

Did the covid-19 pandemic affect auditors' client acceptance and continuance decision-making process?

Abstract

Purpose – The aim of the present study is to explore the impact of the COVID-19 pandemic on the first stage of external audit, namely, on the auditors' client acceptance and continuance decisions (CACD).

Design/Methodology/Approach – Survey data was collected on the basis of a structured questionnaire, which was answered by 21,02% of the Greek certified auditors/accountants. Parametric hypothesis testing and regression analysis were employed in data analysis.

Findings – The results of the survey showed that the COVID-19 pandemic had a different impact on the client acceptance decision-making (CAD) process and the client continuance decision-making (CCD) process. The CAD process appears to have been affected in a mostly negative way, and to a greater extent than is the case with the CCD process. The impact of the COVID-19 pandemic on the CACD process appears to be mainly related to the difficulty arising in auditor-client communication. Additionally, as far as the CAD process is concerned, the COVID-19 pandemic appears to have had a negative impact on the audit fees, while, when it comes to the CCD process, the pandemic has had a positive impact with regard to clientele expansion. Finally, survey findings showed that the COVID-19 pandemic affected in a different way Big6 and non-Big6 auditors.

Originality – The present study aspires to fill significant gaps identified in relevant literature with regard to auditors' work in correlation with the COVID-19 pandemic. More specifically, to the best of the author's knowledge, it is the first study exploring the impact of the COVID-19 pandemic on the first stage of external audit. Moreover, the study is based on primary data collected in real-time, under the actual conditions of emergency related to the health crisis. Last but not least, the findings of the present study could be of value to professionals and regulative authorities in case of similar future emergencies or potential crisis situations.

Keywords client acceptance decision-CAD, client continuance decision-CCD, COVID-19 pandemic, auditing, auditor, big6 audit firms

Paper type Research paper

1. Introduction

The International Standards on Auditing (ISA) and the IFAC Code of Ethics for Professional Accountants require that audit firms and certified auditors/accountants establish policies and procedures ensuring the effectiveness and quality of the external audit process. However, what happens in case emergency and unforeseen events cause

changes in the established conditions, creating disturbances on a socio-economic level, and, by extension, altering the conditions under which auditors are called to work and perform their tasks? This question is of particular importance, given that emergency situations of long duration and intensity, leading to the creation of a changing and uncertain environment on an international level, are not frequently encountered in worldwide history; therefore they are not easy to study so that useful conclusions could be drawn, forming a solid foundation for the prevention of similar future emergencies. The COVID-19 disease, which, in March 2020, was declared a pandemic by the World Health Organization (WHO), is the only case of a health emergency and crisis in the modern world history, having a significant impact on many aspects of society.

More specifically, the governments of afflicted countries have had to implement emergency measures to contain the spread of the pandemic and protect public health. These measures mainly included national or regional lockdowns, travel bans, state-mandated suspension of business operations, imposition of telework, bans on social gatherings and social distancing (Gostin et al., 2020; OECD, 2020; Qiu et al., 2020; Thomson and Ip., 2020; Bonacini et al., 2021). The imposition of the emergency measures not only significantly affected citizens' daily life, but also had a significant impact on employees, businesses and the economy on a broader basis (McKee and Stuckler, 2020).

The aim of the present study is to explore the impact of the COVID-19 pandemic on the first stage of external audit, concerning the parameters relevant to the client acceptance and continuance decision-making process. This stage is of particular importance as to the entire audit process for three main reasons. First of all, the decisions made by the auditor at this first stage of the audit process are very likely to be the main cause of poor audit quality overall (PCAOB, 2013). Second, potentially mistaken judgments as to the acceptance of a new client or the continuance of an existing client are likely to have significant implications on the auditor and the auditing firm; the implications could be both financial but also relevant to the auditor's reputation, the composition of their clientele, as well as their professional development (Johnstone και Bedard, 2004; Wittek et al., 2008). Third, risk assessment taking place at this stage clearly facilitates effective planning and scheduling of the audit, while, at the same time, it significantly contributes in the containment of any errors as well as in the audit cost reduction.

Taking into consideration that the unprecedented crisis emerging due to the COVID-19 pandemic is very recent, the studies focusing on the auditing process and the auditors' tasks during this period are limited, while even more limited is empirical research, despite its essential role. At the same time, no empirical research conducted focuses on the first stage of external audit, which, despite its importance, has not been extensively studied. This gap identified in relevant literature provided the motive for the realization of the present study. Research was conducted under the actual conditions of emergency brought about by the health crisis. Therefore, to the best of the author's knowledge, it is for the first time possible to collect data with regard to whether and how these particular conditions might have had an impact on the work of auditors at the stage of client acceptance and continuance.

In this respect, the present study aspires to cover the aforementioned gap identified in relevant literature, both constructing a theoretical framework of reference, but also by means of its empirical contribution. The contribution of the study on the level of theory involves the investigation of the way in which a state of emergency might influence the auditing process, especially as far as the first stage of the external audit is concerned, but also the degree to which the audit might be influenced – taking into consideration the already existent relevant literature. Additionally, the results of the present study provide researchers, professionals and regulative authorities with valid and reliable conclusions as to the impact of the COVID-19 pandemic on the first audit stage. At the same time, they could provide a valuable stepping stone in the case of a similar future emergency or crisis, so that mistakes or omissions could be avoided, potential problems arising could be addressed more promptly and efficiently, and a higher degree of adaptability to the newly-emerging conditions could be achieved.

2. Literature Review

The external audit is a partly standardized procedure which is adapted in each case according to the entity being audited and the auditor in question. The auditor proceeds with the audit design/planning, through which they clearly determine both the auditing procedures, as well as set up a timetable, aiming at the conduct of the audit in the most efficient way. However, according to the ISA 300 (paragraph 10 and A13), the auditor shall update and change the audit plan as necessary during the course of the audit. More specifically, paragraph A13 refers to unexpected events and changes in conditions that might potentially occur. Such an unexpected event, which changed the environment and conditions in an unprecedented way, and which, by necessity, brought about various changes on all aspects of society, economy, labor, and, generally, on the life of people on a world-wide basis, was the outbreak of the COVID-19 pandemic. Thus, it is of great interest to investigate the emergency event in question, as well as whether and how the COVID-19 crisis affected the work of auditors who were called to promptly respond to urgent and emergency changes and to adapt to them, while, at the same time maintaining a high audit quality level.

According to the International Auditing and Assurance Standards Board (2020), with regard to the audit planning stage, there is a likelihood that auditors did not take into consideration or faced difficulties in identifying the risks of material misstatement related to the unprecedented crisis brought about by the COVID-19 pandemic. Similarly, there is the potential for serious risks stemming from the fact that auditors have had to adjust the way they conduct their audit work and collect sufficient and appropriate audit evidence to support their audit opinion (Arnold, 2020; Appelbaum et al., 2020). This is due to the fact that, since the beginning of the pandemic, auditors have apparently faced problems with regard to their access to individuals and information, the identification and assessment of certain risks of material misstatement, as well as the audit process itself; due to the particularity of the conditions, auditors have had to make adjustments as to the audit process, finally resorting to carrying out alternative processes or complimentary ones (IAASB, 2020).

Additionally, according to Arnold (2020), auditors have also been called to face challenges concerning more practical issues relevant to the conduct of the external audit, stemming from movement and travel restrictions, or related to the obligatory stay at home. Thus, remote working has predominantly been adopted by auditors, and the use of technology and the internet has been the only tool employed for obtaining information, communicating and conducting audit work during the pandemic period, and for as long as the prevention and containment measures are still in effect (Al-Aamaedeh and Alhosban, 2021). It is worth noting here that, in literature preceding the outbreak of the pandemic, it had been shown that communication taking place online can have a negative impact on the quality of audit work (Bennett and Hatfield, 2013; Bennett and Hatfield, 2018; Saiewitz and Kida, 2018).

Furthermore, the Association of Chartered Certified Accountants (ACCA, 2020a), by means of global survey conducted, established that due to the crisis brought about by COVID-19, attracting new clients is another problem audit firms and auditors have had to face. It is worth mentioning that, according to the same survey, 53% of the auditors that responded held that they faced a great amount of pressure as to the completion of their audit work, despite the fact that audit work is to a large extent based on digital technology. Moreover, it has been shown that 36% of auditors experienced failure in meeting the deadlines for submitting audit reports. Similar conclusions were drawn by Nezhyva and Miniailo (2020), according to whom, during the period of the COVID-19 pandemic, audit completion might have been a more time-consuming process, given that the auditors' efforts to carry out their audit work have been increased so as to maintain the desirable level of audit quality (Albitar et al., 2020).

Another problem identified concerns the difficulty arising in the collection of audit evidence (25% of the survey participants), while 27% of the auditors stated that they identified increased audit risk mostly as to the asset valuation and the going concern of the entity being audited (ACCA, 2020b). Similar results with regard to audit risk and the difficulty in collecting audit evidence were presented by Al-Khasawneh (2021), who also added that the COVID-19 pandemic significantly affected audit planning.

In addition to all the above, Luo and Malsch (2020) found that one of the most prominent problems arising with regard to audit work, as a consequence of the COVID-19 measures implemented, was related to communication with the entity being audited. More specifically, not only have auditors been obliged to work remotely, a fact excluding potential on-site audit that would normally be carried out under different circumstances, but, in many cases, they have also had to rely on their clients' own claims, that is, the claims of the entities being audited.

Based on the relevant literature examined, it occurs that the COVID-19 pandemic influenced to a significant extent many aspects of audit work relevant to the external audit process. However, questions arising in relation to its impact on the first stage of external audit remain yet unanswered. For this reason, the present study investigates this influence, aspiring in this way to fill the relevant literature gap, while contributing in the extraction of theoretical conclusions by means of the conduct of empirical research. At the same time, it is worth noting that research was conducted in Greece; a country which was called upon to manage the COVID-19 pandemic within a period

when the first signs of recovery from the 2008 financial crisis had only started becoming apparent. Despite this fact, Greece's management of the pandemic has gained international recognition, while, based on a comparative study conducted by the Bertelsmann Foundation (2021), Greece was at the top of the ranking concerning effective organization of crisis management during the pandemic among 29 OECD and EU countries.

3. The impact of the COVID-19 pandemic on client acceptance/continuance

The decision-making process of auditors with regard to the first stage of external audit, namely, the acceptance of a new client or the continuance of an existing client, can be modeled taking into consideration the International Audit Standards (ISA), the IFAC Code of Ethics for Professional Accountants, and relevant literature, and can subsequently be explained by means of a given theoretical framework¹ (Figure 1).

The auditor initially has to gain an understanding of the client-entity and the terms of the engagement. More specifically, they will have to obtain an understanding of the client-entity's environment, the entity's field of operation, as well as its structure, so that they are able to determine the volume of audit work they are called to perform, as well as the audit time required, the audit objectives and the resources they will need to allocate (ISQC 1).

Subsequently, the auditor will have to consider issues relevant to their independence from the entity being audited (ISQC 1, ISA 220), as well as issues of compliance with relevant ethical requirements (ISA 220). Finally, and in order for the auditor to be able to make a decision as to the client acceptance/continuance, it is important that they proceed with the client's risk assessment, despite the fact that there is no relevant ISA requirement. As also suggested by Johnstone (2000), the auditor is to follow a risk assessment process involving both the assessment of risk stemming from client characteristics, but also the risk resulting from the specific engagement concerning the audit firm.



Figure 1: Decision-making model concerning client acceptance/continuance.
Source: Created by author

¹ It is noted here that this is a generic approach of the procedures followed, given that, based on the International Audit Standards, the auditing firms are provided with the freedom to develop their own policies and procedures as long as these fulfill the necessary requirements laid down.

Despite the fact that the decision-making process concerning the acceptance of a new client presents similarities to the decision-making process concerning the continuance of the relation with an existing client and, for this reason, a number of researchers examine them as one single procedure (Asare et al., 1994; Colbert, 1996), nevertheless, they also present significant differences. These mainly have to do with the pre-existing relationship between the auditor and the entity being audited in the case of client continuance and are considered to be crucial; therefore, these two procedures are individually examined by a number of researchers (Johnstone and Bedard, 2004; Rennie et al., 2010, Drira, 2013). In this case, the question arising concerns whether such a state of emergency and crisis as the one brought about by the COVID-19 pandemic might have had a different impact on the processes of client acceptance and continuance.

RQ1: Has the COVID-19 pandemic had a different impact on the parameters relevant to the acceptance of a new client and those relevant to the continuance of the relationship with an existing client?

Additionally, based on the literature review presented in the previous chapter, it appears that the COVID-19 pandemic affected audit work to a significant degree, both when it comes to the audit design/planning stage (2nd stage of the external audit), but also when it comes to audit conduct and completion (3rd and 4th stage of the external audit). Therefore, the question arising is relevant to whether the COVID-19 pandemic has also had an impact on the first stage of external audit.

RQ2: Has the COVID-19 pandemic influenced, and if so, in what way (positive or negative), each individual parameter relevant to the process concerning the acceptance of a new client and the continuance of the relationship with an existing client?

The majority of researchers in the auditing field include in their empirical analyses a factor playing an essential role as to the conclusions drawn. This factor is relevant to whether external audit is performed by a large, international audit firm (BigN) or not. This is because BigN firms prevail over the rest, both in terms of clientele and resources (assets and personnel), as well as in terms of experience, know-how and technology. At the same time, their main motivation is the maintenance and the continuous improvement of their reputation on a global scale. It is indicative that Reyad (2013) and Eshleman and Guo (2014) found that the audits performed by them were of higher quality. Additionally, Francis and Wang (2008) concluded that BigN firms present a higher ability to detect the material misstatements of the entities being audited. Furthermore, DeAngelo (1981) drew the conclusion that BigN firms ensure to a larger extent the independence of auditors from their clients/ entities being auditing. Finally, Hsieh et al. (2022) found that BigN firms are less likely to accept a high risk client. Therefore, within the context of the present study, the question arising is whether the COVID-19 pandemic has influenced the work of auditors belonging to one of the BigN firms in a different way compared to auditors who do not belong to one of them, when it comes to the first stage of the external audit.

RQ3: Does the degree to which the COVID-19 pandemic has influenced audit work, as well as each individual parameter related to client acceptance/continuance, differ

in accordance to whether the auditor belongs to one of the Greek Big6 audit firms or not?

4. Research Methodology

To examine the research questions presented above, a structured questionnaire was developed, asking from Greek auditors, initially, to assess whether and to what extent the COVID-19 pandemic affected their work with regard to the client acceptance/continuance stage of the external audit; subsequently, the respondents were asked to assess whether and in what way the pandemic affected the main parameters pertaining to this stage. Taking into consideration that one of the aims of the present study was to investigate whether the impact of the pandemic was different in the case of the decision-making process concerning client acceptance and client continuance, the auditors were surveyed for each individual case. A five-point Likert scale was employed for the measurement of responses.

The questionnaire developed is presented in the Appendix. More specifically, the questions were designed based on the theoretical model describing the auditor decision-making process concerning client acceptance/continuance (Figure 1); the aim was to investigate whether the COVID-19 pandemic has had an influence on the understanding of the engagement (Q2A, Q2C), as well as on client-entity risk assessment (Q3A-Q7A, Q3C-Q7C), but also to explore other issues playing a part in the auditor's final decision as to client acceptance/continuance (Q8A-Q12A, Q8C-Q12C).

Prior to providing the auditors with the questionnaire for the collection of the survey data, a pilot survey was conducted to ensure the questionnaire's effectiveness. After taking into consideration the participants' observations and suggestions for potential corrections or improvements, the questionnaire's final form was developed.

The questionnaire was then forwarded via e-mail, with the assistance of the Institute of Certified Public Accountants of Greece, to the sum of auditors operating in Greece (a total population of 923 auditors). The collection of data took place seven months after the onset of the COVID-19 pandemic, and, more specifically, from November 2020 to January 2021, a period during which the disease was at a peak. A total of 194 complete questionnaires were collected, which are to be referred to as the survey sample, thus, setting the response rate at 21,02%.

The questionnaire's reliability was assessed by means of the calculation of the Cronbach's Alpha coefficient, which was found to be 0,750, a value suggesting a satisfactory level of internal consistency of the questionnaire.

To obtain reliable and accurate results, methods of descriptive and inferential statistics were employed. When examining the first and third research questions, the conduct of a Paired Samples T-test and the conduct of an Independent Samples T-test were deemed the most suitable methods correspondingly. In the case of the second research question, a regression analysis was implemented, after having first tested for the absence of multicollinearity by means of a Correlation analysis and a Variance Inflation Factor (VIF) control.

5. Survey Results and Discussion

Demographics

Table 1 presents the demographic characteristics of the sample of the present survey. It appears that 74,7% of the accountants participating in the survey are men, while only 25,3% are women. Moreover, 44,8% are employed by one of the Big6 audit firms in Greece, while 37,1% have at least 20 years of professional experience, and, thus, could be characterized as more experienced than the rest 62,9% of the sample.

Table 1: Sample Demographics

		Frequency	Percent	Valid percent	Cumulative percent
Gender	Male	145	74.7	74.7	74.7
	Female	49	25.3	25.3	100.0
	Total	194	100.0	100.0	
		Frequency	Percent	Valid percent	Cumulative percent
Big6	Yes	87	44.8	44.8	44.8
	No	107	55.2	55.2	100.0
	Total	194	100.0	100.0	
		Frequency	Percent	Valid percent	Cumulative percent
Years of professional experience	<10 years	40	20.6	20.6	20.6
	10-19 years	82	42.3	42.3	62.9
	20-29 years	45	23.2	23.2	86.1
	≥30 years	27	13.9	13.9	100.0
	Total	194	100.0	100.0	

Source: Created by author

Descriptive statistics

As already mentioned, the survey participants were asked to assess whether and how the COVID-19 pandemic affected the basic parameters related to the acceptance of a new client and the continuance of the relationship with an existing client. Table 2 shows the mean value, median value and standard deviation for the responses concerning client acceptance and client continuance.

More specifically, according to the Greek auditors participating in the survey, the COVID-19 pandemic affected the decision-making process with regard to the acceptance of a new client moderately to considerably (mean score 3,36), while, at least 50% of the participants consider that the pandemic's influence was high to very high (median score 4,00). Additionally, it seems that all the individual parameters studied with regard to the acceptance of a new client have been negatively affected by COVID-19 (Table 2).

In particular, as shown in Table 2, it seems that communication between the auditor and the prospective client seems to have been negatively affected to a greater extent (mean score 2,01), as well as the assessment of the client's business risk and the expansion of the clientele of auditors (mean score 2,07 for both). Taking into account the prevention measures implemented by the Greek government aiming at containing the spread of COVID-19, including travel bans, the adoption of telework and social distancing, the occurrence of the results described above can be considered reasonable.

Correspondingly, the survey participants stated that the COVID-19 pandemic had an impact on the decision-making process concerning the continuance of the relationship with an existing client, but to a lesser extent than was the case with the acceptance of new clients (mean score 2,48). It is worth noting that at least 50% of the respondents stated that this impact was minimal to almost insignificant. Additionally, as shown in Table 2, the parameters that were negatively affected to a greater extent include auditor-client communication (mean score 2,19), audit fees (mean score 2,29), and the assessment of the client's business risk (mean score 2,32). On the contrary, the understanding of the client's entity, as well as the assessment of the integrity of the client's Management, appear not to have been affected at all by the pandemic and its ensuing consequences.

Table 2: Descriptive statistics concerning the COVID-19 impact on the client acceptance and client continuance decision-making process.

	Client acceptance (A)			Client continuance (C)		
	Mean	Median	S.D.	Mean	Median	S.D.
In what way has the COVID-19 pandemic affected:						
Q1. Audit work ¹	3,36	4,00	1,148	2,48	2,00	1,078
Q2. The understanding of the client-entity ²	2,25	2,00	,638	2,86	3,00	,376
Q3. The assessment of the integrity of the client's Management ²	2,49	3,00	,596	2,80	3,00	,398
Q4. The assessment of the effectiveness of the client's corporate governance ²	2,28	2,00	,589	2,65	3,00	,500
Q5. The client's business risk assessment ²	2,07	2,00	,606	2,32	2,00	,605
Q6. Audit risk assessment ²	2,13	2,00	,560	2,38	2,00	,574
Q7. The auditor's business risk assessment ²	2,34	2,00	,581	2,52	3,00	,587
Q8. The audit firm's culture ²	2,46	3,00	,636	2,75	3,00	,470
Q9. Audit fees ²	2,13	2,00	,569	2,29	2,00	,540
Q10. The time required for the completion of the decision-making process ²	2,35	2,00	,558	2,65	3,00	,510
Q11. Clientele expansion ²	2,07	2,00	,679	2,68	3,00	,700
Q12. Communication with the client/entity being audited ²	2,01	2,00	,738	2,19	2,00	,641

¹ 1=not at all, 2=to a small degree, 3= moderately, 4=considerably, 5=greatly

² 1= very negatively, 2= negatively, 3= did not affect at all, 4= positively, 5= very positively

Investigating research questions

As already stated, a significant number of researchers, in contrast to others, view and address the decision-making process with regard to the acceptance of a new client and the decision-making process concerning the continuance of the relationship with an existing client as two separate procedures; these, despite involving common stages that auditors are expected to follow, significantly differ as to each other. Their differences mainly stem from a series of parameters relevant to the already existing auditor-client relationship having been developed in the second case. Based on the above, the COVID-19 pandemic is expected to have affected the client acceptance procedure, as well as the parameters pertaining to it, in a different way than it has affected the procedure for the continuance of the relationship with an existing client, along with its relevant parameters.

Taking this into account, research question 1 (RQ1) was posed, for the investigation of which a paired sample T-test was performed (Table 3). Based on the results, it becomes apparent that the impact of the COVID-19 pandemic on the client acceptance process differs from the impact the pandemic had on the process of client continuance, at a significance level of 0,01 and with regard to all parameters examined. These findings confirm and further reinforce the view that these two decision-making processes carried out by auditors, although similar, significantly differ from each other and are to be studied and analyzed individually. This conclusion is in accord with the theories formulated by Johnstone and Bedard (2004), Rennie et al. (2020) and Drira (2013), who also view client acceptance as a procedure different to that of the continuance of a client relationship.

Table 3: Paired Samples T-test exploring whether COVID-19 had a different impact on the decision-making process with regard to the acceptance (CAD) and the continuance (CCD) of a client.

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	S.D.	S.E. Mean	95% Confidence Interval				
					Lower	Upper			
Pair 1	Q1A – Q1C	,871	,965	,069	,734	1,008	12,572	193	,000
Pair 2	Q2A – Q2C	-,608	,586	,042	-,691	-,525	-14,462	193	,000
Pair 3	Q3A – Q3C	-,314	,538	,039	-,391	-,238	-8,144	193	,000
Pair 4	Q4A – Q4C	-,371	,554	,040	-,450	-,293	-9,327	193	,000
Pair 5	Q5A – Q5C	-,253	,470	,034	-,319	-,186	-7,486	193	,000
Pair 6	Q6A – Q6C	-,242	,475	,034	-,310	-,175	-7,098	193	,000
Pair 7	Q7A – Q7C	-,180	,412	,030	-,239	-,122	-6,106	193	,000
Pair 8	Q8A – Q8C	-,289	,477	,034	-,356	-,221	-8,436	193	,000
Pair 9	Q9A – Q9C	-,160	,395	,028	-,216	-,104	-5,641	193	,000
Pair 10	Q10A – Q10C	-,299	,459	,033	-,364	-,234	-9,072	193	,000
Pair 11	Q11A – Q11C	-,603	,865	,062	-,726	-,481	-9,710	193	,000
Pair 12	Q12A – Q12C	-,180	,424	,030	-,240	-,120	-5,927	193	,000

Source: Created by author

Subsequently, prior to identifying which individual parameters pertaining to the client acceptance process were affected, and, if so, in what way (RQ2), the problem of multicollinearity was examined. In Table 4, the Pearson correlation coefficients, pertaining to all variables, as well as the VIF values are presented. It is observed that all Pearson coefficients are less than 0,7 while all VIF values are less than 5 indicating lack of multicollinearity.

Table 4: Correlation matrix and Variance Inflation Factor (VIF) with regard to the acceptance of a new client (CAD).

Correlations													
	Q1A	Q2A	Q3A	Q4A	Q5A	Q6A	Q7A	Q8A	Q9A	Q10A	Q11A	Q12A	VIF
Q1A	1												-
Q2A	-,470**	1											1,695
Q3A	-,286**	,477**	1										1,840
Q4A	-,408**	,515**	,555**	1									1,835
Q5A	-,283**	,261**	,260**	,335**	1								1,959
Q6A	-,365**	,412**	,470**	,483**	,566**	1							2,358
Q7A	-,257**	,385**	,332**	,271**	,445**	,514**	1						1,596
Q8A	-,302**	,402**	,511**	,445**	,236**	,524**	,185**	1					1,821
Q9A	-,343**	,206**	,126	,135	,377**	,285**	,208**	,259**	1				1,344
Q10A	-,317**	,405**	,369**	,348**	,323**	,313**	,259**	,347**	,308**	1			1,661
Q11A	-,279**	,340**	,361**	,351**	,239**	,342**	,175*	,367**	,310**	,534**	1		1,673
Q12A	-,363**	,393**	,407**	,450**	,439**	,400**	,201**	,425**	,146*	,436**	,465**	1	1,801

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Created by author

As it becomes apparent based on the descriptive statistics results, when it comes to Greece, the COVID-19 pandemic has had a moderate to significant impact on the decision-making process with regard to the acceptance of a new client (Table 2). Based on the regression results (Table 5) it can be concluded that the parameters having played a role include the difficulty in obtaining an understanding of the client-entity (Q2A) at a significance level of 0,01, the difficulty in assessing the effectiveness of the client-entity's corporate government (Q4A) at a significance level of 0,05, the reduction of audit fees (Q9A) at a significance level of 0,01 and the difficulties arising with regard to the auditor-client communication (Q12A) at a significance level of 0,05.

These findings appear reasonable taking into consideration the protection measures taken by the Greek government for the containment of the COVID-19 pandemic. Both the understanding of the client-entity and the assessment of the client's corporate governance performed by the auditors require direct access of the latter to client personnel and data. In other words, these tasks are directly associated to communication, which, by necessity, has been severely undermined due to a number of measures implemented against the spread of the pandemic, including mandatory

telework, social distancing, travel bans and lockdowns. Besides, as also reported by Bennett and Hatfield (2013), Bennett and Hatfield (2018), and Saiewitz and Kida (2018), relevant literature of the pre-COVID era had already showcased that refraining from face-to-face communication and instead resorting to computer-based communication might potentially have a negative impact on audit work.

It is also worth mentioning that firms representing almost 70% of the total turnover of Greek companies were directly affected by the pandemic, as a result of the limitation or suspension of their operations, as laid down by the mandatory measures implemented by the government (Grant Thornton, 2020). This fact, along with the simultaneous decrease in demand, resulted in a decrease in their turnover and revenue. In an attempt to react, the firms decided the reduction of their operating costs (PwC Greece, 2020), which included the auditors' audit fees. Therefore, as also established by Chen et al. (2019) and Albitar et al. (2020), the COVID-19 pandemic had a negative impact on audit fees. This conclusion enhances the theory established in the pre-COVID 19 era by a number of researchers, including Krishnan and Zhang (2014), Sonu et al. (2016), and Chen et al. (2018); they suggested that in times of crisis, when businesses experience recession and are forced to reduce their costs in order to survive, auditors face intense pressure to reduce their fees.

Table 5: Regression analysis concerning the impact of the COVID-19 pandemic on client acceptance (CAD).

Model ^b	Coefficients ^a			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	6,714	,435		15,419	,000
Q2A	-,487	,141	-,271	-3,455	,001
Q3A	,117	,157	,061	,745	,457
Q4A	-,338	,159	-,174	-2,131	,034
Q5A	,101	,159	,054	,635	,526
Q6A	-,207	,189	-,101	-1,095	,275
Q7A	-,034	,150	-,017	-,227	,821
Q8A	,047	,146	,026	,319	,750
Q9A	-,490	,141	-,243	-3,482	,001
Q10A	-,069	,159	-,034	-,434	,665
Q11A	,060	,132	,035	,452	,652
Q12A	-,249	,126	-,160	-1,982	,049

^a Dependent Variable: Q1A. To what degree has the COVID-19 pandemic affected auditors' work with regard to the decision-making process as to the acceptance of a new client?

^b Regression is statistically significant at a 0,01 significance level [F(11,182)=8,565, sig.=0,000].

Source: Created by author

A similar methodology was followed in order to identify the individual parameters relevant to client continuance, so as to determine whether they have also been affected by the pandemic, and, if so, how (RQ2). Thus, based on Table 6, it becomes apparent

that multicollinearity was not identified, given that all Pearson coefficients and VIF values are less than the minimum 0.7 and 0.5 thresholds respectively.

Table 6: Correlation matrix and Variance Inflation Factor (VIF) concerning the client continuance decision-making process (CCD).

Correlations													
	Q1C	Q2C	Q3C	Q4C	Q5C	Q6C	Q7C	Q8C	Q9C	Q10C	Q11C	Q12C	VIF
Q1C	1												-
Q2C	-,280**	1											1,354
Q3C	-,188**	,337**	1										1,526
Q4C	-,327**	,125	,435**	1									1,396
Q5C	-,187**	,200**	,093	,224**	1								1,890
Q6C	-,263**	,292**	,279**	,300**	,602**	1							2,125
Q7C	-,184*	,210**	,146*	,178*	,402**	,452**	1						1,370
Q8C	-,166*	,093	,371**	,283**	,035	,258**	-,052	1					1,355
Q9C	-,210**	,177*	,100	,192**	,436**	,377**	,174*	,151*	1				1,341
Q10C	-,274**	,285**	,171*	,186**	,102	,276**	,105	,169*	,150*	1			1,280
Q11C	-,058	,300**	,124	,162*	,091	,138	,019	,190**	,240**	,318**	1		1,286
Q12C	-,093	,021	,143*	,237**	,151*	,091	,034	,191**	,096	,168*	-,061	1	1,162

** . Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Source: Created by author

As the descriptive statistics results reveal, the COVID-19 pandemic had a low to moderate impact on the decision-making process with regard to the continuance of a client relationship in Greece (Table 2). Based on the regression results (Table 7), it can be concluded that the factors playing a role as to the pandemic's impact include the difficulty in obtaining an understanding of the client-entity (Q2C) and the difficulty in assessing the effectiveness of the client-entity's corporate governance (Q4C) at a 0,01 significance level, as well as the difficulties concerning clientele expansion at a 0,10 significance level. As also mentioned in the case of client acceptance, gaining an understanding of the client-entity and assessing the client's corporate governance both depend on the degree and quality of communication and accessibility to facilities, individuals and data. Thus, the above results are the corollary of the measures and limitations implemented during the pandemic period. On the other hand, the uncertainty and destabilization, as well as the constraints and obstacles having emerged in the business world because of the COVID-19 pandemic, may potentially have further reinforced the tendency in favor of the continuance of a client relationship.

Table 7: Regression analysis with regard to the COVID-19 impact on the client continuance decision-making process (CCD).

Coefficients ^a				
Model ^b	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

	B	Std. Error	Beta		
(Constant)	6,971	,772		9,034	,000
Q2C	-,613	,218	-,214	-2,816	,005
Q3C	,169	,218	,062	,774	,440
Q4C	-,567	,166	-,263	-3,411	,001
Q5C	-,006	,160	-,003	-,036	,971
Q6C	-,039	,179	-,021	-,221	,825
Q7C	-,111	,140	-,061	-,794	,428
Q8C	-,179	,174	-,078	-1,026	,306
Q9C	-,212	,151	-,106	-1,408	,161
Q10C	-,388	,156	-,183	-2,485	,114
Q11C	,224	,114	,145	1,965	,051
Q12C	,042	,118	,025	,351	,726

a. Dependent Variable: Q1C. To what degree has the COVID-19 pandemic affected auditors' work with regard to the decision-making process as to the continuance of a client relationship?

b. Regression is statistically significant at a significance level of 0,01 [F(11,182)=4,836, sig.=0,000].

Source: Created by author

Finally, the present study sought to explore whether the COVID-19 pandemic had a different impact on the work of auditors working for one of the Big6 audit firms in Greece, as opposed to auditors not working for one of them, both when it comes to client acceptance and client continuance (RQ3). As shown in Table 8, the COVID-19 pandemic indeed had a different impact on the two groups of auditors; differences were identified as to the auditors' decision-making process with regard to the acceptance of a new client, and more specifically, relevant to the assessment of the integrity of the client's Management and the audit fees, at a 0,05 significance level, as well as the clientele expansion, at a 0,10 significance level. As far as the decision-making process with regard to the continuance of a client relationship is concerned, differentiation was identified with regard to the extent to which the pandemic affected auditor work, at a 0,05 level of significance.

More specifically, as far as the decision-making process with regard to the acceptance of a new client is concerned, auditors working for one of the Big6 audit firms in Greece appear to have encountered less difficulties related to the COVID-19 pandemic as to assessment of the client's Management (the mean score in the case of Big6 firms was 2,60 and the mean score for non-Big6 firms was 2,40). This fact can be explained given that BigN audit firms generally deliver a higher-level education and training to auditors; at the same time, they suggest standardized procedures and methods on how auditors may act in order to draw safe conclusions as to the integrity of the client's Management. In contrast, auditors not employed by one of the Big6 firms have been called to improvise to a greater extent, under the difficult emergency conditions brought about by the pandemic. Additionally, the audit fees of auditors working for Big6 firms appear to have been affected in a negative way and to a greater extent than is the case with fees of non-Big6 auditors (mean score for Big6 auditors was 2,03, while it was 2,21 for non-

Big6 auditors). At the same time, the expansion of Big6 auditors' clientele appears to have been affected negatively yet to a lesser extent than is the case with clientele expansion of non-Big6 auditors (mean scores 2,17 and 1,99 respectively). Taking into consideration client pressure for the reduction of audit fees on the grounds of the pandemic-induced decrease in their turnover and the general state of uncertainty, Big6 auditors, whose audit fees tend to be higher than those of non-Big6 auditors (Lawrence et al., 2011), possibly responded in a positive way to their clients' requests, a fact also contributing to their clientele expansion.

As far as the decision-making process with regard to the continuance of a client relationship is concerned, the COVID-19 pandemic seems to have had little or no impact on the work of auditors working for one of the Big6 firms, while it had a more negative impact on the work of non-Big6 auditors (mean scores 2,67 and 2,34 respectively). On the one hand, as mentioned before, Big6 auditing firms have more resources, a better logistics infrastructure, while they are able to provide their employees with higher-level training and guidance. On the other hand, the portfolio of BigN audit firms usually appears to consist of larger, but lower-risk, clients (Hsieh et al., 2022; Lawrence et al., 2011), characteristics which render the entities themselves capable of managing and adapting to crisis and emergency situations more promptly and efficiently.

Table 8: Independent Samples T-Test investigating whether COVID-19 had a different impact on Big6 and non-Big6 auditors concerning client acceptance and continuance (CACD).

Null Hypothesis		t	df	Sig.(2-tailed)	Result
Ho: The degree to which COVID-19 affected the auditors' work is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	-,118	192	,906	Accept
	Continuance	2,141	192	,034	Reject
Ho: The way COVID-19 affected the auditor's understanding of the client-entity is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	,683	192	,495	Accept
	Continuance	-1,489	177,88	,138	Accept
Ho: The way COVID-19 affected the assessment of the integrity of the client's management is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	2,303	192	,022	Reject
	Continuance	,377	192	,707	Accept
Ho: The way COVID-19 affected the assessment of the efficiency of the client's corporate governance is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	,927	192	,355	Accept
	Continuance	1,320	191,02	,189	Accept
Ho: The way COVID-19 affected the assessment of client business risk is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	-,541	192	,589	Accept
	Continuance	-,298	192	,766	Accept
Ho: The way COVID-19 affected the assessment of audit risk is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	1,120	192	,264	Accept
	Continuance	,066	192	,947	Accept
Ho: The way COVID-19 affected the assessment of auditor business risk is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	-,794	191,48	,428	Accept
	Continuance	-,699	192	,485	Accept
	Acceptance	-,927	192	,355	Accept

H ₀ : The way COVID-19 affected the auditing firm's culture is not related to whether the auditor works for one of the Big6 auditing firms.	Continuance	-,008	192	,994	Accept
H ₀ : The way COVID-19 affected the audit fees is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	-2,222	184,97	,028	Reject
	Continuance	-1,492	192	,137	Accept
H ₀ : The way COVID-19 affected the time required for the acceptance/continuance decision-making process is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	1,166	192	,245	Accept
	Continuance	-,425	192	,671	Accept
H ₀ : The way COVID-19 affected clientele expansion is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	1,866	192	,064	Reject
	Continuance	-,979	192	,329	Accept
H ₀ : The way COVID-19 affected communication with the client-entity is not related to whether the auditor works for one of the Big6 auditing firms.	Acceptance	,716	190,093	,475	Accept
	Continuance	,428	191,729	,669	Accept

Source: Created by author

6. Conclusions

The outbreak of the COVID-19 pandemic has had a significant impact on every aspect of society including labor and financial sectors. Moreover, taking into consideration the fact that, two years after the pandemic onset, society has still not managed to return to a state of relative normality, while prevention and containment measures are still in place, it becomes apparent that the pandemic effects are of a long-term nature and its duration cannot be determined with accuracy.

These developments would unavoidably affect the auditors' work as well. In particular, both the measures implemented by the governments of the countries afflicted by the COVID-19 pandemic, aiming at containing its spread, as well as the uncertain and unpredictable environment created as a result, have brought the auditors face to face with a number of challenges regarding all stages of the external audit.

The aim of the present study was to explore the impact of the COVID-19 pandemic on the auditors' work field, especially as far as the first stage of the external audit is concerned. The research findings initially showed that the pandemic had a different impact on the auditors' decision-making process as to the acceptance of a new client, and the decision-making process as to the continuance of a client relationship. This confirms the claim that these two processes, despite their common elements, differ significantly as to each other, and, therefore, are to be studied individually. In addition to that, the findings of the present research revealed that the decision-making process with regard to the acceptance of a new client has been moderately to significantly affected by the COVID-19 pandemic. The parameters having played a role in this mainly involved the difficulty in gaining an understanding of the client's entity, the difficulty arising in the assessment of the efficiency of the client's corporate governance, the difficulty arising in the auditor-client communication, as well as the decrease in audit fees. On the other hand, the decision-making process concerning the continuance of a client relationship was affected from a small to a moderate degree, and the parameters mainly playing a role in it involved the difficulty in gaining an understanding of the client-entity, the difficulty in assessing the efficiency of the

client's corporate governance, as well as the auditors' clientele expansion. Finally, research results showed that the COVID-19 pandemic affected to a different extent the auditors working for one of the Big6 auditing firms in Greece when compared to the non-Big6 auditors. More specifically, it was found that, with regard to the decision-making process as to the acceptance of a new client, the Big6 auditors faced less difficulties as to the assessment of the integrity of the client-entity's Management; at the same time, the pandemic's negative impact was more pronounced with regard to their audit fees, yet, less pronounced when it comes to the expansion of their clientele. Respectively, with regard to the client continuance decision-making process, the pandemic had a negative impact on Big6 auditors' work, but the impact was found to be smaller or almost insignificant in comparison to the impact the pandemic had on the work of non-Big6 auditors.

Despite the fact that extreme events, as the outbreak of the COVID-19 pandemic, are almost unlikely to reoccur in the exact same way (Christianson et al., 2009), the response and adaptation to the problems ensuing their occurrence provide significant information and could prove to be a valuable foundation in the case of a potential future emergency. Hence, the present study may contribute in providing insight into the auditors' response to the changes brought about by the crisis related to the COVID-19 pandemic, as well as into the problems arising in their work field under the new circumstances, with regard to the first stage of external audit.

The present study may contribute to relevant literature on many levels. First of all, it is one of the first studies examining the COVID-19 pandemic's impact on the external audit process, while it is the first study clearly focusing on the first stage of the external audit. Therefore, important information is provided as to the response of key parties involved in auditor work - focusing on the first stage of the external audit - to a number of drastic, emergency changes brought about by the pandemic, on both a regional and international level. The data, collected in the midst of the pandemic, and, in particular, during its second wave, could prove to be of value to researchers in the field, but also to professional auditors, as well as the competent regulative authorities.

Lastly, the present study raises a number of issues to be further discussed, so that similar occurrences might be easier to manage in a more efficient way in the future. One of such issues is related to auditor-client communication, which, due to movement restrictions, ceased to take place in person, but had to be supported by digital, technological means. However, taking into consideration that audit work heavily relies on the use of technology in any case, thus rendering auditors more flexible and easier to adapt to the new conditions brought about by the pandemic, the question arises as to whether the same applies in the case of the client-entities. In other words, could the difficulties identified as to the communication and exchange of information between the auditor and the client mainly be attributed to the lack of resources on the part of the client-entities? Resources could involve both the entities' personnel who are familiar with technology, but also the equipment of the client-entities.

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Appendix: Questionnaire

PART I – The impact of the COVID-19 pandemic on the first stage of external audit, i.e. on the auditors’ client acceptance and continuance decisions (CACD)

In your opinion, to what degree has the COVID-19 pandemic affected audit work with regard to client acceptance decision making?

	1	2	3	4	5	
Not at all						Greatly

In your opinion, to what degree has the COVID-19 pandemic affected audit work with regard to the client continuance decision making?

	1	2	3	4	5	
Not at all						Greatly

In your opinion, in what way has the COVID-19 pandemic affected each of the following with regard to the client acceptance decision making and the client continuance decision making?

	Client Acceptance	Client Continuance
	1= very negatively 2= negatively 3= did not affect at all 4= positively 5= very positively	1= very negatively 2= negatively 3= did not affect at all 4= positively 5= very positively
Understanding of the client- entity	1 2 3 4 5	1 2 3 4 5
The assessment of the integrity of the client’s Management	1 2 3 4 5	1 2 3 4 5
The assessment of the effectiveness of the client’s corporate governance	1 2 3 4 5	1 2 3 4 5
The client’s business risk assessment	1 2 3 4 5	1 2 3 4 5
The audit risk assessment	1 2 3 4 5	1 2 3 4 5
The auditor’s business risk assessment (reputation losses, legal liability damages etc.)	1 2 3 4 5	1 2 3 4 5

The audit firm's culture (professional or commercial orientation)	1	2	3	4	5	1	2	3	4	5
The audit fees	1	2	3	4	5	1	2	3	4	5
The time required for the completion of the decision-making process	1	2	3	4	5	1	2	3	4	5
The clientele expansion	1	2	3	4	5	1	2	3	4	5
The communication with the client/entity	1	2	3	4	5	1	2	3	4	5

PART II - Demographic characteristics and basic information

Gender

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

Years of professional experience as an auditor

Is the audit firm you work for a Big6?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>