

A CONCEPTUALIZATION OF THE REMOTE AUDITING FRAMEWORK



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DLMZEN003

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ABSTRACT

Auditing was an activity that was typically performed from the audit client's premises or the auditor's offices. If the audit client had significant components in other countries, the lead auditor would appoint a component auditor within that country to perform the audit work to support the group engagement team's audit opinion. Globalization and the COVID-19 pandemic changed the audit environment leading to the environment becoming more digitized. The pandemic enforced a work-from-home strategy; thus, audit fieldwork had to be performed remotely. Studies around the remote auditing model suggested that it would lead to lower audit quality and professional skepticism due to the lack of physical presence. Furthermore, previous research on the remote auditing model was performed from the perspective of component auditors, internal auditors, or information technology (IT) auditors. This study aimed to explain the structure and positioning of the remote audit environment in the traditional audit framework. To date, no academic study has explored the structure of the remote audit environment and its position in the context of the traditional audit framework. Using the SCP paradigm and the Unified Services Theory, this study filled an important research gap in the auditing literature. It was used as a base to understand the remote audit environment.

This qualitative study collected data using semi-structured interviews to answer the research questions. The findings from this study found that the remote auditing model was a pre-existing model which could have been implemented before the COVID-19 pandemic; however, there was no demand for it. The pandemic's impact and technological changes exacerbated the need for a remote audit environment. The results also indicated that remote audit firms operated as a support structure to traditional audit firms. However, they offered a level of competition from a South African perspective. Furthermore, in assessing the audit quality measures in the remote audit environment, it was noted that they were no different from those of traditional audit firms. Finally, the results indicated the presence of some limitations to the remote audit environment.

Keywords: remote audit, audit quality, technology, consequence management, global business services, COVID-19

DEDICATION

I dedicate this thesis to my mother, Mrs. Vuyelwa Dlamini, my sister Mrs. Zama Mokgehle and my late grandparents, Mr. Sebenzile Luhabe and Mrs. Felicia Luhabe, for their love and support.

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TABLE OF CONTENTS

ABSTRACT	iii
DEDICATION	iv
ACKNOWLEDGEMENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF ACRONYMS	x
CHAPTER 1 – INTRODUCTION	1
1.1 STATEMENT OF THE PROBLEM:	3
1.2 RESEARCH QUESTION:	3
1.3 AIMS and OBJECTIVES:	3
1.4 PRELIMINARY LITERATURE REVIEW:	4
1.5 RESEARCH DESIGN AND METHODOLOGY:	6
1.6 STUDY LAYOUT:	7
CHAPTER 2 – LITERATURE REVIEW	9
2.1 AUDIT THEORY	9
2.2 SCP PARADIGM	13
2.2.1 Structure	13
2.2.2 Conduct	18
2.2.3 Performance	23
2.3 UNIFIED SERVICES THEORY	24
2.3.1 Inputs	25
2.3.2 Customers	26
2.3.3 Production processes	27
2.4 RESOURCE DEPENDENCY THEORY	28
2.5 REMOTE AUDITING	29
2.6 GLOBAL BUSINESS SERVICES (GBS)	31
2.7 CONSEQUENCE MANAGEMENT	33
2.8 ORGANIZATIONAL LEARNING	35
2.9 EMPIRICAL STUDIES	38
CHAPTER 3 – RESEARCH METHODOLOGY	45

3.1 RESEARCH DESIGN	45
3.2 DATA COLLECTION	49
3.3 POPULATION AND SAMPLING CONSIDERATIONS	49
3.4 ETHICS CONSIDERATIONS	53
3.5 DATA ANALYSIS	53
3.6 RELIABILITY AND VALIDITY OF RESULTS.....	55
CHAPTER 4 – RESULTS	58
4.1 ANALYSIS OF RESPONDENTS	58
4.2 INTERVIEW FINDINGS AND DISCUSSION.....	59
4.3 STRUCTURE AND TECHNOLOGY:	60
4.3.1 THE RISE OF THE REMOTE AUDIT FIRM.....	60
4.3.2 POSITIONING OF THE REMOTE AUDIT FIRM.....	63
4.3.3 REMOTE AUDITING FIRMS AS A COMPETITOR, SUPPORT STRUCTURE, OR BOTH	66
4.3.4 SUPPLY AND DEMAND.....	68
4.4 GLOBALIZATION	72
4.4.1 THE IMPACT OF GLOBALIZATION ON THE AUDIT ENVIRONMENT.....	72
4.4.2 AUDIT QUALITY MEASURES.....	75
4.4.3 CONSEQUENCE MANAGEMENT AND REGULATORY PRESSURE	79
4.5 LIMITATIONS TO THE STRUCTURE OF THE REMOTE AUDIT ENVIRONMENT	81
4.5.1 LIMITATIONS OF THE REMOTE AUDIT ENVIRONMENT	81
CHAPTER 5 – CONCLUSION AND RECOMMENDATIONS.....	84
5.1 CONCLUSION	84
5.2 RECOMMENDATIONS FOR FUTURE RESEARCH	85
APPENDIX A: CODING STRUCTURE.....	86
APPENDIX B: INTERVIEW QUESTIONS	94
APPENDIX C: SUMMARY OF EMPIRICAL STUDIES.....	95
APPENDIX D: DIFFERENT TYPES OF AUDITS	99
REFERENCE LIST	102

LIST OF TABLES

Table 1: Four Consulting Fee Types.....	20
Table 2: Link Between Interview Questions and Research Questions.....	48
Table 3: Interview Response Rate.....	59
Table 4: Summary of Empirical Studies.....	95
Table 5: Types of Audits.....	99

LIST OF FIGURES

Figure 1: Unified Services Theory in Context of Remote Audit.....	28
Figure 2: Phases of a Thematic Analysis.....	55
Figure 3: Rise of the Remote Audit Environment.....	63
Figure 4: Participant Views on the Positioning of the Remote Audit Firm.....	65
Figure 4.1: Positioning of the Remote Audit Firm in the Traditional Audit Framework.....	66
Figure 5: Competitor or Support Structure.....	68
Figure 6: The Supply & Demand of Remote Auditing.....	72
Figure 7: Impact of Globalization on the Audit Environment.....	75
Figure 8: Audit Quality Measures in a Remote Audit Environment.....	78
Figure 8.1: Hierarchy of Audit Quality Measures in a Remote Audit Environment.....	79
Figure 9: Limitations of the Remote Audit Firm.....	83
Figure 10: Coding Structure.....	86

No table of figures entries found.

LIST OF ACRONYMS

Acronym	Explanation
AI	Artificial Intelligence
AICIPA	American Institute of Certified Professional Accountants
ASIC	Australian Securities and Investments Commission
BDA	Bid Data and Data Analytics
CA	Chartered Accountant
CPA	Certified Professional Accountant
FRC	Financial Reporting Council
GBS	Global Business Services
HLI	Higher Learning Institutions
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IRBA	Independent Regulatory Board of Auditors
ISA	International Standards on Auditing
PCAOB	Public Companies Accounting Oversight Board
SAICA	South African Institute of Chartered Accountants
SCP	Structure-Conduct-Performance
SEC	Securities and Exchange Commission
UST	Unified Services Theory
WHO	World Health Organization
WIL	Work-Integrated Learning

CHAPTER 1 – INTRODUCTION

The COVID-19 pandemic has had widespread effects and there is no doubt that businesses came out scathed. The preservation of human life was at the forefront of managing the spread of the virus; hence governments instituted nationwide lockdowns post the announcement by the World Health Organization (WHO) of the presence of the COVID-19 virus in early March 2020 (Hazaea, et al., 2022). The lockdowns prevented some industries, such as the hospitality and alcohol industries, from operating – as their services were not deemed as “essential” – while other industries were forced to find alternative strategic paths for survival. The COVID-19 pandemic had widespread effects affecting not only the health sector, but the economy, and society at large (Hazaea, et al., 2022). One of the most significant impacts of the pandemic was a change in the auditing environment, as audit firms could not discharge their duties effectively and were forced to change their business model (Al-Aamaedeh & Alhosban, 2021). Audit firms became more digitized, and audits had to be conducted remotely (Castka & Searcy, 2023). This was a drastic change, considering that auditing traditionally required client contact to perform procedures such as asset verification or inventory counts or to simply gather sufficient and appropriate audit evidence to address the identified risks. The digitization of audits raised concern amongst regulators concerning audit quality. The failure to perform high-quality audits was said to lead to a decrease in trust from investors (Hazaea, et al., 2022).

In addition to the pandemic, global corporate financial scandals inspired higher audit quality and increased attention to different factors contributing to audit quality (Chadegani, 2011; Casterella & Johnston, 2013; Marx & Harber, 2020). Audit quality is a field of research that is ongoing and widely debated. This is because there has been little consensus on the definition of audit quality and the perception of audit quality depends on whose perspective it is viewed from (Knechel, Krishnan, Pevzner, & Velury, 2012). Therefore, academics had put forward research on indicators of audit quality, and audit quality frameworks to provide guidance on the topic and inspire further research. Before the COVID-19 pandemic, the audit profession had been undergoing immense scrutiny to inspire audit reform leading to the improvement of audit quality

(Accountancy SA, 2020). This was inspired by corporate financial scandals in which the financial statements users have incessantly questioned the quality of work performed by external auditors to identify misstatements and fraudulent financial reporting. It should be noted, however, that the International Standards of Auditing (ISAs) – the professional standards with which auditors are expected to comply with – do not require an auditor to detect fraud. The independent auditor's objective was to provide reasonable assurance that the financial statements were free from material misstatement due to fraud or error (IAASB, 2008).

In addition to the corporate financial failures, the regulators had also identified a decline in audit quality. In 2017, the Independent Regulatory Board of Auditors (IRBA) identified an overall regression in the audit quality from the inspections they had performed on a total of 20 audit firms, where at least 237 inspections were conducted (IRBA, 2017). In the same year, the Public Companies Accounting Oversight Board (PCAOB) noted a significant improvement in audit quality over the past few years as there were declines in Part I deficiencies identified in some of the largest U.S. firms (PCAOB, 2017). However, this was negated by some of the significant deficiencies in audit quality identified across global networks and cross-border audits (PCAOB, 2017). Similarly, the Financial Reporting Council (FRC) identified specific quality issues that were recurring matters that audit firms had not addressed (FRC, 2018). Such issues included the lack of professional skepticism and challenge of management in areas of high judgment, lack of group audit oversight on component auditors, and overall lack of consistency in improving audit quality, to name a few (FRC, 2018). The high findings rate continued to be a concern for the regulators, as it seemed that some findings remained uncorrected at most firms, while a handful of firms had shown signs of improvement (IRBA, 2020).

To stimulate economic growth, regulators stated that improving audit quality was a critical success factor in rebuilding investor confidence in capital markets (IRBA, 2020). Thus, regulators were committed to engaging with relevant stakeholders to identify and rectify issues of poor audit quality (IRBA, 2020).

1.1 STATEMENT OF THE PROBLEM:

Globalization, artificial intelligence (AI) technologies, and the pandemic have permanently changed the audit service business model. The digital transformation of audit firms resulted in the remote auditing product, which may have inherent audit quality differences from the traditional audit model. With technological advancements and the deployment of the remote work policy during the COVID-19 outbreak, audit firms invested heavily in AI. This enabled them to digitize their audit processes, creating efficiencies and allowing the newly found capacity to be utilized in other areas of the audit engagement. For this reason, this study evaluated the remote audit structure to provide an audit quality framework.

1.2 RESEARCH QUESTION:

This research paper aimed to conceptualize the remote audit environment. Thus, the research was organized to investigate three primary constructs:

1. Structure: What is the positioning of remote auditing within the traditional audit framework?
2. Globalization: How has globalization equipped auditors to adapt in dynamic environments such as the remote auditing environment whilst maintaining audit quality?
3. Embrace of technology: Does the inclusion of technology in the remote auditing environment influence audit quality?

1.3 AIMS and OBJECTIVES:

The qualitative research was informed by guiding research objectives and used semi-structured interviews conducted with experts at the Big Four¹ and BDO. The objectives served the overall understanding of the structure of the remote audit environment and its impact on audit quality through a comprehensive review of the literature and industrial practices. The long-term goal of

¹ Big Four audit firms are comprised of Deloitte and Touche Tohmatsu Limited; EY Global; KPMG International Cooperative and PricewaterhouseCoopers International Limited.

the research was to build a hierarchy for the remote auditing structure to determine the rank of the proxies to audit quality. The study had the following sub-objectives:

- a) To analyze the impact of globalization and technology on the remote auditing environment through a comprehensive review of the literature.
- b) To document the structure of the remote auditing environment within a traditional audit model.
- c) To empirically explore the measures of audit quality within the remote auditing environment.
- d) To develop a hierarchy of the structure for remote audits using the audit quality measures.

The result of this study will be valuable to industry practitioners who seek to implement the remote auditing model within their organizations.

1.4 PRELIMINARY LITERATURE REVIEW:

The research questions and objectives mentioned afore were achieved through a literature review and empirical studies. The purpose of the literature review was to provide a comprehensive overview and synthesis of existing research related to the audit environment, particularly the external auditing environment. To provide context to the research, the study investigated the audit theories which were not clearly defined, however, they were premised on the agency theory, legitimacy theory, and institutional theory. The agency theory proposed that the external audits were a monitoring services for the principal due to the existing conflict of interest between the owners and management of an entity (DeAngelo, 1981). The legitimacy theory suggested that organizations operated within the regulations stipulated for them to legitimize their operations (Al-Twaijry, Brierley, & Gwilliam, 2003; Guthrie, Cuganesan, & Ward, 2007; Vadasi, Bekiaris, & Andrikopoulos, 2020). Meanwhile, the institutional theory referred to different pressures that organizations were subjected to adopt certain characteristics (DiMaggio & Powell, 1983). All three theories were concatenated under the umbrella term of audit theories, as they were necessary for understanding the demand and purpose of audit services.

Part of the research questions aimed at obtaining an understanding of the structure of the remote audit environment, and thus, it was imperative to review Bain's (1951) SCP paradigm. The SCP paradigm provided context to the structure of the audit market, the conduct of the firms within this environment, and the performance of the firms in the market (Lee C. , 2007). The variables within the SCP paradigm were extrapolated to the remote audit environment, in order to obtain an understanding of its positioning within the traditional audit framework. Similarly, the principles underlying Sampson's (2010) Unified Services Theory were relevant for understanding the drivers of supply and demand of audit services in both the external audit environment, and the remote auditing environment. The limitation in the unified services theory was that the driver of supply of remote audit consultants was unknown, hence indicating a gap in the literature, further demonstrating a need for a study of this nature.

The digitization of the auditing, as a result of globalization, technological advancements, and the more recent impact of the COVID-19 pandemic, forced the external audit environment to adopt new ways of operating (Castka & Searcy, 2023). Audit clients participated in the global economy as some had operations in different geographic locations, which had the potential to create a challenge for lead auditors to coordinate audits in these countries that would ensure high audit quality and efficiency (Sunderland & Trompeter, 2017). This gave rise to the concept of remote auditing, however, existing literature had only explored this from the perspective of component auditors. Component auditors were defined in terms of ISA 600 (IAASB, 2022), and could take the form of an audit firm within the traditional audit firm's global network, or another audit firm (Sunderland & Trompeter, 2017). The definition of component auditors did not address remote auditing, indicating a research gap. The study then looked towards theories on resource dependency (Pfeffer & Salancik, 1978), remote auditing (Gallo, 2020), and global business services (Edis, 2022) in order to further conceptualize the remote auditing environment. Finally, this study sought to understand the measures of audit quality within the remote auditing

environment hence, the study also explored literature on consequence management (Stewart, 1984) and organizational learning (Azmi, 2008).

The literature review and empirical studies offered a critical assessment of the existing works in the field of auditing. The research identified gaps in the literature on remote auditing in South Africa, because the literature only focused on the impact of the COVID-19 pandemic on audit quality and the gathering of audit evidence, but it did not explain the structure of the remote auditing environment (Mugabe, Ndlovu, & van Zijl, 2022). This study had thus been set in the South African environment, as it had been noted that there were no South African studies – to date – that explained the structure of the remote audit environment.

1.5 RESEARCH DESIGN AND METHODOLOGY:

The research methodology section in Chapter 3 of this study, outlined the steps undertaken during the research study to answer the research questions. The current research was exploratory in nature, and thus the study was designed to adopt a qualitative approach, with interviews used as a data collection tool. Conducting interviews was one of the most common methods of data collection for qualitative research (Doody & Noonan, 2013; George, 2022). To elicit more information from the participants of this study, semi-structured interviews were employed. This empirical study was performed in compliance with the University of Cape Town's required ethical standards, and ethical clearance was obtained prior to the commencement of interviews with participants.

The population of this study was comprised of traditional audit firms in South Africa, the United States and United Kingdom, particularly, the Big 4 audit firms and BDO. These firms were selected based on their expertise with the remote auditing environment, rather than their location. Furthermore, they were deemed to be an appropriate population as they were ranked as the top 5 audit firms based on the total revenue, they generated in 2022 (Big4AccountingFirms, 2022), further demonstrating their ability to afford the services of remote audit consultants. The interviews were conducted with experts, i.e., managers, associate directors, and partners at the Big 4 and BDO. Data collected from these interviews was transcribed and input into the Nvivo

software for further analysis. A thematic analysis was performed following Braun and Clarke's (2006) six-step method.

1.6 STUDY LAYOUT:

The research consisted of the following chapters, which were summarized below:

Chapter 1: Introduction

The objective of this chapter was to introduce the auditing environment and outline the direction of the dissertation. This was achieved by discussing the background to the study and providing a preliminary review of the literature, outlining the problem statement, research questions, as well as the research objectives.

Chapter 2: Literature Review

This chapter explored various theories and empirical studies which were relevant for understanding the external auditing environment, and further extended to the remote auditing environment. The objective of the chapter was to provide a critical assessment of the existing works in relation to the problems investigated by this research study.

Chapter 3: Research Methodology

Following the research objectives in Chapter 1 and the limitations identified in the literature reviewed in Chapter 2, this study developed interview questions for the participants. This chapter discussed the research design, data collection method, population and sampling considerations, ethical considerations, data analysis methodology, and the reliability and validity of the results. The chapter aimed to demonstrate the approach followed in this research study to answer the research questions and achieve the research objectives.

Chapter 4: Results

Due to the exploratory nature of the research, the interview questions were broad in nature to inspire conversation, elicit further information from participants, and use those findings to derive well-tested and valid conclusions. Data collected from the interviews was thematically analyzed and interpreted in this chapter.

Chapter 5: Conclusion and Recommendation

This chapter presented the conclusions drawn from the results of the interviews conducted with participants. Recommendations for an area of future research was also proposed.

CHAPTER 2 – LITERATURE REVIEW

This chapter elucidated on the audit profession. The auditing profession is extensive and specialized as it entails various types of audits that can be performed (Van Loggerenberg, 2020). A summary of the different types of audit engagements has been included in *Appendix D*. This study focused specifically on external auditing.

To provide context to the study, it is essential to note that there is no clearly defined theory for audit; however, it has been premised on the agency theory, legitimacy theory, and institutional theory, which are discussed in this section. These theories have been combined under one section as they are necessary for understanding the demand and purpose for auditing services and the basic conditions of the audit market. To understand the positioning of remote auditing within the traditional audit framework, Bain's (1951) structure-conduct-performance paradigm (SCP) and Sampson's (2001) Unified Services Theory supported aspects of the theoretical framework considered in the present study.

2.1 AUDIT THEORY

The audit theory stemmed from the agency theory that proposed audit services as a monitoring device due to the conflict of interest between owners and management (DeAngelo, 1981). The conflict of interest was said to lead to information asymmetry, as the principal was not able to observe the agent at any time (Jensen & dan Meckling, 1976). Hence, the independent examination of financial statements (auditing) was invented by various users and has been practiced since the industrial revolution to curb information asymmetry and to promote the credibility, objectivity, reliability, and completeness of financial information (Flint, 1988; Owolabi & Olagunju, 2020). Financial statements assisted users to make informed decisions regarding their interest in the company; hence there was an increased demand for audit services. For this reason, the quality of audit service was of great importance. DeAngelo (1981) defined audit quality as a market-assessed joint probability that an auditor would discover a misstatement in the client's accounting system and report the misstatement. This definition implied that an

auditor could identify the misstatement based on their technical ability and report the errors thus demonstrating auditor independence.

Auditors needed to be independent – in both independence of mind and appearance (IAASB, 2008) – and willing to issue an unbiased audit report based on the audit result. Therefore, an audit's quality was based on certain attributes' presence. Pentland (1993) argued that the macroenvironment's perception of the auditor's independence, professionalism, and, ultimately their institutional trust in the audit practice was built from and reproduced by micro-interactions. These micro-interactions were borne from the activities performed throughout the audit process. For example, auditing was a collaborative effort of all parties involved, from client management to audit staff (including the audit partner). This team-based activity brought about the construct of “image management”, which was reflected in the auditor's declaration of independence – both in mind and appearance. Power (2003), from Pentland's (1993) study, deduced that the manner in which auditing was done was central to understanding its micro- and macro-social role.

Other authors have tried to define audit quality based on direct or indirect measures (Geiger & Raghunandan, 2002), audit process or outcome, or auditor workload (Carcello, Hermanson, & Riley, 2002; Arfiansyah, 2020). However, the concept of audit quality was very complex and could not be reduced to a simple definition (FRC, 2006), as audit quality contributed to the reliability of financial information (Semba, 2016). This notion supported Francis's (2011) argument that there were gradations of audit quality across a continuum and that quality was affected by each element of the audit quality framework. Due to the variation in the users of financial statements, each user had a different perception of the meaning of audit quality and the purpose of audit services – thus giving rise to different audit theories.

The micro-interactions mentioned above legitimized the auditing environment, thus indicating that the audit theory was also premised on the legitimacy theory.

Dowling and Pfeffer (1975, p.122) defined the legitimacy theory as follows:

“... a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy.”

The legitimacy theory postulated that organizations continually sought to ensure that they operated within the bounds and norms of their respective societies (Guthrie et al., 2007). In respect of the audit environment, auditors were anticipated to operate objectively and with integrity in the interest of the public for their actions to be deemed reasonable and acceptable (IAASB, 2008). It was suggested that organizations needed to comply with the rules and regulations in place to ensure the legitimacy of their operations, access to resources, and ensure their survival (Al-Twaijry et al., 2003; Vadasi et al., 2020). However, the presence of these rules and regulations did not necessarily ensure that the organization would continue to operate effectively (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Scott & Meyer, 1983). Auditing was a discipline that was subject to rules and regulations, however, globalization and the COVID-19 pandemic changed the auditing environment to the extent of uncertainty about the future of audit. This level of uncertainty created institutional pressure for organizations to adopt the characteristics and behaviors of other organizations in their environment. DiMaggio and Powell (1983) termed this as an isomorphism that presented itself in three ways, namely, coercive, mimetic, and normative. The legitimacy theory could be linked to the institutional theory, which discussed the basic conditions of the audit market. For example, coercive isomorphism occurred when an organization experienced institutional pressure to behave in a certain way. Such pressures presented themselves through mechanisms of authority with mandatory applications like laws and regulations (Vadasi et al, 2020). In the context of remote auditing, the COVID-19 pandemic helped spur the progression of the profession to remote auditing (Castka & Searcy, 2023), due to the preventative measures which had to be implemented and maintained during the multiple lockdowns instituted by governments around the world.

DiMaggio and Powell (1983) argued that mimetic isomorphism was a process initiated internally by the organization. Organizations tended to imitate other organizations that appeared to be successful and legitimate in their environment to improve their effectiveness (DiMaggio & Powell, 1983; Vadasi et al., 2020). Al-Twaijry et al. (2003) discussed mimetic isomorphism from the perspective of internal audit in Saudi Arabia; and noted that mimetic isomorphism would take place when organizations perceived that the internal audit function would contribute to an improvement in organizational control and operational performance, leading to it being adopted. In an external auditing environment, firms would previously make use of remote auditors in the context of component auditors in different countries (Burke, Hoitash, & Hoitash, 2020). However, the pandemic added a new dimension to remote auditing and allowed traditional audit firms to build virtual audit teams to support their existing teams (Makosi, 2020c). A study by Heo, Kwon, and Tan (2021) centered around auditor workload and the impact on audit quality noted that professional staff workload significantly negatively impacted audit quality. The higher the auditor burden, the lower the audit quality (Arfiansyah, 2020). Hence, remote auditors created efficiencies in audit teams and enabled auditors to be able to discharge their duties continuously, without being affected by their external environment (Makosi, 2020b). For example, they were not affected by traffic conditions, strikes, or snowy weather conditions which would prevent them from being able to work from the client's premises or at an office (Makosi, 2020b).

Normative isomorphism referred to change that was brought about by adherence to professional norms and methods (Al-Twaijry et al., 2003). In the South African auditing environment, professionalization arose initially from studying a degree specializing in the Chartered Accounting (CA) program, gaining professional experience with an accredited training office, and undertaking professional board exams to qualify as a Chartered Accountant (van den Berg, 2018). CAs were expected to comply with the professional norms as set out by their professional bodies in each country (IFAC, 2006). For example, CAs in South Africa – in business or public practice – were expected to adhere to the principles within the South African Institute of Chartered Accountants (SAICA) Code of Professional Conduct (CPC) (SAICA, 2020). CAs within the auditing profession were under pressure to discharge their duties per the auditing standards to ensure audit quality

– as suggested by Knechel, Krishnan, Pevzner, and Velury (2012). Thus, in support of the view held by regulators that a high-quality audit was one conducted in compliance with the auditing standards. However, normative isomorphism was not just about the individual auditor. DiMaggio and Powell (1983) identified that it could translate to organizational pressures due to professional processes and norms. Sharma, Sharma, Joshi, and Sharma (2022) argued that, during the COVID-19 pandemic, audit firms were under intended or unintended pressures to adopt innovative technologies to facilitate better audit services and to ensure audit quality. Hence, the use of technology became a critical element in facilitating the remote audit model.

In summation, the audit theories, legitimacy theories, and institutional theories were important theories that enabled one to understand the demand and purpose of auditing services. Further, these theories helped in understanding the audit market and the institutional pressures faced by auditors. Although relevant, there were limitations to the audit theories as they did not explain the structure of remote auditing and how it was positioned in the context of the traditional audit framework.

2.2 SCP PARADIGM

The Structure-Conduct-Performance (SCP) paradigm was a theoretical framework that postulated the causality chain between three elements, namely market structure, firm conduct, and their performance (Lee C. , 2007). One of the constructs examined by the study was that of “structure”. In particular, the research question aimed to obtain an understanding of the positioning of remote auditing within the traditional audit framework, thus applying the SCP paradigm would help in answering the research question.

2.2.1 Structure

Structure referred to the market structure which was comprised of variables such as “*seller concentration, degree of product differentiation, and barriers of entry*” (Lee C. , 2007, p.4). The

[structure] of the external audit market had changed over the past [four] decades, because of consolidations and other events which saw a large number of audit firms decrease from eight to four (Harris, 2017). The external audit market had a traditional structure, with large organizations making use of the Big Four accounting firms for the audit of their financial statements. In consonance with this notion, Harris (2017) revealed that the Big Four firms collectively audited approximately 97 percent of the total U.S. market capitalization. In Europe, the Big Four firms performed approximately 70 percent of the statutory audits of public-interest entities (Harris, 2017). The market for audit services was said to be more concentrated in other countries because only a few of the firms conducted audits in those markets (Harris, 2017). Although highly concentrated, the barriers to entry were low for basic audit services but extremely high for audit services for large multinational companies (IESBA, 2015; Godawska & Kutera, 2021). These findings outlined the high level of supplier concentration within the audit market, which raised concern amongst investors on its impact on audit quality (Harris, 2017).

Although the audit market had a high level of supplier concentration at the accounting firm level, a study conducted by Suryani (2018) in Indonesia found that there was a supply shortage of accounting graduates in Indonesian accounting firms which were attributable to the following factors:

- 1) The low salary compared to other occupational streams.
- 2) Misinformation about the workload in public accounting firms.
- 3) Students' negative perception of the public accounting profession which could be caused by education.

The tight labor market had made it difficult for the Big Four to recruit new professionals (Robert Walters Inc., 2021). Christensen, Newton, and Wilkins (2021) elaborated further on the structure of the audit environment and found that when an audit did not have sufficient team members, the assigned team members worked long hours on the primary client while also potentially working on unfinished audits from other clients and their administrative responsibilities. These

constraints culminated in heavier workloads during the year-end fieldwork, which ultimately affected audit quality (Christensen et al., 2021). Heo et al., (2021, p.339) provided that

“a distinctive feature of work-life in audit firms is the severe workload imbalance that typically occurs during the first three months of the year due to clustering caused by firms, particularly listed firms, choosing December fiscal year-ends.”

Smith and Pourciau (1988) and Kamp (2002) provided that over 90 percent of firms in Continental Europe and Korea had a December year-end; while 65% of publicly listed companies in the United States had a December year-end. It is important to note, however, that not all firms had December fiscal year-ends. Some companies – especially in South Africa – had a March, June, or September year-end – in addition to a December year-end. These periods were usually termed “busy seasons” within audit firms. The busy season tended to result in a mismatch in staffing as firms reduced the involvement of senior auditors during busy-season audits (Heo et al., 2021). The findings indicated a capacity issue within the assurance practice.

Wooldridge’s (2022) analysis of the structure of the accounting profession yielded similar findings to Suryani’s (2018), as it linked the shortage in the supply of qualified CAs / CPAs to education. Wooldridge (2022) provided that less than 100 000 people took the CPA exam each year – the pre-requisite for entry into the profession – and approximately, half of those candidates failed the exam. The author noted that the number of CPA exam candidates decreased by 7% between 2017 and 2018, while the number of candidates who passed all four sections of the exam decreased by 6% (Wooldridge, 2022). In comparison to more recent studies, research conducted by the AICPA indicated a decline in enrollment rates of accounting students at public and private universities (The CPA Journal, 2022). Enrollments by students with accounting majors had a significant decline between 35% and 50% since 2016 [in the United States alone] (The CPA Journal, 2022). The decline in enrollments was attributed to the following factors:

- Other professions became more attractive to top-tier students.

- The CPA Journal (2022) believed that other professions became more attractive to students – in particular data analytics, supply chain, logistics, and computer science. These jobs required a four-year degree and paid an average of \$15 000 - \$30 000 more in 2020 than a job requiring a five-year accounting degree. Thus, implying that accounting salaries needed to increase for accounting degrees to compete with high-demand business degrees.
- Structural barriers to becoming a CPA became onerous.
 - Research conducted by the Illinois CPA Society (2021, p.4) found that one of the challenges to becoming a CPA was the time commitment required to study for and pass the CPA exam. Hence, the workload time commitment was the top reason for deciding not to complete the CPA exam for those who had started the process.

Audit firms have had to improve their operating efficiency and the changing nature of financial statement work increased the demand for experienced individuals with technical expertise (IESBA, 2015). The need to increase the operating efficiency of audit firms – especially during the busy season – was a strategic decision that required firms to assess their current workforce and consider using a variable workforce that was skilled and understood the nuances of audit (Makosi, 2020c). A distinct characteristic of remote auditors was that they could work from anywhere in the world – but mainly perform their audit work from home (Makosi, 2022e). Remote auditors were employed by consulting firms which had partnered with audit firms to build virtual audit teams. Remote auditors performed work to support audit firms during their busy seasons – thus boosting the firm’s in-house capacity and optimizing spend (Makosi, 2022d). The use of remote auditors resulted in a cost-saving for the audit firm, thus improving their profitability over the busy season (Makosi, 2022d). This is because, the cost of hiring a permanent employee was higher as it included a host of expenses such as salary, bonuses, employee benefits, taxes, and training costs amongst others (Makosi, 2022d), relative to the cost of an on-demand variable employee who only was utilized for a specific period and their services could be terminated thereafter. The remote audit product was differentiated from the traditional audit

model because it involved the increased use of technology to facilitate communication, improved efficiency, and overall conducting audits virtually (Makosi, 2020a).

Barriers to entry was the final explanatory variable for performance in the “structure” element of the SCP paradigm (Tu, Dinh, Nguyen, & Nguyen, 2014). The authors explained barriers to entry as being either structural or strategic in nature. Structural barriers to entry were exogenously determined and included economies of sales and product differentiation (Tu et al., 2014). In contrast, strategic barriers to entry were said to arise from strategies that deterred entry or forced rival firms to exit (Tu et al., 2014). The audit market’s barriers to entry were more structural. The seller concentration discussion afore was an indicator of structural barriers. The House of Lords (2011) elaborated on the degree of concentration within the audit market and noted that it arose as a direct result of market forces, in particular, the demand from investors for audit quality as well as the appropriate capability to undertake complex audits across the world. Large audit firms were able to achieve economies of scale because their size and global reach enabled them to leverage their global networks to conduct audits globally at a lower cost (Mališ & Brozovic, 2015). Moreover, large audit firms were able to develop sufficient technical expertise internally by building technical departments – which could be used to adequately advise clients (Mališ & Brozovic, 2015). These economies of scale and infrastructural investments in large audit firms enabled them to offer more value-added services to clients (Mališ & Brozovic, 2015), thus increasing the barriers to entry for smaller-sized firms. In application to the remote audit environment, the structural barriers had the power to make entry into the audit market a tad of an arduous task. However, remote audit firms were strategic in their entry by choosing to partner with accounting firms and introducing a virtual workforce (Makosi, 2020c). Their partnership with accounting firms enabled the remote firms to gain access to different global territories and work on large complex audits.

2.2.2 Conduct

Conduct referred to patterns of behavior used by firms to adapt to the market and included variables such as pricing strategies, collusion, advertising, research and development, and capacity investment (Lee, 2007; Uzunidis, 2016). Pricing strategies were defined as the processes and methodologies used by businesses to set prices for their products and services (Profitwell, 2021). Remote audit firms are consulting firms and – like any other business – they had to consider how to price their service offering. Common pricing strategies to choose from for accounting consulting firms included (1) flat fees; (2) daily, weekly, or monthly fees; and (3) hourly rates (Fossum, 2019). Hourly rates were the core pricing structure for the consulting industry (Fossum, 2019) – hence the importance of accurate timesheets. Some firms could charge an ancillary fee on top of the hourly rate (Fossum, 2019); and determine the minimum and maximum billable hours in a week. Billing is for the exact amount of time worked and any material expenses (Williams, 2019). Other pricing strategies included considerations of the minimum engagement length (Fossum, 2019). For example, in a remote audit environment, the consulting firm together with the partnered audit firm needed to consider the engagement length to which the on-demand workforce had been contracted.

In addition to developing pricing strategies, consulting firms had to consider their consulting fee type (Williams, 2019). Table 1 below shows the Four Consulting Fee types. Firms, such as remote audit firms, could use the table below when considering their consulting fee type as part of the pricing strategy.

Barthakur (2021) defined a project as *“a temporary endeavor set up to achieve one or more unique and specific objectives”*. In application to the audit environment, an audit cycle involved a defined scope from the preliminary engagement phase to the conclusion. Audit firms endeavored to conduct audits of their clients to issue an audit report at the end of the audit (IAASB, 2008). Thus, in the application of Table 1’s considerations below, audits could be considered to be projects which earn a non-recurring revenue. Remote audit firms partnered with traditional audit firms to perform audits, thus by default – the engagement type could also be considered to be a project. Williams (2019) argued that the pricing model was at the core of

the pricing strategy and included the following options: (1) time & materials; (2) fixed fee; (3) risk & reward and (4) retainer – as seen in Table 1 below. In the context of the audit environment, firms could elect the pricing model which was best suited to their needs. However, Fossum (2019) recommended paying closer to other pricing considerations such as the level of seniority and experience that consultants had as this could impact the rates charged. Generally, the more experience that a consultant had, the higher their hourly fee (Fossum, 2019). The chosen pricing model thus determined the revenue type – as seen below in Table 1 and ultimately affected the consulting firm's profit model.

Table 1: Four Consulting Fee Types

Engagement Type > Pricing Model >	Project (non-recurring revenue)			Service (recurring revenue)
	1. Time & Materials	2. Fixed Fee	3. Risk & Reward	4. Retainer
	The fee for services is calculated based on a mutually agreed upon daily or hourly rate, and the billing includes the exact amount of time spent on the task along with any material expenses incurred. Different resource categories are associated with different rate structures.	The fee is established based on a calculated estimate of the total days of effort required, with the addition of either a markup (Cost Plus method) or a fixed amount (Value-based method). Regardless of the amount of effort expended, the client pays the same fee.	The client consents to a basic fee, in addition to a risk/reward component that is contingent upon the outcomes accomplished. This risk/reward element can be either fixed or variable and may be tied to specific project tolerances, such as time, cost, scope, risk, quality, or benefits, or specific project outcomes. The risk component reduces the profit generated from the project.	A fixed fee, which is payable annually or monthly, secures the availability of the service provider for the client. This fee structure operates on a "use it or lose it" basis, and there may be provisions for additional fees based on time and materials.
Revenue Type >	Variable	Fixed	Fixed + Variable	Fixed (+ Variable)
Cost Plus	The fee, whether variable or fixed, is based on your costs + mark-up.			
Profit Model > Value - Based	N/A	The fee is calculated based on an estimation of the costs involved, along with an added component that reflects the value of the results to be delivered to the client.		N/A

Source: Williams (2019)

Baiman, Evans III, and Nagarajan (1991, p.1) defined collusion in the auditing environment as *“private, extralegal arrangements in which agents agree to act in ways not intended by the owner.”*

For example, management could manipulate financial statements or other data to deceive external auditors or stakeholders. As mentioned under the audit theory section in 2.1 above, audits arose to overcome information asymmetry and promote financial information's credibility (Flint, 1988; Baiman, Evans III, & Nagarajan, 1991; Owolabi & Olagunju, 2020). Thus the value of the audit function was dependent on whether management and the auditor colluded (Baiman, Evans III, & Nagarajan, 1991). The effects of collusion between management and auditors could have serious repercussions on the financial markets and the audit firm's reputation. There have been public financial scandals involving traditional audit firms who have colluded together with firm management to conceal fraud and other illegal acts – for example, the Enron scandal (Benston & Hartgraves, 2002), the collapse of VBS Mutual Bank in South Africa (Motau, 2018) or the case involving the Gupta family (Holtzblatt, Foltin, & Tschakert, 2020). Although these incidents of collusion were reported at traditional audit firms, it was important to note that the presence of collusion involving remote audit firms was unknown. It was also important that auditors remained vigilant and took the necessary steps to detect and prevent collusion, thereby maintaining the integrity of the audit process.

Advertising of audit services was strictly prohibited until the late 1970s, as it was considered unethical by Rule 502 of the American CPAs Code of Professional Conduct – before it was amended (Hansson & Lofvendahl, 2016). However, the lifting of the ban saw an increase in competition within the audit market; and as Agnew (2016) stated, firms were compelled to rely more on marketing to maintain and strengthen their position. In the digital age, consulting firms offering remote audit services used digital marketing to advertise their services. This included mechanisms such as LinkedIn, or their company website. Consistent advertising on LinkedIn created brand visibility and sparked interest among audit professionals.

Research and Development (R&D) was an invaluable tool that organizations could use to maintain their competitive advantage. Thakur and Hale (2012) were of the view that the success of a firm was influenced by its conduct (behavior), such as service innovation. Innovation was influenced by factors that were outside the firm's control (exogenous), or within the firm's control (endogenous) (Thakur & Hale, 2012). The fourth industrial revolution enabled the world to become more digitized. It enabled the discovery of the internet of things (IoT) which allowed interconnection between machines, big data, and the creation of financial statements through computerized systems (Barus, Ety, Haryono, & Sekar, 2021).

Firms entering new markets were said to face numerous operational challenges and among the most crucial were issues related to capacity investment (Swinney, Cachon, & Netessine, 2011). Capacity was defined as the maximum output level a company could sustain to provide its products or services (Kenton, 2021). On the other hand, investment refers to businesses spending money on assets or other items to generate income or appreciation (Hayes A. , 2022). Since there was no single definition for "capacity investment", this study could infer that it was the act of businesses investing in their production processes, human resources, or technology (Kenton, 2021) to increase their efficiency and productivity. In application of the definitions above, capacity investment in the context of an audit environment would refer to the firm's investments in its personnel, technology, or firm processes to ensure that audits were conducted in line with auditing standards at the appropriate quality. As noted by Heo et al. (2021), high auditor workloads had a negative impact on audit quality. Thus, partnerships between remote audit firms and traditional firms could be interpreted as a form of capacity investment. James (2020) noted that companies traditionally used a variable workforce only when there was a spike in demand for a particular service or product. However, the idea of creating a workforce that comprised both traditional employees and a variable workforce had become more attractive (James, 2020). In the context of a remote audit environment, traditional audit firms could invest in using variable workforces to support their staff complement because of the impact such an investment could have on the firm's profitability (Makosi, 2022d).

2.2.3 Performance

Performance referred to the outcome of equilibrium which was assessed in terms of allocative efficiency (Lee C. , 2007). The variables mostly used to measure performance were profitability and price-cost margin (Lee C. , 2007). Allocative efficiency was a state whereby a market could produce resources – i.e., goods or services – at a marginal cost that was equal to the customer’s marginal benefit (MasterClass, 2022). In application of the definition, allocative efficiency in the audit environment referred to the ability of the audit market to appropriately allocate resources – possibly the right caliber and quantity – of staff to render audit services to clients that needed them at an appropriate cost. Audit firms were currently facing a dilemma, i.e., the pressure to take on more work and grow their practices, however, capacity constraints and widespread auditor burnout were making the decision a tad difficult (Makosi, 2022d) – and this could ultimately affect the firm’s profitability. The transformation of the audit environment by regulation, and more recently the COVID-19 pandemic – had been catalysts for change and have implored audit firms to assess their current operations and to determine the impact on the firm’s efficiency and profitability (Makosi, 2022d). Due to the pressure to meet regulatory deadlines in the busy season and capacity constraints, audit firms may be over-utilizing their staff complement in contrast to the off-season (Makosi, 2022d). To spread out the utilization of audit staff and release some pressure, the idea of introducing a variable workforce had become more attractive (James, 2020). The use of a variable workforce was said to have some advantages for the firm, for example: (1) keeping overheads low and variability high during uncertain times; (2) flexibility in matching talent with demand; (3) not having to pay for benefits and traditional employment taxes on their variable workforce; (4) ability to procure talent in a variety of ways. Through technology, top talent was now more accessible than ever (James, 2020; Makosi, 2022e).

The price-cost margin – also known as the profit margin – was the difference between the selling price of a good or service and the cost at which it is produced (Aerikkala, 2022). Profit margins enabled businesses to measure their profitability and overall financial health (Treece, 2022).

Understanding the profit margin was of utmost importance as businesses would be able to identify pricing problems that had the potential to create cash flow challenges (Treece, 2022). Additionally, the price-cost margin was a measure of the competitiveness of a market (Aerikkala, 2022). In the context of an audit, Gerakos and Syverson (2017) noted that the audit market was not perfectly competitive. This could be linked to the structure of the audit market, as it was dominated by a few big firms (Mališ & Brozovic, 2015). Although substantial price-cost margins did not necessarily imply that an audit firm earned substantial bottom-line profits (Gerakos & Syverson, 2017), high price-cost margins had the potential to influence how the firm related to its competitors in the market.

The profitability discussion above hinted that some of the advantages of using a variable workforce were the ability to keep overheads low and variability high during uncertain times (James, 2020). If this rationale was applied to the remote audit environment, it could also be linked to the price-cost margin discussion as firms sought ways to quantify the impact of their staffing decisions on their profitability and performance (Makosi, 2022d).

As evidenced in the literature presented above, the SCP paradigm was relevant to the audit profession and has been used as a theoretical framework to answer the research question about the structure of the remote audit environment and its positioning in the context of the traditional audit framework.

2.3 UNIFIED SERVICES THEORY

The Unified Services Theory (UST) aimed to unify the various phenomena of services in a way that demonstrated how they were distinct from non-services and how they shared common managerial principles (Sampson, 2010). A service could be defined as “*something where the outputs might tend to be intangible and labor-intensive, but not the other way around*” (Sampson & Froehle, 2006, p.330). At the core of the UST and service processes were that the customer provided significant inputs into the production process (Sampson & Froehle, 2006). Sampson and Froehle (2006, p.329) defined non-services as those that “[*relied upon*] on customer selection of

inputs, payment for outputs and occasional feedback, but production [was] not dependent upon inputs from individual customers.”

The principles underlying the UST could be pin-pointed to the basic laws of supply and demand which were crucial to understanding how the economy worked and grew. The longevity of a service process was driven by demand and supply, hence these principles could also be adapted to the audit environment. The agency principle made it difficult for users of financial information to satisfy themselves with the accuracy and completeness of financial information prepared by management, thus creating a demand for independent audit services (Lee T. A., 1972; Jensen & dan Meckling, 1976). In respect of the supply of audit services, Limperg (1932), suggested that the auditor should always strive to meet the public’s expectations. The supply of audit services in the traditional auditing environment was regulated by professional accounting organizations and regulatory bodies which set high-quality international standards for auditing, assurance, and quality management that strengthened public confidence in the global profession (IAASB, 2021). To answer the research question regarding the positioning of remote auditing in the context of the traditional auditing framework, this study applied the UST to determine what governs the demand and supply for remote audit services.

The UST stated that the presence of customer inputs was necessary and sufficient to define a production process in a managerially relevant way (Sampson & Froehle, 2006). The theory was comprised of three elements, namely: inputs, customers, and the production process.

2.3.1 Inputs

Inputs – as defined – were things such as data or contributions of work which were taken in or operated on by any process or system (Dictionary.com, 2012). Wemmerlov (1990) identified three types of customer inputs: customer-self inputs, tangible belongings, and customer-provided information. Customer-self inputs were said to be common in services involving co-production and services involving the physical presence of the customer (Sampson & Froehle, 2006). Remote audit consultants did not have access to the client – in the physical sense – thus customer-self inputs were not relevant in the remote auditing environment.

Tangible belongings (or property) often allowed the service process to proceed even without the customer being physically present (Sampson & Froehle, 2006). In the context of remote auditing, the consulting firm invested in computer equipment and other technology which was used by the auditor to discharge their duties effectively. During an audit, the external auditors were furnished with financial information such as the trial balance, general ledger breakdowns, and other relevant supporting documentation (Reciprocity, 2021) which was used during the audit process. This information met the definition of “customer-provided information” and was a relevant input in the audit process (refer to Figure 1). Without this information input, remote auditors would not be able to start the audit process which should ultimately result in an audit opinion.

2.3.2 Customers

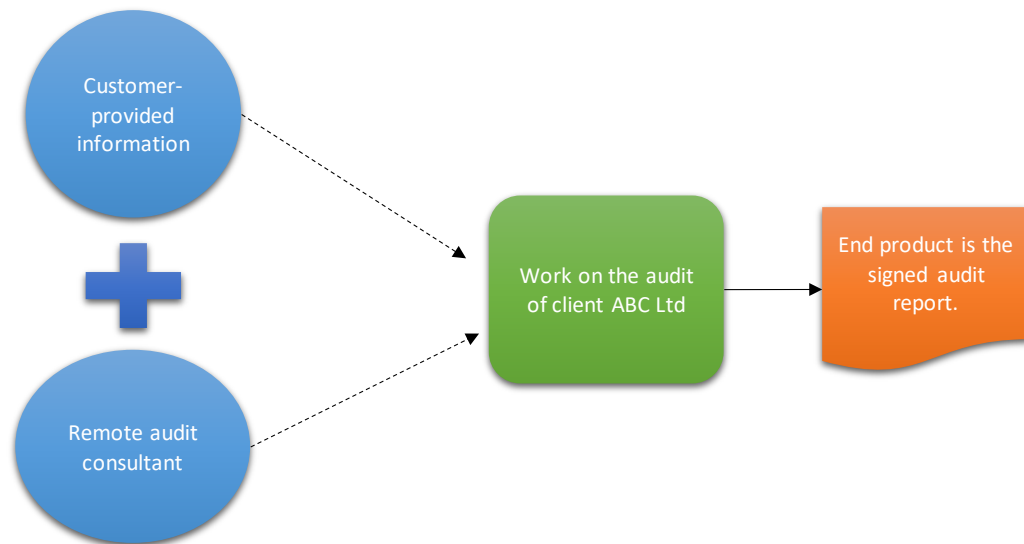
Sampson (2001, p.28) defined *customers* as individuals who determined whether or not the service provider shall be compensated for production. Identifying the customer was a crucial step for a business as it enabled them to understand the nature of the service process. Remote audit consulting firms entered into partnership agreements with audit firms to deliver high-quality workforce solutions of variable duration (Ryan, 2022). Auditors were compensated through an audit fee, which was defined as “*the fee paid for annual audits and reviews of financial statements for the most recent fiscal year*” (Securities and Exchange Commission (SEC), 2003). The audit fee was an amount that could vary depending on the following matters: risk assessment, the complexity of the services provided, the level of expertise required to perform such services, and the cost structure of the audit firm (Yuniarti, 2011). In addition to the audit fee, auditors were required to comply with requirements of auditing standards such as ISA 200 which provided auditors with an understanding of the scope of their work (IFAC, 2016). It could be inferred that the audit firm’s knowledge of the engagement scope and audit client could affect the demand for remote audit consultants – if any were required. Based on the application of the UST, it was evident that the remote audit environment had two types of customers, the audit firm and the audit firm’s client.

2.3.3 Production processes

The production process was considered to be the unit of analysis for the UST (Sampson & Froehle, 2006). Sampson and Froehle (2006) limited the definition of “production” to refer to activities that contributed to revenue. The remote audit’s production process began with the consulting firm defining its ideal client (Canopy, 2022). Once the ideal client had been identified, the firm could use its networks, referrals, or marketing tools such as cold calling to create brand awareness and introduce the firm’s services in an attempt to establish a partnership agreement (Canopy, 2022). This was referred to as a supporting process because it did not directly lead to sales but was necessary for the consulting firm to execute. The supporting process was independent of customers and was without customer inputs (Sampson & Froehle, 2006). Once an agreement was established, the consulting firm engaged with the partnered firm to determine the quantity and quality of the resources required for the project, hence remote audit consultants were an input in the production process (refer to Figure 1). Once remote consultants were selected, they could commence work with the audit firm and were expected to book their timesheets accurately for billing purposes. The act of auditing and completing timesheets met the definition of a productive activity that contributed to revenue.

Figure 1 below thus visualized the UST in reference to remote auditing. The customer-provided information and remote audit consultants were important inputs in the audit engagement (production process). Once the audit had been completed, the partnered audit firm was responsible for signing the audit report and issuing the audit opinion. It was important to note that audit opinions could only be signed by registered auditors (Accountinglib, 2019). Remote audit firms are consulting firms by nature and are not registered auditors; hence the remote audit firm was not allowed to sign the audit opinion or issue any certifications.

The UST was relevant in explaining the structure of the remote audit environment, as part of the research objectives. The UST showed that the busy season and auditor workload could be the drivers of demand within the remote audit environment. However, the limitation of the theory was that it did not explain the factors that governed the supply of remote auditing services.



Source: Author, 2022

Figure 1: Unified Services Theory in Context of Remote Audit

2.4 RESOURCE DEPENDENCY THEORY

The resource-dependency theory provided a basis for understanding strategic alliances between organizations, thus impacting their competitive advantage. The resource-dependency theory was devised by Pfeffer and Salancik (1978) and it was an externally focused theory that posited that organizations needed to engage in transactions with other organizations in the environment to acquire access to resources that they required for survival.

Grant (1991) and Bretherton and Chaston (2005, p.275) reiterated two key considerations to the effective implementation of strategy, namely:

- a) the opportunities that existed for using resources more economically; and

- b) the possibilities of using existing assets in a more intense, profitable manner, thus in support of Porter's (1990) and Jurevicius's (2021) views of how competitive advantage was achieved.

Although the use of these external resources could assist an organization to function effectively, it was important to note that the resource dependency theory suggested that power within an organization was achieved by units that controlled resources and were strategic in their management of critical relationships between the firm and its environment (Mudambi & Pedersen, 2007). Therefore, the firm had a disproportionate dependence for its survival and/or success on units that controlled strategic resources (Mudambi & Pedersen, 2007).

To cope with internal and external pressures, traditional audit firms had the opportunity to form strategic alliances with remote audit firms to get a specific number of remote audit consultants to be contracted to the firm for the engagement period (Makosi, 2020c). This enabled the traditional firms to have a balance of virtual and onsite staff and releases some capacity for the existing staff to work on other audit engagements. Thus, improving the utilization of the auditors at the traditional firm (Makosi, 2022d). Moreover, the balance of virtual and onsite staff enabled management to balance out the section allocation during the engagement. Some of the mundane tasks could be allocated to either the virtual audit staff or more junior staff, thus releasing capacity for the onsite team to work on more complex issues or other issues which required face-to-face client engagement.

The resource dependency theory was a relevant theory to explain the structure of the remote audit environment.

2.5 REMOTE AUDITING

Globalization had allowed companies to expand their operations into various geographic locations and to participate in the global economy. Multinational companies with significant

operations in foreign countries created a challenge for lead auditors who were responsible for issuing the audit opinion to coordinate and conduct audits in such countries in a manner that would ensure high audit quality and efficiency (Sunderland & Trompeter, 2017). This gave rise to the concept of remote auditing; however, previous literature had studied this phenomenon from the perspective of component auditors. ISA 600 defined a component auditor as “*an auditor who, at the request of the group engagement auditor, [performed] work on the financial information related to a component for the group audit*” (IAASB, 2022). The work performed by the component auditor would be used to support the group engagement team’s audit opinion. Component auditors could be from a different audit firm or the same global network firm as the lead auditor (Sunderland & Trompeter, 2017).

In addition to globalization, the COVID-19 pandemic had been a catalyst for change within the auditing environment, forcing audit firms – globally – to invest in technology to facilitate the work-from-home strategy and conduct audits in a manner that would not compromise the outcome and quality. A remote audit (also known as a virtual audit) was the method of conducting an audit remotely using electronic methods such as video conferencing, email, and telephone to obtain audit evidence – in the same manner as an on-site audit (QCI, 2020). Gallo (2020), and Barac, Plant, Kunz, and Kirstein (2021) provided that advances in technology led to remote audits becoming more popular in organizations, making it possible for auditors to work remotely in a globally connected world. Businesses already had high-tech strategies that allowed audit teams to receive and share data, conduct interviews, and make observations with organizations all over the world without needing to commute for several hours to the audit site (Gallo, 2020). Firms had to adapt to emerging technologies and be innovative in their use of technology to update their firm methodology and facilitate data-driven audits that could compete on a national and global stage.

Barac et al. (2021) highlighted that auditors had adapted their skill sets to enable performance in unpredictable and complex business environments. This notion was corroborated by an article

published by EY which showed that the pandemic hastened the move to a more flexible, technologically aware, and diverse auditing profession (Kostem, 2021). The author noted that:

- 1) Audit firms were likely to move to a more flexible working model based on the needs of the individual, audit firm, and audited company.
- 2) As businesses became more complex, audit firms would need access to a wide range of knowledge resources as part of their multi-disciplinary model.
- 3) Audit teams would likely become more diverse, with greater technical and business knowledge.

Barac's et al. (2021) study highlighted the changes in the audit practice – largely driven by the COVID-19 pandemic. The authors highlighted that remote audit work was possible as a result of technology which enabled auditors to conduct their duties. However, the authors noted that the presence of remote audit work required auditors to modify or design new procedures to address identified risks (Barac et al., 2021).

Other studies conducted on remote auditing in South Africa have discussed the impact of the COVID-19 pandemic on gathering audit evidence and the impact on the quality of audit engagements (Mugabe, Ndlovu, & van Zijl, 2022). However, the limitation was that there were no South African studies, to date, that explained the structure of the remote audit environment.

The studies on remote auditing were relevant for understanding the changes that such an environment brought to the traditional auditing framework and their impact on audit quality.

2.6 GLOBAL BUSINESS SERVICES (GBS)

The global economy had advanced immensely over the years due to technological innovation and economic growth. Edis (2022) stated that the changes in the global environment led to the demand for a new breed of professional services, hence Global Business Services (GBS) were

born. Global Business Services (GBS) were defined as *“an integrated, end-to-end set of capabilities that [were] delivered globally to enterprise clients by a service provider”* (Edis, 2022). The GBS business model was said to have revolutionized the outsourcing model since it gained popularity in the late 1990s and early 2000s (Edis, 2022). Rozana (2017) echoed similar sentiments and stated that the GBS model was poised for growth of between 10 and 15 percent in coming years, as the GBS practices service offering had become increasingly complex.

In practice, the GBS operating model referred to *“a dedicated unit within an organization that [was] responsible for specific functions or processes that [supported] the company’s core business goals”* (Edis, 2022). The GBS operating model was built on the premise that companies could achieve economies of scale, improve quality and service delivery through the consolidation of these support functions into a single center led by a team of experts (Edis, 2022).

The GBS model was especially applicable to the audit environment, as professional service firms such as the Big Four had GBS practices, with delivery centers that could be set up anywhere in the world. The implementation of GBS practices in audit allowed the firms to streamline repetitive, mundane tasks and transfer those over to the delivery centers. This had the benefit of improving efficiencies during the audit by releasing some capacity for engagement team members to focus on other demanding areas of the audit engagement. Another benefit to the use of GBS practices in audit was improved project management, as it allowed for a more coordinated and efficient management style and eliminated the duplication of effort (Edis, 2022).

The GBS theory was relevant to the study as it helped to answer the research question around globalization. Although relevant to the audit environment, it seems that the benefits of the GBS model were advantageous to the traditional firms and as a result did not apply to remote audit firms based on their current business model.

2.7 CONSEQUENCE MANAGEMENT

The concept of consequence management was equated to accountability. Largely, accountability was described as being responsible to someone and explaining one's actions, and justifying said actions (Jackson, 1982; Edwards & Hulme, 1995; Gray & Adams, 1996). The definition of accountability was similar to the concepts of "process and performance accountability", which were two of the concepts Stewart (1984) used in his ladder of accountability. In his model, Stewart (1984) provided that process accountability dealt with the way the activities for which accounts had to be given were performed; while performance accountability was concerned with the outcomes of the activities for which an account had to be provided. The concept of accountability was centered on relationships between a wide variety of stakeholders, some of these gave an account of their behavior, while others were receiving or judging those accounts (Connolly & Kelly, 2011).

To understand accountability in the context of the audit environment, it was important to understand the structure of an engagement team, some of the roles and responsibilities of the team members, and who they were accountable to. Engagement teams typically followed a hierarchical structure that comprised junior auditors, an audit senior, a manager(s), and an engagement partner (Rudolph and Welker, 1998; Cameran, Ditillo, and Pettinicchio, 2018). A range of factors was considered when selecting an audit team; and some of the proxies would be industry experience, client-specific experience, rank, client requests, and staff availability (Contessotto, Knechel, & Moroney, 2021). Such factors were also considered when selecting remote auditors to build a virtual audit team.

Some of the responsibilities of an audit trainee included inspecting financial statements to identify any misstatements, performing tests on a client's financial information, risk analysis, building a relationship with the client, and advising them on areas of improvement (Inside Careers, 2013). Audit managers were tasked with overseeing in-charge and audit assistants' work, ensuring compliance with audit methodology requirements, and ensuring effective and timely delivery of engagements (ACCA, n.d). Finally, audit partners oversaw and directed the

activities of audit teams and had the ultimate responsibility of signing off the audit report (ACCA, 2020).

Dowling, Knechel, and Moroney (2018) provided that the auditing profession became more regulated post-2002 due to the series of financial scandals. Thus, the profession had been subject to public oversight through governmental regulators such as the PCAOB in the US and the Australian Securities and Investments Commission (ASIC) in Australia (Dowling et al., 2018). Independent regulators were responsible for monitoring, enforcing, penalizing, and reporting non-compliance with professional standards and practices (Dowling et al., 2018). In a South African context, part of the IRBA's duties included protecting the public by regulating audits performed by registered auditors and providing procedures for disciplinary action in respect of improper conduct (Harry Curtis & Co., 2016).

Although accountability may be related to responsibility, accountability was defined from the perspective of oversight (Zola & Wigmore, 2022). This perspective was also related to the agency theory and theory of inspired confidence, and thus in the context of external audits, it emphasized the importance of providing independent information to the public. The independent auditor's opinion was important for verifying the credibility of financial statements and ensuring the efficient function of capital markets.

The chain of accountability in the external audit environment proved Connolly and Kelly's (2011) statement, that accountability was centered on relationships between a variety of stakeholders. Based on the above, it was evident that the traditional audit environment had a clear accountability structure with consequences if each party's duties were not discharged appropriately. It could be inferred that the absence of accountability in the external audit environment would affect the quality of audits and lead to a lack of investor confidence in the financial system.

Part of the research objectives was to understand how globalization had equipped auditors to adapt to dynamic environments while maintaining audit quality. The consequence management discussion above was more relevant to the traditional audit environment – and the limitation in the theoretical framework was that it did not provide clarity on the consequence management processes in a remote audit environment.

2.8 ORGANIZATIONAL LEARNING

The complexities of business in today's world demanded that humans tap into the collective intelligence of groups of knowledgeable people and act collaboratively (William, 1993). For this reason, Azmi (2008) encouraged learning in an organization which enhanced organizational performance and effectiveness. These enhanced learning processes allowed companies to reinvent and position themselves for long-term success (Azmi, 2008; Leavitt, 2011). This is because, if members of the organization shared their tacit knowledge with others in the organization, it was said to become a powerful resource that competitors could not replicate (Leavitt, 2011).

Kolb (1984) defined organizational learning as a cognitive process that entailed the conceptualization and understanding of information. In contrast, Senge (1990) believed that organizational learning was a balance of cognitive and behavioral elements. Meanwhile, Neivs, DiBella, and Gould's (1995) definition of organizational learning was mainly behavioral and it referred to the capacity or processes within an organization to maintain or improve performance based on experience. There was no single definition to categorize organizational learning, as it was evident that there was diversity along the cognitive-to-behavioral-focus spectrum (Leavitt, 2011).

In the context of an organization, the theory of organizational learning described the process of transferring knowledge within the company as it gained experience and improved over time (Roder, 2019). Thus, the author's definition seemed to follow the behavioral school of learning.

Roder's (2019) definition could be extended to Liu and Ren's (2019) study which investigated the organizational learning of audit trainees and its associations with job satisfaction. The study concluded that there were three dimensions of organizational learning, namely: workplace interactions, supervising and monitoring, and supportive informational systems. The authors also found that workplace interactions and supportive information systems were associated with job satisfaction at CPA firms (Liu & Ren, 2019).

Workplace interactions could be described as experiences that other workers had when working with someone for a short or extended period (Leonard, 2018). In the context of accounting firms, workplace interactions included collegial communication, learning from interpersonal exchanges, colleagues' past experiences, or practice guidance from colleagues within the firm (Liu & Ren, 2019). In the context of the remote audit environment, audit consultants would be expected to communicate with their audit managers, team members, and the client, virtually, to obtain an understanding of the client. Such interactions could assist both the remote audit consultant and the members of the traditional audit firm to navigate how both parties collaborated in the virtual world, and outline any expectations of the consultant while on the project.

Supervision was completed by monitoring and it entailed the observation of performance to ascertain that activities were accomplished in quantity and quality as planned (World Health Organization, 2008). In the context of an audit firm, this would include on-the-job training, learning from firm audit software/systems, or learning from the firm quality control and supervision (Liu & Ren, 2019). Auditors underwent training as provided by their respective audit firms, to equip them with the relevant knowledge of any changes within the accounting industry. Additionally, training was used as an educational tool for professional staff (at all levels) to be able to understand the firm's methodology and apply the guidance provided in training to detect and understand errors (Zahmatkesh & Rezazadeh, 2017) and further improve audit quality on their respective audits.

In application to the remote audit environment, consultants had to be supervised by the partnered audit firm to ensure that audit tasks were completed in line with the firm's methodology and quality control standards. Vitez (2022) explained audit methodology as a particular set of processes or procedures used to assess a company's financial and business risk. Audit methodology typically consisted of four parts, namely: a preliminary risk assessment, a planning stage, an execution phase, and a concluding phase (Vitez, 2022). In both the remote audit environment and the traditional audit environment, audit consultants would be trained by senior-level staff within the firm to understand the firm's methodology and how to apply it to different circumstances at a client.

As technology changed and organizations increasingly focused on the importance of learning performance, they realized that it was no longer sufficient to provide employees with traditional training programs (Bonk, 2014). Thus, supportive informational systems played a crucial role in organizational learning. Supportive informational systems in the context of an audit firm were defined as the firm's library resources, firm website, online resources, and the firm's intra-networks (Liu & Ren, 2019). In the context of the remote audit environment, in addition to traditional training, consultants would gain access to the partnered audit firm's library resources as a guide to understanding the firm's processes.

Organizational learning was one of the most important constructs that could be extrapolated to the remote audit environment to understand how learning was facilitated to ensure the maintenance or improvement of audit quality at partnered audit firms. This theory was relevant for understanding how quality was maintained in dynamic environments such as the remote audit environment.

2.9 EMPIRICAL STUDIES

Empirical studies from Munteanu and Berechet (2016) stated that the emergence of new markets, economies, globalization, and innovation created unprecedented changes in the global economy, which further presented challenges within the auditing profession. Munteanu and Berechet (2016) explored the obstacles encountered by auditors in the wake of the globalization era and noted that auditors needed to:

1. embrace globalization and cross-border transactions – as these created an opportunity for a competitive and dynamic business environment
2. adapt to new technologies to have a competitive advantage within the global economy
3. understand innovation as brought on by the Fourth Industrial Revolution, to better prepare themselves as human resources for competing not only at a national stage but within the global economy as well.
4. be adaptable to change, expect change within regulations, and recognize the value of civic responsibility and sustainable development.

The insights provided by Munteanu and Berechet (2016) could be adapted to the current era of pandemics, technological advancement, and global competitiveness. This provided the grounding for new auditing environments to evolve by taking advantage of evolving technology and moving into a remote auditing environment. The aforementioned challenges have thus indicated that the auditing profession required reform and the challenges were thus presenting an opportunity for auditors to show their ability to adapt to change, to maintain and develop relevance and credibility while serving clients.

Liu and Ren (2019) carried out a study on organizational learning intending to examine its association with job satisfaction in new entry-level trainee auditors at CPA firms. The authors used a questionnaire adapted from literature to collect the data (Liu & Ren, 2019). The authors concluded that there were three main aspects to organizational learning, namely: (1) workplace interactions; (2) supervising and monitoring; and (3) supportive information systems (Liu & Ren, 2019). The authors found that trainees experienced more job satisfaction in firms that

encouraged interaction and facilitated information systems. Furthermore, they noted that each gender had a preferred organizational learning approach that differed from the other, thus impacting their job satisfaction. Finally, the empirical results also indicated that the size of the CPA firm influenced the auditor's job satisfaction (Liu & Ren, 2019).

It was imperative to take into account the limitations present in the study when interpreting the results. The authors used a sample of trainee auditors as a proxy for entry-level professionals and did not include other junior auditors. However, the results from the study could be adapted to the current audit environment to form an understanding of the dimensions of organizational learning.

Seitheisho (2019) analyzed the factors that played a role in the production of qualified audit reports within municipalities in the Free State province. The research was qualitative in nature and collected data from municipal officials by conducting semi-structured interviews (Seitheisho, 2019). The study applied the purposive sampling technique and used two municipalities out of a population of 23 in the Free State. The author found that there was a lack of progression by municipalities in implementing appropriate financial management systems to fulfill their obligations (Seitheisho, 2019). Furthermore, some of the obstacles affecting municipalities in the country were attributable to the lack of accountability, lack of appropriate governance by the political leadership, and the mismanagement of finances (Seitheisho, 2019). Hence, the municipalities were perceived to be void of consequence management.

Johari and Kasim (2019) examined the career prospects for accounting professionals within the Global Business Services (GBS) industry in Malaysia. The purpose of the study was to examine the knowledge and competencies deemed necessary for the profession within the GBS industry (Johari & Kasim, 2019). Further, the authors explored the requirements of the industry and consequently identified gaps that may have existed. The research collected data through semi-structured interviews and contained four parts to fulfill the objectives of the study (Johari & Kasim, 2019). The responses from the interviews highlighted the importance of mastering

actuarial science knowledge besides any other accounting knowledge. Interview participants also reported that skills such as problem analysis and communication, which are categorized as soft skills, were deemed the most desirable in the industry (Johari & Kasim, 2019). These were considered to be particularly crucial if the employee was involved in auditing or such positions which required direct communication with numerous region heads on task outcomes. The authors detected disparities between the industry's expectations and what was being offered by the higher learning institutions (HLI) in terms of preparing future talents for the industry (Johari & Kasim, 2019). The industry expected future professionals to have the ability to apply their subject matter knowledge to real-world scenarios. Finally, the authors suggested a collaboration between the GBS and HIL was necessary as it related to work-integrated learning (WIL) (Johari & Kasim, 2019). Johari and Kasim (2019) indicated that international companies faced challenges in rationalizing the maintenance of distinct and varied models for providing the same services to different regions globally, thus a more robust delivery model emerged in the form of the GBS. The author's findings could be compared to Munteanu and Berechet's (2016) findings as the growth of companies internationally and changes in the economy required innovation in service delivery.

Goel and Nelson (2020) applied the SCP paradigm to examine the influence of external certifications (e.g., ISO 9000 or external audits) on the behavior or conduct of firms. The conduct of firms was considered in two dimensions, namely: (1) Research and Development (R&D) spending and (2) licensing of foreign technologies, taking into account a range of firm-specific variables including the firm's age, ownership structure, and size (Goel & Nelson, 2020). Using survey data, the authors found that external certifications positively affected firm behavior, whether it was measured by R&D or foreign technology licensing (Goel & Nelson, 2020). The results were more robust when certifications were replaced by broader external audits of financial statements (Goel & Nelson, 2020). Additionally, the authors found that older firms exhibited varying attitudes towards research and development relative to licensing and that the impact of larger size was also distinguishable (Goel & Nelson, 2020). This may have been due to the fact that an extended period of existence may have facilitated the in-house development of

technologies, making licensing of foreign technologies less appealing (Goel & Nelson, 2020). Finally, when considering the firm-specific factors, the authors noted that the large size promoted R&D spending and licensing (Goel & Nelson, 2020). The effect of the firm size was consistent with the scale/scope of economies and was sizable (Goel & Nelson, 2020).

Knechel, Thomas, and Driskill (2020) drew from the UST to conceptualize financial auditing as an economic service. The authors proposed that financial auditing constituted a complex network service that required collaboration among numerous stakeholders, both in the generation and utilization of the output produced (Knechel et al., 2020). Further, the authors argued that audit research should have given more attention to the idiosyncratic nature of audit engagements and the importance of successful cooperation between the service provider (the audit firm) and the client for improving audit quality (Knechel et al., 2020). Finally, the authors noted that the presence of a large number of participants in an audit could lead to tension between the objectives of achieving a high-quality and efficient audit, which in turn made it challenging to establish clear and objective standards for measuring the quality of audits (Knechel et al., 2020).

The authors drew from extant audit research and built their arguments from four fundamental insights of service science literature. The following propositions were made:

- a) Auditing [was] an economic service – because the provision of economic services necessitated significant collaboration between the service provider and the service recipient, given the nature of the services rendered.
- b) Auditing [was] a collaborative network service – the authors emphasized the importance of auditors fostering cooperation with management while preserving their professional independence, as significant managerial was crucial to the execution of the auditor’s duties.
- c) Audit quality was dependent upon perceptions within the cooperative network – while audit standards aimed for a uniform level of audit quality (Knechel, 2013), the service perspective argued that quality must be understood in terms of the expectations of the particular parties in a given audit context (including third party users).

- d) Excessive standardization in the audit process [could] undermine audit quality – efforts to make the audit process more uniform had the potential to improve efficiency but impair audit quality.

Vadasi et al. (2020) utilized the institutional theory as a framework to examine the effectiveness of internal auditing concerning its role in corporate governance. Their study aimed to assess the influence of the professionalization of internal auditing on its contribution to enhancing corporate governance practices (Vadasi et al., 2020). The study collected data from a survey of 49 listed companies on the Athens Stock Exchange (Vadasi et al., 2020). The findings of the study suggested that the professionalization of internal auditing had an impact on its effectiveness. This was especially true where the internal audit function adhered to professional standards and possessed professional certifications, thus enhancing the internal audit's contribution to corporate governance. Additionally, the results of the study indicated that the internal audit's impact on corporate governance was influenced by several organization-specific factors, such as the duality of the CEO role and the quality of the audit committee (Vadasi et al., 2020).

De Santis and D'Onza (2021) applied the legitimacy theory as a framework to investigate the measures that promoted or prohibited the use of big data and data analytics (BDA) in financial auditing. The study was characterized as an exploratory research effort, and it consisted of conducting interviews with senior partners and managers from Italian audit firms (De Santis & D'Onza, 2021). The empirical findings from the research indicated that the legitimation process of BDA was more advanced in the audit profession than in other contexts (De Santis & D'Onza, 2021). The leading role in the process was played by the Big Four audit firms, and BDA was used to supplement traditional audit methods (De Santis & D'Onza, 2021). Outside of the audit profession, the digital maturity of clients, the absence of audit standards, and the negative view held by the audit oversight authority hindered the full legitimation of BDA (De Santis & D'Onza, 2021).

Fossung, Mukah, Berthelo, and Nsai (2022) examined the impact of the agency theory on the demand for high-quality external audits in Cameroon. Using questionnaires and a sample of 171 companies, the authors modeled external audit quality as a dependent variable of agency costs (Fossung et al., 2022). The empirical findings from the study demonstrated that an increase in agency costs incurred by the shareholders/creditors and an increase in agency costs incurred by the relationship between the shareholder and managers had a negative impact on the demand for audit quality (Fossung et al., 2022). When the manager held a low level of share capital, they were found to act opportunistically, leading to a heightened desire to obtain a higher quality of audit to control their behavior (Fossung et al., 2022). The study also revealed that majority/minority agency cost and the size of the audited client positively and significantly affected the demand for audit quality (Fossung et al., 2022). The study found that an increase in capital concentration led to a greater requirement for a higher-quality audit to safeguard the interests of stakeholders, including minority shareholders (Fossung et al., 2022). Additionally, the authors discovered that the size of the audit firm had a positive, albeit statistically insignificant, effect on the demand for a high standard of audit quality (Fossung et al., 2022).

Efiong, et al. (2022) examined the validity of the resource dependency theory in the context of audit independence, financial expertise, and size against the financial performance of listed commercial banks in Nigeria. The study aimed at examining the effect of the aforementioned audit attributes on return on asset; Tobin Q; return on equity; earnings per share and net profit margin (Efiong, et al., 2022). The empirical results revealed that the audit attributes had no significant effect on return on assets; return on equity, earnings per share, Tobin Q, and net profit margin (Efiong, et al., 2022). Conversely, the audit committee was found to have a significant effect on return on assets. The authors concluded that there was a corporate governance code that propagated the composition of audit attributes in Nigeria (Efiong, et al., 2022). Thus, the authors suggested that Nigeria should strictly adhere to the corporate governance code propagated by the security and exchange commission regarding the number of audit committee members (Efiong, et al., 2022).

Table 4 in Appendix C shows the summary of the empirical studies reviewed in this study. The empirical studies explored above explored different theories and their impact on the auditing industry, however, none of the empirical studies assessed these theories in relation to the remote audit environment. Studies conducted on the remote audit work model were limited because they were only considered from the perspective of component auditors, internal auditors, or information technology auditors. There have been studies on the remote audit environment and its impact on audit quality, post-COVID-19, however, the limitation in these studies is that they did not assess the structure of the remote auditing environment – particularly external audit work – and their measures of audit quality. To date, there were no South African studies on remote auditing – in particular, studies explaining the structure of the remote auditing environment. Therefore, this study addressed the gap in the literature.

CHAPTER 3 – RESEARCH METHODOLOGY

The overall objective of this study was to obtain an understanding of the positioning of the remote audit environment in the traditional audit framework. Furthermore, the study aimed at understanding the impact of globalization and technology within the remote audit environment, and finally to define the audit quality measures within a remote audit environment. Therefore, this chapter discussed the research design, data collection, population, sampling considerations, ethical considerations, data analysis methodology, and the reliability and validity of results applied to achieve the research objectives.

3.1 RESEARCH DESIGN

The concept of improved operational performance in the busy season was common in both the SCP paradigm (Bain, 1951) and the UST (Sampson S. E., 2001), and thus formed the basis behind the chosen research methodology. This study made use of qualitative techniques to obtain an understanding of what shaped the remote audit structure, its position within the traditional auditing framework, and the impact of remote auditing on audit quality. Due to the scarcity of literature and the contemporary nature of this research area, an exploratory research method was employed. Swedberg (2020) believed that exploratory research consisted of an attempt to discover something new and interesting, by working through a research topic. It was qualitative in nature and aimed to explore the main aspects of an under-researched problem (McCombes, 2019; George, 2021). This type of research, however, was risky by definition since it was not possible to know in advance if something novel would come out of the research (Swedberg, 2020). Exploratory studies collected data using primary and secondary sources (George, 2022). Primary sources meant collecting data directly from participants and this entailed the use of (1) survey methodology, (2) focus groups, or (3) interviews (George, 2022). Meanwhile, secondary sources meant that data was collected from pre-existing primary research and included sources such as (1) case studies, (2) literature reviews, or (3) online polls, surveys, blog posts, interviews, or social media (George, 2022). Interviews were one of the most common methods of data

collection in qualitative research (Doody & Noonan, 2013; George, 2022). Schultze and Avital (2011) believed that interviews generated deeply contextual accounts of participants' experiences and their interpretations of them. Hence, interviews were expected to be broad in nature and comprise a limited number of questions allowing for flexibility (Kallio, Pietila, Johnson, & Kangasniemi, 2016). Like other analytical methods, data collected from the interviews must be analyzed and interpreted to extract meaning, gain insights, and generate empirical knowledge (Corbin & Strauss, 2008; Rapley, 2018). The open-ended nature of the interview questions led to more comprehensive responses as participants could be asked to clarify, elaborate or rephrase their answers (Hardon, Hodgkin, & Fresle, 2004; Rubin & Rubin, 2005; Polit & Beck, 2010; George, 2022). Accordingly, this study used fewer questions that were broad to encourage free-ranging conversation, enabling deeper insights into the remote audit environment due to this research area being relatively unexplored. Although interviews had their advantages, Doody and Noonan (2013) and George (2022) highlighted that interviews had the following limitations:

1. Structured interviews had a limitation in scope, which would prevent the researcher from asking additional questions for more clarification or nuance.
2. Due to the restricted answer options, participants would have to choose the "best fit".
3. Semi-structured interviews were time-consuming, not only in terms of conducting them but also in terms of arranging them, post-interview transcription, and analysis of the data.
4. Unstructured interviews had low reliability and validity, making it harder to compare the data.
5. All interview types were susceptible to bias, which may have included:
 - a. The desire to create a good impression may have led a participant to not answer questions truthfully.
 - b. The researcher may have asked leading questions.
 - c. Focus groups had a higher risk of observer bias, recall bias, and social desirability bias.

To alleviate these limitations, a semi-structured interview method was employed. Semi-structured interviews were a common data collection method in qualitative research (DiCicco-Bloom & Crabtree, 2006). The use of semi-structured interviews allowed for the identification of

patterns or themes in the responses provided by participants to the study, while also allowing for comparison between respondents (George, 2022). However, the broad nature of the interview questions ran the risk of encouraging the researcher to ask leading questions, resulting in researcher bias and non-comparability of questions if the researcher departed from the predetermined list of questions (George, 2022). This could have reduced the validity of the results. For this reason, this study alleviated this risk by being cognisant of these limitations in the design of the interview structure and whilst conducting the interviews. Table 2 below showed the link between the research questions in this study as well as the interview questions per Appendix B. The interview questions were designed to answer the research questions. This study intentionally designed the questions to be broad, to inspire more conversation between the interviewer and interviewee. Furthermore, the questions were limited to a total of eight (8), to prevent interviewee fatigue. All interviews were conducted in a 30-minute time frame and participants were asked to rephrase or elaborate on points made where further clarity was required. When interviews were transcribed and thematically analyzed, this study was able to determine the quality of the responses and whether saturation was reached.

Table 2: Link Between Interview Questions and Research Questions

#	Construct examined	Research questions	Interview question number	Link to interview questions
1	Structure	What is the positioning of remote auditing within the traditional audit framework?	Q1	What gave rise to the remote auditing environment?
			Q3	How does the remote auditing firm feature within the traditional audit model?
			Q4	In your opinion, do you think the remote audit firms are a competitor or a support structure to traditional audit firms?
			Q7	What regulates the demand and supply of remote auditing?
2	Globalization	How has globalization equipped auditors to adapt in dynamic environments such as the remote auditing environment whilst maintaining audit quality?	Q2	In your opinion, how has globalization changed the auditing environment as you know it?
			Q5	In your opinion, what factors contribute to audit quality in a remote audit environment?
			Q6	As a service firm that relies on the production of a high quality service, what determines high quality in the remote audit environment?
3	Embracement of technology	Does the inclusion of technology in the remote auditing environment influence audit quality?	Q8	In your opinion, do you think the remote auditing environment has taken advantage of emerging technologies?

Source: Author, 2022

3.2 DATA COLLECTION

This study was exploratory in nature hence, this study collected primary data primarily through semi-structured interviews from audit firms in South Africa, the United Kingdom, and the United States. Interviews were conducted virtually using Microsoft Teams, with consent to record the sessions and take comprehensive notes. Interviews were transcribed automatically by Microsoft Teams into documents and responses from the interviews were anonymized and safeguarded to prevent unauthorized access and promote appropriate data management. The transcribed data was then uploaded to Nvivo. Nvivo is a software program that was employed for the analysis of qualitative and mixed-methods research data (Kent State University, 2022). Some of the advantages of using software in qualitative research as identified by John and Johnson (2000) included increased flexibility, saving time, being able to deal with large volumes of qualitative data, and having improved validity and audibility of qualitative research.

3.3 POPULATION AND SAMPLING CONSIDERATIONS

Wani (2002) referred to a population as any collection of a specified group of human beings, or non-human entities, such as objects, organizations, or occurrences. The population for this thesis was large audit firms that had experience in the use of remote auditing services. It would not have been practical to obtain all firm names globally, hence the study used the purposive sampling technique to identify the sampling population as well as participants in the study. Purposive sampling (also termed judgment sampling) was a non-random sampling technique and was the deliberate choice of a participant due to the qualities they possessed (Etikan, Musa, & Alkassim, 2016). The study was focused on expertise rather than the location of the firm. Furthermore, the larger audit firms possessed the financial resources to employ on-demand remote audit staff frequently, relative to smaller audit firms. Thus, the study's sample comprised the Big Four accounting firms and BDO (a mid-tier accounting firm) (Big4AccountingFirms, 2022). This study selected the top 5 accounting firms in the world which had a combined global revenue of USD 177.9 million in 2022. This comprised 88% of the total top 10 accounting firm's global revenue for 2022, thus the top 5 firms provided sufficient coverage of the audit firm population

(Big4AccountingFirms, 2022). The purpose of the research was to remain unbiased, thus using independent companies was expected to yield more robust and objective results.

The individuals selected to participate in the semi-structured interviews were obtained using various methods such as the firm's website, LinkedIn, and direct referrals from the interviewees. These individuals were contacted using the email addresses obtained from LinkedIn or the firm's website. The email communication sent to prospective individuals provided context to the study and obtained confirmation of the individual's acceptance to participate in the interview. The study examined two technical fields, one being remote auditing and the other being technology. For this reason, expert interviews were required for data integrity and data validation. The audit managers, directors, and partners were identified as the participants who would add the most value in terms of the study. This is because these three parties liaised regularly with the engagement managers from the remote audit firm to build a relationship and facilitate a smoother transition of the traditional audit firm into a remote audit environment. Thus, they were the parties who were most likely to be able to provide the most information about the positioning of remote audits in the context of the traditional audit environment.

The overarching objective of this research was to obtain an understanding of the positioning of the remote auditing environment in the context of the traditional audit framework. Thus, the scope of the study was narrowed down to remote auditing in particular. The information required to answer the research question was easily obtained from conducting the semi-structured interviews with the management body at the Big Four accounting firms and BDO as they possessed the necessary expertise to be able to answer the questions. The research design was aimed at obtaining high-quality data from the management body at the aforementioned accounting firms. Morse (2000, p.4) stated that

“when using semi-structured interviews, the researcher [obtained] a small amount of data per interview question, then to obtain richness of data required for a qualitative analysis, one [needed] a large number of participants”.

Morse (2000) further stated that there was an inverse relationship between the quality of the data and the number of interviews per participant. The general principle was that *“the greater the amount of usable data obtained from each person (as number of interviews), the fewer the number of participants.”* (Morse, 2000, p.4). Thus, in the application of the inverse relationship between the quality of the data and the number of interviews per participant, this study used a sample of 25 interview participants. This was also in line with Sandelowski’s (1995) recommendations that qualitative sample sizes be large enough to allow for the unfolding of a *“new and richly textured understanding”* of the phenomenon under the study, but small enough so that the *“deep, case-oriented analysis (p.138) of qualitative data [was] not precluded.”*

Sandelowski (1995), Morse (1995), and Morse (2000) concurred that sample size had been the subject of enduring discussions in qualitative research. There was no rule to the sample size in qualitative studies. However, when taking into account the sample size parameters, Morse (2000) implored that researchers should consider the following factors:

1. The scope of the study: the principle was that the broader the scope of the research question, the longer it would take to reach saturation.

This study was audit-related and to define the scope of the study it was important to understand the audit market. The audit firm population consisted of firms that offered a hybrid-working model, a completely on-site model, and a remote auditing model. Within this population, there were only two consulting firms that provided remote auditing services on a global scale, namely Makosi SA and Sapro Consulting. These firms provided their services to major accounting firms and other accounting firms. The focus of the study was on remote auditing, thus the population was all audit firms that made use of remote auditors.

2. Nature of the topic: if the topic under study was clear and the information was easily obtained in interviews, then fewer participants were needed.

Part of the research objectives was to obtain an understanding of the positioning of the remote audit firm within the traditional auditing framework. Since the population comprised audit firms that made use of remote auditors, information was easily obtained through interviews which were conducted with the managers, directors, and partners (experts) at the traditional firms. These experts worked closely with the engagement managers at the remote audit firm to facilitate a smoother transition into the remote audit environment, thus were considered to be the appropriate participants who were knowledgeable of the subject area. The research area was relatively new as little was known about the remote audit environment, hence the study required more participants to be able to elicit more information.

3. The quality of the data: if the data on target, contained less dross, and were rich and experiential, then fewer participants would be required to reach saturation.

In application of the principle above, when providing context on the nature of the study and obtaining consent for the semi-structured interviews, the participants were asked about their experience with the remote audit environment and their experience in the traditional firm. The purpose of such questions was to determine whether the participants had the experience and an understanding of the research topic to be able to provide quality information.

4. The study design: a consideration that some study designs produced more interviews per participant (and thus more data) than others.

The phenomena in this study were answered in a more detailed and complete manner using semi-structured interviews. This approach aimed at gaining a holistic understanding of this specific subject. This study selected participants based on the seniority of their position within the traditional audit firm and their knowledge of the remote audit environment.

5. The use of shadowed data: shadow data referred to a participant's discussion of the experiences of others, how their own experience resembled or differed from others, and why it differed (Morse, 2000). Morse (2000, p.4) was of the notion that the use of shadow data was important because it provided the investigation with some idea of the range of experiences and the domain of the phenomena beyond the single participant's personal experience, and provided an explanation of the rationale for these differences.

In application of the principle above, to obtain better research findings that bred data validity, this study drew experiences from a range of participants.

3.4 ETHICS CONSIDERATIONS

Ethics approval was attained from the University of Cape Town Ethics Committee and the Top 5 accounting firm's managers, directors, and partners to perform interviews. As part of the submission of the ethics application, the researcher completed an interview consent form which was sent to the ethics committee for approval. The purpose of the form was to obtain written confirmation of the interviewee's consent to participate in the study.

3.5 DATA ANALYSIS

Once the relevant data were collected from the interview process, the data analysis process commenced post-transcription of the interviews. Satya and Shauki (2022, p.352) defined data analysis as

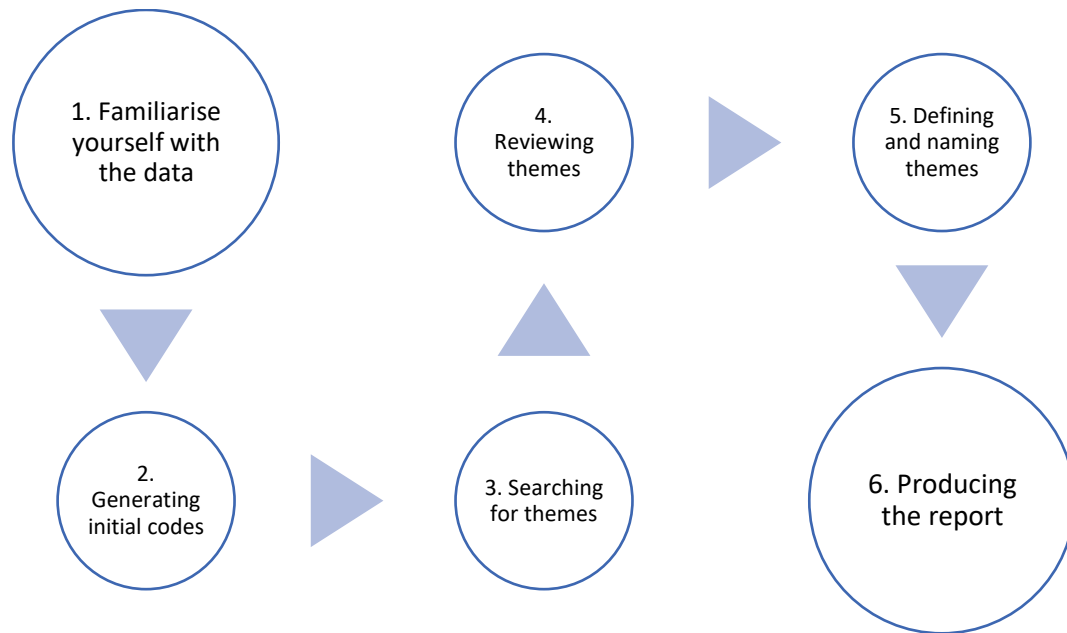
“the process of systematically searching and compiling data obtained from interviews, field notes, and documentation, by organizing the data into categories, describing them into units, synthesizing, compiling into patterns, choosing what was [not] important and what was important that would be studied, and make conclusions so that they were easily understood by themselves and others”.

This study performed a thematic analysis of the information obtained from the interviews as it was best suited for the researcher's exploratory approach to the research – refer to Figure 2

below. A thematic analysis enabled flexibility in the interpretation of data collected and the identification of common themes (Braun & Clarke, 2017) – thus providing structure (Mackieson, Shlonsky, & Connolly, 2019). Staller (2015) and Caulfield (2019) were of the notion that thematic analysis moved beyond describing data but also required relatively more involvement including intellectual contribution from the researcher. Thus, this study applied Braun and Clarke's (2006, p.87) six-step framework to analyzing data using thematic analysis (*refer to Figure 2*). The SCP paradigm and the UST provided a theoretical framework and theme for the research as the objective of the research was to understand the structure of the remote audit environment and to determine the components of the remote auditing structure which had an impact on audit quality, and finally build a hierarchy of the audit quality measures in the remote auditing environment.

The first step in the framework was the familiarization of the data – which involved the researcher obtaining an overview of the data, transcribing any audio data (if necessary), reading and re-reading data, and noting down initial ideas (Braun & Clarke, 2006). The interviews were transcribed verbatim by Microsoft Teams and initial ideas were noted down. Bryman and Bell (2015) stated that the transcription of interviews allowed for a more accurate and exact examination of the interview. Following the first step, the researcher generated initial codes of the data, highlighting interesting features of the data across the dataset and collating the data to relevant codes to describe their content (Braun & Clarke, 2006). This enabled the researcher to gain a condensed overview of the main points and common meanings throughout the dataset. Codes were generated using Nvivo, the researcher collated the codes and searched for themes. Themes were generally broader than codes and in some instances, several codes could be combined to form an overarching theme (Braun & Clarke, 2006). Once a 'thematic map' of analysis had been developed, the researcher reviewed the themes checking if the themes worked with the coded extracts and the entire coded dataset (Braun & Clarke, 2006). Once reviewed, the themes were defined and named. This was an iterative process by the researcher to refine the specifics of the themes and understand how they assisted in understanding the data (Braun & Clarke, 2006) and ultimately answering the research questions. The final step in the process was

producing the report, which the researcher documented as part of the results. The research explained how the data was collected and the process followed to identify and code the data to derive themes. The themes were analyzed in reference to the research questions of this study – refer to Table 2.



Source: Braun and Clarke, 2006

Figure 2: Phases of a Thematic Analysis

3.6 RELIABILITY AND VALIDITY OF RESULTS

The research design of this paper was qualitative, and due to the exploratory and contemporary nature of the research area, it was important to understand the reliability and validity of the results. Golafshani (2003) provided that the concept of “reliability” was often used for evaluating quantitative research. Therefore, if the idea of testing was viewed as a way to generate information, then the most important test for a qualitative study would be quality (Golafshani, 2003). Johnson and Parry (2015a) as well as Lincoln and Guba (1985) were of the notion that the

reliability of qualitative research referred to the systematic rigor of the research design, credibility of the findings, and the ability to apply and replicate the research method with consistency. Thus supporting Golafshani's (2003) notion that the reliability of qualitative research was linked to the overall impression of quality associated with the research. As part of the consent forms, each participant was questioned on their knowledge, understanding, and experience with remote audit firms prior to the commencement of the interview. This was important to establish credibility of the participants and provide a basis to generate understanding of the study. This would enhance reliability of the study and enable another researcher to conduct a similar project based on this description. Johnson and Parry (2015a) purported that trustworthiness of qualitative research was multifaceted and involved the interweaving of literature that was reviewed and engaged, the theoretical framing of arguments, and methods undertaken to collect and analyse data. In the context of this research, to enhance the trustworthiness of the research, an in-depth literature review was performed, and multiple empirical studies were also reviewed in order to develop a theoretical framework which underpinned the study.

An additional component to reliability is that of qualitative validity, which Creswell (2014, p.201) defines as:

"[the researcher's] checks for the accuracy of the findings by employing certain procedures, while qualitative reliability indicates that the researcher's approach is consistent across different researchers and different projects".

Honing into Creswell's (2014) definition of validity, research has shown that there are various techniques which can be applied to qualitative research to increase its trustworthiness, thus addressing issues of whether the analyses represent reality (internal validity) or whether the analyses compare to other populations or settings (external validity) (Rose & Johnson, 2020). In the context of this research paper, qualitative validity was enhanced using an interview schedule as a validated instrument for data collection. To address issues around internal validity, the sampling population (as discussed in section 3.3 above) focused on the expertise of the audit firm and familiarity with the remote auditing environment. The traditional audit firm population

selected, i.e., the Big 4 and BDO, were consumers of the remote audit service, which may be viewed as a limitation to the study. However, the population, was selected based on revenue as these firms were able to afford remote audit consultants. Furthermore, their performance in the market was also representative of the current market concentration, thus further demonstrating the structure of the audit market as alluded to in the SCP paradigm discussion in Chapter 2.

CHAPTER 4 – RESULTS

This chapter explored the views of the managers and partners participating from the Big Four and BDO in response to the interview questions in Appendix B. This chapter started by analyzing the interview response rate to assess whether the sample size was sufficient and representative of the population. Data analysis was conducted following the research objectives. The data was transcribed, and the resulting information was thematically analyzed to answer the research question. Refer to Figure 10 (Appendix A) for the coding structure.

4.1 ANALYSIS OF RESPONDENTS

Dawson (2001) defined a “sample” as the subset of a population that had been selected to be representative of the larger population. The research was centered around obtaining an understanding of the remote audit environment, which was an area that was not well-researched. It would not have been practically possible to conduct semi-structured interviews with the entire population of the management body at the Big Four and BDO across the world. Therefore, a reasonable alternative was to use a sufficiently large sample that was representative of the entire population (Acharya, Prakash, Saxena, & Nigam, 2013). Acharya et al. (2013) provided that the sample representativeness was dependent on three factors, namely: 1) Sampling methodology, 2) Sample size, and 3) Response rate. The sampling methodology and sample size have been discussed in Chapter 3 of this research paper, therefore, this section seeks to discuss the response rate.

Due to the nature of the study, the research needed to have a slightly wider range of participants to collect more data and allow for a deeper analysis. Table 3 below represented the response rate for this study. Once the final participant was interviewed, it was noted that no new information was generated, thus indicating that the study had reached saturation. Thus the response rate of 76% was deemed appropriate.

Table 3: Interview Response Rate

Participant Sample	Sample Population	Total Responses Received	Response Rate
Total Sum of Interviewees	25	19	76%

4.2 INTERVIEW FINDINGS AND DISCUSSION

The objectives of this study were three-fold and examined the following constructs: structure, globalization, and the embracement of technology – refer to Table 2. To answer the research question “What is the positioning of remote auditing within the traditional audit framework?”, the interview results were discussed under key constructs discovered in the thematic analysis. Interview questions 1, 3, 4, and 7 examined the construct of “structure”. Similarly, interview question 8 examined the final construct, i.e., “embracement of technology”, as it aimed to respond to the research question “does the inclusion of technology in the remote auditing environment influence audit quality?”. It’s important to note that as per the results of the thematic analysis, participants linked the embracement of technology to the structure of the remote audit environment, hence both results have been discussed under section 4.3) Structure and Technology. Finally, interview questions 2, 5, and 6, examined the construct of “globalization” – as they aimed to answer the research question: “how has globalization equipped auditors to adapt in dynamic environments such as the remote audit environment whilst maintaining audit quality?”. Thus, results from the interview were discussed under section 4.4) Globalization.

In response to the interview questions posed, the participants also highlighted some limitations to the structure of the remote audit environment. These were discussed in section 4.5) Limitations to the remote audit environment.

The results of the interview have thus been presented in order of the thematic analysis.

4.3 STRUCTURE AND TECHNOLOGY:

4.3.1 THE RISE OF THE REMOTE AUDIT FIRM

In response to the question “what gave rise to the remote auditing environment?”, Figure 3 below showed that 11.10% of the participants were of the notion that the remote audit environment was a pre-existing model which could have been easily implemented “10 years ago” (Participant 2.4), as auditors had the option to work remotely however, there was no demand for it (Participant 1.5; Participant 2.1 and Participant 2.4). Interestingly, although participants mentioned that the remote audit environment was a pre-existing model, they also noted that its presence was exacerbated by the COVID-19 pandemic and increased use of technology. This was supported by the Institute of Internal Auditors’ (2017) assertion that audit processes would be AI-based in the future. Further, this finding was supported by Gallo (2020) and Barac et al. (2021) who noted that remote audits became more popular due to advancements in technology. Participants noted that before the pandemic, traditional audit firms were transforming their audit methodologies to incorporate the use of artificial intelligence (AI), data analytics, and robotics to acquire adequate and suitable audit evidence to address the identified risks. This was aimed at improving the quality of audit evidence obtained and documented on engagement files. Participant 1.2 summarized the need for transformation as being brought about by “*challenges by various audit committees to innovate and make use of AI because clients are innovating.*” Another participant cited audit regulators as the driving force behind the utilization of AI, data analytics, and robotics during the audit process, as there had been “*increased scrutiny on audit firms as well, and in terms of performing audits on accounting estimates and or auditing the future*” (Participant 1.6). In addition to the use of artificial intelligence, data analytics, and robotics, participants were of the view that the remote audit environment was a pre-existing model because audit firms already had the technology to facilitate working in such an environment. Participants stated that access to information and online data applications allowed for collaboration, data sharing, and communication amongst engagement team members. Audit firms used communication technological platforms such as Pink Connect and Gimmicks, before

moving to Skype and more recently Microsoft Teams (Participant 2.1). Although traditional audit firms had this existing technology, participants noted that it was not widely used for a variety of reasons, one of them being that the bandwidth for certain applications was not of good quality thus making communication and collaboration a tad an arduous task (Participant 1.5).

However, once the COVID-19 pandemic was announced by the WHO, firms were forced to shut down their offices and implement the work-from-home strategy. This meant that increased investments had to be made into technology, to ensure the safe sharing of confidential data between engagement team members and between the audit team and the client. Furthermore, firm investments in technology went towards improving the quality of the bandwidth for certain applications used for communication and collaboration, to ensure that audits were completed timeously amid uncertainty.

Figure 3 below also showed that 20.18% of participants believed that the remote audit environment was formed as a result of capacity constraints and shortages of skills globally, and this was supported by both the SCP paradigm and the resource-dependency theory. Participant 2.6 emphasized the severity of the situation and stated:

“There [was] a massive lack of capacity at the major firms. The top five firms most certainly, to the point where they [were] turning away work because they simply [did] not have enough resources.”

Other participants have cited that international audit firms had a shortage of qualified Chartered Accountants (CAs) or Certified Professional Accountants (CPAs) because there was difficulty in recruiting people locally within their countries, hence the South African Chartered Accountant qualification was in high demand. This result was supported by Suryani (2018) and Wooldridge (2022) who found that the shortage in the supply of qualified financial professionals was attributable to the low salary – as other professions seemed more financially attractive; the misinformation about workload in public accounting firms; the negative perception of the public accounting profession and the onerous structural barriers to becoming a CPA.

Thus, the challenges faced by the larger international accounting market resulted in a “brain-drain” in South Africa as the remote audit firms and traditional audit firms had been vying for the same talent pool. The capacity constraints and skills shortages at traditional audit firms were also linked to difficulty in the firm’s ability to retain staff post articles, hence remote audit firms were also viewed as competitors to traditional audit firms.

Another respondent attributed the capacity constraints in traditional audit firms to the mismatch in the planning of audit work versus the staff capacity or staff mix (Participant 2.7). The finding was supported by Heo et al. (2021) findings on workload imbalance, which found that busy season audits were usually associated with lower audit quality and that firms reduced the involvement of senior auditors during the busy season. Capacity constraints and mismatches in the staffing mix on audit engagements were known to increase the auditor workload which had a significant impact on audit quality. This is because, the spike in workload increased the demand on the auditor’s time and cognitive resources (Heo et al., 2021).

Conversely, although the skills shortages have been to the disadvantage of traditional audit firms, globalization created the opportunity for those skills to be easily sourced (Participant 1.1). Hence, remote firms such as Sapro and Makosi had come to the forefront of the accounting market, as they had identified an opportunity within the audit market to help resolve the staffing and utilization crises by bringing forth a high-quality on-demand workforce. The virtual workforce was able to support the traditional audit firm during the peak season to reduce the auditor workload on staff and spread out the firm’s resources to other engagements.

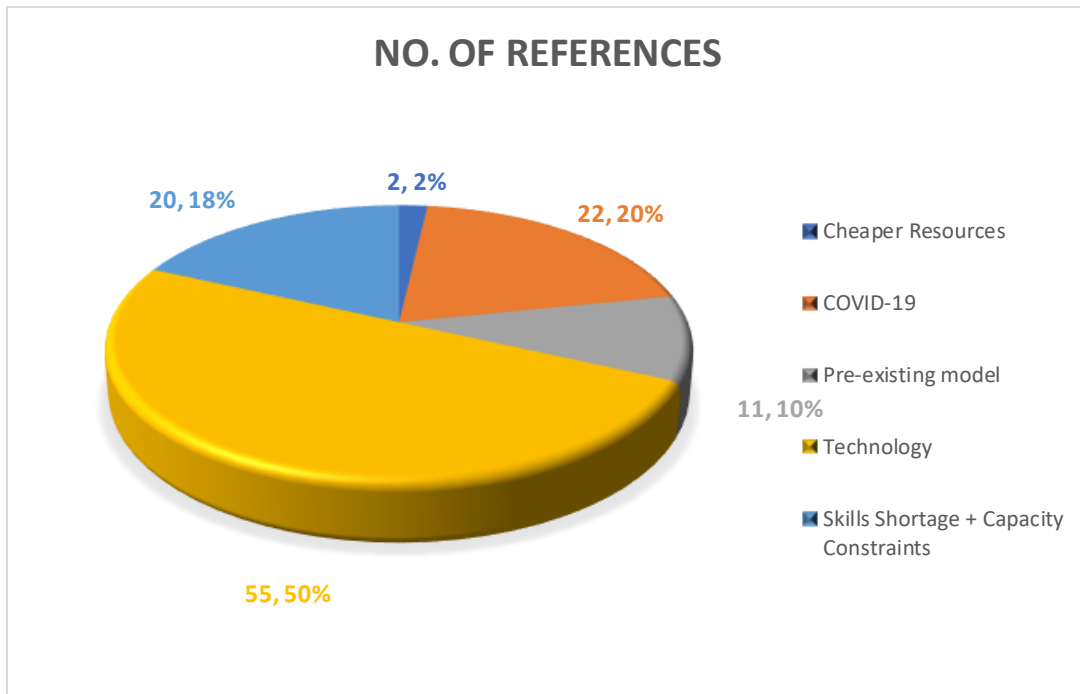


Figure 3: Rise of the Remote Audit Environment

4.3.2 POSITIONING OF THE REMOTE AUDIT FIRM

The respondents had mixed reviews about whether remote auditing indeed featured within the traditional audit environment. However, the common themes identified in Figure 4 below were that 7.31% of participants perceived remote audit firms as a disruptor to the audit environment, while another 7.30% believe that the purpose of the remote audit firms was to “fill the gap” where there was a shortage of resources.

Respondents echoed similar views on the remote audit firms and stated that they were disruptors because they had disrupted the staffing model (Participant 1.3; Participant 2.7), with Participant 1.9 going further to say that their recruitment strategy had been “*very aggressive*”, and the remote firms has been very good at advertising themselves. Participant 1.9 stated:

“...remote audit firms had challenged the traditional audit environment to not be complacent. They had presented [themselves] as an alternative. The firms had presented [themselves] as more

attractive to young people who felt that they were not getting the same opportunities from other traditional audit firms.”

The disruption to the staffing model was also linked to the shortage of resources in traditional audit firms. Thus, 7.30% of participants were of the notion that remote audit firms were positioned to be able to supply an on-demand resource, who was also of a senior level to be able to deliver on client work (Participant 1.7; Participant 2.9) – due to the scarcity of resources in international countries (Participant 1.6).

Although participants had mixed reviews on the positioning of the remote audit firms within the traditional auditing framework, some did believe that the model could achieve longevity. Participants were of the view that in a post-COVID environment, traditional firms needed to find a way to integrate the model into the “older traditional model” (Participant 1.1; Participant 2.2) because a completely remote firm or a completely traditional audit firm would not be relevant in the current climate. Thus, traditional audit firms were forced to adopt a hybrid environment. This result was supported by the SCP paradigm, where James (2020) identified that the introduction of a variable workforce may have proven to be more attractive for companies under current circumstances.

While implementing a hybrid environment, traditional firms still aimed to produce high-quality work for their clients while maintaining efficiency. Part of this strategy was ensuring proper project management to execute the audit timeously and with appropriate audit quality. Hence firms incorporated the use of technology in their audit methodology. However, in conjunction with technology, it was possible that firms could take a mandatory position for some sections of the audit to be completed by a remote team member (Participant 1.1). This had the effect of releasing some capacity for the onsite engagement team to focus on other areas of the audit that would require client interaction.

Part of the research objectives was to obtain an understanding of the positioning of remote audit firms in the context of the traditional audit framework. Although participants had mixed reviews on the positioning of the remote firms, Figure 4.1 below shows that remote firms were seen as a support structure to the traditional audit firm. This was also supported by the arguments raised by participants in Finding 4.3.3 discussed below.

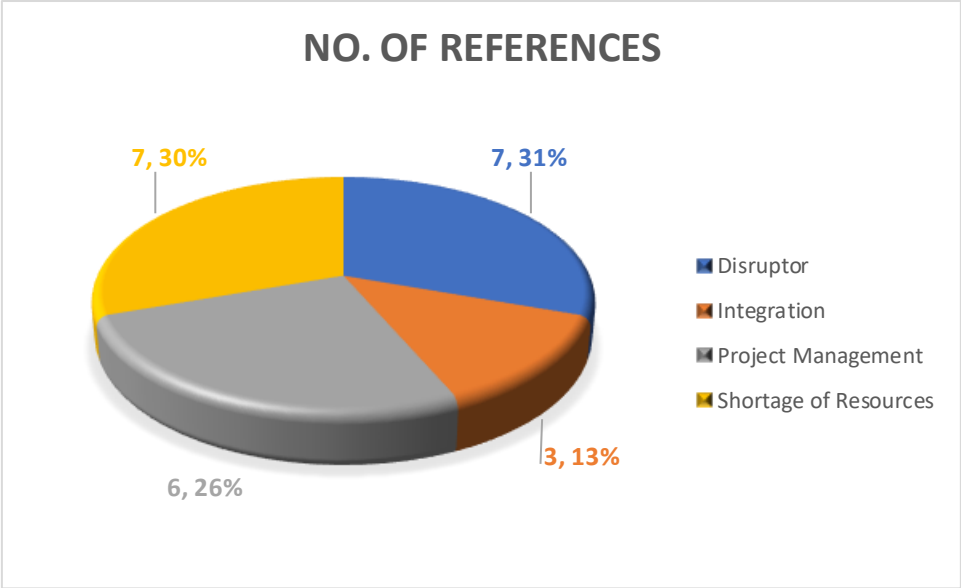


Figure 4: Participant Views on the Positioning of the Remote Audit Firm

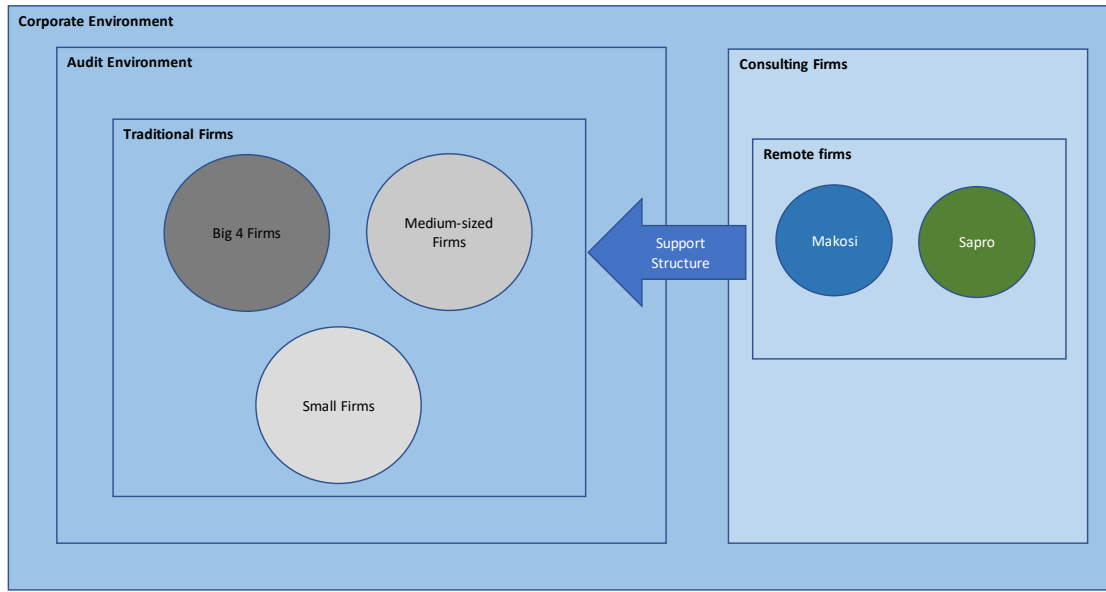


Figure 4.1: Positioning of the Remote Audit Firm in the Traditional Audit Framework

4.3.3 REMOTE AUDITING FIRMS AS A COMPETITOR, SUPPORT STRUCTURE, OR BOTH

Responses from the interview showed that 53% of the participants believed that these remote firms were a support structure to the traditional audit firm, while 38% believed they were a competitor and 9% believed that the firms could be both (refer to Figure 5). The majority believed that the remote audit firm’s business model was

“....to offer skilled audit professionals to firms who need those skills for specific aspects of their projects. [This] could be someone working for three months on a component audit of a larger group audit.” (Participant 1.1).

Participant 1.7 shared a similar view in that remote audit firms were a support structure because *“they cannot lead an audit, but they are filling the gaps”*. This finding was supported by Accountinglib’s (2019) statement in the UST. Participant 1.1 further argued that – for the remote audit firm to be considered a competitor to the traditional firm – it would require a completely different business model. This is because the remote audit firm would have to

“...[develop] their own software, which would change their operational set-up as a business and if that was the case, the strategy and competitive landscape [would] change completely” (Participant 1.1).

Interestingly, participants 1.4 (Firm A), 2.0 (Firm C), and 2.5 (Firm E) highlighted that the classification of these remote firms as either a competitor or support structure was influenced by geographic location. It seems that these remote firms had the potential of being a support structure to traditional audit firms in South Africa, however, they were perceived as a competitor to the local traditional audit firms due to various factors. Firstly, their value proposition was seen to offer consultants flexibility to work from anywhere in the world while allowing them to gain exposure to international markets. Secondly, they were seen as a competitor to the local market in terms of top talent because these firms were *“effectively competing for the same person in the same environment”* (participant 2.4). Respondents emphasized the difference between salary packages at remote audit firms relative to the traditional audit firms, with participant 2.9 (Firm E) stating that *“the salary structure was thrown out of kilter.”* This is because the remote audit firms offered competitive salaries to consultants, hence audit consultants found them more attractive. As a result, the traditional firms have struggled with staff retention – as noted by participant 2.0 – that

“...it [was] a package decision, like money, financial gain more than it [was] career growth thinking. So, they [were] not thinking long term.”

Trends in the global market were continuously evolving from changes in technology to changes in market conditions and environmental areas, and as these areas changed, companies were implored to reinvent themselves for long-term success and survival (Leavitt, 2011). The presence of remote audit firms such as Makosi and Sapro disrupted the audit market and forced traditional audit firms to re-evaluate their strategy. As remuneration seemed to be the largest driver of competition within the local audit market, traditional audit firms have had to *“reconsider what would motivate and incentivize their staff”* (Participant 2.7), and possibly work at restructuring their remuneration packages accordingly.

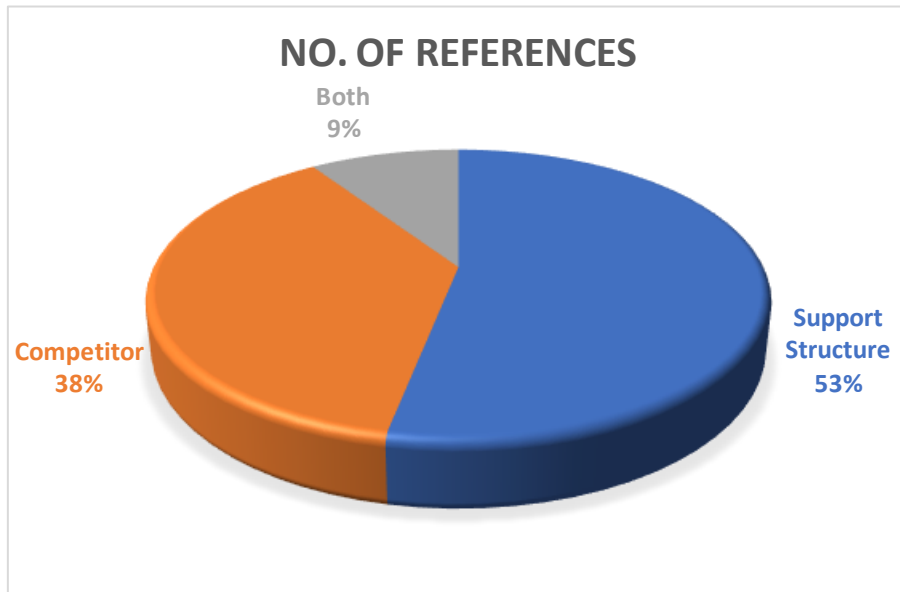


Figure 5: Competitor or Support Structure

4.3.4 SUPPLY AND DEMAND

The UST suggested that the busy season and auditor workload were the drivers of demand in the remote audit environment. Although relevant, Figure 6 below showed that 9% of the respondents believed that the busy season was the driver of demand in a remote audit environment. This was supported by the studies conducted by Kamp (2002); Park (2015); and Heo et al. (2021) around auditor workload and the fiscal year-ends chosen by different companies – pending on the region. However, the limitation of the theory was that it did not provide clarity on the driver of supply in the remote audit environment.

Figure 6 below depicted the drivers of supply and demand in the remote auditing environment. According to responses received, 44% of the participants were of the view that the availability of people, together with the type of qualification were the largest drivers for the supply of remote audit work. Participants were of the notion that the international market had a large demand for the South African Chartered Accountant qualification – due to the quality of education and

rigorous training that South African Chartered Accountants underwent before qualifying. The participants' opinions were supported by the normative isomorphism in the institutional theory – documented as part of the audit theory (van den Berg, 2018). Furthermore, Participant 2.5 stated that people in countries such as the United States or the United Kingdom would rather study other degrees than an accounting degree to qualify as a CPA or a CA. This view was supported by the research conducted by the Illinois CPA Society (2021) and The CPA Journal (2022). South African traditional audit firms signed off senior audit trainees at the end of each calendar year, resulting in an influx of newly qualified CAs into the labor market in January of the following year. Some of these newly qualified CA(SA)s became Assistant Managers, while some moved into industry. The remote audit firms created a third career path for those newly qualified CA(SA)s who were uncertain of the areas in which they would like to specialize after articles or were simply seeking international exposure. Thus, the availability of newly qualified CA(SA)s at the start of each year, influenced the supply of remote auditors in a remote audit environment, because these newly qualified CA(SA)s would be able to support the international traditional audit firms during their busy season.

Figure 6 below showed that 28% of the respondents believed that audit reform and transformation within traditional audit firms, together with the changes in auditing standards and Mandatory Audit Firm Rotation (MAFR) influenced the supply and demand in a remote audit environment. Although the changes may have been firm-specific (Participant 1.1), the audit environment was said to have undergone a lot of change over the past couple of years. Some changes had also been imposed by regulatory board requirements, while others had been imposed by changes in auditing standards such as ISQM 1 and 2 and ISA 315 (revised). The new requirements had put the onus on traditional audit firms to review and revise their methodologies and audit quality standards. Such changes – as noted by Participant 1.1 – required additional hours from the staff when executing their duties to ensure they were executed at the appropriate quality. Participant 1.1 also stated that previously, audit firms were able to predict the hours required for an engagement or all their clients because there was a stable client base. With the tough deadlines and how much it took to deliver those engagements, together with the

changes brought about by MAFR, the traditional firms have had to change their audit clients. This has affected forecasting as it has made predicting future revenues and costs associated with new clients a difficult task.

Interestingly, Participant 2.0 echoed Participant 1.1's sentiments and stated:

"[MAFR] had caused big movements and staff shortages. Previously, a Big 4 company would have 300 super third years for instance to support the client base, but because of the rotation, the client had moved to a Big 4 that had 200 staff. So, it created a shortage then on one side and then an oversupply on the other side should they not replace that client with the same size or magnitude."

This was a valid argument and was reasonably expected to influence the supply and demand of remote auditors to an extent. This argument could be linked to the availability of people, because the Big Four client with a lower staff complement, would thus require an additional 100+ senior auditors – for example – to cope with the demands of that new audit client without sacrificing the audit quality. Thus, the traditional firm had three options to consider when attempting to fill the resourcing gap. The options were:

1. To outsource these additional resources from remote audit firms such as Makosi and Sapro. This had the benefit of providing the traditional firm with a qualified professional for the specific engagement period, and the cost of the outsourced resource may have been relatively cheaper for the firm rather than hiring a permanent employee. This was expected to have a positive impact on the traditional audit firm's profitability and recoveries from the engagement.

2. Hiring the required resources for the engagement. Participant 1.1 had an interesting consideration around said option, and they stated that:

"...from a South African context...when you're a SAICA accredited firm, you could effectively run a training program under license from SAICA. The whole arrangement [was] a two-way street because you [got] recent graduates who then worked for the period of three years, building up experience, and therefore, they would join on your engagements."

But at the same time, you [had] to offer them the opportunity to meet all competencies required by SAICA for them to tick all the boxes. What [was] quite clear [was] that if you accepted someone, you [had] to make sure that you gave them ample opportunity, over the three years to achieve all their required competencies. ... with the business having peak periods which were sort of confined to a specific time, what it did then is if you were then running training contracts, you asked yourself whether you wanted to sign the additional peak resources, you needed professional staff or whether you brought in that capacity from the outside. And I think it just [made] way more sense to bring them in from externally. You knew you had training contracts; you had peak periods and you only needed hours. ... And you didn't want to have an overall increase in your staff complement because you didn't really know whether you'd be able to give them a full-on experience for three years."

The above then gave an interesting perspective, because it also suggested that the hiring or outsourcing decision made by traditional audit firms had a financial component as well as an educational component.

3. Making use of the traditional firm's global network of resources to supplement the deficit, provided that the global networks were not in their busy season depending on their region and client base. Using resources from the global networks also offered the benefit of having staff that was already familiar with the firm's audit methodology and quality standards, thus the investment time would be focused more on understanding the new audit engagement, rather than splitting time between training and understanding the client.

The hiring or outsourcing decision had some complexities because all options had benefits and limitations. However, there could be some positive favor towards the outsourcing decision – to an extent – because the traditional firm would receive a qualified on-demand resource in a fraction of the time thus reducing the risk of a bad hire – which had a financial and a reputational cost [for the traditional firm] (Makosi, 2022d).

Finally, 19% of the respondents were of the notion that the flexibility provided by the remote audit environment had influenced the supply and demand of remote auditors. Based on responses received, it seemed that post-COVID-19, auditors – regardless of age – preferred to have a work-life balance. Thus, the remote audit environment had also been attractive – hence auditors had opted to work for the remote firms.

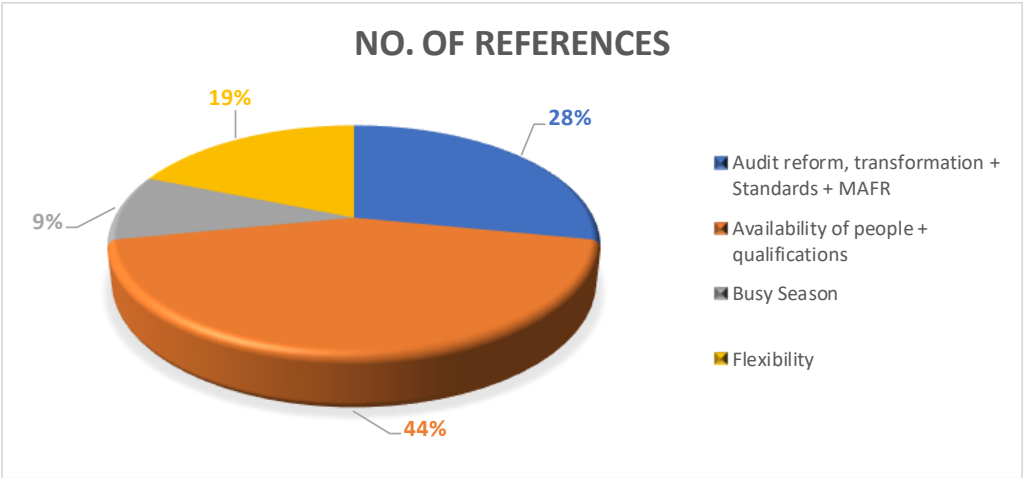


Figure 6: The Supply & Demand of Remote Auditing

4.4 GLOBALIZATION

4.4.1 THE IMPACT OF GLOBALIZATION ON THE AUDIT ENVIRONMENT

Part of the research questions was aimed at obtaining an understanding of how globalization had changed the audit environment, and how it had equipped auditors to adapt whilst maintaining audit quality. Participants in the study raised various themes on the impact of globalization on the auditing environment, and Figure 7 below showed that 39% of participants believed that

globalization had provided auditors with an opportunity to gain exposure to international markets without moving across the country. Furthermore, Participant 1.1 highlighted that:

“There were some slowdowns in terms of hiring practices at corporates and then linked with that was the limited ability to go to foreign countries, physically... That’s where the likes of Makosi and Sapro would probably step in then to offer remote working as some sort of solution.”

This indicated that these remote firms presented themselves as an alternative career path for auditors who may have felt that they would not be able to gain access to the same opportunities from other traditional firms. Linked to the idea of opportunities was that globalization had led to the sharing of skills globally – much to the benefit of traditional firms. This was because the remote firms had identified a gap in the audit market and thus created a global talent pool of qualified chartered accountants who were highly skilled and possessed the necessary expertise to discharge their duties effectively while maintaining appropriate audit quality. As participants had incessantly emphasized the shortage of skills and capacity constraints within traditional firms, the presence of the remote firms enabled them to tap into skills and experience at a fraction of the cost to execute the project timeously and without having to request the resources to relocate.

The sharing of skills and experience was linked to the skills shortages and capacity constraints faced by the audit environment; however, it provided traditional audit firms with the opportunity to form strategic alliances with remote audit firms to gain access to skilled resources. This view – as supported by the resource dependency theory – could have led to sustained competitive advantage and superior performance (Porter, 1990; Jurevicius, 2021). However, the resource dependency theory also suggested that the organization’s relationship with external resources could have a significant impact on its decision-making processes and overall success. Considering the afore, traditional firms could see this as a limitation to the use of remote audit firms – especially if they were at risk of being disproportionately dependent on these firms for their resourcing needs. This challenged the traditional audit firms to tap into their global business services within the firm’s global network. This reduced the traditional audit firm’s dependence

on outsourced resources because they had no control over these resources – which was supported by the arguments under consequence management as it related to audit quality. Furthermore, traditional audit firms exercised caution in their strategic alliances and thus worked at ensuring that the firm’s quality standards were maintained to prevent any reputational damage to their brand. Traditional audit firms may have been in favor of using their global business service practices, as the teams working in those delivery centers were familiar with the audit firm’s methodology and quality standards, thus ensuring consistency across the board. By using their global network to acquire specialist skills required for the engagement, the traditional firm may have experienced a cost saving as compared to outsourcing a specialist from a remote firm. The cost savings argument was supported by the global business services theory (Edis, 2022). Participants also highlighted the convenience of using their teams in global business service centers to conduct certain aspects of the audit work, leading to improved efficiencies.

However, although traditional audit firms may have viewed the use of the GBS centers and some of their global firm networks as a better alternative to remote audit firms, the remote audit firm’s model was still relevant to traditional audit firms. This is because the GBS centers may have been responsible for mundane tasks such as the casting of financial statements, or more complex tasks such as data clean-ups and data analytics. Although this had the benefit of releasing some capacity to the onsite engagement team, it did not take away the fact that there were still some skills shortages and capacity constraints in traditional firms – especially in firms that had a lower staff complement. Thus, remote audit firms were still relevant for supplementing the traditional firms with a virtual team to cope with the workload.

Finally, Figure 7 below showed that 7% of the respondents believed that globalization had highlighted the importance of transparency together with accountability in an audit environment. Globalization resulted in various changes – especially around reporting requirements and the overall audit process – leading to various stakeholders seeking transparency in the audit process. As more people invested in the capital markets, they tended to have a vested interest in the operational performance of a business and sought assurance from

auditors on the business’s operations. Thus, there was an expectation that auditors were more transparent and detailed in their audit reports, and that audits were conducted with the appropriate quality irrespective of the firm’s geographic location.

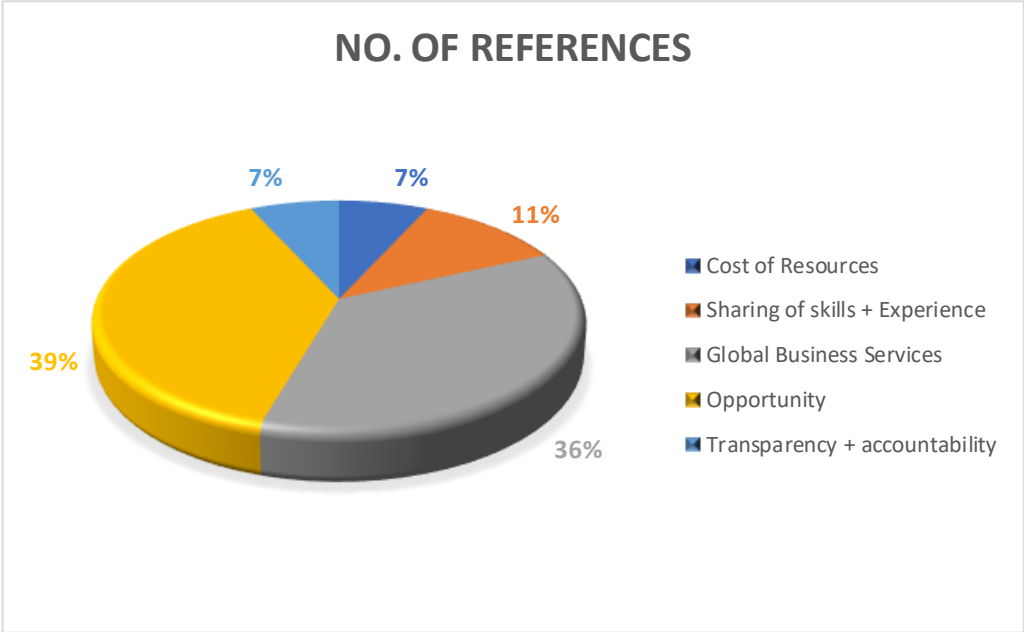


Figure 7: Impact of Globalization on the Audit Environment

4.4.2 AUDIT QUALITY MEASURES

Figure 8 depicted the audit quality measures within a remote audit environment. Interestingly, most of the respondents noted that there was no difference between the quality measures within a remote audit firm and a traditional audit firm, as “*quality should be a standard requirement*” (participant 1.2). Figure 8 showed that 42% of the respondents believed that remote audit firms would achieve audit quality through the implementation of consistent and sufficient training of remote audit consultants. Participants 2.4 and 2.8 explained that consultants needed to obtain sufficient training from the partnered audit firm because the audit consultants are moving between different audit firm methodologies. Vitez (2022) provided that some studies explained a firm’s audit methodology as consisting of the phases of the audit cycle. However, Participant 2.9 provided a different interpretation of audit methodology as the participant stated:

“...every firm had a different methodology within the requirements of the auditing standards.”

This indicated that audit methodology was a part of the audit process, but it was not the process. This is because the audit methodology was dictated by the type of technology used and how it was used. For example, Firm A’s methodology may have required that the auditor use Monetary Unit Sampling (MUS) to perform statistical sampling, whereas, Firm C’s methodology may have required that the auditor use Random Sampling to perform statistical sampling. Alternatively, Firm A’s methodology may have required that the staff use one account balance as a benchmark to calculate materiality, whereas, Firm B’s methodology required the staff to have different materiality benchmarks for different account balances. A firm’s audit methodology was what set it apart from its competitor – hence this was supported by the need for training and supervision of remote audit consultants within a remote audit environment to ensure that they were familiar and comfortable with the technology. Audit firms were knowledge- and experience-intensive workplaces (Liu & Ren, 2019), and thus required that the remote audit consultant receive sufficient training for them to understand the firm’s methodology to be able to apply it to the respective audit client’s business. This would ensure the improvement of organizational performance and ensure that the audit work performed by remote audit consultants was at the expected and appropriate audit quality standards held by the firm. Therefore, the concept of training within the audit environment was supported by Azmi’s (2008) claim on organizational learning and competitive advantage.

Before the COVID-19 pandemic, auditors were typically expected to perform their work from the office or a boardroom at the client’s premises. As corroborated by the majority of the participant’s responses, and in conjunction with training, 16% of the respondents believed that physically working together in one place allowed for collaboration, a better understanding of the audit client, and the development of soft skills – especially for junior level article clerks. This was supported by Knechel, Thomas, and Driskill (2020) who believed that auditing was a collaborative network service. Furthermore, the empirical result on soft skills was supported by Johari and Kasim (2019) who provided that analyzing problems and communication skills were soft skills

that were the most preferred skills required in the industry. The participants used an illustrative example of a boardroom setting during an audit deadline – and explained that audit clerks were bound to develop soft skills such as “communication” when observing how an audit partner communicated with the client on certain matters. Furthermore, the convenience of having a senior audit clerk in the same boardroom was said to allow for collaboration and timely resolution of issues that arose during the audit engagement. Participant 1.4 contrasted this boardroom setting to a remote audit environment to explain the difficulty of collaboration within a remote audit environment. Participant 1.4 provided that auditors who had no interaction with the client – particularly due to the pandemic – did not have a clear understanding of the client’s entity and environment. Furthermore, the lack of interaction with managers and partners – because arranging meetings was difficult [possibly due to scheduling differences] – had an impact on quality. This is because auditors would document their limited understanding “*without applying their minds around whether it [made] sense in the context of the client, and in the context of the industry*” (Participant 1.4). This finding was supported by Liu and Ren’s (2019, p.71) study on organizational learning.

The issuing of an audit report and an audit opinion was the product of collaboration by various audit team members. Thus, the respondents believed that it was important for remote audit consultants to simulate a traditional audit environment and collaborate with other members of the team to prevent the duplication of audit work, to cement the auditor’s understanding of the audit client and its environment, and to ensure alignment of audit objectives throughout the team.

Other audit quality measures discussed by some of the participants included accountability, competence, continuity, the remote audit firm’s recruitment standards, responsibility, and scope. This made up a smaller percentage of the audit quality measures in a remote audit environment (13% - as per Figure 8), however, the respondents still believed they were important quality measures to take note of.

One of the objectives of this study was to obtain an understanding of the measures of audit quality within the remote audit environment and develop a hierarchy of said measures. Thus, Figure 8.1 below depicted the measures of audit quality within the remote audit environment in the form of a hierarchy.

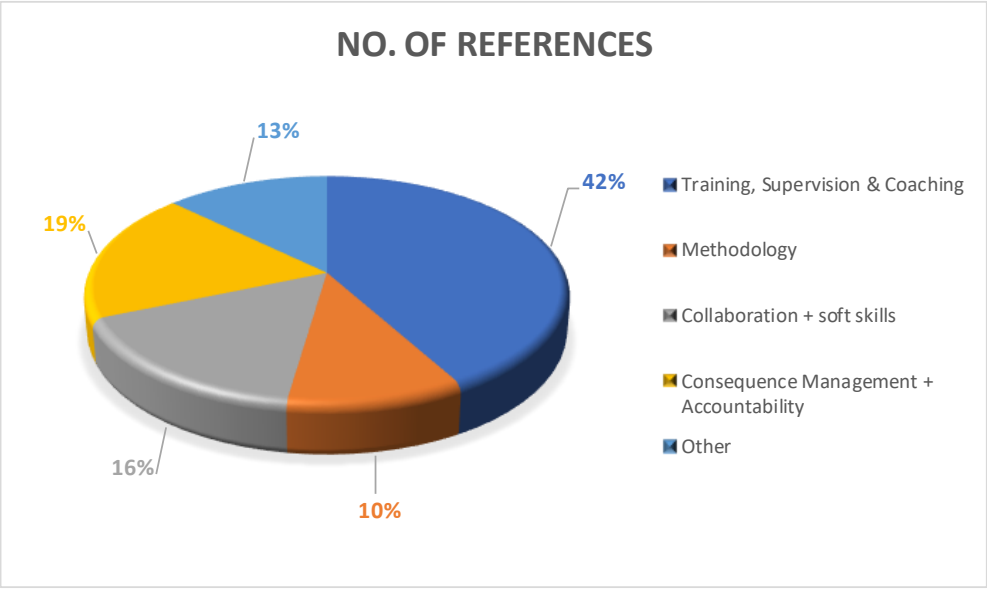


Figure 8: Audit Quality Measures in a Remote Audit Environment

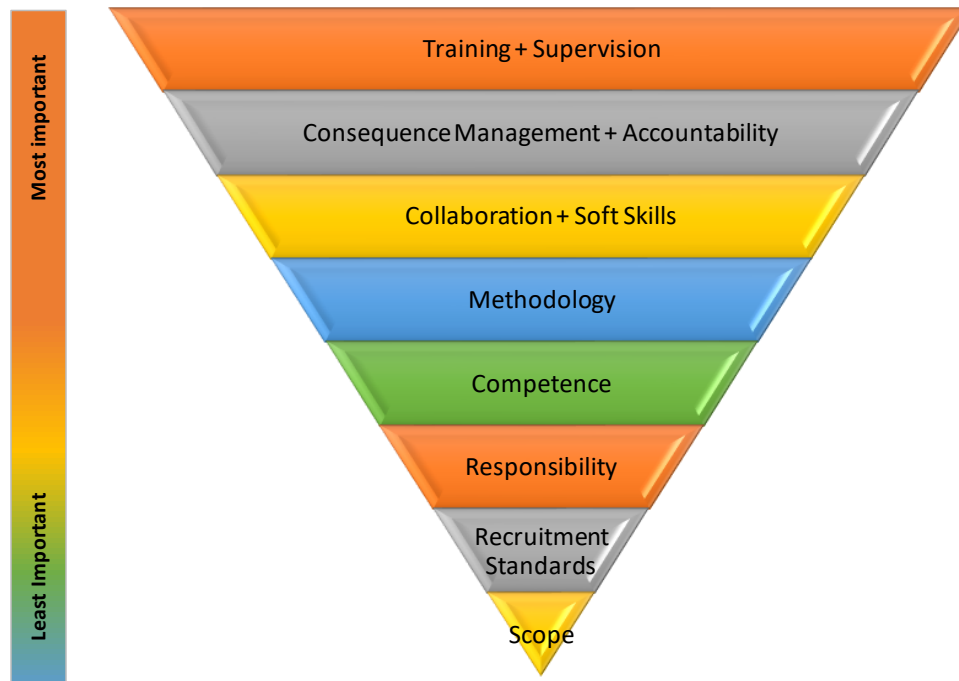


Figure 8.1: Hierarchy of Audit Quality Measures in a Remote Audit Environment

4.4.3 CONSEQUENCE MANAGEMENT AND REGULATORY PRESSURE

Figure 8 above showed that 19% of participants highlighted consequence management as an important audit quality measure within a remote audit environment. Respondents linked the concept of consequence management to accountability as well as pressure from the audit regulator (Stewart, 1984).

The audit environment was highly regulated, as supported by the institutional theory (Vadasi et al., 2020), thus with recent changes and more stringent requirements it was imperative that audits were executed in line with auditing standards and the law, and that there was an adequate review of the firm’s compliance with the afore. Respondents also emphasized that the changes in the regulatory landscape and audit environment due to globalization led to increased pressures placed on audit firms by independent regulators (and to an extent internal practice reviewers) to produce high-quality documentation on audit files. The pressure from different angles was said to make the profession “less desirable”, hence traditional firms have struggled

with staff retention. This had a ripple effect on the audit engagement as the employee turnover increased the auditor workload, causing strain on existing resources and affecting audit quality. This was supported by Heo et al. (2021) findings on auditor workload. Thus, amidst the pressure, participants emphasized the importance of auditors (both on-site and remote) taking accountability for their allocated sections and executing the audit procedures as planned to ensure that the identified risks have been mitigated.

The participants compared the accountability structure of a traditional audit firm to the remote audit environment. They stated that when a remote auditor was contracted to the partnered audit firm, there was an expectation that they complied with the partnered firm's audit quality standards, and thus their performance would be evaluated accordingly. One participant emphasized the importance of having an upfront agreement as to how the quality would be managed on the engagement and the rights and responsibilities that each firm had (Participant 1.1). This enabled both parties to set clear expectations from the partnership and define the consequences of not meeting expectations.

Interestingly, although the participants emphasized the importance of accountability, the majority of the participants were of the view that it was difficult to enforce accountability in a remote audit environment. This is because, once the project had been concluded, the traditional audit firm no longer had access to the remote audit consultant. Engagement file inspections (whether internally or externally) were typically performed after the issuing of the audit opinion, and reviewers sent queries to the engagement partners and managers to gain clarity on the procedures followed to address the identified risks. Due to the inability to gain access to the remote consultant after the conclusion of the audit engagement, the remote audit consultant was unable to support the engagement partner/manager in responding to the queries raised by inspectors. Hence, the traditional firm had the burden of having to go back to try and understand the work that was documented by the remote consultant. This was expected to increase the anxiety and stress experienced by the reviewed manager and partner (Participant 2.6).

4.5 LIMITATIONS TO THE STRUCTURE OF THE REMOTE AUDIT ENVIRONMENT

4.5.1 LIMITATIONS OF THE REMOTE AUDIT ENVIRONMENT

In response to questions about the structure of the remote audit environment, respondents to the interview also highlighted some limitations to working in the remote audit environment, which have been depicted in Figure 9 below. At least 35% of respondents highlighted the lack of social interaction and cultural differences as being one of the largest limitations of working in a remote audit environment. Auditing – as a profession – was generally people-centric as auditors were expected to interact with the client to obtain a better understanding of the client’s operations and events that transpired during the year. Furthermore, auditors built relationships with their engagement team members from junior staff to partners. This fostered an environment of learning, and collaboration, and enabled auditors to develop soft skills such as communication. The limitation in social interaction in a virtual audit environment was caused by various factors, however, participants mentioned time-zone differences (Participant 2.3) as one of the factors. Other participants mentioned cultural differences (Participant 1.7; Participant 2.6, Participant 2.7) as one of the barriers to social interaction in virtual environments. This is because the virtual workforce was viewed (by themselves and the audit firms they have been contracted to) as a cold resource to be used for a temporary period. Participant 2.6 emphasized the difficulty in embedding the traditional audit firm’s culture and quality onto the virtual resource unless the resources were allocated mundane tasks, because:

“...they [did] not have a vested interest in the business or in the success of their teammates because they [did] not share the culture, vision, and strategy”.

Participant 2.6 further stated that it was far more difficult to create an effective team environment in a remote audit environment. Thus, the absence of culture and a team environment – which one would usually acquire through on-the-job coaching and guidance – led to a lack of quality (Liu & Ren, 2019).

Figure 9 below also showed that 46% of the respondents were of the notion that there were high turnover rates within the remote audit environment, which was said to be attributable to a lack of career progression and job security. Participants believed that some of the audit trainees who left local traditional audit firms at the end of their articles were provided an opportunity to get exposure to international markets while earning a salary that was higher than market value. However, some of these audit consultants left the remote audit firms and returned to traditional audit firms – be it locally or internationally – while a smaller percentage of consultants opted to work in industry. Participants have cited reasons for leaving as:

1. Lack of career progression, because local audit firms were said to be focused on molding and growing one's career within set timeframes, in contrast to the remote audit firm which seemed to only be focused on providing consultants with international exposure (Participant 2.3).
2. Under-utilization of their CA(SA) qualification. Some consultants felt that they were not using their skills and qualifications to their full potential, because they had been allocated mundane tasks by the partnered audit firm, thus the consultant felt that they were not receiving the necessary exposure and experience that they desired (Participant 2.3).
3. Lack of job security, because consultants were contracted for a short period initially to work on different audit clients during the busy season and learn different audit methodologies. Consultants then felt slightly overwhelmed as they were also in search of a permanent contract which was not offered upfront. (Participant 2.8).
4. Difficulty to be integrated into the business unit. Participant 1.7 stated that although traditional audit firms were trying to open career possibilities for outsourced resources, their development was limited to being "audit seniors" because *"it was difficult for an outsider to be integrated [into] the whole business unit, and to work or perform internal projects at the traditional audit firm"*.

Finally, 19% of participants were of the notion that remote audit firms such as Makosi and Sapro were labor brokers, rather than remote audit firms. This is because the structure of the

companies was that they are consulting firms that offered other services in addition to audit, however, the responsibility of signing the audit opinion rested with the partnered traditional firm and not the remote firm. Participant 2.4 believed that the remote firms should be viewed as labor brokers rather than remote audit firms per se because the remote audit consultant was considered as “a bum-on-seat”. It should be noted, however, that this statement was contradictory because the issuing of an audit opinion was a collaborative effort of all engagement team members (Knechel et al., 2020). Thus, although the remote audit consultant was not physically onsite at the audit client’s premises, it did not invalidate their contribution towards the audit opinion.

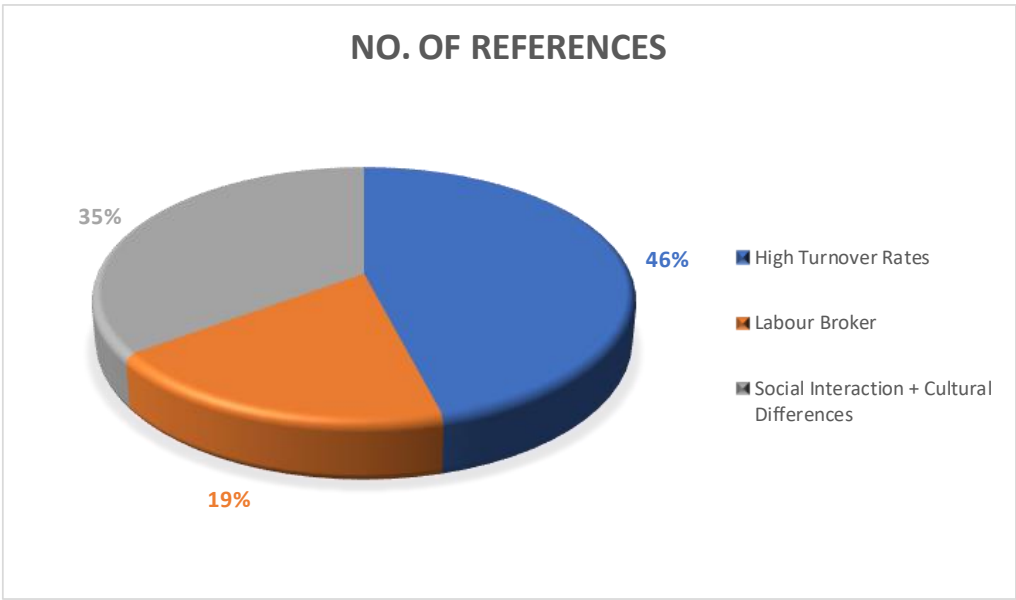


Figure 9: Limitations of the Remote Audit Firm

CHAPTER 5 – CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

This research evaluated the structure of the remote audit environment and its positioning in the context of the traditional audit framework. Furthermore, this study analyzed the impact of globalization and technology on the remote auditing environment, explored the measures of audit quality within the remote audit environment, and developed a hierarchy of audit quality measures. Semi-structured interviews were conducted with managers, senior managers, directors, and partners of the Big Four accounting firms and BDO. Responses from the participants were analyzed using thematic analysis and coded to derive themes.

The results of this research revealed that the remote audit environment was a pre-existing model which was not implemented due to the lack of demand. Additionally, participants noted that the emergence of the remote audit environment was accelerated by the presence of the COVID-19 pandemic. This study found that the remote audit firms operated as a support structure to traditional audit firms. Although remote audit firms were a level of competition from a South African perspective – because the remote audit firms offered better remuneration packages relative to traditional audit firms – they offered consultants flexibility, allowing for a work-life balance while allowing them to gain exposure to international clients. Finally, remote audit firms were perceived as competitors from a South African perspective as traditional firms had capacity constraints and thus were vying for the same talent pool as the remote audit firms.

Further insights from these interviews showed that audit firms had prioritized audit quality in their decision to form strategic partnerships with remote audit firms. This was evidenced by their consideration of challenges currently faced by traditional firms, such as capacity constraints and skills shortages. The traditional firms had deemed the remote audit firms to be a disruptor to the local audit market because the remote firms had presented themselves as an alternative career path. Although some participants believed that the model would not achieve longevity, some

insights provided by the participants indicated that there was still a need for an on-demand virtual workforce to support the traditional firm's resourcing needs.

With remote audit consultants moving from one audit firm to the next at the end of each project, this raised the question of whether they were able to obtain a thorough understanding of the firm's audit methodology to be able to perform the work at the expected audit quality standards. Furthermore, in response to the question about the determinants of high quality in a service environment, participants linked high quality to a satisfactory outcome by the regulator or internal reviewer. Interestingly, some participants noted that it may be difficult to get a hold of a remote audit consultant after the conclusion of the project, to support the audit firm's management team in responding to queries raised, thus making accountability and consequence management an arduous task in a remote audit environment. Furthermore, participants also listed the lack of career progression, under-utilization of their CA(SA) qualification, and the lack of job security as some of the limitations to working in a remote audit environment.

The results of this study have contributed to the understanding of the remote auditing model and its positioning within the traditional auditing framework. Furthermore, it is valuable for practitioners who may seek to implement the remote auditing model within their organizations.

5.2 RECOMMENDATIONS FOR FUTURE RESEARCH

Accountability or consequence management of virtual workforces seemed to be a challenge for traditional audit firms, thus an area of future research could be to obtain an understanding of the consequence management practices in the remote environment, and to test how effective they were at holding remote audit consultants accountable for maintaining audit quality on projects.

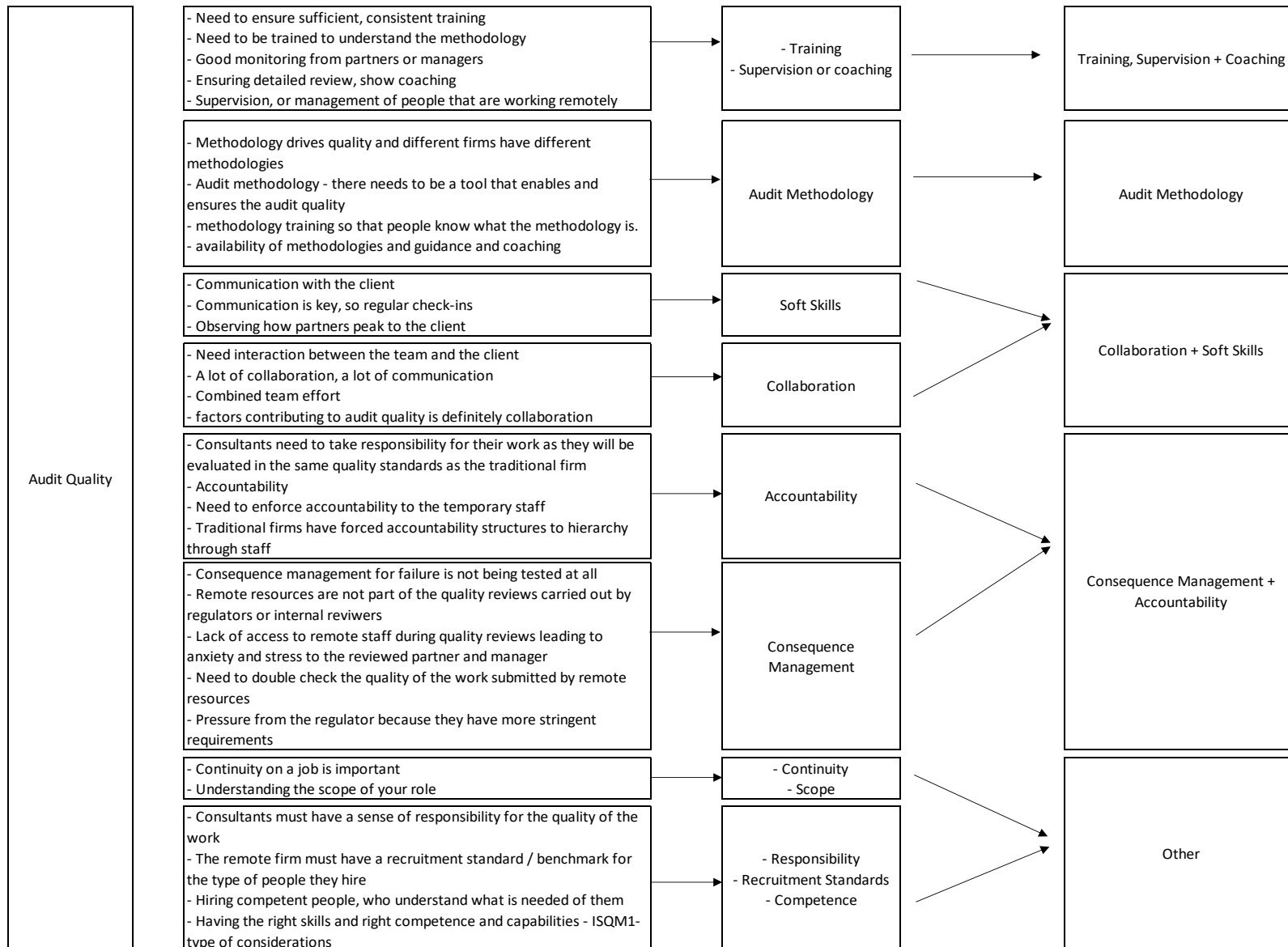
APPENDIX A: CODING STRUCTURE

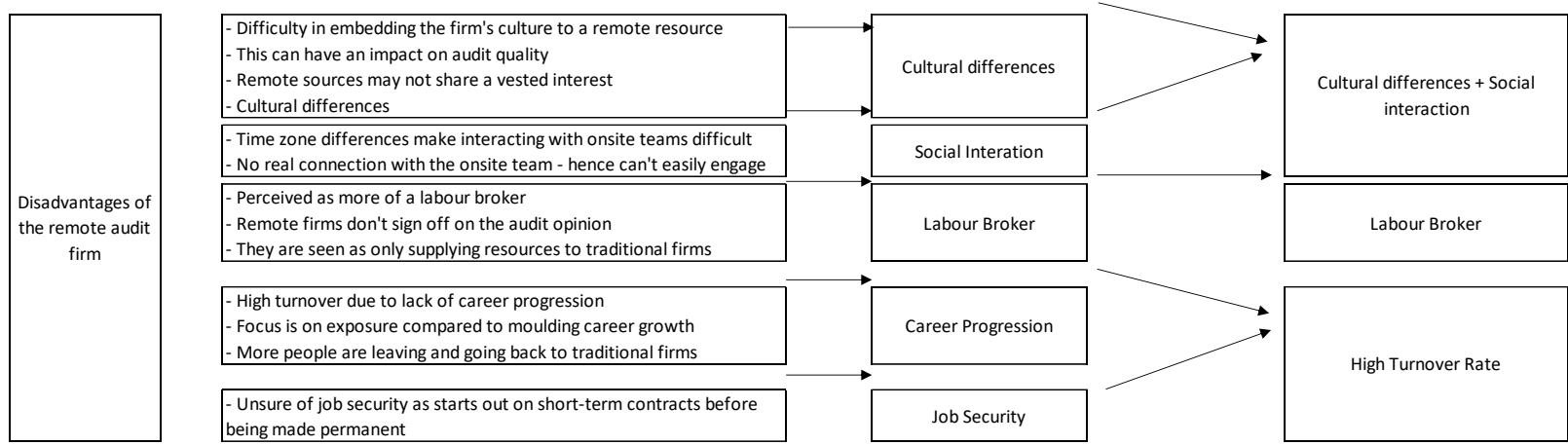
Coding Category

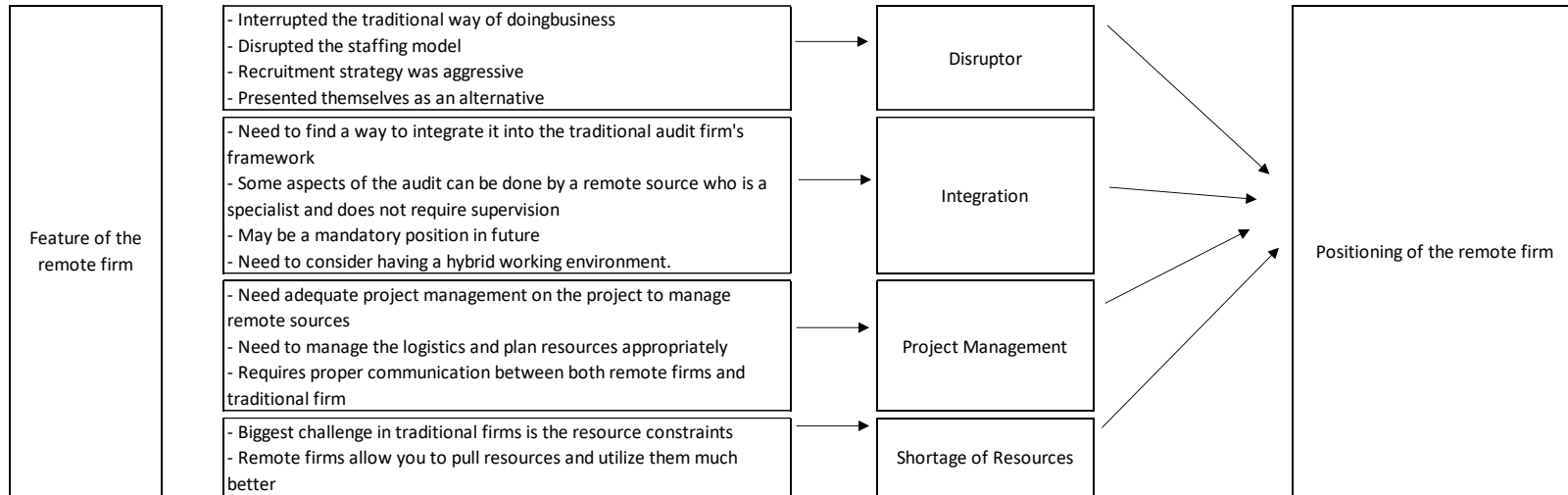
First-order concepts

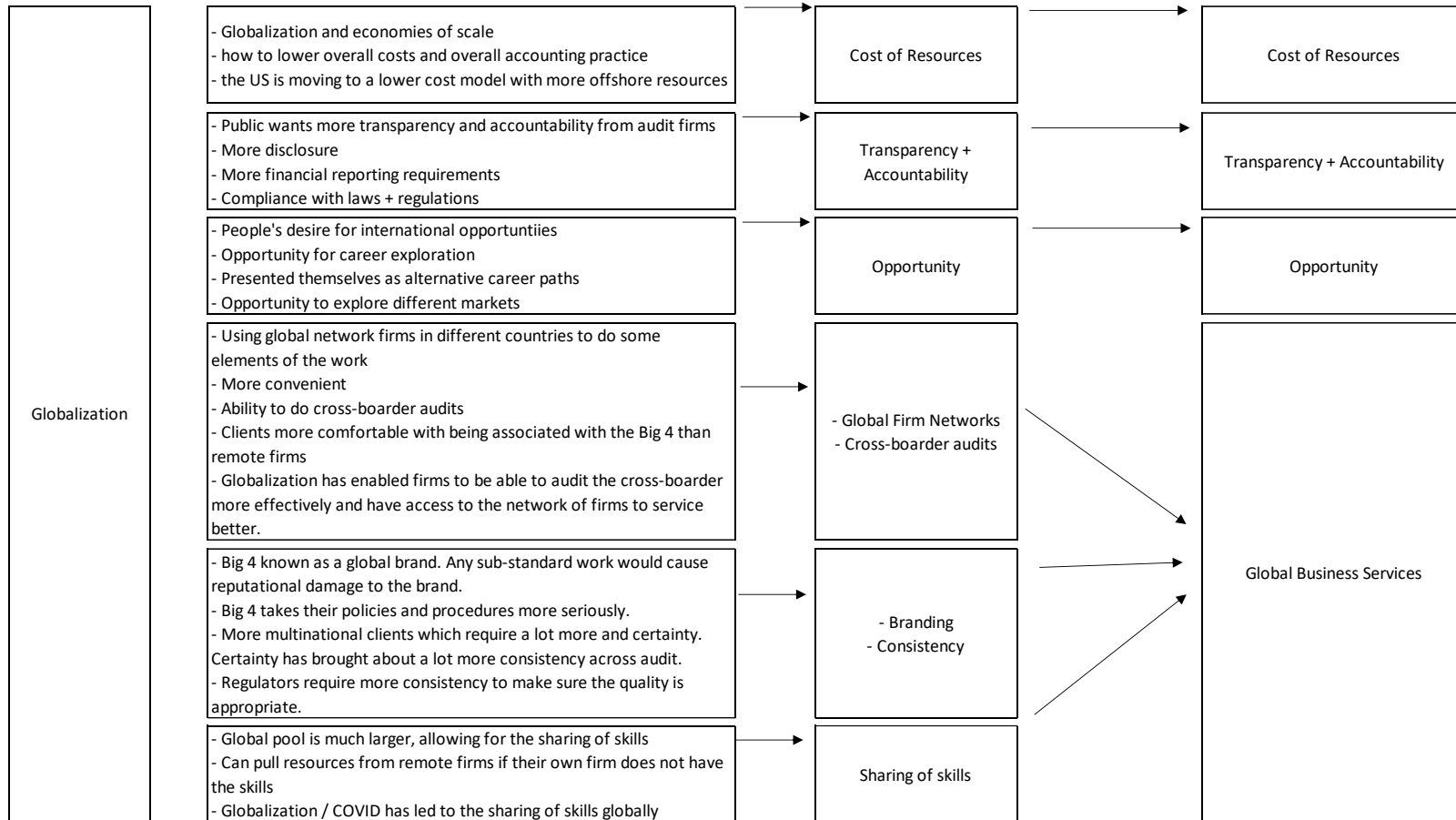
Second-order concepts

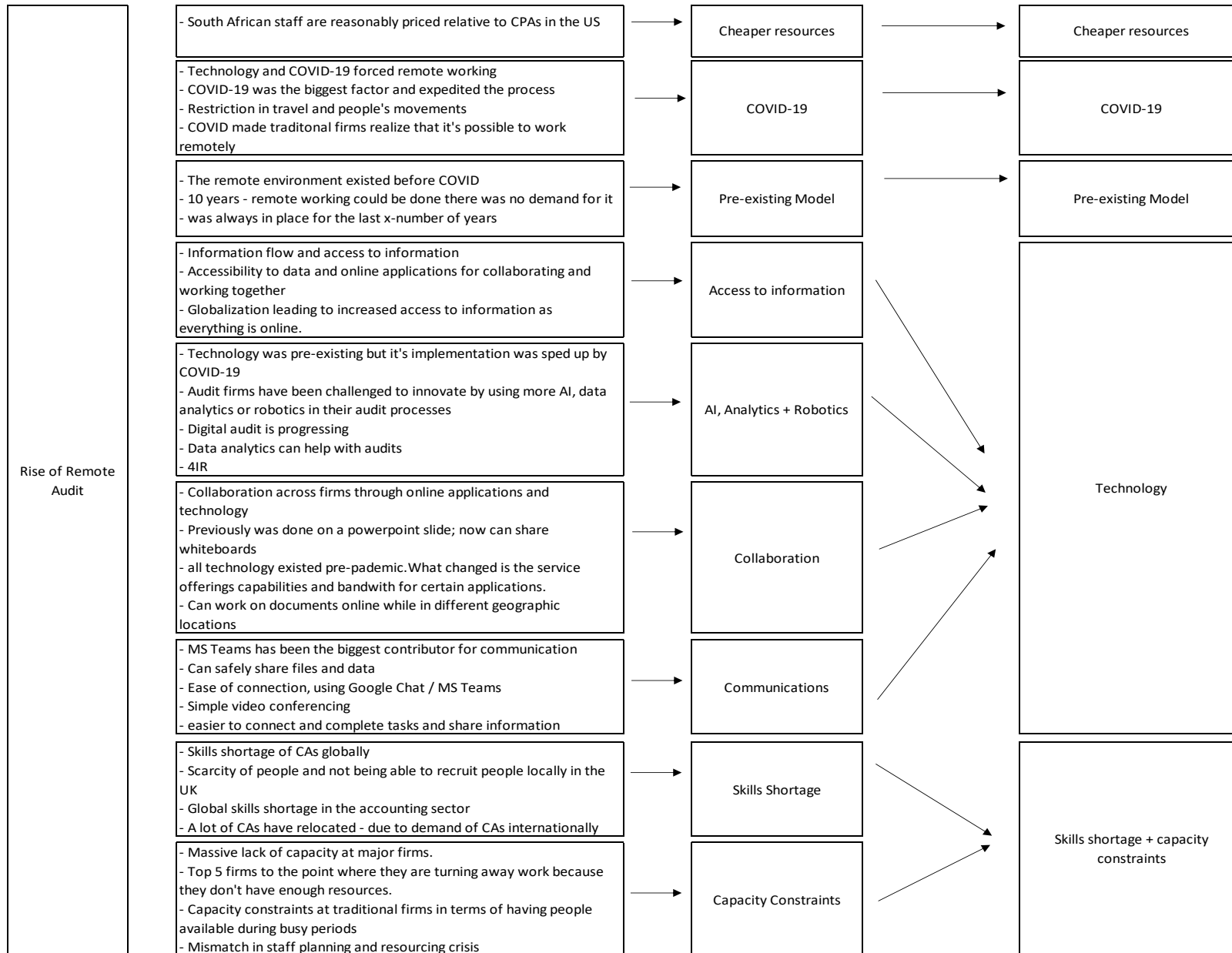
Aggregated themes

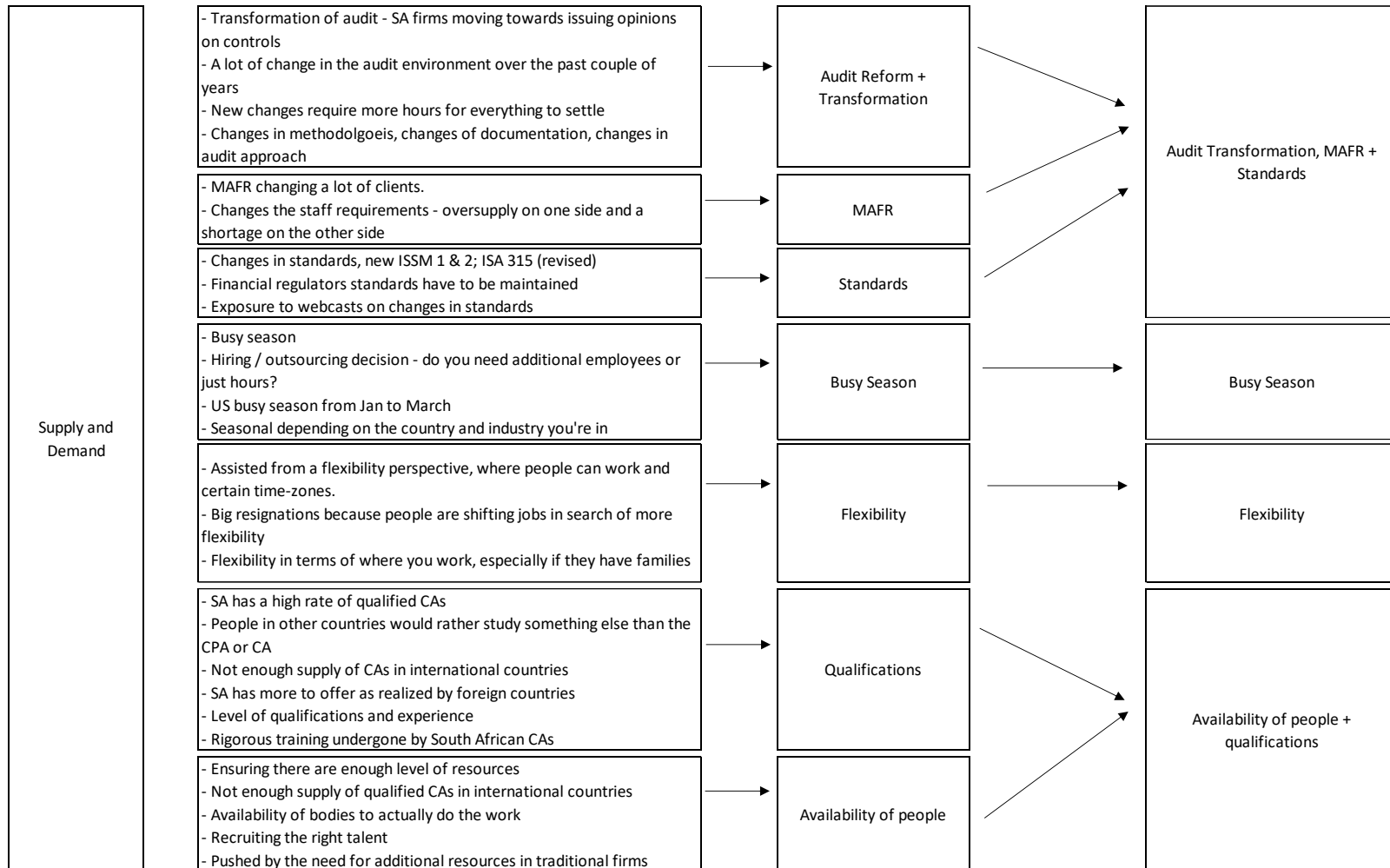












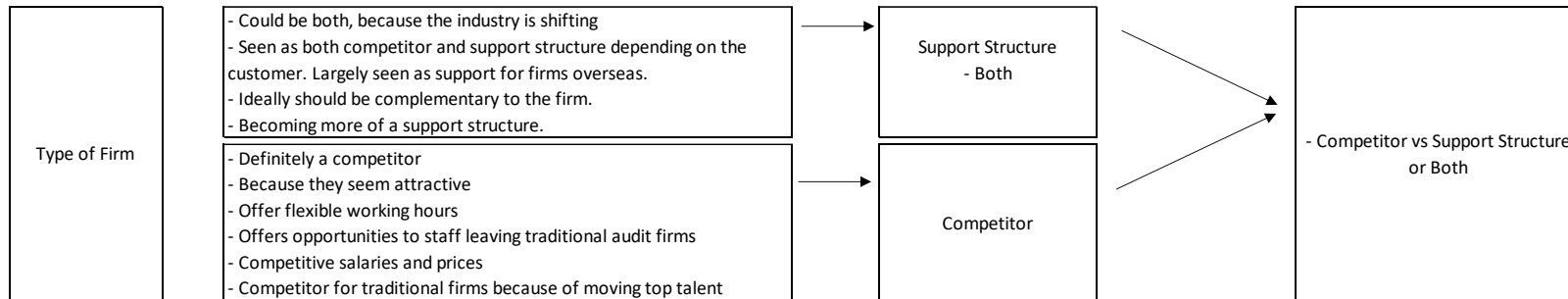


Figure 10: Coding Structure

APPENDIX B: INTERVIEW QUESTIONS

Note that the interview is semi-structured by nature, and the questions are broad and have been limited, to prevent interviewee fatigue.

1. What gave rise to the remote auditing environment?
2. In your opinion, how has globalization changed the auditing environment as you know it?
3. How does the remote auditing firm feature within the traditional audit model?
4. In your opinion, do you think remote audit firms are a competitor or a support structure to traditional audit firms?
5. In your opinion, what factors contribute to audit quality in a remote audit environment?
6. As a service firm that relies on the production of a high-quality service, what determines high quality in the remote audit environment?
7. What regulates the demand and supply of remote auditing?
8. In your opinion, do you think the remote auditing environment has taken advantage of emerging technologies?

APPENDIX C: SUMMARY OF EMPIRICAL STUDIES

Table 4: Summary of Empirical Studies

#	Theory	Year	Author	Title of Article	Construct Examined	Findings
1	Audit Theory					
	- Agency Theory	2022	Michael Forzeh Fossung; Samuel Tanjeh Mukah; Kueda Wamba Berthelo; Motika Eubert Nasai	The Demand for External Audit Quality: The Contribution of Agency Theory in the Context of Cameroon	The impact of the agency theory on the demand for external audit quality in Cameroon.	<ul style="list-style-type: none"> - The rise in the agency costs incurred by both shareholders and creditors, as well as the increase in agency costs between shareholders and managers, has a detrimental impact on the demand for high-quality audits. When managers hold a low proportion of shares, they are more likely to engage in opportunistic behavior, leading to the need for a more stringent audit process to keep their behavior in check. - On the other hand, the agency costs incurred by majority and minority shareholders, as well as the size of the entity being audited, have a significant and positive effect on the demand for high-quality audits. A concentration of capital leads to a greater need for high-quality audits to protect the interests of minorities. - Finally, the size of the auditing firm has a positive but non-significant effect on the demand for high-quality audits.
	- Institutional Theory	2020	Christina Vadasi, Michalis Bekiaris and Andreas Andrikopoulos	Corporate governance and internal audit: an institutional theory perspective	The authors aimed to study the effect of the professionalization of internal audits on the effectiveness of internal audits and their contribution to corporate governance. The examination focuses on the role of internal audits in enhancing corporate governance through their effectiveness.	<ul style="list-style-type: none"> - The professionalization of internal audits had a positive impact on the effectiveness of internal audits, as well as on the improvement of their contribution to corporate governance. This impact was observed in organizations where the internal audit function adhered to internal auditing standards and where internal auditors possessed professional certifications. - Additionally, the contribution of internal audits to corporate governance was influenced by certain company-specific characteristics, such as the presence of CEO duality and the quality of the audit committee. These factors played a crucial role in shaping the impact of internal audits on corporate governance.
- Legitimacy theory	2021	Federica De Santis; Giuseppe D'Onza	Big data and data analytics in auditing: in search of legitimacy	The utilization of big data and data analytics (BDA) in financial auditing to produce legitimacy. The study assessed the factors promoting or preventing such processes and the actions auditors took to legitimate BDA within and external to the audit community.	<ul style="list-style-type: none"> - The legitimization process of Big Data Analytics (BDA) was more advanced within the auditing profession compared to outside the auditing community. The Big 4 accounting firms were at the forefront of driving innovation in BDA-driven audits, with BDA being utilized as a complement to traditional audit procedures. These investments in new techniques resulted in a deinstitutionalization of the established audit approach and tools. - However, outside the auditing community, the lack of digital maturity among audit clients, the absence of auditing standards, and the negative view of audit oversight authorities hindered the full legitimization of BDA. - The emergence of the digital age served as a catalyst for change, disrupting the established audit approach based on sampling, manual controls, and paper-based work. The impact of this catalyst was not limited to the audit approach but extended to different audit firm processes such as employee recruitment, with an increased demand for data science specialists, staff training, and the internal tools and processes used to conduct the engagement. - While BDA will not completely replace traditional audit tools, the auditing profession faced the challenge of defining how to effectively integrate BDA with traditional tools. 	
2	SCP Paradigm	2020	Rajeev K Groel; Michael A. Nelson	Do external quality certifications improve firms' conduct? International evidence from manufacturing and service industries	Examine the influence of external certifications on the behavior of firms. The conduct of firms is considered in two dimensions: R&D (research and development) spending and licensing of foreign technologies while accounting for a host of firm-specific factors (e.g., firm's age, ownership structure, size).	<ul style="list-style-type: none"> - External certifications positively affects conduct, whether conduct is measured by R&D or foreign technology licensing. - Results are robust when certifications are replaced by broader external audits of financial statements. - Older firms show some different attitudes towards R&D versus licensing, whereas the effects of larger size are consistently positive. This may be due to the fact that longevity might enable the internal development of technologies, which would make licensing of foreign technology less attractive. - Firms located in the main business cities exhibit greater propensities to perform R&D and license foreign technologies, ceteris paribus. - Larger size promotes R&D and licensing. The effect of firm size is consistent with scale / scope economies and is sizable.

#	Theory	Year	Author	Title of Article	Construct Examined	Findings
3	Unified Services Theory	2020	W. Robert Knechel; Edward Thomas; Matthew W. Driskill	Understanding financial auditing from a service perspective	Conceptualizing financial auditing as an economic service.	<p>- Financial auditing involved a complex network of collaboration among multiple parties involved in both the production and consumption of the audit output.</p> <p>- Argued that audit research should have given more attention to the idiosyncratic nature of audit engagements and the importance of successful cooperation between the service provider (the audit firm) and the client for improving audit quality.</p> <p>- The numerous parties involved in an audit created strain between audit quality and audit efficiency and made unbiased definitions of audit quality difficult.</p> <p>- The paper has 4 propositions (discussed below).</p> <p>A) Auditing as an economic service:</p> <p>- The provision of economic services required significant collaboration between the service provider and the service customer/client.</p> <p>- Auditing was considered a service due to the integral role played by the client in making the service possible. The financial reporting of an organization was dependent on various parties fulfilling specific responsibilities within the audit process, including management, the board, the audit committee, internal audit, and external audit.</p> <p>B) Auditing is a collective service:</p> <p>- Auditors needed to inspire assistance from the managerial body while maintaining professional independence.</p> <p>- The extent of the client's assistance with the audit had a significant impact on the quality of the audit itself. This had the potential to manifest itself in various ways, such as the quality and promptness of the information provided to the auditor, the auditor's capacity to make proper inferences from the information, and the level of management's receptiveness to the auditor's recommendations.</p> <p>C) Audit quality was connected to perceptions within the cooperative network:</p> <p>- In the service sector, the evaluation of quality often relied on subjective assessments that compared the customer or client's expectations with their actual experiences (Parasuraman, Zeithaml, & Berry, 1985). The expectations of stakeholders evolved through the interaction between the auditor and the audit stakeholders, as they jointly defined the characteristics of their specific audit relationship. From a service-oriented viewpoint, variations in the level of assurance offered by audits were a natural outcome of market demand and should not necessarily be interpreted as a sign of improper performance by auditors.</p> <p>D) Excessive standardization in the audit process may undermine audit quality:</p> <p>- The delivery of services differed from that of goods in that the standardization of service processes (i.e., service efficiency) could negatively impact the quality of the service (Chase & Apte, 2007). Service science highlighted the heterogeneous nature of the service process and its costs. In an audit setting, heterogeneity arose from factors such as the variation in client and environmental attributes, the nature of the collaborative audit network, and possible variations in audit demand (e.g., a private company undergoing an audit to secure a bank loan). While attempts to make the audit process more uniform may have been forecast to increase efficiency, they may also compromise the quality of the audit.</p>

#	Theory	Year	Author	Title of Article	Construct Examined	Findings
4	Resource Dependency Theory	2022	Eme Joel Efiang; ArzizehTiesieh Tapang; Geraldine Banku Mbu-Ogar; Charles Efiang; EkpenyongBassey Obo; Ashishie Peter Uklala; Abosede Abimbola Usoro; Monica Peter Lebo and Faithpraise Bassey Otosi	Audit Attributes and Performance of Financial Institutions in Nigeria	The validity of the resource dependency theory in the context of audit independence, financial expertise, and size against financial performance of listed commercial banks in Nigeria.	<ul style="list-style-type: none"> - Audit committee independence and size had no significant effect on return on assets. - Similarly, audit committee expertise had a significant effect on the return on assets. - Audit committee independence, expertise, and size have no effect on Tobin Q, return on equity, earnings per share, and net profit margin. - In Nigeria, there was a corporate governance code that outlined the composition of audit attributes. Financial institutes operating in Nigeria had to strictly comply with the corporate governance code prescribed by the Securities Exchange Commission with regard to the number of members in the audit committee.
5	Remote Auditing	2016	Victor Munteanu Michaela Cornelia Berechet (Dragnea)	Challenges of the audit profession in the globalization era	Bring into discussion the role of the financial auditor, in the context of challenge and change specific to a business environment that is in a continuing transformation.	<ul style="list-style-type: none"> - We live in an era of unprecedented change which impacted the accounting profession. - The auditor faced a variety of challenges, including the emergence of new business models, the globalization of markets, and the occurrence of new risks. As innovation, technology, and work environments continued to evolve, they will play a defining role in shaping the future. To maintain relevance and credibility and support their clients' success, auditors had to stay up-to-date and demonstrate agility in their business practices. The future should be viewed by auditors as an opportunity, and they must be prepared to navigate and overcome any future changes and challenges. ---- Challenges for financial auditors: - Embrace globalization as there are new emerging markets (Africa and Asia) and new emerging economies (India and China). - Acquiring a comprehension of and adapting to innovative technologies to be competitive and work in a global environment. - Understand innovation - link to the 4IR.To be equipped as human capital because they are competing nationally and globally. - Keep up with the change and be adaptable - Expect changes in regulation - Acknowledge the significance of civic obligation and sustainable progress.

#	Theory	Year	Author	Title of Article	Construct Examined	Findings
6	Global Business Services	2019	Norhanizah Johari; Nawal Kasim	Talent requirements in accounting profession: Between the ideal and the reality of global business services	Investigated the prospects of accounting within a Global Business Services, formerly referred to as a Shared Service Centre. Analyzed the competencies and abilities deemed necessary for the profession in a GBS setting. Additionally, examined the demands of the industry to subsequently pinpoint any potential discrepancies that may exist.	<ul style="list-style-type: none"> - Mastering actuarial science is a crucial component in addition to any other accounting knowledge. - In the industry, soft skills such as problem analysis and communication were highly sought after, especially for positions involving auditing or direct communication with regional heads of centers regarding task outcomes. - Strong soft skills also enhanced the meaning and reliability of reporting for accurate dissemination. - There existed a discrepancy between the expectations of the industry and what is being provided by higher learning institutions (HLI). The industry anticipates future talents to apply subject matter knowledge in real-life situations. - The shortage of actuaries presented an opportunity for HLIs to equip students with this knowledge to meet the demands of the labor market. - A collaborative effort between Global Business Services (GBS) and HLIs, specifically with regards to work-integrated learning programs, is necessary. Work-integrated learning programs are similar to internships.
7	Consequence Management	2019	J Seitheisho	Assessment of factors that relate to qualified audit reports in the two municipalities	The factors that played a role in the production of qualified audit reports in municipalities in the Free State province.	<p>To this point, municipalities within the country have not demonstrated substantial advancement in the implementation of efficient financial management systems to carry out their obligations. The challenges faced by municipalities included the absence of accountability and the mismanagement of finances. Furthermore, the absence of effective leadership is also a persistent challenge, as political leaders fail to exhibit principles of good governance and are perceived to be lacking in their application of consequences for poor performance. Although various measures aimed at reducing fruitless and wasteful expenditures have been put in place by municipalities, their effectiveness is hindered by factors such as the absence of consequences for inappropriate behavior.</p>
8	Organizational Learning	2019	Guangyou Liu; Hong Ren	Organizational learning and job satisfaction of trainee auditors: a case study of Chinese CPA firms	This study investigated the organizational learning experiences of trainee auditors, who were part of the new generation of entry-level professionals in Certified Public Accountant (CPA) firms, and examined the potential relationship between organizational learning and job satisfaction.	<ul style="list-style-type: none"> - The authors arrived at the conclusion that there were three primary dimensions of organizational learning for entry-level professionals in the field of certified public accounting: workplace interactions, supervision and monitoring, and supportive informational systems. - Additionally, the authors found that there was a significant association between job satisfaction and workplace interactions and supportive informational systems. - Moreover, they discovered that there was a difference in preferred approaches to organizational learning between male and female trainee auditors. - Finally, the authors found that trainees who worked for larger CPA firms reported higher levels of job satisfaction compared to those employed by smaller firms, and that male trainees were more likely to be satisfied with their audit job than female trainees.

Source: Author, 2022

APPENDIX D: DIFFERENT TYPES OF AUDITS

Table 5: Types of Audits

Type of Audit	Definition
Internal Audit	Internal audits are also referred to as “operational audits” and are voluntary appraisal activities which are undertaken by an organization to provide assurance over the effectiveness of internal controls, risk management and governance to facilitate the achievement of organizational objectives. This audit is conducted by individuals within the organization who report to the audit committee.
External Audit	An audit usually conducted by an external third party. External audits involve the examination of the truth and fairness of the financial statements of an entity.
Tax Audit	Conducted to verify the accuracy of the information the company has filed on the tax returns, and therefore, used to determine the amount of any over or under assessment of tax liability towards the tax authorities.
Operational Audit	Operational audits are similar to internal audits. The main purpose of operational audits is to improve business operations by spotting areas of inefficiency. These audits analyze the goals, procedures, outcomes of functions, policies and culture of the company.
Informational System Audit	These audits involve the assessment of controls relevant to the IT infrastructure within an organization.
Quality Management System Audits	These audits evaluate the effectiveness of an organization’s quality management system, including its processes for ensuring that products or services meet certain standards.
Forensic Audit	These are highly technical audits which usually involves the use of auditing and investigative skills to situations that may involve legal implications.
Single Audit	These audits evaluate not only a part of the company but the entire company's compliance and control. They typically apply to non-federal government agencies and non-profit organizations.
Employee Benefit Plans	An employee benefit plan audit examines the financial statements of the company's benefit plan for the employees. This type of audit can identify areas for improvement in plan efficiencies, operations, controls and how well the plan complies with specific regulations.
Compliance Audit	If companies are required to conduct specific audit engagements other than the statutory audit to comply with the requirements of particular laws and regulations.

Statutory Audit	These audits verify whether the company complies with government regulations for banks, investment firms, public companies and insurance companies.
Value for Money Audit	Non-profit organizations often implement value-for-money audits to assess resource management and operations. These audits involve the assessment of the efficiency, effectiveness and economy of an organization's use of resources.
Agreed-upon Procedures (AUPs)	Often, AUP audits are used to evaluate a specific process or procedure, and the company only shares the results between the parties named in the agreement.
Environmental & Social Audit	Involve the assessment of environmental and social footprints that an organization leaves as a consequence of its economic activities.

Source: Accounting Simplified (2020) and Indeed (2022)

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