The Challenges of Remote Auditing in Malaysia

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ABSTRACT

COVID-19 pandemic has transformed auditing by shifting traditional on-site practices to remote auditing globally. Due to Movement Control Order (MCO), auditors virtually assess organizational processes, controls, and compliance frameworks using digital tools. Although this transition offers benefits such as cost savings and operational flexibility, it introduces key challenges that impact audit quality and auditor performance. The primary issue is restricted physical access to audit evidence where auditors must rely on digital documents. This reliance raises concerns regarding authenticity, selective disclosure, and hindered professional scepticism in high-risk areas like revenue recognition and inventory valuation. Additionally, heavy reliance on digital platforms exposes firms to cybersecurity risks. Small and medium-sized audit firms struggle with limited capital for secure IT infrastructure and digital training. Communication gaps also emerge due to diminished face-to-face interactions. As a result, firms face delayed management responses and coordination inefficiencies. Thus, to overcome these challenges, this study recommends alternative procedures. These include virtual supervision, metadata reviews, and a hybrid auditing model for critical areas. Firms should also invest in encrypted cloud infrastructure, hands-on staff training, and formalized communication protocols. Proactively implementing these solutions allows audit firms to mitigate digital risks. Hence, this approach maintains professional standards and ensures remote auditing remains a reliable, high-quality method in a digital environment.

Keywords: COVID-19, Remote Audit, Audit quality, Audit firm, Digitalization

INTRODUCTION

In an era where the technology is growing rapidly since Covid-19 outbreak, remote audit has been widely used among firms as an alternative to perform audit. Remote audit is generally defined as a method for the auditor to conduct audit virtually, assessing the organizational processes, controls and compliance frameworks without physical presence (Stevenson et al., 2025). Auditors will communicate with the management through video meetings such as Zoom, Teams or Webex for discussion and use email or secure portals to share requested supporting documents as well as confirmation letters like third-party confirmation.

Previously, auditors typically conducted on-site audits before shift to hybrid mode. These on-site audits required auditors to physically visit the clients' office to do the observation on organizational processes, inspect records and verify assets. A lot of the supporting documents or evidence such as invoices, payment vouchers and official receipts were in paper form and mostly auditors will be engaged in face-to-face discussions with the management to obtain verification. However, in 2020, the pandemic forced various sectors, including the audit profession in Malaysia to adopt remote working arrangements due to movement restrictions.

According to Ibrahim et al. (2023), the COVID-19 pandemic has caused significant disruption, thus, remote work is one of the temporary solutions. Due to health precaution and government ordered, performing a remote audit is now required rather than optional. Kamaruddin and Hanefah (2023), explains that organizations and audit firms were required to adopt remote auditing to ensure the continuity of services during the COVID-19 due to the movement restrictions and workplace closures. Even though the transition from on-site audits to hybrid work setting allows the work of audit to continue, weaknesses in audit processes, digital infrastructure, and auditor readiness are identified. Most organizations are concerned about the audit evidence reliability, cybersecurity, and the effectiveness of auditor judgment since this method relies heavily on electronic records and virtual communication.

Beside the technological constraints, Saidi & Ishak, (2025) highlight that hybrid work environments have changed how the audit teams work, control, and form professional judgment, especially with junior auditors. When there is a limitation of learning with face-to-face interaction, mentoring, and observation, these constraints may weaken professional scepticism and increase the risk of audit failure over time.

In addition, hybrid and remote working arrangements may influence auditors' confidence and self-efficacy. Larasati and Fatima (2023) stated that auditors' ability, especially in making complex judgement, may affect negatively if continued working remotely. This is one of the issues that should be considered, especially in audits where the auditor must assess risks, discover anomalies, or question management claims without being physically present.

Various service assurance prefers to adopt remote auditing since it offers several benefits such as cost saving, time efficiency, avoidance of difficult locations as well as increased audit team efficiency auditors (Maharaj, 2024). However, the auditors may still encounter a few challenges during their execution. Issues like cyber security concerns, communication gaps with management and limited physical verification have raised concerns among auditors about the audit outcomes (Elnahass et al., 2024). Hence, to help firms adopt effective mitigation plans and to help auditors prepare for potential risks during the audit process, it is crucial to be aware of the obstacles associated with remote auditing.

This paper aims to identify the challenges of remote auditing in Malaysia, examine how these challenges affect the audit quality and auditor performance as well as proposed recommendations to overcome each of the challenges of remote audit.

METHOD

This paper used a documentational review to explore the challenges of remote auditing and its impact on audit quality in this digital environment by focusing on remote audit, audit quality, audit firm, digital risks, as well as communication barrier. There are 23 articles from various sources. The adoption of remote auditing in the accounting and assurance sector has emerged as a pressing concern, posing significant challenges to audit firms, regulatory bodies, and the broader financial ecosystem globally. However, this study issues focused complex interplay of factors, including restricted access to physical audit evidence, heightened cybersecurity and data confidentiality risks, and severe communication breakdowns between auditors and client management in Malaysia. Structural issues, such as technological disparities among audit firms and learning barriers among potential auditors, are core contributors. As the reliance on electronic records and virtual communication widens, the ability of auditors to maintain professional scepticism and meet the rigorous requirements of auditing standards is under significant strain. This section will explore these challenges in depth and examine the broader effects on the auditing landscape in Malaysia.

Limited Access to Audit Evidence and Physical Verification

One of the key challenges in conducting remote audits is the limited access to audit evidence and physical verification. During the on-site audit settings, auditors may examine original, hardcopy documents, observe inventory counts, conduct walkthroughs, and directly assess internal control procedures (Ahmad @ Muhammad et al., 2026). These procedures enable the auditors to acquire adequate and relevant audit evidence as well as exercising professional judgment. However, with remote audit methods, auditors being dependent on electronic documents or softcopy documents and information provided by management, which basically change the nature of audit evidence (Mokhtar et al., 2024).

The reliability of digital documents is uncertain especially among larger firms including Big Four (Ahmad @ Muhammad et al., 2026). This is particularly potential for document manipulation, inconsistency procedure or selective disclosure. Since physical evidence offers a higher level of guarantee of validity, many auditors preferred original paper documents. Without on-site observation, it is difficult for auditors to evaluate non-documentary evidence, like the behaviour of employees, working process, and informal control practices, which are often essential in the process of assessing internal controls (Internal Audit Foundation & AuditBoard, 2021).

In addition, auditors may face barriers in engaging professional scepticism, since they will not be able to verify themselves on the way the evidence is generated. This problem complicates the process of identifying misstatements, errors or fraud in use, particularly in high-risk sections like inventory valuation and revenue recognition (Daoud, 2021). Moreover, if there are any spontaneous inquiries and follow-up questions to be asked to the management, remote audits often reduce these opportunities as it is way easier to ask sudden questions when conducting on-site audits.

The effects for this limitation may hinder the accuracy and credibility of audit outcomes. Reliance on electronic evidence may increase audit risk when auditors cannot verify the evidence directly. If the evidence obtained is not sufficient and reliable, the quality of the audit may be affected. This may also reduce stakeholders' confidence in the audit opinion. During the MCO in Malaysia, auditors faced difficulties in obtaining sufficient and appropriate audit evidence because physical access to clients was restricted (Salleh & Nik Azman, 2021; Kamaruddin & Hanafah, 2023).

Cyber security concerns and reliable IT systems and internet access

Next, IT security, online platforms, and reliable internet connectivity is significant in conducting remote audits. PECB (2024) mentioned that the protection of confidential client data becomes a major concern, especially when information is transmitted and stored electronically. Issues like cybersecurity risks can occur in the case of using document-sharing systems, virtual meeting components, and electronic audit software. Without strong cybersecurity controls, audit firms may face risks such as data breaches, system failures and unauthorised access to sensitive information. These risks can disrupt audit processes and increase the cost of implementing security measures. They may also affect the reputation and trust of the audit firm (Nor Azmi & Mat Jusoh, 2025)

Moreover, Hassan and Ismail (2022) found that small and medium-sized (SME) audit firms may face greater resource constraints when adopting digital audit technologies, as their level of technological development remains lower than that of larger audit firms. SME audit firms has limited capital and high initial investment costs as barriers to invest in secure IT systems, cutting-edge audit software, and other security measures (Suhaimi & Nawi, 2025). Firms must also pay more for training in addition to technology fees to guarantee that audit staff are competent in using digital tools. In an increasingly digital audit environment, technological differences across audit companies could lead to inconsistent audit quality, which could be disadvantages to the SME audit firms.

The bigger firms are more likely to have access to more advanced audit software and analytics tools whereas smaller audit firms may not have the options of using similar technology. This may lead to the difference in the auditing comprehensiveness, speed, and reliability (Saat et al., 2025; Ramadanty et al., 2025). Also, the differences in training and experience of the staff in using digital tools can also be viewed as a potential cause of irregular results of the audit. Consequently, SME audit firms might be disadvantaged in terms of competition, both in the eyes of the clients and in terms of their competencies in carrying out audits in an efficient and reliable manner.

Furthermore, audit quality and efficiency may be affected when auditors are not familiar with the digital audit platforms used by the firm (Nor Azmi & Mat Jusoh, 2025). This issue can be a concern for junior auditors, especially fresh graduates and interns who may have limited experience with advanced audit technologies or the specific systems used by the firm. Barnes et al. (2024) stated that remote working environments can create learning barriers for less experienced auditors because they receive less direct supervision and hands-on guidance. As a result, junior auditors may face difficulties when using audit technologies. This can lead to delays and errors in audit procedures which may affect the quality of the audit opinion.

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Potential Communication Gaps with the Management

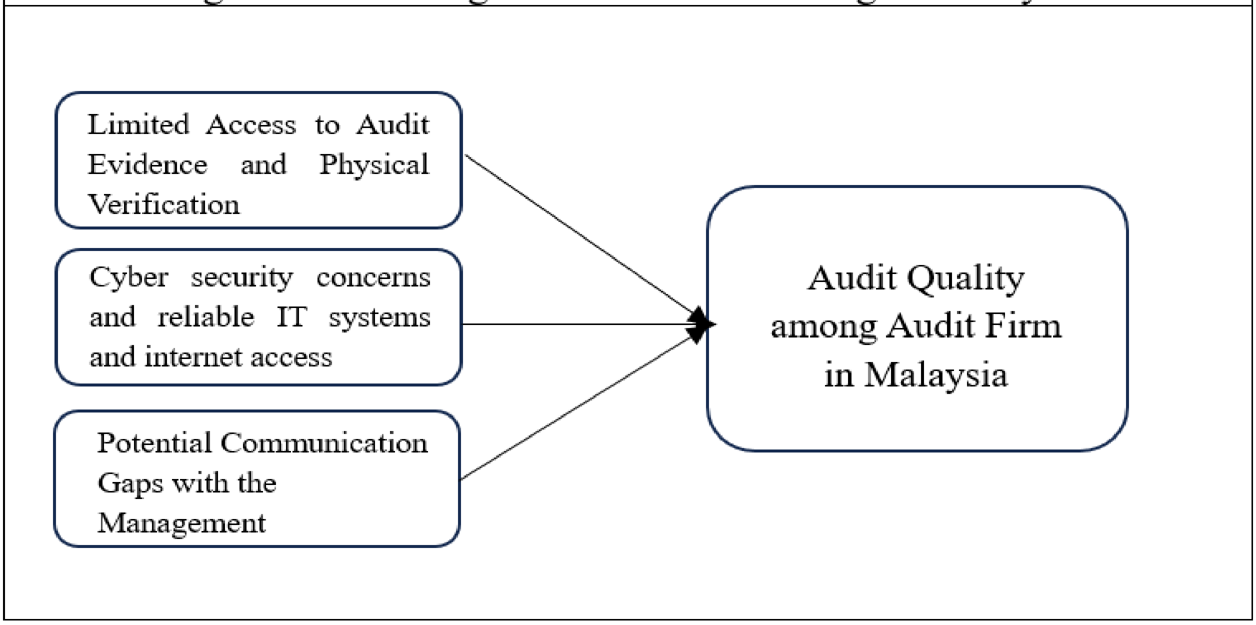
Good communication between the auditors and the management is also relevant in acquisition of audit evidence, clarification of issues and solving of discrepancies. However, remote auditing may cause a major change in the communication dynamics. It becomes harder to establish a good relationship, perceive the nonverbal communication and resolve misunderstandings in a timely manner because of the lack of face-to-face interaction (Bahrain et al., 2023). Consequently, the auditors themselves might be faced with delays and inefficiencies when seeking information and explanations by the management.

Ahmad et al. (2025) reported that remote auditing may create challenges in communication and teamwork because auditors may have difficulty working in unfamiliar virtual environments. This decline is attributed to the lack of nonverbal communication, difficulties in explaining complex audit procedures virtually, and challenges in sharing and reviewing confidential documents online. In Malaysia, client cooperation can be a challenge when auditors request documents or information. This may include delayed responses or incomplete documents which can make it difficult for auditors to obtain sufficient audit evidence (Saidi & Ishak, 2025). Junior auditors may also face difficulties when dealing with senior client staff because they may have less experience and confidence. This may cause delays when requesting important documents or following up on incomplete information. This issue may cause the auditor to extend the audit timelines which can result in management dissatisfaction due to the late issuance of the audit report.

Hence, remote auditing in Malaysia presents several challenges that can affect audit quality. Limited physical access can make it difficult for auditors to obtain and verify sufficient audit evidence. Audit firms may also face cybersecurity risks including high technology cost which challenge audit firms with limited IT resources. In addition, remote communication can further delay the collection of documents and information from management. As a result, these challenges may increase audit risk and extend audit timelines while reducing stakeholders' confidence in audit results.

The correlation between challenges of remote auditing and its implications to audit quality in Malaysia's accounting and auditing industry is presented as Figure 1 below:

Figure 1: Challenges of Remote Auditing in Malaysia



Discussion to overcome the challenges of remote auditing in Malaysia

The constraints of remote auditing have significantly affected the quality of audit assurance services in Malaysia. Challenges such as limited access to audit evidence and communication barriers may reduce the effectiveness of audit procedures and professional judgement (Kamaruddin & Hanefah, 2023). Cybersecurity risks can also create concerns when auditors use digital systems and handle sensitive client information (Nor Azmi & Mat Jusoh, 2025). These issues may weaken stakeholders' confidence in the audit process and affect the credibility of audit services. Therefore, appropriate mitigation strategies are needed to maintain audit quality in a digital environment. Key measures include improving access to audit evidence, strengthening cybersecurity and IT infrastructure, and improving communication between auditors and management.

Enhancing Access to Audit Evidence and Physical Verification

To address the limitations associated with access to audit evidence in remote auditing, audit firms should adopt a structured and risk-based approach to obtain and collect evidence (Le et al., 2022). While remote audits restrict physical verification, auditors can enhance the sufficiency and appropriateness of audit evidence by expanding the use of alternative audit procedures. For example, auditors may ask the management to do live video observations of inventory counts, perform remote walkthroughs of key processes, and obtain digital evidence or confirmations from multiple independent sources like bank or trade creditors' confirmation. Such practices can partially make up for the absence of on-site presence and reduce overreliance on the documentation provided by the management, which then can strengthen the professional scepticism (Daoud, 2021; Internal Audit Foundation & AuditBoard, 2021).

According to Salleh and Nik Azman (2021), remote auditing should follow proper standards to ensure accurate and reliable audit results. Hence a more thorough verification efforts, including mandatory metadata reviews, version controls and direct system access are required to increase confidence in the audit quality. Analytical procedures were also may be used as an alternative to assess whether the information provided by clients was reasonable. These procedures can help auditors identify unusual changes and possible risks of material misstatement or fraud. This selective physical presence enables the auditors to adhere to auditing standards and still retain efficiency advantages of remote auditing. Consequently, these can be implemented to maintain the quality of the audit and the trust of the stakeholders even under the limitation of physical access.

Strengthening Cybersecurity and IT Infrastructure

To address the high dependence on digital platforms in remote audits, audit firms should strengthen their IT infrastructure and adopt suitable technologies while implementing effective cybersecurity measures (Nik Abdul Majid et al., 2025; Nor Azmi & Mat Jusoh, 2025). To protect confidential data of clients and minimize the risk of data breach, firms should have secure cloud-based audit platforms that are encrypted, have access control, and audit trails (PECB, 2024). Establishing specific firm's IT governance policies that clearly define data handling responsibilities and security protocols is also important for mitigating technology-related risks, especially when audit evidence is increasingly stored and transmitted electronically.

In addition, audit firms including SMEs in Malaysia should adopt technologies based on their financial resources and needs. Technologies such as cloud accounting systems, artificial intelligence and audit software can help improve audit quality. Proper training is also needed to improve employees' digital skills (Suhaimi & Nawi, 2025). Although immediate adoption may be difficult due to limited resources, firms can adopt these technologies gradually. Using external service providers may help reduce costs and narrow the technology gap between smaller and larger firms over time.

Other than the technological investments, training initiative for the auditors related to digital platform including data analytics, AI applications, and blockchain auditing program also required to enhance the report quality (Sudradjat et al., 2024). This is especially important for junior auditors and new employees who may have limited experience with the technologies used by their firms. Practical training can help them understand how to use these tools during actual audit work. Suhaimi and Nawi (2025) highlighted the importance of developing employees' digital skills when firms adopt new technologies. Malaysian auditors may also need to improve their knowledge and skills to adapt to changes in digital auditing (Saat et al., 2025). Therefore, audit firms should provide regular and practical training to help auditors use digital tools effectively. This can reduce errors and improve the efficiency and quality of audit work.

Improving Communication and Coordination with Management

To reduce communication gaps in remote audits, audit firms should adopt formal communication structures that promote clarity and efficiency (Khalid & Hashim, 2025). Auditors should provide clients with a clear list of the required documents and the expected submission dates. They should also give clear instructions on the required format and method of submission. In addition, a centralised cloud-based platform can be used to store and share audit documents. This can make it easier for auditors and clients to access the required information during the audit. Ilias et al. (2025) found that factors such as perceived usefulness, ease of use, self-efficacy and security were positively associated with cloud accounting adoption among accounting practitioners in Malaysia. Therefore, cloud-based platforms can support more organised document sharing and communication during remote audits.

In remote audits, communication with client management can be more difficult for junior auditors. Some requests may involve important or sensitive information that requires further discussion with the client. Mamat et al. (2023) found that technology-based communication such as email and instant messaging was commonly used by internship students during audit engagements. The study also highlighted the importance of selecting suitable communication channels for audit-client communication. Therefore, audit firms should provide clear guidance on which communication channels should be used for different audit matters including using software such VPN system and cloud-based filings during remote auditing. Senior auditors can support junior team members by handling these requests when necessary. Their involvement can improve communication with management and help auditors obtain the information needed to complete the audit (Saidi & Ishak, 2025). Hence, virtual meetings should also be conducted regularly to allow real time discussions, clear up complicated audit issues and enhance auditor and client relationship. Through the improvement of communication frameworks and role definition, audit firms will be able to advance information flow, facilitate professional judgment, and strengthen the efficiency of remote audits.

CONCLUSION

The wide use of remote auditing because of technological advancements and the COVID-19 pandemic has changed the traditional way of conducting the audit engagements. Even though remote auditing has numerous advantages including cost-effectiveness, flexibility and consistency of assurance services. However, significant challenges may influence the quality of the audit and the performance of the auditors if not properly addressed. Specifically, the inability to access physical audit evidence, the elevated cybersecurity risks, and the lack of communication with the management are the key challenges related to remote audit work.

The discussion highlights that use of electronic audit evidence and the lack of physical verification may undermine professional scepticism and increase audit risk, especially in high-risk areas requiring judgment and observation. Next, the reliance on digital platforms exposes audit firms to the risk of cybersecurity attacks and accounting system failures, with smaller firms facing more difficulties because of the limitation of resources and infrastructure. In addition, remote audits become more complicated when communication challenges exist. The reduction in interaction quality, delays in information exchange, and incomplete or biased evidence are more likely to result in compromised audits and client relationships.

However, these challenges do not imply that remote auditing is ineffective or unsuitable for adoption. Instead, it is important to innovatively adjust audit procedures, technology, and practices in communication. As outlined in the recommendations, implementing alternative audit procedures, enhancing IT systems and cybersecurity measures, investing in auditor training, and formalizing communication frameworks can significantly reduce the risks related with remote audits. The hybrid approach to audit can also be a balanced solution in terms of efficiency of remote auditing and selective physical presence of high-risk areas.

Hence, the effectiveness of remote auditing depends largely on how well audit firms respond to its challenges. The limitations can be proactively dealt with when audit firms can improve audit quality, maintain professional standards, and ensure that remote auditing remains a reliable and sustainable audit method in a rapidly digitalizing business environment.

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