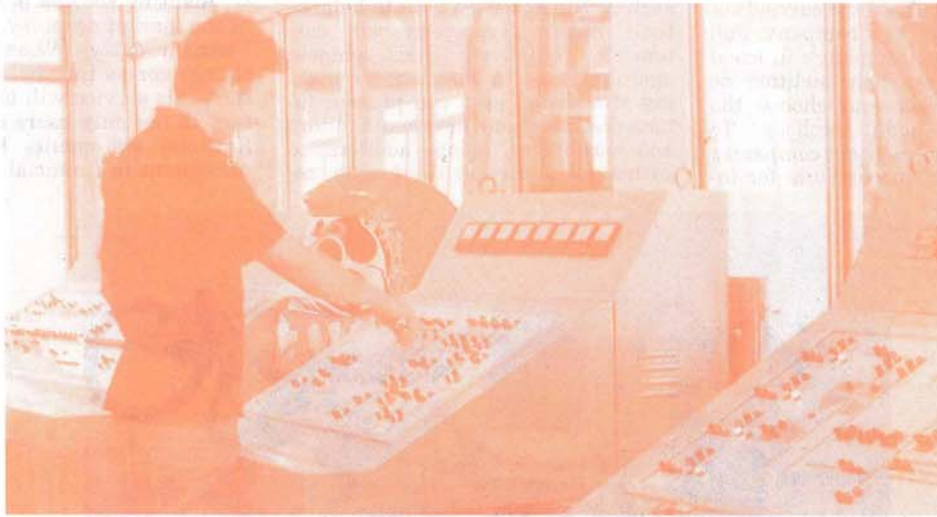


SOLUTIONS TO POOR QUALITY OF INDEPENDENT AUDITING SERVICE

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I. AUDITING BUSINESS IN VIETNAM TODAY

Audit is a process carried out by competent and independent auditors to gather documents and supporting data of an organization or company for the purpose of examining and giving an opinion as to their consistency and conformity with accepted accounting principles.

Thus, the audit process should meet basic requirements set by international audit standards by gathering documents needed for rendering an opinion about a company's financial statement and limiting possible risks. In this process, auditor's experience plays an important role in making audit worth every penny spent on it thereby helping audit companies improve their prestige in the eyes of customers and governmental bodies that use their audit reports.

In fact, however, the independent auditing service is still new to Vietnamese business circle and many businesspersons confuse it with inspection and examination by governmental bodies (that is why they are reluctant to make the acquaintance of audit companies). Independent

auditing regulations aren't strict and detailed enough. Most companies only buy independent audit service when required by governing authorities and pay no attention to the service quality. Moreover, there is no criterion for estimating the quality of audit service, especially when auditors fail to meet requirements posed by their customers. Unexplained differences between estimates by tax authorities and reports by independent auditors sometimes make companies lose confidence in auditor's reports. Price competition between auditing companies also leads to poor quality of auditing services that fail to meet common audit standards because auditing companies reduce time and energy spent on auditing work and cut necessary expenses on their jobs.

As for local companies, most of them are of small and medium size and couldn't afford a perfect internal check system with the result that they are exposed to unnecessary risks. That is why each auditor, based on his/her experience, knowledge and cautiousness, and the availability of time for customer, should

decide on examination of the internal check system.

According to regulations of tax authorities, foreign-invested companies should submit their tax declarations with auditor's reports within 60 days after the end of the fiscal year. This regulation makes the workload of auditing companies much heavier during this period. And as a result, the auditor's report, after many examinations, still contains defects and sometimes it isn't presented in proper form ordered by law.

II. SOME OPINIONS AND PROPOSED SOLUTIONS

1. Need for official audit standards: The Government should work out audit and accounting standards suitable to Vietnamese conditions because, as Prof. Trần Văn Tá - Deputy Minister of Finance - put it in *Hệ thống chuẩn mực kiểm toán Việt Nam* ("Vietnamese System of Audit Standards", Hà Nội, 1999) "audit standards are principles that serve as a basis for auditors and auditing companies to examine and evaluate exactly and scientifically financial documents, and for recruiting and training auditors." These standards

could also help prevent unfair competition between auditing companies.

2. Role of a regulatory body: There should be a professional organization responsible for controlling performance of auditing companies and preventing price wars among them.

3. Full knowledge of internal check system of a company: Auditing companies should be interested in studying the internal check system of a company because it is indispensable and important to the auditing process, especially to one carried out for the first time at a company. Full knowledge of the company's internal check system can help auditors do their jobs quicker and choose the most suitable audit methods. To achieve this aim, auditing companies should work out instruments for in-

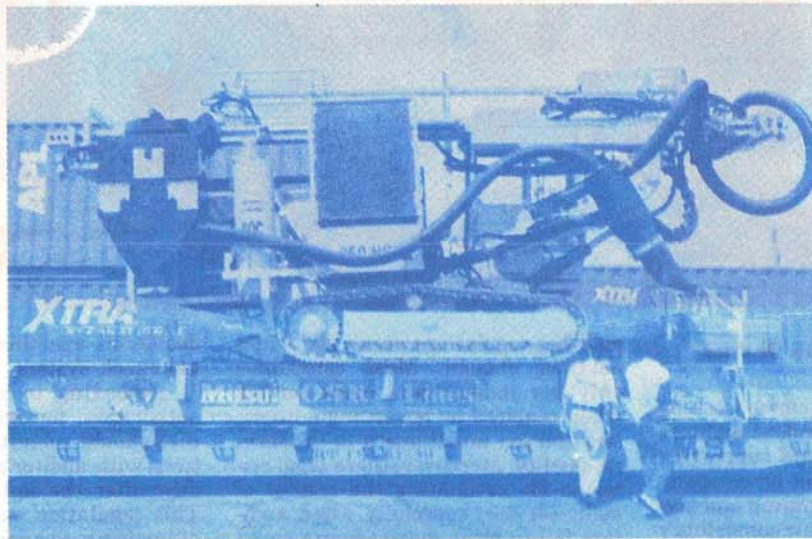
4. Perfecting the audit process for specific operations: Based on current audit processes employed by auditing companies and auditors' experience, auditing companies could work out different audit programs appropriate to specific operation or kinds of companies in order to ensure good quality of audit service, avoid possible mistakes, reduce cost, save time and money and improve competitiveness.

5. Building strategic plans: Auditing companies should require auditors to make an auditing plan for each customer with a view to helping their auditing company win customer's confidence and compete against rivals. In addition, the making of auditing plan can prevent future disagreement between auditors and customers, allow auditors to gather all necessary documents; re-

Every year, auditing companies had better organize auditing document contests. The marking of auditing documents is based on auditing standards and regulations set by auditing companies on auditing plan making, implementation of auditing process and completion of auditing documents. Such contests organized by the AFC- Saigon recently have produced good effects on improvement of the quality of auditing documents.

III. CONCLUSION

Auditing service is really a need in the market economy, especially in Vietnam today. When a stock exchange comes into being and operation, this service will become important to not only users of companies' financial statements but also improvement in financial management



specting internal check systems, such as questionnaires, investigating forms and signs used for making remarks about the internal check systems. These instruments can help auditing companies inspect throughout the internal check system of the company customer and avoid mistakes (different instruments could be worked out for companies of different scales). Although the examination of the company's internal check system requires some time and energy, full knowledge of the internal check system allows auditors to point out shortcomings and suggest necessary solutions to them, thereby saving time and energy, choosing suitable audit methods, cutting expenses, enhancing quality of audit service and competing successfully against rivals.

duce burden of legal responsibility and enhance professional prestige. To achieve this aim, auditing companies should set forth regulations on assessing importance of auditing process and ways of applying it to a specific company.

6. Perfecting auditing documents and training auditing skills: Before issuing audit report, all auditing documents are to be checked by managers of auditing companies. During the busiest period, however, certain mistakes are unavoidable. So we think that auditing companies should regularly re-examine auditing documents completed during a year in order to perfect them as required by audit standards, and draw necessary lessons that could be used as training materials.

7. Improving quality of auditing documents and standardizing them:

by governmental bodies. This service has just developed in Vietnam recently and it still needs a lot of lessons and experience. That is why auditors should keep on studying modern auditing methods and find ways to apply them in Vietnam.

The application of auditing methods to the financial management by companies and financial authorities in Vietnam today will certainly lead to some difficulties and shortcomings. The Ministry of Finance should study and set forth audit and accounting standards, or principles, in order to make the auditing service in Vietnam suitable to international standards and Vietnamese conditions. This is really a meaningful effort that will be supported by all auditing companies and their customers. ■