

In recent years, the term "auditing" has been introduced to Vietnam where the market economy was being developed, however this term is still strange to the business circle in Vietnam. Even a legal basis for the auditing service and other problems relating to it hasn't been institutionalized. That is why market for auditing service has both a bright future and a lot of difficulties in its way to development.

The most noteworthy fact is that the auditing business has come into being on time. The economic renovation has allowed all kinds of companies to be formed by all social classes and operate according to the laws of the market mechanism. Because the law gives no preferential treatment to anybody - even state-owned companies - so the interest in financial situation of one's own and of other people becomes keener. Then the increasing demand for auditing service has provided independent auditing companies with chances to display their skills and attract customers by their professional way of doing business and quality of services supplied.

As for auditing companies, the market laws have also put them in a keen competition and forced them to develop. Up to now, there are eight local independent auditing companies, two auditing joint ventures and four internationally leading auditing companies in Vietnam.

All these companies have offered a wide range of services, besides auditing service, to choose from: ex-

amining accounting; evaluating assets; making equitization plan; giving financial, tax, accounting advice; training in finance, accounting, business administration; etc.

Another important point that we must pay attention to: it's the role of the Government and the Ministry of Finance in the operation of this business. Under the influence of governmental bodies at all levels, the operation supplying auditing service and other financial services has become a business with special meanings to the economy.

The role of governmental bodies isn't limited to the introduction of regulations on auditing business and promulgation of legislation requiring certain kind of companies to have their books audited. More importantly, there are more and more governmental bodies using audit as an effective instrument for controlling economic activity.

A fact that is worth mentioning is the presence of independent foreign auditing companies in Vietnam. This is an important factor which helps to develop the auditing business in Vietnam in recent years. This presence provides local auditing companies with chances to gain experience and improve their skills, that is, this presence has helped with the transfer of auditing techniques to Vietnamese auditors, therefore Vietnamese auditing companies could diversify their services supplied to all classes of customers, from local companies to foreign invested concerns, governmental bodies, foreign organizations and projects financed by international

ards knowing that they weren't much suitable to Vietnam's changing economy and this application led to other consequences, such as:

- There is no common criterion for evaluating the quality of auditor's report.

- Auditing operation hasn't been standardized.

- If a dispute takes place, there are no bases for dealing with matters concerning legal duties of auditors.

- Because of the lack of a common system of standards, so auditors view is usually different from that of tax authorities. That is why many foreign invested companies were surprised to see that auditor's reports were usually rejected by tax authorities, and these companies tended to question the quality of auditing service.

2. Another problem is the legal personality of an independent auditing company. The two following facts need to be studied:

- Many auditing companies were established and directed by the Ministry of Finance. This fact cast doubt on the independence of these companies. In foreign countries, even banks aren't allowed to invest in auditing companies. Owners of these companies consist of auditors only. We had better adjust this situation in order to make these companies independent actually.

- Up to now, according to Vietnam laws, most auditing companies are limited ones. Many foreign auditing companies which are registered in their home countries as general partnership, but when they



THE MARKET FOR AUDITING SERVICE IN THE VIETNAM'S CHANGING ECONOMY

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institutions (SIDA, WB, EC, UNDP...)

However, this business is facing a lot of difficulties and many of them are totally beyond the reach of auditing companies. The main difficulty is the legal infrastructure for this business.

1. Although there are regulations on independent auditing, but Vietnam's standards of auditing and accounting practices are different from the system of international standards. So many auditing companies had to apply international stand-

operate in Vietnam, they become limited companies. This fact makes customers doubtful about their liability. So we think that Vietnam law needs to be adjusted to international practices, that is, all auditing companies must take the form of partnership.

In short, in a changing economy, although there are many obstacles to development, but many opportunities are available for auditing companies and other companies as well. They can reap the rewards if they sow good seeds.