MINISTRY OF EDUCATION AND TRAINING

UNIVERSITY OF ECONOMICS HO CHI MINH CITY

by

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FACTORS AFFECT THE AUDITOR INDEPENDENCE - RESEARCH IN AUDITING FINANCIAL STATEMENTS IN VIETNAM

MAJOR: ACCOUNTING

CODE: 9340301

SUMMARY OF PHD THESIS

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HO CHI MINH CITY – 2019

Thesis is prepared at: University of Economics Ho Chi Minh City
Instructor: PhD Nguyen Ngoc Dung, PhD Nguyen Dinh Hung

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Critic 3:

The thesis will be presented to the Thesis committee at:

At … , the day month year

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INTRODUCTION

1. The urgency of research

The truth and fair of the information presented in the financial statements is influenced by many factors such as data quality, data process, factors of managers and law systems … Therefore, the users of the financial information require that financial information be verified by an auditor who is qualified and independent. In addition to requiring auditors to have full capacity to implement an effective audit process, the independence of auditors is increasingly required by the society because it not only ensures the audit process and issue audit opinions which not affected by biases, but also improve the quality of audit activities, because the auditor independence is an essential element, constituting the audit quality (Mautz, RK , and Sharaf, R., 1961 p 246).

Auditor independence (AI) has received a lot of deep attention since major frauds at the world's leading companies occurred, such as: Polly Peck International in the UK in 1990 (audited by Stoy BDO Hayward firm), Satyam Computer Services Ltd in India in 2009 (audited by PwC India), ComRoad AG in Germany in 2002 (audited by KPMG in Germany), Enron Corporation in the United States States in 2011 (audited by Arthur Anderson firm). As Siddhartha Sankar Saha (2018), these collapses not only are violations related to career skepticism, audit tenure, client dependence of audit firms … there are reasons for not ensuring the independence of audit firms, which in turn leads to a decline in public confidence in the information on financial statements and the auditor independence. Although frauds or crashes are the result of a mismanagement of corporate governance, the independence of auditors is also a major issue causing frauds and leading to the collapse of the company.

Nowadays, the AI is one of the mandatory requirements when conducting audit services and is ensured in the Standards or the Code of Professional Ethics issued by all accounting and auditing professional associations in the world. For examples, "Handbook of the Code of Ethics for Professional Accountant" which issued by the International Federation of Accountants (IFAC) in 2016, have sections 290 and 291 dedicated and detailed guidance on the AI. This shows that AI is concerned and popular in the accounting and auditing profession in the world.

There are many studies on the factors affecting AI in different approaches, in different countries in the world and in certain stages and contexts. Each study often studies one factor or several factors that influence AI, but has not thoroughly studied all the factors that may occur on situations or threatening which threat AI, including: Self-interest, Self-review, Advocacy, Familiarity, Intimidation and safeguards to maintain AI.

In Vietnam, the legal framework for independent audit has been quite complete, including legal documents regulating the AI. At the same time, audit companies are also applying this regulation in maintaining the AI. However, according to the author's survey, there are very few studies on the AI. Moreover, auditors and audit companies have not identified specific factors that directly affect the AI so that they can have effective solutions to not only monitor and maintain but also improve AI in the practice process.

Derived from the above problems, this thesis selects the research topic on "**Factors affect the auditor independence - Research in auditing financial statements in Vietnam**" to discover, detect and measure factors affecting AI.

2. Research objectives

2.1. General objectives

Study the factors affect the AI in auditing financial statements in Vietnam

2.2. Specific objectives

First objective: Identify factors affecting AI in auditing financial statements in Vietnam.

The second objective: Verifying and measuring the correlation between the impact factors and AI in auditing financial statements in Vietnam.

2.3. Research questions

(Q1): Which factors affect AI in financial statements in Vietnam?

(Q2): Relationship and the measure of impact of factors on AI in financial statements in Vietnam.

3. Research's objects

The object of the study is the independence of people who have/have not certificates for public accountant and attend at auditing financial statements, such as: independent auditors, director of audit and audit assistant working at audit company in Vietnam.

4. Research's scope

4.1. Space research

Survey location: The thesis surveyed in the areas: Ho Chi Minh City, Ha Noi, Binh Duong. The survey area is representative of the scope of research in Vietnam because audit firm have headquarter in Ho Chi Minh city (73/169) and Ha Noi (83/169).

4.2. Period research

Data for the assessment and analysis of the situation in Vietnam is collected as a secondary data source published by the VACPA and the State Securities Commission during 2012-2018.

Data collected from in-depth interviews in the form of one-on-one interviews with experts, group of experts, pilot test, survey during the period from 2017 to 2018.

5. Research methodology

The thesis uses a mixed approach. Qualitative research methods are used to find out all factors that can affect the AI and argue about the correlation of these factors with the AI. Quantitative methods are applied to experiment the theoretical model to explore, measure the correlation of the factors affect AI.

6. Significance of the research

6.1. Scientific significance

Firstly, the thesis implements a new approach on studying the auditor independence in Vietnam. Factors which affecting the auditor independence in financial report auditing are approached in a comprehensive way: from the moral status of independent auditors, the operating environment of audit company to domestic institutions and the process of economic development & international integration.

Secondly, the thesis identifies the current factors and explores new factors affecting the auditor independence in Vietnam in the popular auditing field which is financial statement auditing. The thesis establish a research model on auditor independence. The thesis not only inherited factors from previous studies, but also adjusts the factors appropriate to the Vietnamese context. Moreover, the thesis has found new factors in relationship to auditor independence, such as: (i) Group of auditors' ethical factors: Utilitarian, deontology and egoism; Seniority, position; Learning and training, specialized skills for each industry; Religion; (ii) Group of environmental factors of audit companies such as: company's tenure; audit assistant's tenure; Governance of audit companies; (iii) Group of institutional and international integration factors such as economic development and international integration.

6.2. Practical significance

Thesis analyzed and examined the reality and implied solutions to enhance the auditor independent from the perspective of the auditor, the audit firm, Vietnam Association of Accountants and Auditors, audited

company, stakeholders and university. Thereby contributing to improving the quality of auditing, transparency of financial information and benefits for society.

7. Structure of the thesis

Beside the Introduction and Conclusion, the thesis content is presented in 05 chapters

CHAPTER 1. OVERVIEW OF PREVIOUS STUDIES

1.1. Overview of research on AI

There are many studies on AI in the world. According to the summarizing of author, the studies were divided into 3 main research topics:

(i) The first research topic goes into studying the structure of AI. The research under this research topic study the content constituting the concept of AI according to specific context.

(ii) The second research topic goes into the study of AI which affects the quality of auditing. Studies demonstrating AI are an essential element, constituting the quality of auditing.

(iii) The third research topic goes into the study of factors affecting AI. The detailed content of these research is within the scope of the thesis and will be presented in detail according to the next contents of this chapter.

1.2. Overview of international studies on factors affecting AI

1.2.1. Research approach

1.2.1.1. Economic approach

On this approach, the relationship between auditors and customers is based on economic relations through signing and implementing service contracts.

From there, it is possible that auditors depend on customers and lead to AI affected by factors of economic benefits such as audit fees, non-audit service fees ...

1.2.1.2. Behavioral approach

In this approach, studies take into account the interactions between auditors and audited customers that have an impact AI, for example, the selection auditors, tenure, auditors defend customers ...

1.2.1.3. Risk approach

The risk comes from the motivation that auditors break the principles of professional ethics or circumstances that make professional assessments are biased and lack integrity. These studies go into complex risk models of AI.

1.2.1.4. Framework approach

These studies are usually regulated, guided in auditing standards, professional ethics standards (like framework of IFAC). This approach may include a more comprehensive perspective on AI because in this way it will go from basic ethical principles that form the AI.

1.2.2. Factors affect AI

1.2.2.1. Non audit service (NAS)

There are many studies related to NAS impacted on AI in many different areas and certain periods. Typical following studies:

a. Studies concluding NAS undermine AI:

Audit firm provides NAS reduces AI: Management consulting (Shockley, R. A., 1981; Yamani, 1991; Bakar et al, 2005); System design services (Kurt Pany & P. M. J. Reekers, 1983); Tax consulting services (Dahlia Robinson, 2008); Service of litigation support (Crain et al., 1994; Brody and Masselli, 1996;

Trompeter, 1994; Ponemon, 1995; Haynes et al., 1998; Shaub, 2004; Jere R. Francis and Bin Ke, 2006; Jenkins and Lowe, 2011). In addition, studies of Allen D. Blay & Marshall A. Geiger (2013); Titus, Muturi and Kabiru (2014); Omri & Akrimi (2015); Quick & Warming-Rasmussen (2015) show similar results.

b. Studies concluding that NAS do not impair AI

NAS do not reduce AI (Nicholas Dopuch & Ronald R. King, 1991; Nicole Ratzinger-Sakel, 2013; Ananth Seetharaman et al, 2015). In addition, NAS fees do not impair AI (Joseph Callaghan et al., 2009; Mark L. Defond et al., 2002; Hollis Ashbaugh et al., 2003; Aloke Ghosh et al, 2009). Auditors in small companies believe that NAS undermine AI (Philip Beaulieu & Alan Reinstein, 2010) than auditors in large companies.

1.2.2.2. Relationship between auditors and audit clients

The personnel of the customer who used to work at the incumbent audit company as the Board of Directors or a member of the audit team will be at risk of being threatened or at risk from familiarity, should lead to a reduction in formal AI (Ping Ye et al., 2011; Reiner Quick & Bent Warming-Rasmussen, 2015). The motivation of an auditor to compromise auditors' opinions leading on declining in AI. The causes relate to customer importance (Hyeesoo Chung & Sanjay Kallapur, 2003). In addition, Jong-Hag Choi et al. (2010) showed the AI and quality of auditing correlated with an unusually high audit fee.

1.2.2.3. Audit tenure

a. Audit tenure affecting AI

The audit tenure is one of the factors affecting the AI (Bakar et al., 2005; Ferdinand A. Gul et al., 2007; Muthui, Titus et al., 2014). Furthermore, Marshall A. Geiger & K. Raghunandan (2002) conclude that there is a negative relationship between the audit tenure and the quality of the audit report. More specifically, Joseph V. Carcello & Albert L. Nagy (2004) find that dishonest financial statements are more likely to occur during the first three years of an auditor-client relationship but are not found the evidence of dishonest financial reporting for longer audit temure.

Wuchun Chi et al. (2005) show mixed evidence for the impact of the audit director's rotation on audit quality. In addition, some studies show that auditors - who are closer to a customer - are more likely to be content with customers' requests (E. Michael Bamber & Venkataraman M. Iyer, 2007) and auditors seem willing to sacrifice independence when the audit goes on (Josep Garcia-Blandon & Josep Ma Argiles, 2015).

b.The audit tenure does not affect the AI

Randolph A. Shockley (1981), Si Wen (Stacey) Wang & David Hay (2013) point out that the impact of an audit tenure with a customer on AI is negligible. Emiliano Ruiz-Barbadillo et al (2009) found no evidence of a correlation between mandatory audit rotation and audit opinion.

1.2.2.4. Audit fee and economic dependence on customers

a. Audit fee

Information users support the legality of the current audit fee system based on the principle that the users pay fee (Kouakou Dogui et al, 2014). However, if low cost is likely to reduce AI because auditors tend to eliminate work in the auditing process (DeAngelo, 1981; Chepkorir, 2013) or signal negotiation between auditors and customers (Kiridaran Kanagaretnam et al., 2010; Sharad C. Asthana & Jeff P. Boone, 2012).

However, with the study of Robert P. Magee & Mei-Chiun Tseng (1990) on the phenomenon of low audit fees and price reductions in the audit service market, there is no price compromise affecting the AI in the issuance of audit reports.

b. Economic dependence

Bakar et al. (2005), Jennifer J. Gaver & Jeffrey S. Paterson (2007) show that auditors allow themselves to be less cautious with larger customers than for small customers. Allen K. Hunt & Ayalew Lulseged (2007), Wuchun Chi et al. (2012) show that the AI of auditors who work in Big N is not affected, while there is a decline in AI of auditors working at non Big N.

In contrast, there are many studies showing that the economic dependence does not impair AI (J. Kenneth Reynold, Jere R. Fransis, 2001; Allen Craswella et al. , 2001; Chan Li, 2009).

1.2.2.5. Competitive environment

The company operates in a highly competitive environment, the risk of reducing independence will be higher (Randolph A. Shockley, 1981; Yamani, 1991; Bakar et al., 2005; Muthui Titus et al, 2014).

1.2.2.6. Size of auditing company

Auditors working at small audit firms are at greater risk of reducing independence than auditors working at large companies (Randolph A. Shockley, 1981; Yamani, 1991; Chepkorir, 2013).

1.2.2.7. Reputation audit company

The audit firm's reputation is one of the factors affecting AI (Omri & Akrimi, 2015). However, in fact, there is evidence that auditors who do not work at Big 4 treat their big customers more seriously, disapproving for big customers more activities to delay for the purpose of income adjustment (Allen K. Hunt & Ayalew Lulseged, 2007).

1.2.2.8. Legal environment

Ole-Kristian Hope & John Christian Langli (2010) examine the decline of AI when providing services for private enterprise. The research show that there is no evidence that auditors compromise on their independence.

1.2.2.9. Auditor characteristic

a. Utilitarian

The studies mainly analyze the process of formation and development of morality in terms of emotion and mind, but have not really focused on good moral training, starting from the perspective of behavior and motivation of learners and accountants (Armstrong, 2003). Ge, L. and Thomas (2008) conclude that accountants frequently use moral-related factors to defend their own behaviors such as Utilitarian, engagement and fairness. Similarly, Cohen et al. (1996), Modarres et al. (2011) explored the Utilitarian also contributing to the factors affecting the moral decisions and moral awareness of accountants and auditors.

b. Age, gender and seniority

Women are considered to be more knowledgeable, "friendly, not selfish, caring about others, and expressing emotions", while men have "independent, like to order, assertive and have talent (Franke et al. 1997).

Women have a higher level of moral trust and moral awareness than men (Deshpande, 1997, Joseph M. Larkin, 2000; Peterson et al., 2001). In addition, Weeks et al. (1999) concluded that men and women have different ethical perceptions in each stage or time of work. Beside, the more experienced and older people are, the better moral awareness they have (Eweje, G. and Brunton, M., 2010).

On the other hand, many studies show that gender is not a factor affecting moral behavior (PJ Serwinek, 1992; Geiger, MA & O'Connell, BT, 1999; Trapp, Michael W et al., 1989; Venkataraman M. Iyer & K. Raghunandan, 2002; Venkataraman M. Iyer et al., 2005) or have little relevance to the perception of independence (Ahson Umar & Asokan Anandarajan, 2004).

c. Learning and training

Alvin A. Arens and Loebbeck (2002) argue that there are common and individual standards in widely accepted auditing standards: (i) Must be an audit work of individuals and people with skilled qualifications appropriate to the work; (ii) Must be an auditor who has worked through all stages and is independent of thought; (iii) Care must be taken when performing routine auditing activities and when preparing audit reports.

1.3. Studies in Vietnam

Currently, there are very few studies on AI in Vietnam. Typical of the following studies:

Giang Thi Xuyen (2010) analyzed the risks that affect the independence of state audit due to risks: Self-interest, Self-review, Advocacy, Familiarity, Intimidation and show the main reasons is AI has not been fully guaranteed.

Nguyen Thi Phuong Hong and Ha Hoang Nhan (2015) showed consensus in the viewpoint of 3 groups (Auditors, accountants, users of financial report) on financial statements and AI for 8 factors: NAS, depending on audit fees, tennure and the rotation of auditor / audit company, audit committee, audit competition, audit firm size, risk, public financial relations.

Responsibility to improve independence is not only from the auditors, audit companises but also the contribution of professional associations and state management agencies (Thanh Duc, 2018).

1.4. Evaluate the research done and find the research gap

1.4.1. Factors

The studies do not have consistency in concluding the factors affecting AI because of research context and time's scope.

1.4.2. Research Methods

Most of studies use quantitative method or qualitative method or a combination of both. Base on quantitative studies, they often use the data available on companies' reports when publishing audited financial statement and often measures AI through representative variables: audit opinions, accruals, profit adjustments... Independent variables are also often collected from the published indicators: audit fees, non-audit service fees, tenure ... they often re-examine the impact of factors in a particular market over a specific period of time. Meanwhile qualitative research often uses the level of perceived perception of the subjects involved in the audit process about the relationship between the factors and AI.

Regarding analysis the relationship, studies often use linear models. Some of studies use structural model linear structure (SEM) when consider independence as an intermediate variable to consider the impact of factors on audit quality.

1.4.3. Theory

The theories used mainly in studies is grouped into the following 3 main groups:

* Theories explaining the factors of audit companies affecting AI: agency theory, legitimacy theory, esource-based theory...

* Theory explains the factors of personal characteristics of auditors affecting AI: behavioral theory; theory of social roles...

* Theory explains the macro factors affecting AI: theory of institutions; public-interest theory ...

1.4.4. Research data

Some of studies about AI in Vietnam have a small survey samples in a narrow scope, and the survey subjects are still limited. Meanwhile foreign studies have been surveyed and studied in countries that have

cultural, economic, political and social differences. Therefore the results of each factor's impact on AI are different, even contradictory.

1.4.5. Research orientation

Approach to subject and framework AI in auditing financial statements: from auditor's characteristics, the operating environment of an audit company to domestic institutions and the process of economic development and international integration.

The scope of study is in Vietnam in order to determine factors affect AI according to the context research method, then retest each factor and impact level. The first is to reinforce the evidence that previous studies found on factors affecting AI. Next find out the differences of the factors that affect AI in Vietnam. Finally, adding new factors that influence AI in auditing financial statements.

Conclusion of Chapter 1

CHAPTER 2. THEORETICAL BASIS

2.1. Research concepts

2.1.1. Concepts and characteristics of auditing

2.1.1.1. Concepts

The concept of audit follows organizations, professional associations and researchers, although there is a slight difference in the use of words, but concepts also carry the contents of legal or professional of audit work:

2.1.1.2. Characteristics

Auditing services have specific characteristics: (i) Does not exist under the physical form, auditing services are formed through the performance of audit work, according to a specific process; (ii) The process of providing audit services and consumer processes occurs at the same time with the participation of many objects and complying with certain processes; (iii) Quality of auditing is difficult to observe, measure and depend on many factors.

2.1.2. Independence of auditors (AI)

2.1.2.1. Concept of AI

The concepts of independence are used by researchers and professional associations despite different perspectives but there are also content described as the foundation of audit, essential for corporate financial reporting. AI consists of: independence in fact and independence in appearance and relating to integrity and objectivity.

2.1.2.2. Regulating the independence of IFAC

IFAC classifies independence into 2 parts: independence in fact and independence in appearance. While independence in fact is a state of thinking that allows auditors to conduct audits with objectivity, honesty and skepticism, independence in appearance requires avoiding situations can make the users doubt that the auditor can give objective opinions.

2.1.2.3. Regulating the independence in Vietnam

Independence in Vietnam is regulated as stipulated in the Code of Professional Ethics issued by IFAC.

2.1.2.4. Measuring AI

Studies have used methods of measuring independence in different ways: (i) The tendency of issuing Qualified report; (ii) Income adjustment; (iii) Unusual accruals; (iv) Standard income; (v) Opinions of auditors; (vi) Awareness of users.

2.2. Grounded theories

2.2.1. Group of theory about personal awareness, motivation and behavior of auditors

Agency theory explain that auditors must maintain independence to meet social requirements.

Behavioral theory of individuals in the organization explains the direction of impact from the perception to the attitude and behavior of the auditors affecting AI.

Theory of utilitarian reflects the relationship between the Utilitarian and AI.

The theory of social roles explains the different morality of each gender.

Functional theory reflects the professional ethics of accountants and auditors impacting of religious issues.

2.2.2. Group of theory about the environment of audit company

Normative theory provides the basis for stakeholders to assess independence in appearance. They can consider whether auditors can avoid or control threats to an acceptable level by implementing the protection measures.

The theory of social identity concludes that auditors will have a multidimensional attachment to the profession, clients and organizations of auditors.

2.2.3. Group of theory on institutions, economic development, international integration

The theory of social benefits, theory of interest group, and the theory of personal interests suggests that these organizations may be dominated by the group of interests or personal interests of people who have regulatory functions.

The theory of international harmony explains institutions, economic development and international integration will impact on improving AI.

Conclusion of Chapter 2

CHAPTER 3: RESEARCH METHOD

3.1. Research method and data collection

3.1.1. Research method

The thesis applies a mixed research approach proposed by Taiwo Olalere (2011). The thesis uses a combination of both research methods: qualitative and quantitative.

3.1.2. Method of data collection

The thesis selected to use interview methods, survey questions and archival method.

3.1.3. Research process

3.1.3.1. Research framework

Diagram 3.3. Research framework

Research problems:
AI in auditing financial statements in Vietnam

↓

Research objectives:
Determine factors affecting AI and measure of impact of factors on AI

↓

Overview of previous studies and theory model
Overview of previous studies and theory model are related to factors affecting AI

↓

Research model:
- Factors affecting AI.
- Measure the correlation between factors affecting the AI in financial statements.

↓

Qualitative method
- Overview of previous studies
- One-on-one interviews with experts, group of experts
- Determine factors affecting AI
- Analyzing and filter expert opinions on factors affecting AI.

↓

Quantitative method
- Survey through questionnaires to measure the impact of factors on AI.
- Testing research models and research hypotheses
- Regression correlation model between auditor independence and related factors.

3.1.3.2. Research process

Step 1: One-on-one interviews with experts, group of experts: 21 people.

Step 2: Survey through questionnaires: 350.

Step 3: Analysis data by software SPSS

Step 4: Result

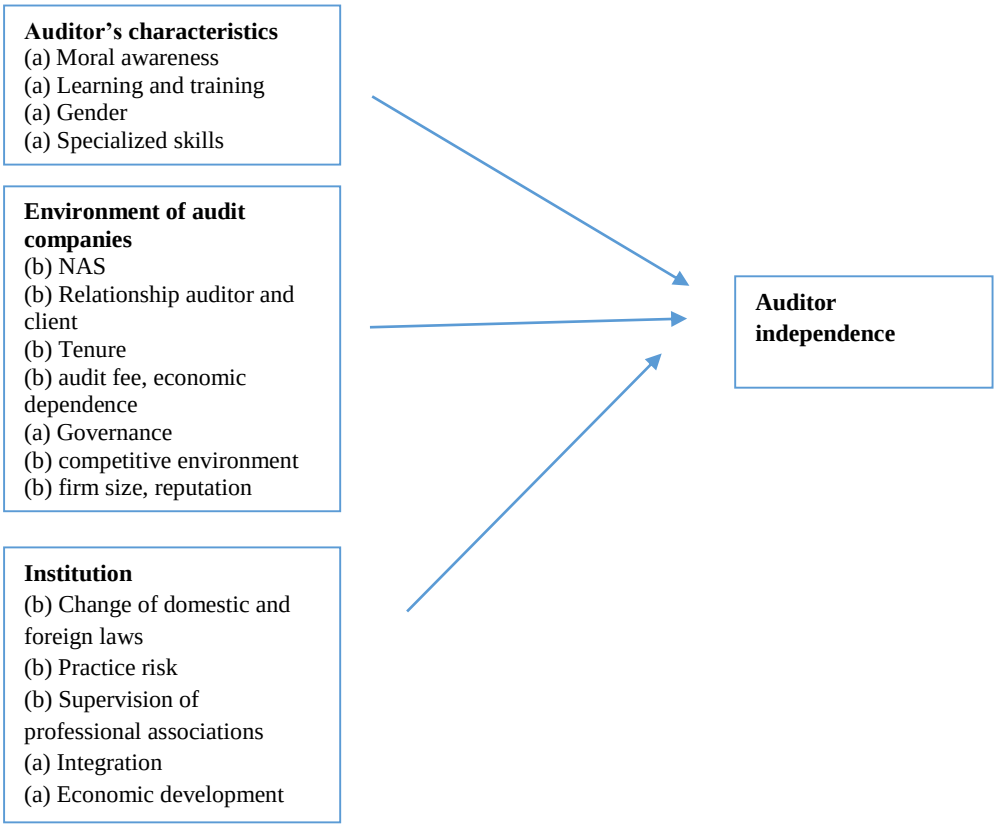
Step 5: Imply

3.2. Research model and research hypothesis

3.2.1. Research model

Based on the results of previous studies and theories in Chapter 2, the author expects AI is influenced by factors gathered by the following factors: (i) Auditors' ethical factors; (ii) Environment of audit companies; (iii) Institution.

Picture 3.1. Research model



The proposed model is a multivariate regression model. In which: (a): New factors discovered through qualitative research, in the impact of AI in the Vietnamese context; (b): The factor inherits from foreign studies, then adjusts to fit the Vietnamese conditions and has a new observation variable.

3.2.2. Research hypothesis

Table 3.1. The research hypotheses of Auditor's characteristics

Hypothesis	Content	Impact	Theory
H1	There is a positive correlation between Utilitarian, deontology and egoism and AI	+	Theory of utilitarian; Behavioral theory of individuals in the organization; theory of social roles; Functional theory
H2	There is a positive correlation between Seniority and AI	+	
H3	There is a positive correlation between religion and AI	+	
H4	There is a positive correlation between gender and AI	+	
H5	There is a positive correlation between Learning and training, specialized skills and AI	+	

Table 3.2. The research hypotheses of the environment of audit company

Hypothesis	Content	Impact	Theory
H6	There is a negative correlation between NAS and AI	-	Agency theory; Normative theory; theory of social identity
H7	There is a negative correlation between the employment relationship with AI	-	
H8	There is a negative correlation between audit tenure and AI	-	
H9	There is a negative correlation between audit fee and fee dependence and AI	-	
H10	There is a negative correlation between competitive environment and AI	-	
H11	There is a positive correlation between corporate governance and AI	+	
H12	There is a positive correlation between audit firm size, reputation and AI	+	

Table 3.3. The research hypotheses of institutions, economic development and international integration

Hypothesis	Content	Impact	Theory
H13	There is a positive correlation between change of domestic and foreign laws, supervision of professional associations, securities committees and AI	+	theory of social benefits, theory of interest group, and the theory of personal interests; theory of international harmony
H14	There is a positive correlation between integration, economic development and AI	+	
H15	There is a positive correlation between audit practice risk and AI	+	

3.3. Qualitative research

3.3.1. Design of qualitative research

3.3.1.1. Research method

Author uses one-on-one interviews with experts, group of experts.

3.3.1.2. Purpose

Interview with the purpose of finding out factors that have been published previous abroad research, but if they are in Vietnam - with institutional, cultural and economic differences – whether they have an effect on AI in the perspective of awareness, attitude, motivation and behavior of auditors. At the same time, whether there be some new factors through interviews.

3.3.1.3. Data sources

21 experts are invited to participate in interviews and group discussions: auditors in audit companies; Lecturers in teaching and research auditing; Directors of audit; Leaders of VACPA; Audit Assistants; Chief accountant; Bank staff. Experts have 10 or more years of work experience. Interview time: from 2017 to 2018.

3.3.1.4. Questionnaire

Interview content is predetermined and open. The questionnaire was interviewed and explored a few experts to refine and edit appropriate questions.

3.3.2. Content of qualitative research

Table 3.4. Objectives and qualitative research methods

Objectives	*Methods*
(1) Determining factors affecting AI in auditing financial statements	Summarize the factors affecting the AI through summarizing the research and in-depth interviews with some experts until saturation point to redefine and find out the factors new impact AI in auditing financial statements.
(2) Adjust survey questionnaire	The survey questionnaire was developed, edited from group discussion with experts before wide survey.

3.3.3. Process of qualitative research

The thesis inherits Vera Bitsch's qualitative research process (2005) as follows:

(i) The research problem of the thesis is studying empirically the factors affecting AI in auditing financial statements in Vietnam from the research gap. Next, the author sets up a outline of discussion based on the impact factors which drawn from previous studies. The content of the outline is suggestive to discover new factors.

(ii) After that, the author conducted an interview with a few lecturers who are teaching and research audit, the director of audit to edit semantics and select appropriate questions and cover the outline. Next, the author conducted in-depth interviews with each expert by semi-structured questions until reaching saturation point. The order of interviewing is conducted in the following order: Lecturers, auditors and auditor assistant, audit director, chief accountant. After that, the author interviewed group of experts to redefine the reliability of the representative factors that have an impact on AI and identify group of factors and each factor in the research topic and discovering new factors.

(iii) Finally, draw results and propose research models to continue implementing the next step of testing.

3.4. Methods in quantitative research

3.4.1. Design scale

The scale of independent variables is designed according to Likert 5 steps.

3.4.2. Select survey samples

- Survey form: (1) Direct, (2) Mailing, (3) Email.

- Samples are selected by convenient method. Subjects of the survey: (1) auditors; (2) Director of audit; (3) Auditor Assistant; (4) Chief accountant; (5) Bank officer.

- Survey area: Audit companies are located in Ho Chi Minh City, Binh Duong and Hanoi.

- Qualification criteria: the surveyed subjects have a higher education level from college.

- Experience criteria: respondents must have at least 5 years of experience.

3.4.3. Designing test program

3.4.3.1. Analysis tools

The data is processed on the IBM SPSS statistics software 20.

3.4.3.2. Data collection process

Primary data used in the analysis is done through statistics from qualitative and quantitative surveys.

3.4.3.3. Analysis and data processing

- *For qualitative research*

By in-depth interviews and group discussions with experts to gather perspectives and opinions on factors that may directly or indirectly relate to the AI. The collected ideas are categorized and synthesized through a table of the factors.

- *For quantitative research*

Data collected through quantitative research will be processed on IBM SPSS 20 to analyze as below:

**** Step 1: Descriptive statistics***

**** Step 2:*** **Accredit size (Cronbach's alpha)**

**** Step 3:*** Explore factors Analysis EFA

(i) Bartlett's test; (ii) KMO test.

(iii) Factor loading factor.

(iv) The method of extracting "Principal Component Analysis" with the "Varimax" rotation is often used in factor analysis of components.

(v) Analyse with Eigenvalue value.

**** Step 4.*** Method for multiple regression analysis

(i) Pearson correlation analysis.

(ii) The method of selecting the variable Enter.

(iii) The assumptions are tested in the linear relationship section (using Scatterplot scatter chart), the variance of constant remainder (using Spearman correlation coefficient), normal distribution of residuals (using Histogram and PP plot), the independence of the remainder (taking Durbin-Watson statistical quantities), the multicollinear phenomenon (estimating the Tolerance and the VIF system is called the variance variance).

**** Step 5. Analysis of variance ANOVA***

Analyzing one way ANOVA to test the difference or similarity in the perception of AI between groups of respondents.

3.4.4. Model regression Assessment

$$\mathbf{TDL = \beta_1 TVL + \beta_2 GT + \beta_3 TNN + \beta_4 TG + \beta_5 HT + \beta_6 PKT + \beta_7 MQH + \beta_8 NK + \beta_9 PTKT + \beta_{10} QT + \beta_{11} MTCT + \beta_{12} QM + \beta_{13} PL + \beta_{14} RR + \beta_{15} HNPT + u}$$

TDL: AI; TVL: Utilitarian, deontology and egoism; GT: gender; TNN: Seniority, position; TG: Religion; HT: Learning and training, specialized skills for each industry; PKT: NAS; MQH: Employee relationship; NK: Tenure; PTKT: Auditing fee and economic dependence on client; QT: Audit corporate governance; MTCT: Competitive environment; QM: Size and reputation of auditing company; PL: Change of legal regulations, supervision of professional association and Securities Commission; RR: Risk of auditing practice; HNPT: Integration and economic development.

Conclusion of Chapter 3

CHAPTER 4. RESEARCH RESULT AND DISCUSSION

4.1. Overview of Vietnam's independent audit and development orientation

4.1.1. Overview of Vietnam's independent audit

The independent audit industry has just started to be developed in Vietnam since 1991 with 2 audit companies and 1 office of Ernst and Young. By 2016, the independent auditing service market had nearly 150 companies certified as qualified for auditing services business with nearly 11,000 employees working at auditing companies throughout the country.

4.1.2. Development orientation

The Prime Minister issued the accounting and auditing development strategy until 2020, vision 2030 (Decision 480/QD-TTg, March 18, 2013).

4.2. Reality of independent auditing in Vietnam

4.2.1. Audit company and auditor

Data from 2012 to 2017 show that Vietnam's independent auditing industry has made significant progress. The number of audit companies, the number of audit clients, and auditing revenues have increased over the years. In particular, the team of auditors and professional staff in the field of audit increased rapidly in quantity and quality.

4.2.2. VACPA

VACPA officially went into operation on January 1, 2006. VACPA has chosen to build a model of international professional associations on the principle of centralized organization directly from each member. VACPA is assigned by the state to manage the practice registration and publish information about the list of registration of Auditors and Members; Directly check the quality of annual auditing companies; Studying, drafting and updating the Vietnamese Auditing Standards System; Membership development; domestic cooperation and international cooperation.

4.2.3. Quality of audit services

Through the quality inspection data of VACPA from 2012 to 2017 and the State Securities Commission from 2014-2017 at audit companies, the number of audit companies meeting the quality increased over the years. Besides, some audit companies do not meet the quality of audit services. So, it shows that improving the quality of audit services and AI is an urgent requirement.

4.3. Disobeying of practice and AI

Table 4.4. Disobeying of practice and AI

Year	Number of audit companies penalized	Number of auditors penalized
2012	12	28
2013	11	48
2014	0	15
2015	0	28
2016	1	11
2017	11	57

Major errors: practice registration, provision of occupational risk provisions, signing of audit reports for more than 3 years, lack of audit procedures, incomplete auditing procedures or opinions do not have adequate auditing evidence, the quality control system of the audit company has not met the requirements,

signed auditing reports without the certificate of registration, does not guarantee the number of hours to update knowledge; Qualified opinion is inappropriate or not aware of going concern and lack of certain issues to be emphasized.

4.4. Results from qualitative research steps on factors affecting AI in auditing financial statements

4.4.1. Data sources

Data were drawn from the results of in-depth interviews with 10 experts and group discussions with 11 experts.

4.4.2. Conclusions and adjustments from qualitative research

The results of qualitative research have adjusted the factors and the scale, discovered new factors.

4.5. Results from quantitative research

4.5.1. Design scales

The scale of independent variables and dependent variables is designed according to Likert 5 steps.

4.5.2. Choose sample

Form: (1) Direct survey, (2) Survey by mail, (3) Email survey.

The number of samples is 350. Samples are selected by convenient method.

4.5.3. Data analysis results

4.5.3.1. Descriptive statistics: Age, work experience, qualifications, income, gender of respondents.

4.5.3.2. Reliability of scale

The results of the reliability of the scale with values from 0.6 to 1.0 and the observed variables are retained in the model by the correlation coefficient of the total value of 0.3 or higher.

4.5.3.3. Exploratory Factor Analysis

a. Factor analysis for independent variables

The results of factor analysis are considered appropriate: KMO value is 0.644; Reliability value is 0.00; The factor loading values is greater than 0.5.

b. Factor analysis for dependent variables

The results of factor analysis of the dependent variable in the model are appropriate: KMO is 0.689; Reliability value 0.00; The factor loading values is large 0.5.

4.5.3.4. Multivariate regression analysis

a. Analyze the correlation between independent variables for the dependent variable

The results show the value of Sig. (2-tailed) dependent variable and independent variables are statistically significant at 5% or 1%, except TG variable (Religion). Thus, the religion will be removed from the estimation model.

b. Analysis the reliability of the regression equation

(i) Regression results by Enter method, select the option to verify multicollinearity:

The results show that the R square is 0.683, greater than 0.5. This is appropriate.

(ii) Result of ANOVA:

The analytical results show that the F-test with Sig is 0,000 less than 0.05. This is appropriate.

(iii) Results of regression analysis:

The results show that Sig values are less than 5%, so the factors are statistically significant. VIF coefficients are smaller than 10, so there are not multicollinearity phenomenon.

(iv) Check the normal distribution of the remainder

The frequency chart is in excess of the normalization of Histogram and the Normal P-P Plot Balance Chart shows that the normal distribution assumption of the residual is not violated.

(v) Check the assumption of linear contact assumption

The Scatter Plot chart indicates the normalized allocation of residuals centered around zero-degree lines, so assume that the linear relationship is not violated.

(vi) Regression:

TDL=-0,355 TVL – 0,14 TN + 0,289 HT + 0,112 PKT + 0,205 MQH + 0,202 NK – 0,152 PTKT + 0,086 QT – 0,108 MTCT + 0,346 QM + 0,074 PL -0,102 RR + 0,185HNPT

(vii) Analysis of variance ANOVA

Analyze one way ANOVA with Sig analysis results = 0.618> 0.05, the respondents have similar feelings about the AI.

4.6. Discuss

4.6.1. Correlation and the direction of the impact of factors on AI

The regression equation shows that the initial factors included in the model all have an impact on audit independence, except for the religious factor. Factors that have different effects on independence, in order from high to low. This order implies that auditors, auditor assistant, administrators, users of financial information prioritize decision making and state agencies give priority to policy, inspection and supervision.

The impact of factors on independence:

+ Impact positive direction: Learning and training, specialized skills (HT); NAS (PKT); employment relationship (MQH); audit tenure (NK); Corporate governance (QT), Size and reputation of auditing company (QM); change of domestic and foreign laws, supervision of professional associations, securities committees (PL); integration, economic development (HNPT).

+ Impact negative direction: Utilitarian, deontology and egoism (TVL); Seniority (TN); audit fee and fee dependence (PTKT); Competitive environment (MTCT); audit practice risk (RR).

4.6.2. Result of Hypothesis Testing

4.6.2.1. Hypotheses of Auditor's characteristics

(i) Hypothesis H4 was not tested because the gender was not observed after the qualitative research step.

(ii) Hypothesis H3 is not tested because religious factors are not observed in the quantitative research step.

(iii) The hypothetical factor is accepted: Learning and training, specialized skills is a positive correlation audit independence (H5).

(iv) The hypothetical factor is not accepted: Utilitarian, deontology and egoism (H1); Seniority (H2).

4.6.2.2. Hypotheses of the environment of audit company

(i) The hypothetical factor is accepted: (H9), (H10), (H11), (H12).

(ii) The hypothetical factor is not accepted: (H6), (H7), (H8).

4.6.2.3. Hypotheses of institutions, economic development and international integration

(i) The hypothetical factor is accepted: (H13), (H14).

(iii) The hypothetical factor is not accepted: (H15).

Conclusion of Chapter 4

CHAPTER 5. CONCLUSION AND POLICY IMPLICATION

5.1. Conclusion

Table 5.1. New factors in relation to AI in Vietnam

Order	New factors	Group of factors
1	Utilitarian, deontology and egoism of auditor	Auditor's characteristic
2	Seniority of auditor	
3	Learning and training, specialized skills of auditor	
4	Religion of auditor	
5	Tenure of audit company, tenure of auditor assistant	The environment of audit company
6	Governance in audit company	
7	Integration, economic development	Institutions, economic development and international integration

5.2. Implications according to the factors affecting AI

5.2.1. Auditor's characteristics

5.2.1.1. Utilitarian, deontology and egoism of auditor

Auditing companies need to develop strategies and implement social responsibility and sustainable development. Build a good corporate culture.

Auditors and auditor assistant should always be aware of social expectations for the audit profession which work for the community, putting the interests of society first.

5.2.1.2. Seniority

The audit company needs to provide specific, clear salary and bonus policies, to ensure income, welfare for auditors, director of audit and auditor assistant. Focusing policies on attracting and retain people with high positions and work experience. Building a good corporate culture environment.

5.2.1.3. Religion

Auditors need to trust and seek peace in religion, thereby reducing work pressure, thinking openly, living towards good, living for people, behaving well in work and in life. Audit companies need to respect and promote religious factors.

5.2.1.4. Learning, training and specialized skills

Auditors should always study and update their knowledge to improve their qualifications.

The audit company should focus on policies that create a good learning and professional environment, training sessions, create the best conditions for time and funding for employees to improve qualifications, international certificates.

The State and the Professional Association need to constantly renovate the training and certification.

5.2.2. The environment of audit company

5.2.2.1. Non audit services (NAS)

(i) Audit companies do not provide NAS specified in auditing ethics rules. Prevent auditors from performing NAS that account for a significant proportion of the total fee. Building an audit department separate from NAS department. Disclosure of NAS will limit the decline in AI.

(ii) An audited company may use NAS from its current audit firm to have professional services of accounting, finance and business operations. However, it is necessary to prevent the decline in the AI.

5.2.2.2. Employee relationship

(i) Auditors must identify the risks of impacts and take methods for situations: family relationships with members of the Board of Management or Board of Directors, business relationships, relationships of personnel who are affecting the financial statements, personnel who have worked at an audit firm, clients recommended a position in the future.

(ii) It is necessary to stipulate a certain period when the auditor leaves his job at the audit company to transfer to the audited client.

(iii) Establish an independent unit to remove the concept of "business relationship" between the audit company and client.

5.2.2.3. Tenure

Audit company need to apply effective quality management policies regularly.

The audit company also needs to consider the tenure of auditor assistants in the audit group and personnel who are responsible for quality control.

State agencies and the VACPA need to regulate compulsory circulation of audit companies for some types of businesses.

5.2.2.4. Auditing fee and economic dependence on client

(i) For audit companies

It is necessary to develop reasonable cost estimates for auditing financial statements.

Assessing the high proportion of audit fees or NAS fee that may affect independence.

(ii) For audited clients

Implementation of monitoring mechanisms such as the establishment of an audit committee, internal control system to check the dependence of audit fee.

(iii) For the State and the Association of auditors

Request audit companies to report the all kinds of service from each client annually.

Checking the problem of estimating audit costs for each audit contract, comparing with the actual situation and examining the audit procedures to detect cases that do not meet AI and quality of auditing.

5.2.2.5. Audit corporate governance

(i) For audit companies

Establishing an effective and advanced audit process will boost AI and thereby improve the quality of the audit. Designing an audit information system. It is necessary to improve the quality control system of audit enterprises. Organize periodic internal audit which focus on the effectiveness of audit work, compliance with professional regulations and auditing professional ethics. There are remuneration policies for auditors to keep human resources. Creating a fair, friendly, professional and healthy working environment also contributes to maintaining and developing auditing human resources.

(ii) For participants in the audit process

Need to constantly improve capabilities, qualifications, quality control to improve AI. Contribute suggestions to develop procedures, audit process and quality review.

(iii) For VACPA

Assist the audit company to improve the corporate governance system.

5.2.2.6. Competitive environment

(i) Audit companies and audited clients need to disclose economic relationship, NAS, related fees;

(ii) Audited clients need to establish an audit committee to select audit firms and regularly monitor all audit stages.

(iii) Audit company strengthens review work through many steps.

(iv) The State needs to develop audit quality standards for each sector and industry. Issuing competition regulations in the field of auditing, minimum audit fees, establishing an audit bidding centre, establishing a healthy competitive environment.

5.2.2.7. Size and reputation of auditing company

(i) Vietnamese audit companies need to actively increase the scale of enterprises and develop brand and reputation.

(ii) The State and the Association of auditors will step by step regulate the increase of the charter capital and the number of compulsory auditors for auditing enterprises. Facilitating international business cooperation.

5.2.3. Institutions, economic development and international integration

5.2.3.1. Change of legal regulations, supervision of professional association and Securities Commission

(i) The State and VACPA need to promote the process of international integration.

(ii) The committee or department needs to be established. This department has an independent control function, regularly monitoring the compliance with the accounting and auditing ethics.

(iii) Continue to complete the legal framework for independent auditing.

(iv) Complete the framework of sanctions for violations in auditing.

(v) Regarding auditing quality control, VACPA and State Securities Commission should strengthen the organization of quality control for audit companies, auditors.

(vi) The State should proceed to improve the function, position and authority for VACPA to truly be a Professional Association.

5.2.3.2. Risk of auditing practice

(i) An audit company should establish an independent department that monitor the observance of auditing professional ethics in the process of auditing.

(ii) The professional association and the State Securities Commission should strengthen the supervision of audit quality.

(iii) Audited clients should establish an independent department (Audit Committee) to monitor audit quality and protect their rights when a dispute occurs.

(iv) It is necessary to establish a communication channel to monitor the auditing professional ethics.

5.2.3.3. Integration and economic development

(i) Auditors need to have an orientation to improve auditing capacity according to modern auditing processes and techniques on the basis of researching and inheriting modern audit techniques of international auditing firms.

(ii) Auditing companies need to actively join members of international audit firms.

(iii) Professional associations need to promote international standards so that Vietnamese certificates are recognized by countries.

5.3. Other support implications

5.3.1. For clients that use the services of an independent auditing company

(i) Clients need to establish an independent department, which can be called the Audit Committee to evaluate, appoint, monitor and dismiss auditing companies.

(ii) Clients need to change the audit company after a certain period.

5.3.2. For investors

It is necessary to control the audit tenure and corporate governance term, strengthen monitoring of regulations on NAS. Publicity of NAS will increase the quality of information for investors.

5.3.3. For universities

(i) The professional ethics should be trained in accounting and auditing majors in accordance with international practice and simulate many specific practical situations; (ii) It is necessary to promote cooperation with audit enterprises, professional accounting and auditing associations; (iii) Encourage and create conditions for lecturers to work at audit enterprises, participate in audit teams.

5.4. The next research direction

In the future, the author will approach to client awareness or stakeholders about AI.

CONCLUSION CHAPTER 5

LIST OF RELATED RESEARCH PROJECT OF AUTHOR

1. Scientific research projects, books have been completed

Order	Name	Begin/Finish	Kind	Role
1	Internal factors of audit company affect independence and improve the quality of audit in Binh Duong province	2017/2017	University level research (good level)	Project manager; QD1637/QD-DHTDM 11/12/2017; Certificate of registration of results of implementation: 93.032018

2. Papers, conference proceeding

Order	Author/Title	Index
1	Le Doan Minh Duc, Thai Thi Cam Giang (2016). *Advantages and challenges for Vietnamese accountants and auditors in international integration - In view of accounting and auditing professional ethics*, The 3rd international conference on finance and economics, 2016.	Ton Duc Thang University ISBN: 978-80-7454-598-6
2	Le Doan Minh Duc, 2017. Identify the structure of auditor independence in Vietnam in the direction of context approaching, *Asia-Pacific Economic Journal*, No 496 - 6/2017.	ISSN 0868-3808
3	Le Doan Minh Duc, 2017. Non audit services and auditor independence of Vietnam, *Review of Finance journal*, No 658 – 1, 6/2017 Le Doan Minh Duc	ISSN 2615-8973
4	Le Doan Minh Duc, Thai Thi Cam Giang, 2017. *Model of professional ethical accounting and auditing research in the context of industrial revolution 4.0*, National Conference at Quy Nhon university, 2017.	University of Quy Nhon ISBN 978-604-922-593-2
5	Le Doan Minh Duc, Huynh Thi Xuan Thuy, 2018. The relationship between corporate governance and auditor independence: empirical research in Binh Duong province, *Journal of accounting and auditing*, No 01, 2018.	ISSN 1859-1914
6	Pham Ngoc Toan, Le Doan Minh Duc, Thai Thi Cam Giang, 2018. *The factors affecting accounting ethics: Evidence in Binh Duong province*. International Conference on Business, Management and Accounting, 2018.	Hanoi University of Industry ISBN 978-602-72911-7-1
7	Le Doan Minh Duc, Thai Thi Cam Giang, 2018. Improving professional ethical training in accounting at training institutions, *Asia-Pacific Economic Journal*, No 518- 6/2018.	ISSN 0868-3808
8	Nguyen Thi Hoang Yen, Le Doan Minh Duc, 2018. Professional ethics audit in the context of Industrial Revolution 4.0 - International experience and research lessons in Vietnam, *Journal of accounting and auditing*, No 11/2018.	ISSN 1859-1914
9	Le Doan Minh Duc, Nguyen Thi Hoang Yen, 2018. New requirements in human resource accounting training at colleges and universities in Binh Duong province, *Review of Finance journal*, No 693-2, 11/2018.	ISSN 2615-8973

Order	Author/Title	Index
10	Le Doan Minh Duc, Nguyen Thi Hoang Yen, 2019. The role of internal audit in risk management of Vietnamese Enterprises - In context of the fourth industrial revolution, *Journal of accounting and auditing*, No 1-2, 2019.	ISSN 1859-1914

3. Scientific research awards

Order	Title	Issued by	Year
1	Officials and lecturers with outstanding scientific research achievements in the 2016-2018 period	Thu Dau mot University	2018
2	Officials and lecturers with outstanding scientific research achievements in 2018-2019	Thu Dau mot University	2019