients and shareholders. There has been some analysis in the estimation of the impacts of educational level, professional experience and the size of the audit firm on judgment concerning violation of any rules in the professional standards and code of ethics in auditing when they occur. The development of professionalism and ethical judgment in auditing is influenced by levels of audit experience and personal characteristics such as education and job position. Consequently, the level of a public accountant's ability to detect an ethical violation might be expected to increase with both accrued years of experience as an auditor and acquired educational attainment; a relevant expectation considering the demands of other professionals. In the area of the development of professionalism, it may be noted that statutes governing the licensing of Certified Public Accountants provide the basis for making presumptions about the character, training, and behavior of CPAs. Because CPAs are accorded professional status, it is expected that individual accountants are knowledgeable of, and imbued with, an appreciation of professional concerns, such as allegiance to clients, maintaining at arm's length clients with whom the accounting professional shares stockholdings, or exercising professional judgment to fulfill legal obligations. Given auditors operating in the United States are required to adhere to the same principles, it appears valuable to begin with an analysis of the development of professionalism, ethical compulsory standards, rules of conduct and governance in the accounting profession. This review provides the groundwork for formulating research questions in the analysis of the effects of firm size and legally mandated auditor independence on auditor ethical judgment. Revolving around the primary fiduciary duty to protect the public interest and advance the independence of the profession, statutes governing the licensing of accountants establish ethical obligations and provide the basis for understanding the professional obligations that CPAs must uphold. Assessment of developing professional judgment in public accountants may gain insight and knowledge of the demands facing auditors, and cause deliberation on the role of the auditor in the investigation of disputed ethical matters. On the other hand, it may help educators recognize the necessity of including situations regarding real ethic scenarios during their instruction so as to develop an ethical point of view in the upcoming accounting professional generation. The literature review concerning the development of professional judgment and ethical decision making in accounting begins with a general review of moral and professional judgment development and then examines professional judgment in accounting,

auditor objectivity, ethical decision making and auditing environment. The precedence of legal obligations and the primacy of the public interest are instilled in early regulation of professional conduct regarding accountants. Shadowing in the wake of the Sherman Anti-Trust Act of 1914, Rule 102-Professional Standards revolves around quality and covenants that might be required and thus an impairment of auditor objectivity. Efforts to mitigate the adverse effects of total auditor independence led to a history of relaxed enforcement and the compromising of professional standards.

### 2.3. Previous Studies on Auditor Performance

There is no question that the COVID-19 pandemic has had a profound impact on the professional performance of a wide range of professionals, including auditing professionals. Public accountants were declared to be essential workers, but, as with many professions, the initial change involved shifting from working in an office setting to working from home. All travel was curtailed, as well as onsite visits to locations. So how did this impact auditors' work? It appears that there is no easy way to conceptualize how the COVID-19 pandemic might affect auditors, as explained further on: little attention has been paid to the impact of COVID-19 on professional performance, but more to the public accountancy industry more generally. But it's a reasonable assumption that the changes brought about by the COVID-19 pandemic will have an impact on professional performance. There is a large amount of literature about the performance of auditors – some positive, some negative. Many of these (Khan, 2017) were found as helpful points of reference, many of which pertain to the performance of auditors under normal conditions, of which there are currently nearly seventeen thousand in the United States. There is always the unfortunate tendency to focus disproportionately on “a few really bad apples,” perhaps missing some of the systemic problems in companies, especially large, multinational companies over many years (Khan, 2017). One (Yan & Xie, 2016) found particularly compelling noted that “media commentary has painted an image of external auditors as either complicit in corporate collapses or ineffective in their role to protect the public from such devastating failures” (Yan & Xie, 2016). As a result, the performance of auditors has come under increased scrutiny – as it should be. This (Yan & Xie, 2016) found that one of the key consequences of this failure in expectation management was that external auditors were perceived to have “lost legitimacy”.

### 2.4. Methodology

This section titled 'Methodology' discusses the methodology used in this study. It includes research designs, population and sample of the research, data type and collection process, and data analysis. The occurrence of the COVID-19 pandemic has been creating significant changes and challenges, such as the increasing spread of COVID-19 resulting in social distancing; and the effect of social distancing is that all activities must be restricted,

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including professional accountants, tax consultants, management accountants, auditing activities, consulting bureau tax, and all activities in other financial fields.

A pandemic health emergency moment will lead to changes and challenges in its professional accountant activity, especially going concern issues in the audit process. Going concern issues related to health emergency pandemics that cause many companies to stop operating will affect whether or not to use the basic principle of the continuation of a company as a going concern for the preparation of financial statements. This is an exploratory study intended to get a picture of the impact of the pandemic on the professional performance of professional accountants, especially in the perspective of external auditors in the audit office. So, in the discussion of the pandemic, it is regarded as a silent suspect. As such, the opinions of all people in the discussion (respondent) are confidential matters (Sankar Saha, 2016).

#### **2.4.1. Research Design**

This research investigates the impact of the recent COVID-19 pandemic on the job performance of external auditors in the United States. Moreover, this study examines the views of a sample of external auditors in the United States on the effects of the ongoing pandemic on their job performance and offers suggestions for dealing with these effects. The outbreak of COVID-19 in early 2020 has created a worldwide crisis with unprecedented impacts on various aspects of human life (Khan et al., 2021). The pandemic of COVID-19 in the United States had never happened before, and the country was seriously affected. The governments of different countries introduced aggressive prevention and control measures to try to control the spread of the virus in order to protect the safety of the public health. At the same time, due to the large-scale impact of the COVID-19 pandemic, the United States has done a lot of damage to the world economy. The epidemic has had a significant impact on the life of the United States, including the daily life of people's working life.

In this case, the professional performance of external auditors needs to be analyzed from multiple perspectives. Accordingly, an exploratory study was designed based on a sample of the views of a group of external auditors in the United States about the ongoing COVID-19 epidemic impact on their professional performance. Data were collected for exploratory research by means of a structured questionnaire that was randomly distributed to a small number of external auditors on monthly calls by the researchers. The responses questionnaire was analyzed as frequencies to assess the manifestation of trends and views and to determine that more in-depth research and a large survey group would be required. It finds that the majority of interviewed external auditors believe that the COVID-19 pandemic outbreak has hindered the realization of their annual auditing work. Audit planning and execution queries have become more difficult due to straining laws and policies related to the anti-epidemic impact of the epidemic. 52.7% of the respondents have bowed down to difficulties in examining preparatory and conclusive data.

### 2.4.3. Data Collection Methods

This exploratory research is based on the opinions of a sample of auditors in the form of a voluntary survey. Voluntary written surveys were used to collect data for this study. Several researchers suggest that the ongoing COVID-19 pandemic has brought with it significant changes in the professional world. According to the suggestion, while the pandemic affects the level and depth of audit practices, the auditing process continues at the same speed. It is emphasized that with the remote auditing methods developed, both the auditor is significantly affected and efficiency has significantly increased. According to another suggestion, despite the non-verifiable qualitative characteristics of the audit process, such as auditor self-confidence, communication, professional skepticism, judgmental ability and independence, being done in the same environment, it is said that the quality of understanding of these characteristics is significantly different. A literature relevant to the pandemic is compiled by previously presenting opinions on the subject in the relevant literature (Singh Chauhan et al., 2021).

Opinions (to be tested with a wide range of questions) on the impact of the ongoing COVID-19 pandemic on the performance (extent, effectiveness and efficiency) of professional audit practices have been tried to be collected from the eyes of independent auditors. This has been done with the hope that the content obtained will be the subject of original and lasting works of research. A slightly modified; taken as basis (but supplemented with consulting and significant in-depth questions) previously distributed survey form, covering the quality, extent, effectiveness and efficiency of audit practices, sent to a wide network of professional contacts, including independent external auditors from various audit firms and branches in the US. The special purpose of the questions is not disclosed at the time of the survey so that more honest and objective results are obtained. In addition, various questions, ideas and suggestions about the audit process during the pandemic process are welcome. In this context, a tax consultant, NID, after contacting the relevant audit firms in the US and some consultants in support of the audit firms, the volunteer auditors (CA, CPA) via e-mail contact has collected information in the form of official manuscript and informal verbal conversation in written form, to the extent that it is allowed. However, the scarcity of the sample group still limits the findings. It is believed that as a result, opinions garnered from a large group of informants in the hands of many more auditors, auditors or auditing interested parties will be able to reach the largest and the most mature level guaranteed and they will be enriched.

### 2.4.4. Sampling Technique

In this study, the stratified sampling technique is used to form the sample group of external auditors. In the first step, the sampling frame comprised a list of external auditors' e-mail addresses. Of a total of 665 e-mails, 81 external auditors completed the whole survey after sending the reminders. The list of questions was sent to 665

external auditors in the United States of America. Frequency counts are used to transform open-ended questions so that the answers to these questions can be coded and analyzed. SPSS software is used to determine the demographic analysis. In addition to frequency counts, the average, minimum, and maximum values are calculated for each question, based on the answers of all sample group (Meleshenko & Usanova, 2014). As the primary checklist was in 5-point Likert scale, the frequencies of 1, 2, 3, 4, and 5 values are calculated to see external auditors' overall opinion.

Sampling, an economy of quality, objectivity, work of auditors is essential in establishing or subsequently increasing the confidence in the results obtained from a sample, it said in the relevant International Standard for Review Engagements (Sankar Saha, 2016). In Section 4.0, a selection of a sample group, determination of the sample size, the determination of the relevant questions, the methods of data collection and analysis, validity, and reliability considerations, as well as a limitation section: What the study does not do, are detailed. The implementation, the main results and overall findings of the study, and the implications and requirements for further research, are described in the fifth, sixth, and seventh sections, respectively. This section concludes with a short summary of section headings.

#### **2.4.5. Data Analysis**

The study has adopted a structured approach to examining the data, initially using frequency distributions and descriptive statistical methods, with inferential statistical methods, namely correlation analysis and exploratory factor analysis (EFA) subsequently deployed. The data from nine out of the 20 statements were entered in the exploratory data analysis program at first instance. An exploratory factor analysis using principal component analysis extraction with rotation completed the necessary analysis using Varimax with Kaiser normalization. EFA, descriptive statistics, correlation analyses, and factor analyses were used to answer research questions (Khan et al., 2021). Essentially, an exploratory factor analysis (EFA) examines the underlying structure of a set of variables – in this case the 20 survey items on the recent assessment by external auditors of the impact of the COVID-19 pandemic on their own professional performance.

The exploratory factor analysis (EFA) conducted involved correlation analysis to check for the appropriateness of this analysis, which was subsequently followed by an analysis of the principal components extracted, including obtaining the scree plot of eigenvalues, and a final factor pattern matrix to highlight the factor loading by the items. The data was initially checked for missing values, and 19 cases were recorded as missing when 91 external auditors responded to the 20 survey items. The item was first summed, and descriptive statistics such as mean and standard deviation were calculated. To obtain the 95% confidence interval for the means of the survey items, additional inferential statistical analysis was performed. Since the KMO measure of

sampling adequacy had a value of .82 and the Bartlett's Test of sphericity was statistically significant, the data was appropriate for factor analysis.

## **2.5. Impact of COVID-19 on Auditors' Professional Performance**

The majority of private sector employees work from home as of March 16, 2020, as a measure to cope with the COVID-19 pandemic that emerged. Twelve to fifteen million people living in big cities were requested to stay indoors to the largest extent possible and to work from home, with a great impact on city life. The employees experienced additional responsibilities, such as supervising the education and health care of their children, and thus worked harder than before the pandemic (Khresna Brahmana et al., 2022). Production has decreased significantly and operations in many sectors have stopped, and the pandemic has severely affected companies' income. As a result, many employees in the private sector, such as white-collar workers, developed serious concerns about losing their jobs. Employees have expressed that as a result of the changed workplace conditions; they have had financial difficulties such as difficulty in meeting debts or financing housing returned loans. Due to the closure of unessential workplaces, some employees could not benefit from in-kind food and transportation support. Further restrictions due to the COVID-19 outbreak in Turkey occurred on December 1, 2020, after the first probable cases were seen in the country on March 11, 2020. A curfew was implemented on the weekend of November 21 and 22, starting within the framework of measures taken in line with the International Health Regulations. Economic activities such as education, transportation, sports and recreational activities, important public services, agriculture, service sectors such as food and health, and industries were not interrupted, and unemployment and similar applications were extended until June 2021. As of December 29, order-based work is accepted as the basis, and in the public sector, leave is taken in the form of paid leave due to various circumstances (excluding union activities), and flexibility is given in the general rules of unlicensed leave. Leave on duty shall be granted, notified in person (close relatives of the first and second degree such as spouse, parents, children, siblings) about their condition with a medical report (these leaves shall not be deducted from the annual leave). Upon the presentation of the report, and in the event of an imposed quarantine, full payment shall be made in accordance with the leave order. However, since no practices have been made for the private sector, employees have been unduly required to work under working conditions that do not comply with the COVID-19 rules. In this context, it is aimed to determine whether the COVID-19 workplace employees cannot fulfill their job performance and responsibilities.

## **2.6. Changes in Working Environment**

While the world is facing a global crisis and entering a period of uncertainty, many significance research opportunities are also arising. No recent or past epidemic outbreaks have caused such worldwide effects as

COVID-19 has, affecting many aspects of daily life (Jimenez-Gomez et al., 2021). The fact that people have to stay at home and have no chance to communicate with each other as before also directly affect operation mode of enterprises. However, economy still plays an important role in human's life, therefore many enterprises are trying to carry out business activities through remote operation method.

The auditing profession has changed dramatically, as practices that had been stable and consistent for decades have been upended practically overnight. Because of the current COVID-19 crisis, changes have taken place in the audits that are being performed. For auditors who are currently conducting fieldwork and cannot physically meet clients, the difficulties they experienced have become apparent. Fieldwork cannot be done remotely, and it is difficult for auditors to prepare working papers when they cannot physically substantiate the clients. Although the amount of data transferred over the internet has increased more than ever, auditors still have to exchange "evidence" other than information. The challenges in the post-pandemic period, especially the challenges faced by the auditing profession, should be well researched, and the difficulties and views of the auditors should be better understood. In the auditing profession, the job has already been done mentally before fieldwork is carried out. When the necessary data is provided to the auditors during fieldwork, the auditors can agree on a matter with the data presented and run tests to clarify issues. With the termination of these exchanges in the audit process and the loss of motivation, auditors are unable to complete the work to be done, the order issued, and the determinations made. In this way, work is being done only by the book, and audits are completed without an audit opinion. Currently, although the work is still ongoing, it is said to continue in sections where work can be done. Striving for sustainable behavior in audits given the risks visible after the pandemic can be seen as an acceptable approach. However, it also raises questions about ceasing practices due to audit difficulty.

## **2.7. Challenges Faced by Auditors**

The research is also intended to provide audit firms and other interested stakeholders with an insight into the thoughts and recommendations of a sample of auditors for their examination, observation, and use. In all types of professions and jobs of labor people around the world were affected due to the pandemic crisis. Among these affected professions are the external auditors who are affected by the financial performance of the firms they perform auditing services as the engagement fees are mainly designed in close connection with the performance and also the audits of firms. Auditors have to be both technical and ethical compliances for being independent in mental attitude when conducting an audit and forming an opinion according to the conducted tests on the financial statements and disclosures of the firm. It is well argued that the multidimensional challenges faced by auditors are much probable to have an effect on their professional performance (Khan, 2017). Consequently, the qualitative research was done to get the opinions and thoughts of a small sample of auditors working in the United States of America.

## 2.8. Technological Adaptations

The profession of auditing has become highly knowledge-based. It generally emphasizes the subjectivity of auditors' professional judgment when carrying out their audit activities, which are directed at rendering an opinion regarding an entity's financial position. Since the beginning of 2020, the United States of America (USA) and the rest of the world have grappled with the effects of the Covid-19 pandemic. To minimize the spread of Covid-19, a multitude of precautions have been taken, resulting in significant changes to daily living activities. Nevertheless, the Covid-19 pandemic still continues. Considering the aforementioned situation and raised concerns, the purpose of the present study was to analyze the impact of the Covid-19 pandemic on the professional performance of external auditors in the USA. The target population included Certified Public Accountants (CPAs) who function as external auditors in the USA. A total of 134 valid responses were collected. The results revealed that tele-auditing and the adoption of automated audit technologies have seen significant increases. Respondents generally perceived the Covid-19 pandemic as significantly impacting both their audit services and the audit profession in general. Respondents reported that the pandemic has directly affected auditors' collective work performance. There is greater sensitivity toward the judgments of management by a large portion of auditors and thus more emphasis is placed on professional skepticism. Nevertheless, the audit profession as a whole has yet to adopt guidelines to handle these challenges (Afridi et al., 2023). Throughout human history, numerous diseases and disasters have afflicted people. The Black Plague, otherwise known as "The Black Death", has been the most devastating pandemic in history, resulting in a drastic decrease in the human population in medieval times. However, by the grace of God, advances in medicine and other technologies have been helpful in society's battle against diseases. In 2020, a new type of virus was defined as CoronaVirus Infectious Disease 2019 (Covid-19). The first confirmed case of the virus was reported in Wuhan, China. The outbreak of Covid-19 was officially declared a global pandemic on March 11, 2020. Many of the infected died and substantial negative economic, social, and psychological effects were suffered (Beom Hahm et al., 2022).

## 2.9. Survey Results and Analysis

Introduction Audit activities and quality control areas for the statutory financial audit The Sarbanes-Oxley Act of 2002 in the United States of America made it mandatory for the registration of auditors and the local audit firms associated with the conduction of audits of the public listed companies. Specifically, the Act made it mandatory for the registration of auditors and the local firms with the Public Company Accounting Oversight Board (PCAOB). It also mandates the board to conduct regular inspections of the registered local audit firms. In other OECD countries, the requirement for Independent Audit Quality Assurance Review (IAQAR) was already in

place after the Barlow Report. The Companies Act, 1948, in the United Kingdom was amended to require the Independent Auditors Association of England and Wales.

A study on Policy Recommendation on the Audit and its Related Industry Sector stipulated that audit services should be abolished to provide the quality of financial reporting. In countries where IAQAR provisions are not in place, the oversight of external quality control reviews is still the responsibility of the regulatory body (Sankar Saha, 2016). The Board for Auditors' Ethics has long carried out reviews of audit quality and compensates the audit firm for the costs of preparing for and responding to the review. In light of the PCAOB's proposal for rules related to the new system of inspection of PCAOB-registered public accounting firms and foreign associated private accounting firms related to audits of US-listed issuers, it is of interest to know how IAQAR and other countries oversee audits in the public interest. Short of adopting the master-design manuscript of the PCAOB, what other models are being used in countries with more developed capital markets.

## 2.10. Demographic Profile of Respondents

This section describes the demographic profile of the respondents. It also reports the limitations and conclusions of the study. The data was collected through an online survey questionnaire. The survey was designed to assess the professional competence and professional skepticism behaviors of external auditors by seeking their opinions. The survey questionnaire was uploaded and tested on a professional survey website.

The link was e-mailed to members of the AICPA who work at the managerial level in the U.S. accounting and auditing service industry. The e-mail message invited members to participate in the research survey, explaining the purpose of the research and the importance of their participation. A total of 225 survey responses were collected through the professional survey website. Among the 225 survey responses, 50 responses were rejected as these responses were collected from individuals who were either not external auditors or practicing external auditors outside of the U.S. territory. The remaining 175 survey responses qualified to analyze. The structure of the online survey questionnaire consisted of three main sections. The first section included demographic questions regarding survey participants' gender, age, education, experience (years), industry experience level (position expertise), and the type of or the nature of the major companies audited by the auditors. The second section asked a series of fixed response questions to collect information on the opinions of auditors about audit competence and skepticism during auditing in accordance with the Analytical Procedures and KAPs. (L. Brown et al., 2016).

Once the survey responses were collected, all responses were downloaded to an Excel file to capture, explore, and analyze the raw responses of the survey questions. Prior to survey question analysis, the raw data was transposed to a new Excel data collection file to facilitate data sorting and analysis. All the necessary data cleaning, data filtering, and data analyses were conducted by using Excel software. Ethical considerations were

made during the survey submission process. All the survey participants were assured, through the e-mailed pre-notice of the survey, of the voluntary and confidential nature of their participation. The survey respondents.

### **3. Result and Discussion**

#### **3.1. Interpretation of Results**

The objective of this concluding survey-based research is to analyze the impact of the COVID-19 pandemic on the professional performance of external auditors. It is addressed in multiple research questions, including the difficulties faced by external auditors when conducting their duties in auditing during the pandemic; the coping strategies of the external auditors in dealing with the difficulties in question; the technological possibilities that have been of the external auditors' use in auditing during the pandemic; and the concerns of the external auditors about the outcomes of their work in auditing activities undertaken during the pandemic. Two of these research questions are dealt with in the following section. The other two questions are addressed by the facts stated in the face of the outcomes of the study. Also, the limitations of the research and the proposed agenda for future research are given. The comments section will discuss the ways in which the loyalty risks of auditors affiliated with audit clients receiving government support in bad times caused by the COVID-19 pandemic are taken under control. It is found, based upon the results of a cross-sectional survey attended by 68 external auditors of 20 audits firms operating in the United States of America, that the professional performance of the external auditors has been more negatively impacted during the COVID-19 pandemic period than in the pre-pandemic period (Khresna Brahmana et al., 2022).

#### **3.2. Comparison with Previous Studies**

The recent COVID-19 outbreak has far-reaching consequences for both industry and profession worldwide. Actions concerning COVID-19 hit companies extremely badly and may deeply impact the reliability of financial data and reports. This episode leads to concern about the potential changes in the role of external auditors (EAs) and, as a consequence, to a subsequent decrease in the trust placed on them by the broader public. That is especially relevant for EAs opinions issued for the current funds gathering activities, i.e. the financial statements for the epidemic year. Even though EAs are working from a distance as much as possible, their inspection procedures become complicated by the fact that many companies have employees working at home.

Concerning audits on financial data later than 2019, given the materiality involved and the delay of the current year's financial statements, many counseling firms would expect that the time for most inspections, especially for public companies, will need to be shortened. Some country's supervisory entities have also been taking an approach for counseling firms about their inspection expectation on financial data for the years 2020-2022, i.e. the data that will be looked at in detail during inspections occurring from 2019. In essence, this shall affect the preparation for inspections and can put increasing tension on EAs. The potential effect of the actions

on auditing quality also depends on broader discussions and how EAs will deal with those discussions. Some dispute whether the overall approach is to focus on the long-term growth and build confidence so COVID-19 becomes more manageable. Others are more critical and focus on transparency and revelation of their assumptions. Another concern is whether there are problems concerning auditing of extremely uncertain and complicated disciplines or the sufficient of prejudiced disclosures. The volume of these issues has been increasing through Spring and it remains to be seen how these disagreements are represented in auditing examination findings. Previous studies have indicated that auditing is an indispensable business mechanism for the competent protection of the market legitimation system (Itsaso Barrainkua Arostegi & Espinosa Pike, 2018).

### 3.3. Implications for Practice

Understanding the responses of professionals or communities to an external shock such as a crises, natural disasters or pandemics, can further enhance their development in various aspects. Based on the empirical findings of the study, several suggestions and recommendations can be drawn for auditors and regulators in practice. Firstly, as the COVID-19 outbreak affects and continues to affect the United States of America, auditors may evaluate how to re-design audit procedures and deepen involvement in future services to improve audit efficiency. It should be noted that the effectiveness of audit procedures and services is crucial to ensuring that audit reports accurately demonstrate the genuine financial conditions of the enterprise being audited (Khresna Brahmana et al., 2022).

Secondly, understanding that the occurrence of COVID-19 will have various impacts on the business environment. Future research and practical audits focusing on auditing and providing law-compliance assurances can be performed more targetedly. At the same time, accounting and regulatory authorities may consider providing better guidance and support for audits. Thirdly, the findings of the study suggest the relevance and importance of moral sensitivity to the choices and evaluations made by auditors. It is suggested that auditors strengthen their moral sensitivity and seek more informal consultations, etc., when they are confused about audit issues, thus enhancing the quality of audit decisions. Additionally, involving moral sensitivity factors in the auditor's risk assessment compliance with audit standards and application of evaluation parameters should be a secondary boost to audit procedures (L. Brown et al., 2016).

### 4. Conclusion

To the best of our knowledge, the COVID-19 pandemic is unprecedented historically as far as its sweeping effects on the economy and the very way that work must be done. The financial numbers and the not-from-home practices that support them are both likely to have shifted dramatically over a matter of a few weeks. The purpose of this paper is, within the framework of the related literature, to provide awareness and insights on the

audit work process that can potentially provide the expected support for strengthening the professional performance of the external auditors in their engagements. If the global scale of the COVID-19 pandemic were not pronounced enough, there are speculative economists who are positing another Great Depression is a very real possibility. Comparisons are being made to forging a program for a “wartime” or “zero hour” post-nuclear-armageddon world. In terms of professional services, the big four accounting companies of the United States of America are continuously following and updating their “What (external) auditors should know” statement and their guidance for the audits to do on clients directly impacted by the significant economic conditions caused by the pandemic (L. Brown et al., 2016).

It is highly recommended that external auditors as an occupation not only attentively follow these guidelines and eventually the national, state or firm specific iterations thereof, but also be more proactive in the process of raising concerns with the initiative when terms to approach the audits mandated to be signed off on are not just difficult, but impossible for there to be reasonable assurance under the adapter framework adopted by the PCAOB.

#### **4.1. Summary of Key Findings**

Over the past five years, the United States of America, like many other countries around the world, has transitioned rapidly from outward appearances of political and social stability to a divided reality characterized by a sharp rise in political tensions, social unrest, and violence. The public accounting profession, particularly the practice of auditing, is being challenged by increasing uncertainties caused by the COVID-19 pandemic and the changing political and social landscape in the United States of America. Fueled by the rapidly changing societal and political environment, professional auditors are under increasing scrutiny of their own profession. Particular concerns have been raised about the three audit Big Four accounting firms, which are accused of auditing client companies in a detrimental way to society. However, there is a lack of research pertaining to what auditors themselves think and experience about job performance, current uncertainties and new requirements imposed by COVID-19, and whether the profession generally is seen as capable to fulfill its societal role and responsibilities. Drawing on a unique and nationwide data set of practicing auditors, this study intends to explore the opinions of practicing auditors about their professional performance, changing environment, social image, and responsibility. Exploratory Factor Analysis is carried out using the principal component analysis and rotated with Varimax with Kaiser normalization after conducting correlation analysis. The results of the Exploratory Factor Analysis show that the three extracted major principal components can explain 68.3% of the total variance in the items. The Kaiser-Meyer-Olkin measure of sampling adequacy is 0.83 and Bartlett’s test of sphericity is statistically significant at the .000 level.

## 4.2. Recommendations for Auditors and Firms

It is recommended that external auditors consider learning due to the COVID-19 situation in order to increase their effectiveness when conducting audits during crisis situations such as this. Senior preparers and auditors may use the findings to interpret better audit opinions and review the consultation for the identification of audit regions comparable to COVID-19. The findings of this study also represent an eye opener for international standard setters and regulating bodies to adjust and update applicable accounting and auditing criteria to increase the competitiveness of the auditing profession amid the crisis by supplying an evaluation of how the pandemic influenced the audit process. Besides routine audit practices, some warnings have been presented regarding consideration during the audit concerning the pandemic, such as audit opinion formulations including unarguably makes noise, consultation of audit evidence obtained via video conferencing, and the coverage of Going Concern Evaluation. With the help of the recommendations, external auditors may better understand the COVID-19 crisis results on the financial situation of firms audited and thus are able to be extra careful with the related audit regions. Furthermore, the study must guide auditors to better analyze and classify the information they receive during audits concerning the pandemic of COVID-19 (Khan, 2017). The professional performance of external auditors may be influenced in various forms by the COVID-19 outbreak. It is estimated that the advice provided by various audit consultants would be highly acknowledged by firms and auditors to better enable them to react and plan for the pandemic in terms of audit practice. It is recommended that partners of the audit firm consider the discussions as a reminder regarding the importance of adequately responding to the dangers of market acceptance, guaranteeing that proper research and due diligence are conducted regarding the engagement, incorporating considerations regarding the ongoing impact of the COVID-19 pandemic. Participate in complete audit consultations, particularly for customers in risky sectors or with complex fiscal circumstances, and maintain open lines of communication between team members during the audit regarding audit alternatives and any troubles or outstanding accounting difficulties.

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