

# Core Concepts of a Model of Audit Firm Culture (AFC) in Pandemic Situation

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## Abstract

The purpose of research aim to know core concepts about the audit firm culture model (AFC) in a pandemic situation and impact to the financial statements in the organization. The qualitative methods uses with a literature review from various sources. Results shows in the current pandemic situation, forcing auditors to conduct a remote audit process that affects the completeness and reliability of audit evidence. Therefore, both the client company and the audit firm are recommended to have a deeper understanding of the use of carried out.

**Keywords:** firm Audit culture, audit quality, pandemic situation.

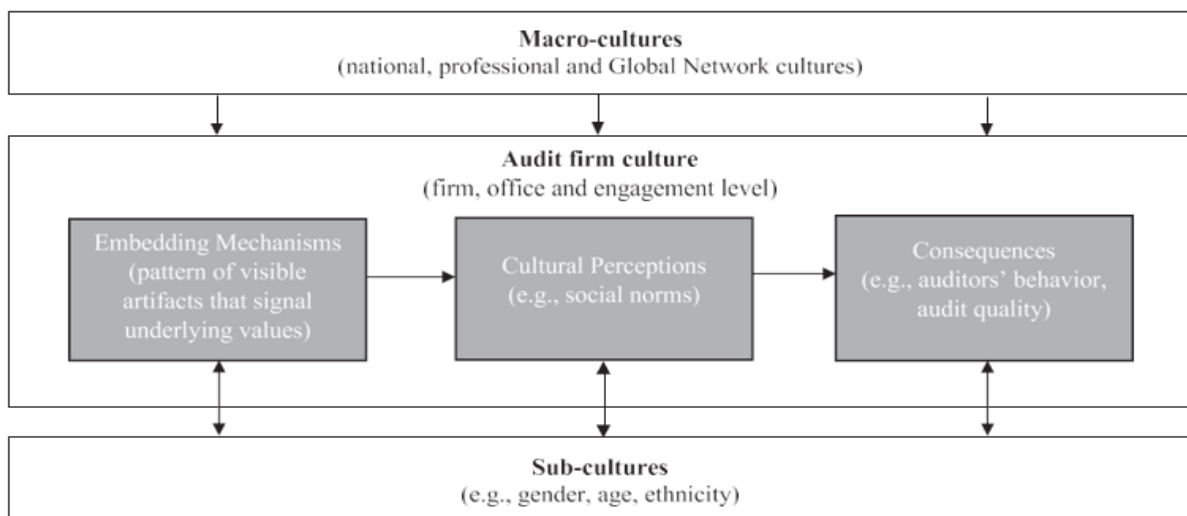
## 1. Introduction

The outbreak of COVID-19, caused an international crisis that affected several aspects of the world economy (Albitar et al., 2021). Due to the large role that the auditing profession plays, it must taking place is one of the important components of the work environment, Internal audit can play an important role in COVID-19 (Hazaea et al., 2022). The second dimension is when an unexpected crisis occurs, such as the spread of COVID-19. In this case, the internal audit service, through the reassessment of the strategic audit plan, becomes mitigated which are roles and tasks that can affect the independence of internal audit, such as assisting in some necessary and unconventional work, as well (Warae et al., 2021).

Organizational culture as a system of exchange of values and beliefs that are applied in interacting between individuals, structures and systems to produce norms adopted by the company. Organizational culture in three categories, bureaucratic (structured, tiered and regulated), innovative (results-oriented, risk-taking) and supportive (orientation on trust and kinship). an audit team is the basic operating unit of the audit work. Staff who are members of the audit team are responsible for the work assigned by their team supervisor and work together to coordinate the work assigned. The ability of individual staff to convey accurate information to colleagues who are members of the team is very important to create smooth communication and to produce quality audit opinions. Smooth communication between auditors in the audit team is also influenced by organizational culture which is one of the determining factors in encouraging the effectiveness of the communication process in order to combine various information into a final product, namely a quality audit opinion.

Analytical procedures are part of the audit stage that needs to be the focus of attention during this pandemic (Alleyne et al., 2013). In the audit planning process, analytical procedures include going to the field, providing audit conclusions, evaluation and reporting stages (Holm & Zaman, 2012). During the pandemic, many companies experienced financial difficulties, went bankrupt and manipulated profits. Therefore, auditors must be able to identify them with audit procedures, namely analytical procedures because these procedures can be practiced at low costs and easy to calculate. (Elshandidy et al., 2021). Analytical audit procedures are inexpensive to practice and provide relevant evidence that supports the auditor's conclusions. (Le et al., 2022). This procedure usually performs a diagnostic process on each financial statement account balance during the audit process (Sian et al., 2020).

The audit firm culture (AFC) uses an approach that theoretically based, to inform company audits, regulators, and scholars (Alberti et al., 2022). Strengthening audit firm culture (AFC) is the focus of attention. Regulators will develop and create several standards (IAASB, 2014) that support companies to develop, promote and instill an appropriate culture to support high-quality audits and public oversight bodies focus on audit firm culture (AFC) on further processes audit firm culture (AFC) is an interesting study in the academic environment. Several research literature studies on corporate culture auditing (Jenkins et al., 2008). Auditor judgments and decisions that determine audit quality, and identify opportunities for further research (Aschauer, 2018)..



**Figure 1: Model Culture in Audit (Alberti et al., 2022)**

Therefore, the development of digital technology that affects audit techniques. In addition, the impact of the COVID-19 pandemic has accelerated the implementation of the use of technology in audits, especially in the aspects of evidence collection procedures and audit reports (Warae et al., 2021). Systematic involvement of the client in the normal operation of the business organization. It is necessary to re-evaluate the methods and techniques in carrying out the usual audit work. The increasing pressure to complete audit tasks and assessments that are very sensitive to going concern aspects can use the latest technology tools (Albitar et al., 2021).

## 2. Literature Review

The type of culture can vary not only from one department to another but also within the hierarchical level. The hierarchical level of the Public Accounting Firm consists of partners, managers and supervisors, and senior and junior accountants. Each individual occupying the hierarchical level is expected to have the appropriate character. Albitar et al (2021) states that bureaucratic culture will dominate at the level of senior/junior accountants and managers/supervisors compared to partner level because they are faced with audit assignments that follow the rules. standardized and systematic, and under supervision to avoid unnecessary errors.

## 3. Research Methods

This research method uses qualitative methods. The sources of this research use indexed journals that have been published, proceedings, magazine working papers and online and offline news, then reviewed and recalled to be used as the basis for events or cases to be studied by the authors. Another source, the authors obtain the results of the analysis that has been applied to the audit firm. The data analysis technique uses a literature review by collecting data in the form of documentation or using a literature review. The researcher obtained the problems that were drawn as the basis for the analysis to answer the research formulation.

## 4. Results and Discussion

### Organizational Culture in Audit Firm

#### 4.1. Professionalism/Commercialism on Audit Firm

The implications of this research emphasize the balance that leads to commercialism. The culture of commercialism is noted and encouraged by a marketing perspective strengthened through a system of incentives, and budgetary controls. Overall, the results of this study note that corporate leadership is often profit-oriented/economic capital. A consistent co-existence perspective (Sian et al., 2020) which argues that cooperation between audit firms and clients is necessary; namely a successful audit conducted jointly by the auditor and the client. However, one should note the risks associated with responsibility when collaboration crosses the line into the client's routine. Several studies conclude that auditors experience high pressure imposed by auditors.

#### 4.2. Ethical Culture in Audit Firms

This study confirms that strong leadership encourages perceptions of ethical culture. The evidenced by factors such as the leaders' own ethics, their previous reactions to ethical issues, and their expectations of conforming to strict policies and procedures. Another study investigated the involvement of leaders, showing that the ethical perception of subordinates. Find for example that the company's efforts to reduce reporting less underrated time for client very desirable; detect interactive effects among the studied EMs. For example, (Espinosa-Pike & Barrainkua, 2016) found that greater partner support resulted in more skepticism of management's forecast assumptions, but only when team cohesiveness was strengthened. The findings imply a synergistic interaction, but DM may also be contradictory; for example when an auditor experiences a strong mentor but has weak ethical leadership, (Jenkins et al., 2008)

focus on formal ethics training, as expressed, (Gimbar et al., 2018) coaching is the process by which organizational ethics are transformed (Pelzer, 2021) found that a mentoring style that emphasized career development was more effective.

#### 4.3. The Audit Firm of Learning Culture

Leadership in support to develop lead to learning (Hope et al., 2008), incentive structures (Olmedo & Martínez, 2014). In addition, the study found that this perception of learning culture affects aspects of audit quality such as the auditor's willingness to talk about audit issues or openly discuss errors in auditing. Process audits, how audit staff develop and learn from audit reviews and feedback, and how auditors consult with experts and specialists. (Holm & Zaman, 2012). The engagement is environment major learning, implies that companies should focus on how to improve coaching and review. Similarly, technology plays an important role for auditors in completing tasks and fostering the trust and teamwork needed to make consultations with specialists effective, and to share knowledge (both within and across the office) (Manita et al., 2020) which identification as one of the cultures focused on audit quality in pandemic situations.

### 5. Conclusion

1. Based on the audit firm culture (AFC) model developed combines EMs, perceived culture and consequences.
2. The audit firm culture model (AFC) includes a study of company Big 4, and compare Big 4 with company the smaller one.

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