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COVID-19 Pandemic: Audit Delay and Reporting in Indonesian

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Abstract: *Audit reporting during the COVID-19 pandemic was inseparable from the length or the shortness of the audit delay. In Indonesia and several countries, the deadline for submitting audit reports has also become a separate issue through an agreement to change the audit plan with clients that impact the impact of the extension of audit report submission on the credit agreement and business continuity. This research is only limited to reviewing the audit delay time due to the impact of COVID-19 based on several countries' regulations and finding the best solution to reduce delays at the end of the next year. This study is a non-causality that aims to compare several situations so that knowing the different situations can predict the factors that cause differences. Data analysis verified important activity as several audit phenomena were mentioned during the scriptwriting COVID-19 Pandemic. The audit delay is based on these results from the Security Exchange Commission (SEC) and another regulatory policy for an average of 2 (two) months in several countries for the company reporting year in 2019. The importance of using computer-based audit techniques is expected to solve or shorten the audit delay and reporting especially in Indonesia.*

Keywords: *COVID-19, Audit Delay.*

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I. INTRODUCTION

Since 2019, an outbreak of pneumonia cases of unknown etiology in Wuhan's city, Hubei Province - China. The WHO report states that in 9720 confirmed cases, 1,5238 suspected, 1,527 severe, and 213 deaths, where WHO is taking strategic steps to tackle the transmission of the COVID-19 pandemic by reducing infection in close contact, especially with health workers, and preventing transmission from China to other countries [1] [2]. The COVID-19 pandemic outbreak certainly impacts every aspect in all parts of the world and the real sector, with countries making lockdown policies. For companies and members of the audit committee, there is a signal of cutting audit fees due to the economic impact of COVID-19. This, of course, will have an indirect impact on the quality of financial reporting and also audit delays [3]. Besides, in March 2020, the Financial Reporting Council released notification guidelines for auditors who should consider the impact of social distancing measures due to the COVID-19 outbreak regarding audit quality [4], This, of course, impacts the resulting information results since COVID-19 pandemic, which requires that good corporate governance will result in better management monitoring and more timely accounting information [5].

Audit reporting during the COVID-19 pandemic was inseparable from the length or the shortness of the audit delay. In Indonesia, the deadline for submitting audit reports has also become a separate issue through an agreement to change the audit plan with clients that impact the impact of the extension of audit report submission on the credit agreement and business continuity. Besides, the cost of PAF infrastructure has increased, which is inversely proportional to the client's decreasing economic/business capacity. This condition requires alternative procedures to obtain adequate confidence by planning the calculation properly and analyzing significant risks [6]. The cost of PAF infrastructure becomes fundamental and very important to produce an audit product or audit opinion based on the Statement of Auditing Standards (SAS) [7] [8]. The COVID-19 pandemic in Indonesia is in dire need of information technology devices in audit assignments. The decision on using software such as Active Data for Excel software, Audit Command Language, Top CAAT's, ERP, and other software can accelerate decision making to survive and increase company resources [9]. Other methods, such as using cloud computing, also have their own advantages in managing document and file access to structured storage media, synchronizing and sharing data, and reducing data redundancy [10]. Technology-enhanced auditing (TEA) is important not only as a first step in overcoming the crisis but also because it is an inspiration for the Voluntary Sustainability Standards' remote audit process and enhances consumer credibility and trust in sustainable products [11]. Besides, there is a need to increase professional skepticism that is very high for human resources and to be able to communicate to clients and stakeholders so that they remain in order not to reduce compliance with audit standards in audit implementation [6].

The Jordanian Stock Exchange (JSE) of using data of fiscal year-end on 31 December 2010, where the Jordanian Securities Commission (JSE) sets 90 days from the fiscal year the deadline for submitting audit reports, the results of the study state that one factor is important to formulate the timeliness of issuance company audit report is PAF category [12]. Australian public companies consisting of 272 auditors report the impact of the global financial crisis (GFC), where there is an increase in audit fees and the attitude of auditors to issue modifications to business continuity that even Big-N accounting firms tend to respond to, although there is no evidence of a significant increase in delay in reporting [13] [14]. The National Stock Exchange (NSE) survey in 2015-2016 using 1480 public companies, PAF rotation, can tend to increase audit fees by up to 25 percent. This technique was used as a rule at that time to increase objectivity and independent auditors. Most boards have not initiated or agreed with informal plans for PAF rotation because it is a tough task [15]. The research finding states that companies audited by auditors with certain industry specialties have shorter audit delays and will be much faster if audited by The Big-4 compared to non-Big-4 in empirical studies on the Indonesia Stock Exchange [16]. The Borsa Istanbul survey in 2008-2013 using 968 companies. PAF plays an important role in timely financial reporting. Besides, the Big-4 category with the female gender has more audit delays, and audit opinion greatly affects the existence of audit report delays and the company's performance and age [17]. The Supreme Audit Institution (SAI) of Liberia General Auditing Commission states full responsibility for internal factors such as delay in audit reviews, inadequate training of resources, delay in the approval of audit drafts being factors that cause audit delays [18]. Some of the examples above are Security Exchange Committees (SEC) in several countries that set rules for audited financial reporting.

During the COVID-19 pandemic, auditors communicate via email, which is a reliable tool in carrying out analytical procedures to get a thorough understanding of the company's financial position; this is done to reduce substantive testing quite time-consuming [19]. Besides, auditors are also more likely to rely on evidence from external parties such as customers, suppliers, or banks, which can be obtained more from those obtained from clients [20] [14]. Of course, this condition is critical to identify the number of audit delay days imposed in several countries due to the impact of COVID-19. This research is only limited to reviewing the audit delay time due to the impact of COVID-19 based on the regulations of several countries and finding the best solution to reduce delays at the end of the next year.

II. METHODOLOGY

This study is a non-causality study that aims to compare several situations so that knowing the differences in different situations can predict the factors that cause differences. Comparative non-causality research situations can be carried out by comparing different events [21]. This study aims to see the provisions or rules released by the Security Exchange Commission (SEC) regarding audit delays caused by the COVID-19 pandemic in several countries, including Indonesia. Data collection is carried out to analyze information through reference books, journals, reports, and internet media linked to the research object, which aims to provide an overview regarding the Audit in the COVID-19 Pandemic and its impacts on companies listed on the stock exchange. Data analysis techniques are a way of analyzing the research data to make conclusions about the research results. Data analysis verified important activity as several audit phenomena were mentioned during the scriptwriting COVID-19 Pandemic. Researchers look for objects, alternative troubleshooting formulate into the structure of the system, the environment, and its limitations in the process and designing a decision-making model [22].

III. RESULTS AND DISCUSSIONS

3.1. Display Data

Table 1 shows the summary of results from several countries regarding the Security Exchange Commission (SEC) and another regulatory policy on time limits for submitting reports in the period ended on 31 December 2019 and audit delays during the COVID-19 pandemic into a summary table for making analysis consists of country, authority name, deadline reporting and delay time.

Table 1 Deadline for Submission of Financial Statements due to the COVID-19 Pandemic on 31 December 2019

Country	Authority Name	Deadline	Delay Time
-	The European Securities and Markets Authority (ESMA)	31 March 2020	Two months [23]
South Africa	The Financial Sector Conduct Authority (the FSCA)	31 March 2020	Two months [24]
Nigeria	Institute of Chartered Accountants of Nigeria (ICAN)	31 March 2020	30 June 2020 [25]
Pakistan	The Institute of Chartered Accountants of Pakistan (CA Pakistan)	31 March 2020	- [26]
Australian	Australian Government - AASB	31 March 2020	July and August 2020 [27]
Canada	Canadian Securities Administrators (CSA)	31 March 2020	14 May 2020 [28]
India	Securities and Exchange Board of India (SEBI)	31 March 2020	30 April 2020 [29]
Indonesia	Otoritas Jasa Keuangan (OJK)	31 March 2020	31 May 2020 [30]

Developed by this research (2020)

Table 1 above shows that some state authorities delay audit reporting for one and a half months until 5 months. With this COVID-19 pandemic, it is understood that the Security Exchange Commission (SEC) and another regulatory policy agreed to delay the audit report.

3.2 Discussions

Audit delays will certainly be very detrimental for stakeholders in analyzing information contained in financial reports such as general meetings of shareholders, decisions to provide credit to companies, decisions to invest and re-invest, decisions to publish financial reports to the public many other things. Since the 2007-2008 global financial crisis and the COVID-19 outbreak, the impact tends to be shorter to date. Auditors who examine financial statements for the financial year ending December 31, 2020, will have the toughest challenges in daily operations, which are social distancing and work-from-home, so companies need to develop investment in artificial intelligence, digital programs, network security, and development of data functions because it will help to manage it better [14]. Information technology tools in audit assignments are also very much needed with a combination of using cloud computing methods that have their own advantages, optimizing the use of audit software other than Microsoft Excel, such as Audit Command Language, Top CAAT's, ERP, and other software that can speed up the document and file access management decisions to the storage media [10] [9], This is considered to be able to shorten the audit delay next year.

IV. CONCLUSION

The audit delay is based on these results from the Security Exchange Commission (SEC) and another regulatory policy for an average of 2 (two) months in several countries for the company reporting year in 2019. The importance of using computer-based audit techniques is expected to solve or shorten the audit delay and reporting especially in Indonesia.

Conflict of interest

There is no conflict to disclose.

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