

SOME OPINIONS ABOUT FORMATION OF VIETNAM AUDITING STANDARDS

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The decree no.07/CP by the Government dated 29 Jan.1994 in respect of "Regulations on independent auditing in the national economy" was the first legal basis for auditing in Viet Nam. Nevertheless, it is a long way to go from this starting-point to legal perfect environment for it. One of the problems is to standardize Vietnam auditing and the task has been assigned to Ministry of Finance. The following are some of our reflections:

I. AN OUTLINE OF STANDARDIZATION OF VIETNAM AUDITING SYSTEM

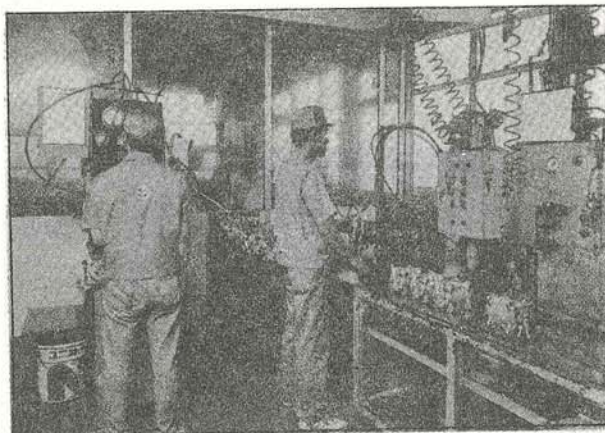
1. The national auditing standardization.

National auditing standardization is valid in a country. Each country has a system of auditing, including:

-Audit standards are basic principles in the auditing activity, for example, Generally-Accepted Auditing Standards(GAAS) by Association of US Auditors, Statement of Auditing Standards(AUS) by Association of Australian Auditors. The standards are usually concise, therefore they are scarcely changed. For example, standard no.1 among standards of practice: "Planning for auditing must be made carefully and strict supervision over assistants must be carried out, if any."

-Principles of practice are valid instructions about procedures of auditing for applying auditing standard. Principles of practice are based on auditing standards.

Each principle of practice is generally issued



aiming at solving one problem. For example, auditing planning, consideration and evaluation of internal control system...When new problems arise in reality, principle can be changed, revised or amended depending on basic principles in auditing standards. In USA, principles of practice are called "Statement of Auditing Standards"(SAS), and called "Statement of Auditing Practice"(AUP).SAS are based on GAAS, AUP on AUS. Guidelines and explanations about auditing are specific ones on applying principles of practice or guidelines for auditing particular industries or special works... which auditors can apply when auditing. So, national auditing standardization is a auditing system ranging from general stipulations to detailed ones. The process of detailing is also that of softening aiming at carrying out in reality.

-Principle of practice, guidelines and explanation about auditing can be adjusted and can originate

from the diverse reality of auditing basing on common standards.

-Guidelines and explanations about auditing is not obligatory like standards and principles of practice.

2. International auditing standards

International auditing standards aim at developing and strengthening the coordination of accounting work across the world and harmonious standards(Charter of International Federation of Auditing Company-IFAC). International Auditing Practice Committee(IAPC) on behalf of IFAC has given publicity to International Auditing Guidelines(IAG). The principles have been promulgated being based on viewpoints and voting of member nations towards every subject. From Jan.1980 to July 1990, there were 29 principles of auditing being approved and promulgated by IAPC. Different from national auditing standards, international auditing standards is not

obligatory. Members of IFAC will base on International Auditing Standards adjusting its own auditing standards. Countries which have not yet had national auditing standards are recommended that they should base on International Auditing Standards in order to standardize their own auditing systems. So, we can outline some orientation towards standardization of Vietnam auditing, as follows:

-Basing on International Auditing Standards, we standardize our auditing system for our integration into international auditing activities

-With reference to subjects to which International Auditing Standards have not referred yet, we will look up auditing standards of developed countries and of countries in the region as well as to combine with Vietnam reality.

-Vietnam auditing system should standardize from basic principles to detailed guidelines so that we can apply flexibly in reality.

II. THE PROCESS OF TAKING SHAPE OF AUDITING SYSTEM

This is a long-time process taking place during the development of auditing activities. The process happened as follows:

-First, this is the process of standardizing auditing activities from the range of a company to that of the world. From the reality of auditing, auditors will have their own approach for constructing process of auditing standards, and this is a basis for raising the company auditing quality as well

as training auditors. Associations of auditors will base on activity process of companies (members of associations) aiming at creating national auditing standards with the principles of enhancing quality of auditing as well as obtaining the occupation prestige. At last, International Audit-

against other countries, so we inherit the world's experiences in this field. International Auditing Standards and those of other countries are bases for us to standardize Vietnam auditing system.

-In spite of basing upon international auditing standards, the role of audit-

nam is rather new, companies of auditing have been developing rapidly but nascent, their manpower and potential are poor for constructing their processes of auditing standards. Furthermore, Vietnam auditing association has just been established. As for us, this is the most important element

dossiers...And the measures can be:

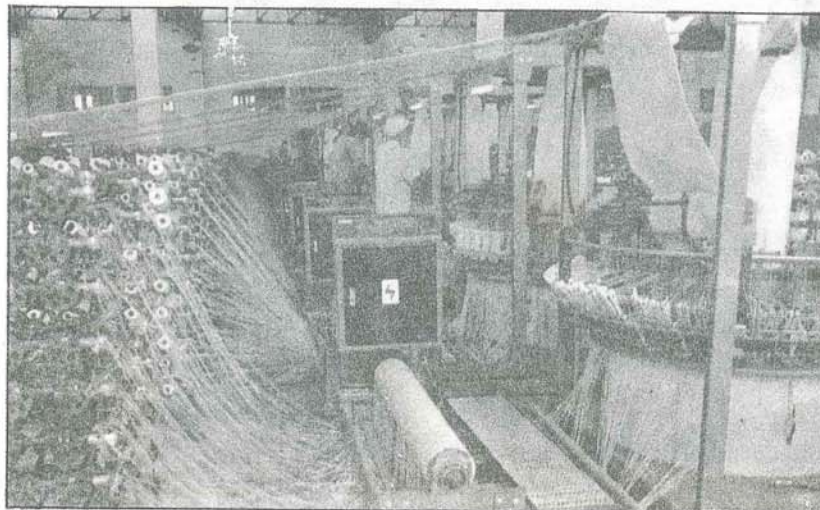
-A special body being established for researching, drawing up regulations and watching tentative projects.

-Inviting specialists to help standardization of auditing system.

-Combining with universities and research institutes.

2. Vietnam auditing association should rapidly expand its activities for the target of occupation organization. Forming expert committees in which committee of auditing standardization takes part. The committee studies the application of international auditing standards to Vietnam, at the same time, we hold workshops so as to summarize every important matter in auditing standardization and consultants to the State in respect of promulgation of national auditing standardization.

3. Above matters need assisting by Ministry of Finance and Government bodies with all aspects. The decree no.07/CP has created a basis for independent auditing in Vietnam. For months now, many auditing companies have come into being and so many will come into being. It is very urgent for us to create a national auditing standards and we must expedite this process so as to avoid a loophole in the state management.



ing Federation coordinate standards of national auditing in order to create international auditing standards basing upon the unanimity of members.

-Second, that is a process of reverse effect of established standards. Once an auditing company create a process of its own standard auditing, auditors will be responsible for adjusting their approach so that they are suitable for general regulations in the auditing process of company. Standards of national auditing once taking shape have effect over the process of company auditing in the reverse direction. And the birth of international auditing standards, at last, have the affection towards auditing standards of countries.

From above-mentioned analysis, we see that the way for taking shape of Vietnam auditing should be the combination of international auditing standards and Vietnamese auditing reality.

-Our basically-favorable condition is that we are hundreds of years behind as

ing reality in Vietnam in taking shape of Vietnam auditing standards is important as well. These standards will not carry out in Vietnam unless they are suitable for Vietnamese reality. Therefore, even if Ministry of Finance is assigned to promulgate Vietnam auditing standards, we cannot leave out the important role of Vietnam auditing association. Our problem is that auditing activities in Viet-

in triggering off the birth of Vietnam auditing standards.

The following are our reflections:

1. Auditing company should create a process of auditing standards basing upon international auditing standards and Vietnam reality. Dealing with step by step fundamental matters such as auditing planning, research and evaluation of internal control, auditing

The following drawing describes the process of taking shape of auditing standards:

