

## **The Impact of Work from Home on Determinant Factors of Financial Statement Fraud Detection in Era of Covid-19 Pandemic**

Maya Septiani<sup>1</sup>, Amilin Amilin<sup>2\*</sup>, Wilda Farah<sup>3</sup>,  
Hepi Prayudiawan<sup>4</sup>, Surtikanti<sup>5</sup>

<sup>1,2,3,4</sup> Faculty of Economic and Business - UIN Syarif Hidayatullah Jakarta, Indonesia

<sup>5</sup> Faculty of Economic and Business - Indonesian Computer University

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**Abstract:** This study aims to examine the impact of work from home on the determinant factors of the occurrence of financial statement fraud detection on the auditor profession. This research was conducted during the Covid-19 pandemic era. Respondents of this study are Indonesian auditors who working in Indonesia. The data testing used the method of Moderated Regression Analysis (MRA). The results of hypothesis testing show empirical evidence that work from home can be moderate the effect of the auditor gender variable on financial statement fraud detection, while other results show that work from home cannot be moderate the effect of each variables of auditor experience, auditor workload, Computer Assisted Audit Techniques (CAAT), and budget pressure), on financial statement fraud detection.

**Keyword:** Auditor experience, auditor workload, CAAT, budget pressure, auditor gender, financial statement fraud detection

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### **1. Introduction**

The Covid-19 pandemic has a broad impact on human life around the world, including on business processes (Nebolsina, 2021). As an impact of the Covid-19 pandemic, many people lost their jobs, businesses were forced to close, schools had to be done online from home, and even a lot of work was done online from home (Zarghami, 2021). This is a form of adjustment to conditions where efforts to limit physical activity are reduced in order to prevent and minimize the transmission of the C-19 virus. The studies about the COVID-19 pandemic has been done by many previous researchers (Nebolsina, 2021; Wild, 2021; Zarghami, 2021). More specifically, if it is related to the problem of fraud in the presentation of financial statements, the studies about fraudulent financial statements has been carried out by several previous researchers, as follows: (Beatty et al., 2013; Bhuiyan et al., 2020; Braun, 2000; Hajek & Henriques, 2017; Kamarudin et al., 2012; Zager et al., 2016). The research gap that occurred in previous research is the inconsistency on the findings. Those studies was carried out under normal conditions, there were no cases of a global pandemic. This research was conducted under special conditions where the business world was disrupted due to the COVID-19 pandemic which forced many employees to work form home. Therefore, the variable of work from home is expected can be minimizing the occurrence of the research gap.

Many previous studies discussing work from home due to Covid-19 have been carried out, among others, by (Annuar et al., 2021; Delventhal et al., 2021; Hasan et al., 2021; Kawaguchi & Motegi, 2021). These studies generally focus on aspects of the impact of work from home on business performance. Different with previous studies, the uniqueness of this study emphasizes on the relationship between work from home and financial statement fraud detection. The focus of research issue is to examine the impact of work from home on the determinants of financial statement fraud detection. This issue is very important to analyze because it is to prove the impact of the Covid-19 pandemic on the job of auditor profession.

The objective of this study was to investigate the impact of work from home on the determinant factors of the occurrence of financial statement fraud detection. The scope of respondents who participated in this study are the auditor profession in Indonesia. The scope of variables investigation are the impact of work from home in moderating the influence of variables: auditor experience, auditor workload, computer assisted audit techniques, time budget pressure, and auditor gender on variable of financial statement fraud detection. The contribution of the study would provide a business decision making for the stakeholders, especially for auditors, corporate management, and investors in good corporate governance implementation. This paper is organized as follows: First section discusses about introduction which explain about the study background, research gap, the uniqueness of the study, the purpose and benefit of the study. Second section discusses about the literature

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\*Correspondence Author: amilin@uinjkt.ac.id

reviewand hypotheses development. Third section discusses research methods. Fourth section discusses about the findings and discussion, and Section Fifth explains about the conclusion.

## 2. Literature Review and Hypothesis Development

Auditors who have sufficient experience are able to detect financial statements (Dalnial et al., 2014). The work from home system is predicted can be moderate the effect of auditor experience in detecting fraudulent financial statements (Kawaguchi & Motegi, 2021). Auditor workload is negative significantly related to the detection of fraudulent financial statements (Persellin et al., 2014). Work from home is expected can be influence to the psychological condition of the auditor in dealing with the audit workload (Christensen et al., 2021). Procedure of CAAT's based audit encourage auditors to conduct audits effectively and efficiently in utilizing existing resources (Siew et al., 2019). By the mechanism work from home, it is expected to increase the auditor performance in detection of client's financial statement fraud. With the work from home mechanism, it is expected to increase the performance of the auditor in detecting fraud in the client's financial statements. Time restrictions put pressure on auditors to be more efficient in carrying out their audit programs (Aniano & Ungerfeld, 2020). Work from home provides flexibility for auditors to work remotely (Hasan et al., 2021; Kawaguchi & Motegi, 2021). Gender differences allow for different characteristics in the socio-cultural scope (Fiona et al., 2020). Work from home is predicted to moderate the effect of auditor gender on financial statement fraud detection. From these findings, five hypotheses can be formulated as follows:

- H<sub>1</sub> : Work from home is predicted can be moderate the effect of auditor experience on financial statement fraud detection.
- H<sub>2</sub> : Work from home is predicted can be moderate the effect of auditor workload on financial statement fraud detection.
- H<sub>3</sub> : Work from home is predicted can be moderate the influence of computer-aided audit techniques on financial statement fraud detection.
- H<sub>4</sub> : Work from home is predicted can be moderate the effect of time budget pressure on financial statement fraud detection.
- H<sub>5</sub> : Work from home is predicted can be moderate the influence of gender auditors on financial statement fraud detection.

## 3. Research Methods

The respondents of this study are auditors who work at a Public Accounting Firm in Indonesia. The period of data collection from January to March 2021. The method of sample selection is purposive sampling. A questionnaire is used to collect the data. The research variables consist of Auditor Experience Variable, Auditor Workload Variable, Computer Assisted Audit Techniques (CAAT) Variable, Time Budget Pressure Variable, Auditor's Gender Variable, and Financial Statement Fraud Detection Variable. The data analysis method in this study used descriptive statistics, data quality test and hypothesis testing. Respondents' answers were described statistically using the mean, standard deviation, maximum value, and minimum value. The validity test of the data using the Pearson Correlation test. Data reliability test using coefficient of Cronbach's Alpha > 0,70 (Krishnan & Ramasamy, 2011). The measurement scale of all variables uses a Likert scale with a maximum value of 5, from the answer to strongly agree (score 5), to the answer to strongly disagree (score 1). The hypothesis testing method uses the Moderated Regression Analysis method.

## 4. Result and Discussion

Table 1 presents the results of hypothesis testing using the Moderate Regression Analysis (MRA) method.

**Table1**  
**The Result of Moderated Regression Analysis (MRA)**  
**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constrant)	0,871	4,288		0,203	0,839
AE*WFH	0,045	0,024	1,880	1,914	0,059
AW*WFH	0,008	0,021	0,330	0,399	0,690
CAAT*WFH	-0,015	0,028	-0,580	-0,519	0,605

<b>TBP*WFH</b>	0,032	0,028	1,325	1,146	0,255
<b>G*WFH</b>	-0,033	0,013	-2,916	-2,427	0,017

a. Dependent Variable: Financial Statement Fraud Detection

Referring to the results of the Moderated Regression Analysis (MRA) test, to determine whether the hypothesis is supported or not if it has a significance value of less than 0.005. Based on Table 1 above, it can be seen that of the 5 hypotheses proposed, only the fifth hypothesis can be supported, while the first hypothesis up to the fourth hypothesis are not supported. Thus, it can be conclude that work from home can be moderate the influence of gender auditor on financial statement fraud detection. This finding is consistent with the results of the study (Hasan et al., 2021; Kawaguchi & Motegi, 2021). Meanwhile, work from home cannot be moderate the effect variables of auditor experience, auditor workload, computer assisted audit techniques, and time budget pressure variables on financial statement fraud detection. These findings are not consistent with the results of the study (Aniano & Ungerfeld, 2020; Christensen et al., 2021; Hou et al., 2020; Siew et al., 2019).

Referring to the previous evidence of first hypothesis testing, it was revealed that the experience factor did not affect the auditor's ability to detect financial statement fraud. It's because the purpose of fraud detection can only be achieved if it is supported by factors such as: the auditor's habit of dealing with financial reports indicating fraud and the initial purpose of the audit which is specifically focused on detecting fraud or special audits. The implementation of work from home during the pandemic has limited access for auditors to perform various audit procedures in general, especially to detect fraud (Wang et al., 2017). Thus, work from home has no effect in moderating the relationship between the auditor's experience and the auditor's ability to detect financial statement fraud.

The audit workload generally has implications for the work of the auditor (Luz et al., 2021). When it comes to the process of detecting fraudulent financial statements, during the Covid-19 pandemic, the work form home was apparently unable to moderate the effect of the audit workload on efforts to detect fraudulent financial statements. It can be happen because of an ethical obligation for the auditor profession to always act professionally and in accordance with applicable principles and standards (Chen et al., 2020). Although the auditor works from home, it does not affect the number of assignments that must be completed by the auditor.

CAAT's generally facilitate the work of auditors in carrying out audit assignments, especially in terms of the effectiveness of data processing time (Bierstaker et al., 2014). However, during the Covid-19 pandemic, it was proven that work from home was unable to moderate the effect of CAAT on financial statement fraud detection. Thus, the CAAT cannot be utilized optimally by auditors when they work from home, especially in an effort to detect fraudulent financial statements. CAAT is only a medium that can be used by auditors only to make it easier to process client electronic data in large and complex quantities, not specifically designed to assist auditors in detecting financial statement fraud (Zager et al., 2016).

Time budget pressure generally can be encourage auditors to more focus on carrying out audit procedures, especially for audit accounts that have a significant impact (Andreas, 2016). In the conditions of the Covid-19 pandemic where many auditors work from home, it is evident that work from home is not able to moderate the effect of time budget pressure on the auditor's ability to detect financial statement fraud detection. Thus, work from home or not, should not affect the increase or decrease in procedures that must be taken by the auditor based on the available time budget, so that the auditor must be able to show maximum performance according to the principles and standards even with the work from home system (Annuar et al., 2021).

In contrast to the results of the previous hypothesis testing, it turns out that work from home can be moderate the influence of gender auditors on financial statement fraud detection. It is relevant with the opinion which states that gender is generally associated with the problem of differences in characteristics between men and women resulting from the existence of socio-cultural elements (Yang et al., 2018). Socio-cultural factors of society resulted in differences in treatment received by men and women so as to form differences in nature, behavior and personality between men and women (Shtudiner & Klein, 2020). From the test results, this study found empirical evidence that work from home is able to weaken the influence of gender auditors on financial statement fraud detection, especially for female auditors because when working from home some female auditors do other tasks besides audit work, for example, they are still involved in household activities.

## 5. Conclusion

The Covid-19 pandemic has a broad impact on human life around the world, including on business activities, especially on the role of auditors when they have to work from home. This study aims to examine the impact of work from home on the auditor profession on the determinants of the occurrence of financial statement fraud detection. The results of hypothesis testing show empirical evidence that work from home is not able to moderate the effect of auditor experience, auditor workload, Computer Assisted Audit Techniques

(CAAT), and budget pressure on financial statement fraud detection. While the auditor gender variable, work from home is able to moderate the effect of auditor gender on financial statement fraud detection.

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