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Financial Statement Audit Quality - Research at Credit Institutions in Vietnam

Thi Lan Anh Do
University of Labour and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Thi Lan Anh Do**

Abstract
A financial report is a report that fully presents the financial status and profitability of a business to interested people. Credit institutions in Vietnam are required to prepare honest and reliable financial reports to serve as a basis for effective decision-making by stakeholders. However, the quality of auditing financial reports of credit institutions in Vietnam has been a topic of concern recently. In this article, the author explores the current status of audit quality of financial statements of credit institutions in Vietnam; from there, propose a number of measures to improve the quality of auditing financial statements of credit institutions in the coming time.

Keywords: Financial Reports, Audit Quality, Credit Institutions

Introduction
Improving the quality of auditing financial statements of credit institutions in Vietnam is essential to ensure transparency and accountability of the financial industry. High-quality financial reporting allows investors, shareholders and regulators to make informed decisions about the performance and stability of credit institutions, thereby contributing to on the overall health of the economy.
In Vietnam, the quality of financial statement audits is especially important, where the banking industry is facing problems, such as bad debt and weak corporate governance. These problems could erode public confidence in the financial industry, leading to reduced investment, slowing economic growth and even a financial crisis. Furthermore, with the increasing complexity of financial transactions and the use of new technologies, auditors need to continuously upgrade their skills and knowledge to ensure that, financial reporting is accurate and reliable. This is especially important for credit institutions, which are subject to many regulations and reporting requirements. Therefore, by examining financial statements, detecting errors, making recommendations on internal controls and financial reporting processes, and identifying potential risks, independent auditors ensure the integrity and reliability of financial information. This helps increase investor confidence, contributes to a more stable financial system and maintains the integrity and transparency of financial markets. Therefore, improving the quality of financial reporting accounting of credit institutions is meaningful both theoretically and practically.

Current Status of Financial Statement Audit Quality
Credit institutions are required to independently audit their annual financial statements to increase the transparency and reliability of financial information. However, besides the role of auditing, the quality of auditing financial statements of credit institutions in recent times still has certain limitations.
The 2019 annual report of the Vietnam Chamber of Commerce and Industry pointed out that the quality of financial reports of credit institutions was recorded as relatively low. The report identified weaknesses in financial analysis, forecasting and information disclosure, and emphasized the need for greater transparency in financial reporting. In addition, the report identifies the quality of auditing financial statements of Vietnamese credit institutions as also a matter of concern, with weaknesses in the quality of audit work, audit reports and accounting. Auditor independence. The report recommends that regulatory agencies strengthen supervision of audit activities and punish auditors who do not meet professional standards. At the same time, it calls for increased transparency in the audit process and more effective internal controls in credit institutions to prevent fraud and financial irregularities.
In fact, in recent times there have been large-scale violations occurring at credit institutions, for example the Huyen Nhu case at the Vietnam Industry and Trade Joint Stock Credit Institution, the Pham Cong Danh case at Construction Bank, or the story of Eximbank's accumulated losses and stocks falling into the warning zone, are still very hot in the market. The reason for

falling into the warning category is because Eximbank's profit in 2015 from a profit of more than 114 billion VND was retroactively adjusted to a loss of more than 817 billion VND. The highlight worth debating this time is that Eximbank's 2015 auditor, KPMG auditing company, emphasized Eximbank's accounting irregularities and the acceptance of other auditing companies. The other audit unit is E&Y - the audit company for Eximbank during the period 2010-2014. People doubt that an audit unit known as the Big 4 in the field of auditing like E&Y could "abandon through" serious violations of Eximbank. All of this makes relevant agencies and investors more concerned about the quality of auditing financial statements of credit institutions.

It can be seen that the quality of auditing financial statements of credit institutions is not guaranteed partly due to the following main limitations:

First, limitations in auditing approaches

There are two main approaches to auditing financial statements: Risk-based auditing approach and Item-based approach.

Large auditing firms (Big4) often choose the risk-based approach, which is an effective and suitable audit method for auditing financial statements of credit institutions. This approach helps auditors focus on the important issues in the financial statements, ensuring that the most important risks are assessed and adequately addressed. Besides, with this method, auditors only focus on important risks and related issues, helping to save time and costs for the audit process. At the same time, ensure the integrity of financial reports, especially in the assessment of debts, deposits and investments, thereby improving the quality of the audit.

However, some auditing companies, especially non-Big 4 auditing companies, still tend to audit financial statements based on items in the financial statements rather than based on banking business cycles. This does not fully assess the risks in the bank's business activities. Such as market risk, credit risk, operational risk, legal risk, reputation risk... also need to be comprehensively assessed and controlled. Furthermore, focusing on items on the financial statements leads to duplication in coordination of work and may overlook other important information. This, in turn, can reduce the quality of audits.

Second, limitations in auditing information technology systems

Currently, all credit institutions operate based on modern, complex Corebanking systems, databases are managed and exploited based on very large data warehouse systems. The Corebanking system of a credit institution is a closed and complex software system, making it very difficult for auditors to fully understand the system, all databases, software, and processes on the system. Information technology system in a short time. Therefore, it may affect the completeness and convincingness of audit evidence.

Besides, accessing, collecting and exploiting data from information technology systems of credit institutions still has many difficulties and limitations; the detailed data currently exploited are mainly data related to credit activities, deposits and some other accounting data... Meanwhile, the data is of a temporal nature and has not yet been available. the linkage of many years of data, especially large data related to transactions and untapped cash flow management; Therefore, it is not possible to apply large and deep data analysis measures to identify risks to increase audit efficiency. This can affect the auditor's ability to detect errors and reduce audit quality.

Third, limitations on technology application in auditing

At some auditing companies, the application of information technology and computer-aided auditing techniques has not been widely applied, leading to limitations in analyzing and handling auditing issues. Bank information and transactions are still ineffective. Investing in new and modern technologies for auditing puts financial pressure on auditing companies. Besides, the cost of developing and deploying new software and systems is also expensive. Therefore, some auditing companies mainly use common office software, such as: Microsoft Office to record audit documents, perform analytical procedures..., leading to poor work efficiency. High.

On the other hand, auditors are not experts in information technology, so they may have difficulty understanding and applying new and complex technologies for auditing. This also has a certain impact on the quality and effectiveness of audits.

Fourth, limitations in audit quality control

At some auditing companies, quality control of general audit activities and financial statement audits is conducted Credit institutions in particular are not given due importance and are purely formal. The implementation still has many limitations, is ineffective and not timely and regular. The majority of non-Big 4 audit firms have appointed an auditor to perform quality control on audit activities. However, this auditor may not be adequately trained in audit quality control and, therefore, may not have the skills to perform this task effectively. Auditing firms may also lack resources and invest little in quality control of audit activities, such as: lack of software systems to manage audit work; Data analysis systems and online monitoring systems to monitor auditors' activities lead to quality control of audit activities being just a formality and not taken seriously. As a result, the discovery of errors during the audit process will be delayed and not resolved in a timely manner, affecting the quality of the audit.

Some Solutions

Recently, the State Bank of Vietnam issued Circular No. 24/2021/TT-NHNN, dated December 31, 2021, amending and supplementing a number of articles of Circular No. 39/2011/TT-NHNN, dated December 15, 2011, regulations on independent auditing of credit institutions and foreign bank branches, effective from April 15, 2022. Accordingly, the Circular provides regulations and instructions to improve the quality of financial statement audits of credit institutions, including: risk-based monitoring system and regular on-site inspection of financial activities. Main bank; internal control systems of credit institutions. While these measures are a step in the right direction, there is still much work to be done to ensure that the audited financial statements of credit institutions used in Vietnam with high quality. Below are some measures that can be taken to improve the quality of financial statement audits of credit institutions in Vietnam:

Firstly, perfect the audit method based on risk assessment

To implement this approach, the auditor must have a thorough understanding of the nature of the bank's work to identify the possibility of material misstatements in the financial statements. Specifically, auditors need to:

- Build and develop a risk assessment system: Auditors need to identify risks related to bank operations and determine the level of impact of those risks on financial statements. At the same time, auditors need to establish risk assessment criteria and risk assessment methods to assess the level of risk in segments of banking operations. For example, when an auditor discovers that a bank is making transactions with unreliable subsidiaries.
- Establish a risk-based audit method: Auditors need to develop and implement a risk-based audit method. This approach will focus on major risk areas and the most important operational segments of the bank. At the same time, this audit method also needs to ensure comprehensiveness and completeness of risk factors. For example, the auditor discovered that the bank's lending activities had a high level of risk because the borrowers were not able to repay the debt or did not comply with the terms of the loan contract. Therefore, the auditor will establish a risk-based audit approach focusing on loans, determining the risk level of each loan and examining related policies, processes and procedures. lending activities to evaluate the effectiveness and comprehensiveness of the bank's risk management system.

Second, complete information technology audits at credit institutions

Information technology audits at credit institutions require auditors to have in-depth knowledge of information technology and information security processes. To complete an information technology audit, auditors need to apply a number of measures as follows:

- There needs to be coordination between auditors and information technology engineers in planning and performing the audit. Auditors and information technology experts need to evaluate the bank's information system based on understanding and evaluating general control activities and application controls to assess the reliability of the information system. Believe.
- Improve professional knowledge: Auditors need to have solid knowledge of information technology processes and systems to be able to accurately evaluate the effectiveness of these systems. Auditors need to update the latest knowledge about information technology to meet the innovation and development needs of banks.
- Apply audit standards and procedures: Auditors need to apply audit standards and procedures to ensure uniformity and transparency in the audit process. These standards and processes include: ISO 27001, COBIT, ITIL and other standards related to information security and information technology management.
- Use audit support software: Software, such as: ACL, IDEA and Microsoft Excel can be used to analyze data and search for security vulnerabilities. Auditors can also use standards and processes such as COBIT to evaluate the effectiveness and security of information technology systems.

Third, improve the professional capacity of auditors and encourage the use of technology in auditing

To improve the quality of financial statement audits, auditors must have the necessary professional capacity, expertise and professional ethical standards. Therefore, promoting continuous training and professional development for auditors is essential. This can be achieved through organizing regular training sessions, seminars and workshops on relevant topics to enhance their skills and expertise.

In addition, it is important to enforce strict requirements on the qualifications and experience of auditors to ensure that they have the necessary skills and expertise to carry out their duties properly. Effective. In order to implement the above solutions, the State Bank needs to: (i) Establish a comprehensive accreditation system for auditors and ensure that only qualified auditors are allowed to perform audits. Financial report; (ii) Strengthen the supervision and regulatory framework for auditors and auditing firms; (iii) Promote the development of a strong and independent audit committee in credit institutions; (iv) Support the implementation of training and continuous professional development for auditors.

Artificial intelligence can be used to detect fraud in a bank's financial system by analyzing data and finding unusual patterns or behavior. Besides, artificial intelligence can help check the correctness of information in financial reports and other documents by comparing the information with other data sources in the bank. At the same time, artificial intelligence can help optimize the audit process by automating some tasks, such as analyzing data, identifying problems and providing solutions.

Fourth, strengthen the audit supervision mechanism

To ensure the quality of financial statement audits, it is necessary to strengthen the audit supervision mechanism. This can be achieved through the establishment of an independent oversight body responsible for monitoring the performance of auditors, enforcing ethical standards and ensuring compliance with audit regulations. Additionally, it is important to implement a strict quality control system to monitor the performance of audit firms, evaluate their compliance with auditing standards, and take actions. Appropriate, to remedy any non-compliance issues.

Conclude

Improving the quality of auditing financial statements of credit institutions in Vietnam is essential to ensure transparency and accountability of the financial industry. High-quality financial reporting allows investors, shareholders and regulators to make informed decisions about the performance and stability of credit institutions, thereby contributing to on the overall health of the economy.

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