

The Role of Motivation to Mediate the Effect of Work from Home on Audit Quality at Public Accountant Firm in Bali Province

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Abstract—The quality of the audit is a basic construction of the audit to be performed by the auditor during the conduct of the engagement. During the COVID-19 pandemic, auditing tasks become more risky, due to restrictions on the scope of the audit, as a result of the implementation of social distancing, so auditors have to work from home. Partners must be able to always motivate their auditors, so that audit quality is maintained. The objective of this study is to prove and analyze the effect of work from home on audit quality, the motivation of auditors as a mediating variable. The study was conducted on auditors working in 16 Public Accountant Firm (KAP) in Bali Province, with a total sample of 86 auditors. Collecting data using a research instrument in the form of a questionnaire, and analysis using SEM based on variance, with the Partial Least Square (PLS) approach. The results of the analysis show that there is a significant positive effect between work from home and audit quality, and the motivation of the auditor to be able to mediate the effect of work from home on audit quality.

Keywords—work from home; motivation; audit quality

I. INTRODUCTION

The COVID-19 pandemic has caused uncertainty and global economic damage in every region of the world [1]. Several actions were taken by governments in each country to contain the spread of COVID-19, such as quarantine, closing non-essential services, social distancing, and travel bans, have created significant disruptions in business around the world, such as financial instability, and threatened the survival of most organizations [2].

The implementation of social distancing has resulted in reduced activities outside the home to work from home, has an impact on increasing business risk, causing the potential for material misstatement in

financial statements [3]. Estimates brought from the previous period for each issuance of financial statements need to be reviewed in connection with the risks and developments of COVID-19, so that financial statements must be audited [4]. In the context of auditing, auditors tend to be faced with complex auditing and accounting problems, due to the limited scope of the audit [5], but on the other hand, audit quality must be maintained so that it cannot be compromised with the challenges of the COVID-19 pandemic [6].

Working from home tends to increase the flexibility of working arrangements and improve work-life balance [6], the efficiency of working time [7]. However, it causes some disadvantages, such as disruption of organizational visibility due to decontextualization of work activities [8], hurts work-life balance [9], causing several side effects for remote workers, namely difficulty in managing work-life interactions effectively between work-life balance which is perceived under pressure [10].

An important area of audit quality is the issue of working from home due to the COVID-19 pandemic, such as: limiting the scope of the audit, making it difficult for auditors to conduct direct inspections, so they must collect more information about the company's going concern, to maintain their audit quality [11], affect audit fees, audit human resources, audit procedures, audit personnel salaries, and audit effort, which have a negative impact on audit quality [2].

The results of the study suggest, during the COVID-19 pandemic, audit service companies need to improve to improve their audit quality by conducting audit exercises and compliance with audit standards [12]. Auditors are also expected to remain motivated to maintain the quality of the audit, and to anticipate

material misstatements, due to potential errors. During this COVID-19 period, partners must motivate their auditors to maintain audit quality by always being skeptical, even though they are working from home. The COVID-19 pandemic has caused many offices to consider making work modes more flexible to motivate people to work well [13]. The results of previous research carried out by [14], show that auditor's motivation has a positive effect on audit quality.

This study is a replication of previous research, which aims to examine the effect of work from home on audit quality by auditors working in public accountant firms (KAP) in Bali Province and the role of auditors' motivation to mediate the relationship between these two variables.

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 *The Effect of Work From Home on Audit Quality*

Audit quality is an audit that provides greater assurance, requires more auditor work, does not cause audit failure or litigation risk to the auditor, and can detect material misstatements [15]. The COVID-19 pandemic has created a global financial and health crisis, making it a significant challenge to auditors. The impacts caused by the pandemic, such as a decrease in audit fees, challenges in completing client going concern assessments, low levels of reliability and adequacy of audit evidence, the possibility of losing personnel due to illness or quarantine, and a reduction in audit personnel salaries, which in turn, affects the quality of the process audits. Social restrictions, implementation of work from home strategies, network security, and database data will also affect the flexibility of communication between auditors and clients, so the COVID-19 pandemic has a negative effect on audit quality [2]. However, the challenges of the COVID-19 pandemic should not be compromised with a commitment to comply with auditing standards, and quality. While the COVID-19 pandemic has led to restrictions for auditors, the quality of audit remains very important, so working from home can positively impact the quality of the audit [12]. The hypothesis proposed in this study:

H1. Work from home has a significant negative effect on the quality of the audit.

2.2 *The Effect of Work From Home on Auditor Motivation*

The COVID-19 pandemic is a big challenge for auditors, due to social restrictions. They are therefore working from home. The flexibility of communication between auditors and clients is reduced, the level of reliability and adequacy of evidence is low, and it is difficult to assess the going concern of clients. The possibility of network disturbances and the database is

not secure, so working from home will negatively impact on the quality of the audit [2]. The COVID-19 pandemic has forced many offices to consider working more flexibly to motivate people to work in the best possible way [13]. Although working from home due to the COVID-19 pandemic, due to the commitment to maintain audit quality and standards, because audit quality is non-negotiable with the challenges of the COVID-19 pandemic, this will motivate auditors to maintain audit quality [12]. Motivation can encourage auditors to undertake quality audits. The research hypothesis turns into:

H2. Work from home has a significant positive effect on auditor motivation.

2.3 *The Effect of Auditor Motivation on Audit Quality*

Motivation in auditing is the extent to which auditors have the drive to conduct quality audits [13]. Auditors need the motivation to carry out their duties well, facing challenges in this COVID-19 pandemic situation. Motivation is the encouragement possessed by the auditor, which supports performance to achieve goals. The COVID-19 pandemic has changed work attitudes and motivation, revealing the advantages and disadvantages of working in a remote office. Many offices should consider making work modes more flexible to motivate people in the best way [13]. Auditors in carrying out their duties will certainly try to meet standards, which then increase their accountability so that auditor motivation has a positive effect on audit quality [16]. Commitment to quality and compliance with audit standards during the COVID-19 pandemic can motivate auditors to maintain audit quality, even though there are restrictions on auditors, due to the COVID-19 pandemic. [12]. The research hypothesis becomes:

H3. Auditor motivation has a significant positive effect on audit quality.

2.4 *Mediating Auditor Motivation on The Effect of Work From Home on Audit Quality*

Working from home is more flexible in work arrangements to improve work-life balance [6] and time efficiency during work [7], to keep operations rolling, and keep employees safe [17]. However, working from home makes it difficult for auditors to conduct direct inspections, communication becomes inflexible, causing auditors to have to collect more information about going concern clients' businesses, making it difficult to maintain their audit quality [11], [2]. Job motivation theory emphasizes the needs of individuals, their goals and expectations, or the personal results they find in rewards [18]. Motivation can generate, direct and sustain behavior, so it's very important to understand the motivation for managers. Performance is a function of motivation and

capability, if any of them is lacking then performance will not occur. The motivation in auditing is the extent to which the auditor has the drive to conduct a quality audit [13]. In this era of COVID-19, partners must always motivate their auditors to improve the quality of their audits to keep them skeptical. High performance can occur due to motivation [19]. The auditor's motivation is to effectively monitor the possibility of audit fraud and the issuance of audit opinions, to improve the quality of the audit [20]. The auditor in carrying out his duties, of course, will try to meet the standards which then increase his accountability, so that the auditor's motivation will have a positive effect on audit quality [14]. The research hypothesis is as follows:

H4. Auditor motivation can mediate the effect of work from home on audit quality

III. RESEARCH METHODS

3.1 Population and Sample Selection

Convenience sampling is used in sample selection, the reason that not all auditors are willing to be sampled is that they are occupied with their tasks. Furthermore, because of the COVID-19 pandemic, most auditors are working from home. There were two KAPs that stopped operating, and one KAP was not willing to accept the questionnaire, because its auditors were on duty outside the city. So, there are 13 KAPs studied. The number of questionnaires distributed was 114 copies, and the number of questionnaires returned was 86 copies with a response rate of 75.44%.

3.2 Data Collection, Measuring and Analysis Techniques

Data were collected using a questionnaire provided to the respondents. The questionnaire consists of two parts, namely: part I, which is data related to the auditor's profile, and part II, related to personal conditions, which is the auditor's response to questions related to the variables studied, such as work from home (WFH) consists of seven questions, auditor motivation (M) is five questions, and 20 questions for the audit quality variable (KA). The data were measured on a Likert scale, ranging from a scale of 1 (strongly disagree) to a scale of 5 (strongly agree).

The data analysis technique employed the variance-based SEM method, with Partial Least Square (PLS) approach, with a significance level of 0.05. The mediation variable was analyzed using the path-checking technique, according to the following conditions:

- If the path (c) the effect of work from home (WFH) on the mediating variable of auditor

motivation (M) is significant, path (d) the effect of the mediating variable of auditor motivation (M) on the audit quality variable (KA) is significant and path (a) the effect of work from home (WFH) on audit quality (KA) in the model involving the mediating motivation variable (M) is not significant, then the motivation (M) is a perfect/full mediation variable

- If the path (c), (d) is significant and path (a) is also significant, the path coefficient (a) is smaller (down) than path (b), then motivation (M) is a partial mediating variable. Path (b) is the effect of the work from home (WFH) variable on the audit quality variable (KA) in the model without involving the auditor's motivation variable (M),
- If the path (c), (d), and (a) are significant, where the coefficient of path (a) is almost the same as path (b), then the motivation variable (M) is not a mediating variable.
- If the path of (c) or (d) is not significant, then the motivation variable (M) is not a mediation variable.

IV. RESULT AND DISCUSSION

4.1 Test Research Instruments and Models

Test the validity and reliability of the instrument were carried out on 30 respondents. The results of the instrument validity test using SPSS on 32 question items in the questionnaire, show the Pearson correlation coefficient, greater than 0.30 with a significance value of each questionnaire less than 0.05, so all items in the questionnaire are valid. The coefficient of Cronbach alpha, for the variables of work from home (WFH), auditor motivation (M), and audit quality (KA), has a value greater than 0.70, thus the questionnaire is reliable.

The loading factor for each indicator based on the output of Smart PLS is greater than 0.7, which means that the indicators used in this study have reached convergent validity. The value of Average Variance Extracted (AVE) for WFH (0.625), M (0.738), and KA (0.633) constructs is greater than 0.5, then all constructs are valid or have convergent validity. The value of cross-loading indicators in the variables WFH, M and KA, is greater than 0.70, in addition, the correlation coefficient of the latent variable with itself is higher than the correlation coefficient between itself, and other latent variables, then all indicators are valid or meet the validity discriminant.

The composite reliability values of WFH (0.972), M (0.934) and KA (0.921), and the Cronbach alpha

value of WFH (0.969), M (0.911), and KA (0.899), were greater than 0.7, so the reliability for all constructions is high and reliable. The R squared value of the M variable is 0.510 and the WFH variable is 0.377, so the model on the influence of the M and WFH variables on the KA variable mediated by the M variable is quite strong. The predictive-relevant value can be obtained by the formula: $Q^2 = 1 - (1 - R^2) (1 - R^2) \dots (1 - R_p^2)$ is 0.3653 greater than 0, meaning the model has predictive relevance. It can also be interpreted, only 36.53% of the variation in the audit quality variable (KA) can be explained by the variables used in the model, while 63.47% is explained by other factors.

4.2 Hypothesis Testing and Discussion

The research hypotheses were tested through a bootstrap procedure. The results of the analysis are shown in Figure 1 and Table 1.

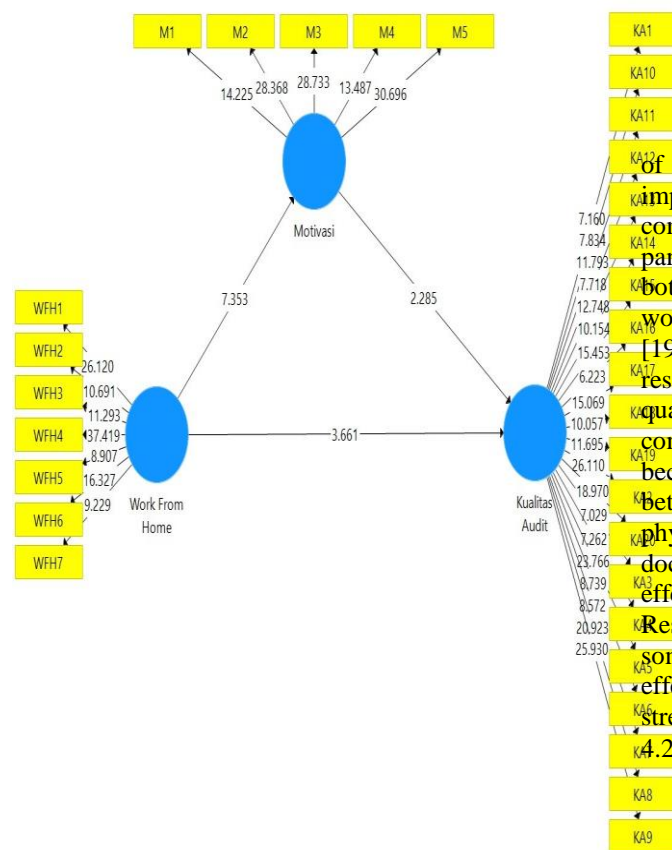


Fig. 1. Bootstrapping analysis result.

TABLE I. PATH COEFFICIENT, TOTAL AND INDIRECT EFFECT

| Effect | Original Sample | T Statistic | P Values | Path | Significance |
|----------|-----------------|-------------|----------|------|------------------|
| M → KA | 0.300 | 2.285 | 0.023 | | Sig ^a |
| WFH → KA | 0.490 | 3.661 | 0.000 | (a) | Sig |

| Effect | Original Sample | T Statistic | P Values | Path | Significance |
|--------------|-----------------|-------------|----------|------|--------------|
| WFH → M | 0.614 | 7.353 | 0.000 | (c) | Sig |
| WFH → M → KA | 0.184 | 2.010 | 0.045 | (d) | Sig |

^a. Sig = significance

4.2.1 The Effect of Work From Home on Audit Quality :

The results of the study according to Figure 1 and Table 1, show work from home (WFH) has a significant positive effect on audit quality (KA), thus H1 is rejected. The results of this study also show that even though they work from home due to the COVID-19 pandemic, auditors can maintain the quality of their audits. Auditors feel that with WFH, work time becomes more efficient because there is no need to go to the office. Creativity increases, the work environment becomes more flexible. The results of the study, on the other hand, show that WFH causes stress disorders, due to the COVID-19 pandemic, however, with WFH, auditors feel the benefits of being able to maintain health and work balance, to maintain the quality of their audits.

The results of this study are in line with the results of research by [12], that audit quality is very important because audit quality should not be compromised with the challenges of the COVID-19 pandemic, work time efficiency [7], cost efficiency, both for transportation and office space rental [13], work can be completed remotely by all employees [19]. The results of this study contradict the results of research by [2], [21], and [22], WFH can reduce audit quality due to social distancing, causing communication between auditors with clients to become less flexible, making it difficult to interact between the auditor team and clients in terms of physical inspection and inventory observation, document authenticity checks because it is more effective to check in person than online by email. Research by [10] and [9], with results that WFH has some side effects, on the ability of remote workers, to effectively manage their work-life balance due to self-stress.

4.2.2 The effect of work from home on auditor motivation:

Hypothesis H2 is accepted because there is a significant positive effect between work from home and auditor motivation. The results show that auditors remain motivated to perform well, even though during this pandemic, the audit task is a high-risk one. Audit work is done from home, so the time is shorter and more productive, besides that, they also work with a good and compact engagement team. The results of this study are in line with the

results of research by [13], that due to the COVID-19 pandemic, many offices are considering and creating more flexible work models, to motivate people to work better, and there is a significant relationship between the effect of motivational policies used by organizations on work motivation. The study by [12], also shows despite the restrictions on auditors, due to the COVID-19 pandemic, however, due to commitment to quality, and compliance with audit standards, motivates auditors to maintain the quality of their audits.

4.2.3 *The Effect of Motivation on Audit Quality:* Hypothesis H3 is accepted because auditor motivation has a significant positive effect on audit quality. Auditors need the motivation to carry out their duties well, facing challenges in the COVID-19 pandemic situation. The results of this study, following the results of research conducted by [16], auditors in carrying out their duties try to meet standards which then increase their accountability, so that auditor motivation has a positive effect on audit quality. [12] also stated that the motivation of auditors to maintain audit quality, despite the COVID-19 pandemic, was due to a commitment to the importance of audit quality and standards.

4.2.4 *Auditor motivation as a mediator of the effect of work from home on audit quality:* Hypothesis H4 is accepted, which states that auditor motivation can mediate the effect of work from home on audit quality. Based on the results of the analysis in Table 1, shows that the motivation variable is only able to partially mediate the effect of work from home on audit quality. The results of this study indicate that even though they work from home, auditors who work at KAP in Bali Province, are still committed to maintaining the quality of their audits, motivated because they have the support of a good and compact engagement team. Working from home due to the COVID-19 pandemic motivates auditors to work more efficiently and productively, because the audit tasks they face are high risk, as a result of the possible risk of material misstatement in financial statements caused by increased business risks [3].

V. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusions

Work from home has a significant positive effect on audit quality at KAP in Bali Province, because by working from home, work time becomes more efficient, where the auditor does not need time to go to the office, the work environment becomes more flexible, increases creativity and can maintain health and work balance.

Auditors in carrying out their audit tasks during the COVID-19 pandemic are facing serious challenges because working from home results in restrictions on audit procedures that must be carried out to collect and evaluate evidence. However, working from home causes audit work to be shorter and more productive, coupled with the support from a good and compact engagement team, working from home has a significant positive effect on auditor motivation.

Motivation is due to a commitment to the importance of audit quality and compliance with audit standards, even though working from home, motivation can mediate the effect of work from home on audit quality at KAP in Bali Province.

5.2 Suggestions

During the Covid-19 pandemic, auditors face very tough challenges, due to high audit risk caused by increased business risk. Partners are expected to motivate auditors to always be committed to maintaining the quality of their audits. Working from home causes indirect interaction between auditors and clients. Auditors should apply more analytical testing procedures to quickly detect of the fairness of the client's financial statements, so that the audit is consistent with objectives, and more effective.

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