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# Remote Work and Audit Quality: A Natural Experiment Approach

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## Abstract

*This study exploits the shutdown of non-essential businesses as a unique setting to address the effect of mandatory remote work on audit quality. The basic empirical design is a pre/post analysis where the variable of interest is an indicator variable for remote work. Three measures of audit quality are used namely, discretionary accruals, going concern, and meeting or beating analysts' forecasts. To mitigate potential endogeneity concerns, a difference-in-differences research design is employed. The combined evidence in this study suggests that audit quality improves with remote work. Firms audited remotely have lower discretionary accruals, are less likely to meet or beat analyst forecasts, and are more likely to get a going concern opinion. A limitation of the archival research design is the inability to identify specific aspects of the audit process that change with remote work. Nevertheless, these findings have significant implications for the audit practice, indicating that in order to support talent retention, audit firm executives should continue making investments in technology that promotes greater work flexibility. This paper serves as an archival study to examine the relationship between remote work and audit quality and impacts our understanding of the audit process literature. Altogether, the findings yield timely insights to address the ongoing tension between employees and employers regarding a flexible geographical working arrangement and work-life balance.*

**Key words:** audit quality; financial reporting quality; going concern; remote audit; remote work;

**JEL Classification:** M42

### To cite this article:

Tang, T., Panagopoulos, O. P. (2025), Remote Work and Audit Quality: A Natural Experiment Approach, *Audit Financiar*, vol. XXIII, no. 4(180)/2025, pp.830-847, DOI: 10.20869/AUDITF/2025/180/027

### To link this article:

<http://dx.doi.org/10.20869/AUDITF/2025/180/027>  
Received: 17.05.2025  
Revised: 25.05.2025  
Accepted: 26.06.2025