



Integration in the Field of Audit Services Vietnam - Current Situation and Challenges Joining ASEAN Economic Community (AEC)

Phan Thanh Hai

Duy Tan University, Da Nang City, Viet Nam

Abstract

Since the date of accession to the Association of Southeast Asian Nations – ASEAN (July 28th 1995), Vietnam has become one of the countries playing an important role and having prestige in the region as well as in the world. This is also the result of opening and integration process of various aspects in Vietnam, especially service industry, including audit services.

This article's content is to give an overview of the changes in audit services in Vietnam; to assess the integration process actual status of audit services in recent years; and to show fundamental challenges that Vietnam will face during accession to the ASEAN Economic Community (AEC) in the near future. On that basis, the author also gives some suggestions and appropriate recommendations to promote the integration of audit services in Vietnam in future.

Key words: integration, audit services, the ASEAN Economic Community

So far, the issue of international economic integration for audit services in the world in general and in developing countries like Vietnam in particular has been performed and published in a variety of researches by many authors. The earliest study published by Hugh A.Adams and Do (2005) mentioned Integration with international accounting and auditing principles of Vietnam before 2005. The subsequent studies by Chen (2008), Ha (2008) and Nguyen (2014)... were also implemented on the basis of qualitative research method to assess the integration status of accounting and auditing services after 2015 til now. However, in the past few years with a dramatic change in the system of standards and principles recognized in accounting, auditing, financial fields in the region and the world, the integration of all these services in general and audit services in particular is always an urgency and attracts attentions from many objects.

For these reasons and by qualitative research method based on the data collected, the key goal of this article is to assess the actual status of integration process of audit services in Vietnam in recent years, to analyse fundamental challenges of audit services when Vietnam accessed to ASEAN Economic Community (AEC). The article's content consists of 3 parts: (1) Integration status of audit services in Vietnam in recent years; (2) Fundamental challenges of audit services when Vietnam accessed to AEC; (3) A number of recommendations and suggestions.

Phan Thanh Hai, Ph.D, Dean, Faculty of Accounting and Auditing, Duy Tan University (DTU); research fields: auditing, tax.E-mail: phanthanhhai@duytan.edu.vn

Integration Status of audit services in Vietnam in recent years

During development process, Vietnam clearly realized that it was necessary to integrate into the international economy proactively in order to connect the domestic economy and market to the economy in the region as well as in the world. This is an absolutely inevitable trend and has decisive significance to the sustainable development of



the country. This integration was implemented through the efforts on liberalization and opening all fields including trading and services, especially the audit services market.

Since 1991, Vietnam has opened and integrated into the auditing field in the region and in the world. This situation was essentially expressed through the main points as follows:

1. Vietnam signed and complied with regulations and commitments of audit services in accordance with the general regulations and practices of countries in the region and around the world.

In recent years, Vietnam has carried out the signing of important documents and commitments of audit services, especially the ASEAN Framework Agreement on Services (AFAS), Bilateral Trade Agreement Vietnam – America (BTA), the General Agreement on Trade in Services of the World Trade Organization WTO (GATS). Among four modes of supply for services in general and for audit services in particular (Cross-border supply; Consumption abroad; Commercial Presence and Presence of Natural Person), Vietnam has committed 3 of 4 modes. Accordingly, Vietnam allowed:

- a. A Vietnamese audit firm to provide audit services to an oversea branch of a Vietnamese business under provisions of The Law of Vietnam;
- b. A Vietnamese company with an oversea branch to require an foreign audit firm to audit financial statements of this branch. The audit report is justifiable in Vietnam on the basis of the commitment in which Vietnam does not limit modes of supply for this service. In contrast, Vietnam has agreed for Vietnamese audit firms to provide services to companies of other countries belonging to the WTO, ASEAN or the United States, which are operating in Vietnam.
- c. Foreign audit firms to open a branch or an enterprise established in Vietnam to pursue its international development strategy. Typically, Big Four were available in Vietnam market since 1991, 1992 in form of limited liability companies with 100% foreign investment under the Investment Law of Vietnam. Professional associations such as Association of Chartered Certified Accountant (ACCA), the Certified Public Accountants of Australia (CPA Australia)... were also allowed to open representative offices in Vietnam in recent years.

The mode which Vietnam has not committed is Presence of Natural Person although Vietnam has created favorable conditions for entry and residence of those who come to perform the mode Commercial Presence above.

2. Vietnam has changed and improved legal policies in audit field.

During the past time, Vietnam has issued several audit documents basically creating an appropriate legal framework, fully meeting the requirements of audit services management by the government and professional associations. Simultaneously, it was also a solid legal basis for Vietnam to implement commitments in the framework of commitments signed with the organizations mentioned above.

Currently, Vietnam has a system of documents such as Auditing Law, 45-professional standard list, etc... and a lot of documents in form of government decrees, decisions and circulars of the Ministry of Finance. The legal documents which regulate and guide auditing activities have been adjusted and updated many times with a harmonized application of the general auditing principles and the international auditing standard system.





3. Vietnam has implemented many reforms with an effort on expanding and liberalizing the audit market.

The liberalization process of service market in general and audit service market in particular is a clear manifestation of the integration process. Therefore, in recent years, Vietnam has shown efforts on diversifying ownership forms of audit firms from audit firms owned by the government or having foreign capital (Decree 07 / ND-CP 1994) to those operating under various forms such as limited liability companies, partnerships, private enterprises. Ministry of Finance and Professional Association have encouraged domestic audit companies to meet all standards in order to become an official member of reputable audit firms in the region and over the world.

In addition, Vietnam has focused on establishment and activities of professional associations in accounting and auditing (VAA, VACPA); made many efforts on diversifying audit services and liberalizing competition in terms of price and service quality; improved training and fostering of auditors and auditing managers; strengthened inspection and control of service quality; recognized certificates, diplomas from prestigious professional associations in the world as well as in the region.

Basic challenges of the Vietnam auditing services when joining AEC

AEC is a regional economic linking model that bases on improving the current economic linking mechanism of ASEAN and is one of the three important components of ASEAN community. It aims at realizing the proposed goals in the Vision to ASEAN 2020. The AEC goals are to promote competitive competence through a faster integration in some fields including auditing services in order to boost the Asean economic development. It also focuses on the freedom in labor movement and capital among countries in the region.

Therefore, with this process, basically, Vietnam has to face with many significant challenges as follows:

1. The current scale and competitive competence of Vietnam auditing companies are still weak. There is a lack of both quantity and quality of auditors according to the international standards and requirements.

In recent years, most of Vietnam auditing companies in the Vietnam auditing market are in middle and small size excluding some foreign capital auditing companies. Their financial competence is always limited so the service market share is mainly in Vietnam territory. Most of the auditing companies have not met the demands of potential finance and human resources to provide cross the border services. There is a lack of professional auditors who meet the international standard, and the operation of auditing companies is not strategic in the market. The awareness of multi-national culture in the ASEAN countries in particular and the world in general is deficient as well.

2. The awareness of the importance and the role of auditing services in enterprises and public is not high.

Practically, the researches of Trần (2008) and Hà (2008) reveal that many companies and a part of public in national market in Vietnam does not still understand well about the important role of auditing services in the strategy of long-term development of the company. The major of customers who use the auditing services belongs to the compulsory objects according to the Vietnamese law such as the foreign capital enterprises, the national enterprises which are in privatization, banks, credit agencies, insurance companies,... There





is a small account of companies which voluntarily use auditing services to serve the public and transparent requirements on financial situations in management. This affects significantly on the market share and competitive competence of auditing companies in the market.

3. The legal foundations for auditing activities still have many limitations and are not compatible with international commitment of Vietnam in intergation.

Many researches of Hà (2008), Nguyễn (2014), Đinh (2014) show that although there is a great effort in building law, the system of legal documents on auditing services is not perfect, stable and proper to the international commitments. For examples, the accounting standards are out of date and have not updated with the international general rules and standards, the system of enforced auditing standards is deficient and the realizing commitment on the presence of natural persons has not been clearly fixed and detailed...

SOME RECOMMENDATIONS AND CONCLUSION

On the basis of analyzing the actual status and progress, mentioning some drawbacks in the process of international economic integration as well as AEC integration of Vietnam audit services, the author gives some solutions as follows:

1. Vietnam should promulgate preferential regulations concerning the “Presence of Natural Person” mode as rules of exit, entry and residence procedure, and license for accounting and audit professionals to provide audit services within the ASEAN region. To conduct the comparison, issue additional legal document system on accounting, auditing in the direction of harmonizing with the provisions of the GATS, the International Standards on Auditing (ISA).
2. To develop training and developing strategy of auditors qualifying regional and international level through more closely cooperating with worldwide professional associations of accounting and auditing as ACCA, CPA Australia, SAA... to make the training process of certificates and professional degrees. To strengthen agreements, cooperation negotiations between governments of the ASEAN countries for training and education; toward the recognition and standardization of professional diplomas and other certificates.
3. To pay attention on building the capital market, strengthening the propaganda to change the perception of businesses and public in the importance of audit services. To improve the competitiveness of domestic audit firms by restructuring, merging small companies.

In summary, the scope of this article is to discuss some basic issues related to the reality and challenges in the integration process of auditing services in Vietnam, particularly in the context of accession to the Community trade ASEAN International (AEC). To further accelerate the integration process of joining AEC, Vietnam needs to fully implement all commitments to provide audit services in accordance with the general rules of the world, focus on improving competitiveness, auditor training on the basis of changing the perception of objects using audit services in the market.





References

- Dinh, T. T (2014), International Integration in the field of accounting, auditing Vietnam, Vietnam Financial Review, 3 (1), 20-25. Retrieved from:
<http://www.tapchitaichinh.vn/Dien-dan-khoa-hoc/Hoi-nhap-quoc-te-trong-linh-vuc-ke-toan-kiem-toan-cua-Viet-Nam/47590.tctc>
- Ha, TN H (2008), accounting systems and auditing Vietnam was consistent with international practice. Retrieved from
<https://luattaichinh.wordpress.com/2008/11/24/h%E1%BB%87-th%E1%BB%91ng-k%E1%BA%BF-toan-ki%E1%BB%83m-toan-vi%E1%BB%87t-nam-da-phu-h%E1%BB%A3p-v%E1%BB%9Bi-thong-l%E1%BB%87-qu%E1%BB%91c-t%E1%BA%BF/>
- Hugh A.Adams and Do, T. L (2005), Integration with accounting principles and auditing International, National Political Publishing House Vietnam.
- Ministry of Finance (2009-2014), Report on the activities of the independent audit firm in 2008 and action plan 2009 to 2014.
- Nguyen, T. T (2014), The international integration solutions in the field of accounting-auditing in Vietnam. Retrieved from :
http://www.vacpa.org.vn/index.php?o=modules&n=forum&f=forum_detail&idforum=787&page=2
- Tran, T.K. A (2008), Vietnam international economic integration in the field of accounting services, audit-Reality and Solutions (pages 82-93)

