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### The Quality of Environmental, Social, and Governance Report Audits in Vietnam: A Synthetic Analysis of Challenges and the Readiness of Audit Firms

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#### Abstract

This research addresses the gap in understanding the challenges and readiness of audit firms in Vietnam to provide high-quality assurance services for Environmental, Social, and Governance reports. The study's purpose is to systematize the core challenges and evaluate the preparedness of Vietnamese audit firms in this emerging field. Using a qualitative desk research methodology, the study synthesizes secondary data from academic articles, legal documents, international standards, and industry publications. The findings reveal three main challenges: the lack of a unified and mandatory legal framework; the poor availability, reliability, and comparability of ESG data; and a significant

gap in the multidisciplinary expertise of auditors. Furthermore, the research found that the readiness of audit firms is at a nascent stage, with a clear divide between the Big 4 firms, which have made initial efforts, and smaller firms, which are largely unprepared. These results are significant because they highlight the urgent need for regulatory action, strategic investment in auditor training, and technological adoption. The implications of the study call for coordinated efforts among regulators, audit firms, and educational institutions to build a robust ESG assurance ecosystem, thereby supporting sustainable business practices and bolstering investor confidence in Vietnam.

**Keywords:** Audit Quality, Auditor Competence, ESG Assurance, Sustainability Reporting

#### 1. Introduction

In the global economic context, Environmental, Social, and Governance (ESG) factors have transcended the boundaries of mere social responsibility to become a critical component of sustainable development strategies and investment decisions (Luo *et al.*, 2022) <sup>[24]</sup>. Under increasing pressure from investors, markets, and regulatory bodies, Vietnamese enterprises are facing an urgent demand to enhance transparency and accountability for their non-financial activities (Hung, 2023) <sup>[11]</sup>. In this context, auditing is considered a crucial resource for ensuring ESG risk management and improving the transparency and accuracy of disclosed information (Abbas *et al.*, 2024) <sup>[1]</sup>.

The role of ESG assurance services is particularly important in increasing the reliability of information, helping businesses improve their reputation and internal control systems (Popa & Anca, 2024) <sup>[32]</sup>. Empirical studies have shown that third-party assurance services have a clear effect on enhancing the quality of a company's ESG information (García-Sánchez *et al.*, 2020) <sup>[9]</sup>. However, ESG auditing also poses significant challenges, requiring auditors to exert greater effort due to the complexity of the data and the issues needing assessment (Park *et al.*, 2022) <sup>[28]</sup>. Although this field is rapidly developing, the situation in Vietnam is still very new, facing many systemic challenges that have not been fully identified and systematized (Hung, 2022) <sup>[12]</sup>. Therefore, conducting a comprehensive study to analyze these challenges and assess the readiness of the Vietnamese audit industry is an urgent requirement in terms of both theory and practice.

Internationally, research on auditing and sustainability accounting has increased significantly, yet it is still considered a developing field with many challenges within the mainstream research flow (Dicu *et al.*, 2022) <sup>[6]</sup>. Scholars and professionals have not yet reached a complete consensus on the roles and responsibilities of auditors in ESG matters (Velte & Stiglbauer, 2022) <sup>[41]</sup>. In Vietnam, studies on audit quality over the years have primarily focused on the audit of traditional financial statements, with familiar factors such as auditor competence and experience, or the size of the audit firm (Pham *et al.*, 2025 <sup>[30]</sup>; Pham, 2022 <sup>[29]</sup>; Ha & Hung, 2024 <sup>[10]</sup>; Do *et al.*, 2024). Some recent studies have also begun to explore the impact of digital technology on the audit profession (Lê Đức *et al.*, 2024; Hung & Que, 2024) <sup>[21, 14]</sup>, but have not yet focused on applications

specific to ESG auditing.

Although there have been pioneering studies in Vietnam identifying the initial factors affecting ESG audit quality (Lai, 2024)<sup>[18]</sup>, a significant research gap remains. Specifically, no study has yet conducted a comprehensive analysis to systematize the multidimensional challenges (legal, data, capacity) that this field faces. In particular, assessing the readiness of audit firms in Vietnam—in terms of human resources, technology, and internal processes - to provide high-quality ESG assurance services remains an unexplored topic. Therefore, this paper is conducted to fill this research gap by providing a comprehensive overview based on the analysis of diverse secondary data. Its main objective is to systematize the challenges and evaluate the readiness of audit firms in Vietnam to provide high-quality ESG audit services. To achieve this objective, the paper focuses on answering the following research questions:

1. What are the main legal, data, and professional capacity challenges facing ESG auditing in Vietnam?
2. What is the current readiness level of Vietnamese audit firms (in terms of human resources, technology, and processes) to perform ESG audits?
3. What solutions are needed to overcome these challenges and enhance this readiness?

To answer these research questions, this paper employs a qualitative research method, specifically desk research. This approach is appropriate as it allows for the synthesis and in-depth analysis of diverse secondary sources. The data sources used include: scientific articles published in reputable domestic and international journals; Vietnamese legal documents; international standards and guidelines, including International Standards on Auditing (ISAs), International Financial Reporting Standards for Sustainability (IFRS S1 & S2), the Global Reporting Initiative (GRI) Guidelines, and the International Standard on Assurance Engagements (ISAE 3000) (Utami & Pambekti, 2023)<sup>[40]</sup>; annual reports and sustainability reports of listed companies in Vietnam; and publications, reports, and surveys from professional associations (VACPA, ACCA, CPA Australia) and major audit firms.

This research is expected to make significant contributions in both academic and practical terms. Academically, the paper helps to systematize the theoretical basis for audit quality in the non-financial sector in an emerging market like Vietnam. Practically, the research findings will provide useful evidence for policymakers in developing and refining the legal framework for ESG reporting and auditing, especially in the context of needing approaches that are suitable for the country's unique institutional and legal conditions (Utami & Pambekti, 2023)<sup>[40]</sup>. For audit firms, the study identifies specific challenges and areas requiring priority investment to enhance competitiveness. Finally, for educational institutions and professional associations, the research results serve as an important basis for adjusting curricula to meet the increasing demands of the labor market in the era of sustainable development.

## 2. Theoretical Framework and Literature Review

### 2.1 Core Concepts

#### 2.1.1 Environmental, Social, and Governance Reporting

Environmental, Social, and Governance reporting is a form of non-financial reporting through which businesses disclose information about their activities and impacts related to three main pillars: environment, society, and governance. In the

context of globalization and increasing demands for corporate accountability, ESG reporting has become a strategic communication tool, helping stakeholders better understand the impact of business operations on the environment and society, as well as assess the risks and opportunities facing the enterprise (Shostak & Plysenko, 2024; Volynets, 2025)<sup>[36, 44]</sup>. The integration of ESG factors has fundamentally changed corporate financial systems, shifting from peripheral considerations to core components in corporate investment decision-making and reporting processes (Rodriguez, 2025)<sup>[34]</sup>.

The main purpose of ESG reporting is to meet the information needs of stakeholders, including investors, customers, employees, and the community, for various decision-making processes (Suryanto *et al.*, 2024)<sup>[37]</sup>. Empirical evidence shows that ESG reporting quality is positively correlated with earnings quality and firm performance, indicating that ESG information carries significant implications for firm value (Mittal & Kumar, 2023; Suryanto *et al.*, 2024)<sup>[25, 37]</sup>. However, one of the biggest challenges of the ESG ecosystem is the lack of globally accepted standards, leading to inconsistency and low comparability among reports (Shcherbakova *et al.*, 2024; Khalid *et al.*, 2023)<sup>[35, 16]</sup>.

#### 2.1.2 ESG Auditing

ESG auditing, also known as ESG assurance services, is an independent verification process conducted by a third party to provide a degree of assurance on the truthfulness, fairness, and reliability of the non-financial information disclosed by a company. This service differs fundamentally from traditional financial statement auditing. While financial auditing focuses on quantitative, historical data and adheres to strict accounting standards, ESG auditing deals with more complex data that is often qualitative, forward-looking, and lacks a unified global reporting standard system (Rodriguez, 2025)<sup>[34]</sup>.

The core objective of ESG auditing is to enhance the reliability of disclosed information, thereby strengthening stakeholder confidence and combating the phenomenon of "greenwashing." Studies have shown that having an ESG report assured by an independent third party can significantly reduce corporate misconduct and improve the quality of ESG scores (García-Sánchez *et al.*, 2020)<sup>[9]</sup>. According to international assurance standards like ISAE 3000, there are two main levels of assurance: (1) *Reasonable assurance*, which provides a high level of assurance and expresses a conclusion in a positive form; and (2) *Limited assurance*, which provides a lower level of assurance and expresses a conclusion in a negative form. Due to the complexity and lack of standardization of data, limited assurance is currently more common in ESG audit practice.

#### 2.1.3 ESG Audit Quality

The concept of ESG audit quality is built on the foundation of traditional audit quality but is expanded to include the specific elements of non-financial information. ESG audit quality depends not only on auditor attributes such as competence, experience, and independence, but also on more specialized capabilities.

First, the ability to assess the materiality of ESG information is a key factor. Unlike financial materiality, ESG materiality has a dual nature: the impact of ESG issues on the company (financial materiality) and the company's impact on society and the environment (impact materiality). The quality of an ESG audit largely depends on the auditor's ability to identify and assess whether the company has adequately

identified and reported the most material ESG issues for its business model and stakeholders.

*Second*, ESG audit quality requires multidisciplinary expertise. ESG issues cover many fields, from environmental science, engineering, and human rights law to supply chain management. Therefore, auditors cannot rely solely on accounting and financial knowledge but need a diverse knowledge base or the ability to effectively coordinate with experts from other fields (Park *et al.*, 2022)<sup>[28]</sup>.

*Finally*, ESG audit quality is also demonstrated through the ability to assess the completeness, accuracy, and reliability of the non-financial data collection system. Since ESG data is often unstructured, fragmented, and comes from various operational systems, examining the internal processes and controls related to the collection, aggregation, and reporting of this data is a crucial component to ensure the quality of the entire audit (Broum, 2023)<sup>[2]</sup>.

## 2.2 Theoretical Framework and Literature Review

### 2.2.1 Theoretical Foundations

This study is built on the foundation of two classic theories: Agency Theory and Information Asymmetry Theory. According to Agency Theory, the relationship between managers (agents) and shareholders or stakeholders (principals) always involves potential conflicts of interest. Managers, with their advantages in information and operational control, may make decisions that serve their personal interests rather than maximizing value for the principals. Information Asymmetry Theory adds that the information gap between managers and external parties creates an environment in which investors and stakeholders find it difficult to fully assess the company's operations and risks (Susanto *et al.*, 2024)<sup>[38]</sup>.

In the context of sustainability reporting, information asymmetry becomes more severe due to the complexity, diversity, and lack of standardization of ESG data. Companies may have incentives to hide negative impacts or exaggerate positive achievements, leading to "greenwashing" (Chen & Zhang, 2023)<sup>[4]</sup>. ESG audit services act as an independent monitoring mechanism, helping to reduce information asymmetry and align the conflicting interests between agents and principals. By providing an objective verification, ESG audits increase the reliability of disclosed information, thereby helping stakeholders make more informed decisions (Susanto *et al.*, 2024; Zaher & Kher, 2022)<sup>[38, 45]</sup>. Empirical studies have shown that audit committee characteristics such as financial expertise can significantly reduce the level of information asymmetry in the market (Zaher & Kher, 2022)<sup>[45]</sup>. Similarly, the existence of ESG assurance services is an effective tool for enhancing information quality, although differences in ESG rating systems can increase information risk and audit fees (Lin & Li, 2025)<sup>[23]</sup>.

### 2.2.2 International Literature Review

On the international stage, ESG report auditing faces significant challenges. One of the biggest challenges is the lack of synchronization and convergence of reporting frameworks and standards (Koliada, 2024)<sup>[17]</sup>. This diversity leads to issues of inconsistency in reporting, making it difficult to compare ESG performance among businesses and further complicating the audit process (Li & Wang, 2024)<sup>[22]</sup>. Consequently, companies that disclose ESG information often face higher audit fees, reflecting increased audit risk and effort (Chen & Zhang, 2023)<sup>[4]</sup>.

A second challenge relates to the capacity and readiness of audit firms. A study in Russia shows that audit and consulting firms in regions outside major economic centers are not yet ready to provide ESG compliance verification services, which could limit the ability of businesses to access international markets (Popova & Gvozdeva, 2024)<sup>[33]</sup>. This highlights the need for specialized training programs. Practices in Taiwan and the Middle East show a growing demand for ESG audit training courses, especially those that integrate data analytics and artificial intelligence technologies to handle complex non-financial data (Chen & Lin, 2022)<sup>[3]</sup>. Even within the scope of internal auditing, addressing ESG risks requires close coordination with other functions and stakeholders to create a meaningful impact (Elbardan, 2024)<sup>[8]</sup>.

### 2.2.3 Literature Review in Vietnam

Audit quality research in Vietnam to date has primarily focused on the traditional financial statement audit. Studies have identified a range of factors affecting audit quality, including the reputation and size of the audit firm, and the complexity and risk of the audit engagement (Pham *et al.*, 2025)<sup>[30]</sup>. In addition, factors such as auditor competence, independence, and support from management have been shown to have a positive impact on audit effectiveness (Pham, 2022; Ha & Hung, 2024)<sup>[29, 10]</sup>. In the public sector, the independence of state auditors can be negatively affected by factors such as political power and relationships with the audited entity, thereby impacting overall audit quality (Le & Vo, 2023)<sup>[20]</sup>.

Meanwhile, research on the specific factors of ESG auditing in Vietnam is still very limited. The challenges identified globally, such as data quality, completeness of information, and the multidisciplinary expertise of auditors, are issues that the Vietnamese audit industry will certainly face, but there is not much empirical evidence to assess their impact.

In terms of technology, the accounting and auditing industry in Vietnam is in a transitional phase, as manual systems no longer meet the information requirements for decision-making (Hung & Hoa, 2023)<sup>[11]</sup>. The adoption of advanced technologies like Artificial Intelligence (AI) is seen as an inevitable trend; however, the technology readiness of accountants and auditors is a critical factor determining the success of this process (Vo & Le, 2024)<sup>[42]</sup>. The awareness of the need for a technology-based audit system has emerged even in the public sector (Dang, 2018)<sup>[5]</sup>, but barriers related to business owners' perspectives, investment costs, and technological capabilities remain significant challenges (Huyen, 2021)<sup>[15]</sup>. Overall, the research gap regarding the challenges and readiness of Vietnamese audit firms to provide ESG assurance services is very clear.

## 3. Research Methodology

To achieve the stated objectives, this study employs a qualitative research method, specifically a desk research design. This choice is appropriate because the audit of Environmental, Social, and Governance reports is a relatively new field in Vietnam, and primary data on auditors' perceptions and practices are limited. Therefore, synthesizing and deeply analyzing existing secondary sources allows for the construction of a comprehensive overview, systematizing challenges, and assessing the readiness of the audit industry as a whole.

The main analytical tools used are content analysis and interpretive synthesis. Content analysis is applied to

systematically identify, code, and quantify the presence of themes and concepts related to challenges and readiness in the collected documents. Subsequently, interpretive synthesis is used to connect the analysis results, build arguments, and provide insightful interpretations to answer the research questions.

### 3.1 Data Collection and Processing Procedure

The research process was conducted rigorously through the following four sequential steps:

#### Step 1: Collection of Secondary Data

This phase focused on systematically collecting documents relevant to the research topic from diverse sources. Search keywords were used in both Vietnamese and English, including: "ESG audit," "ESG assurance services," "sustainability reporting," "audit quality," "auditor competence," "Vietnam audit firms," "ESG assurance," "sustainability reporting," "audit quality," and "Vietnam audit firms." The main data sources included:

- Academic databases: Google Scholar, Scopus, and the scientific journal portals of universities in Vietnam.
- Legal documents: The Law on Accounting, the Law on Independent Auditing, and related decrees and circulars issued by the Ministry of Finance and the State Securities Commission.
- International standards and guidelines: Documents from the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB) such as IFRS S1, IFRS S2, and ISAE 3000.
- Industry reports and publications: Annual reports, surveys, and articles from professional associations (VACPA, ACCA, CPA Australia) and major audit firms (Deloitte, PwC, EY, KPMG).
- Corporate reports: Annual reports and sustainability reports of companies listed in the VNSI (Vietnam Sustainability Index) for the period 2021-2023.

#### Step 2: Screening and Selection of Documents

After collection, the documents were screened based on strict selection criteria to ensure relevance and reliability.

- Inclusion criteria: (1) Documents published from 2018 to the present to ensure timeliness; (2) Content must be directly related to one or more aspects: ESG reporting, ESG auditing, audit quality, auditor competence, or the state of the audit industry in Vietnam; (3) Documents must have a clear and verifiable source.
- Exclusion criteria: (1) Articles of a promotional nature with no academic value; (2) Studies focusing entirely on traditional financial auditing without any connection to non-financial factors; (3) Documents with outdated or unverifiable information.

#### Step 3: Data Analysis and Synthesis

The selected documents underwent a thematic content analysis process. A coding frame was developed based on the research questions and theoretical framework. Relevant passages, sentences, and facts in each document were extracted and coded according to the following main themes:

- Theme 1: Challenges related to the legal and standards framework.
- Theme 2: Challenges related to the availability and reliability of ESG data.
- Theme 3: Challenges related to the competence, knowledge, and skills of auditors.
- Theme 4: Readiness of audit firms in terms of human resources and training.

- Theme 5: Readiness of audit firms in terms of technology, processes, and services.

The coded information was then synthesized, compared, and contrasted across different sources to identify trends, similarities, contradictions, and existing gaps.

#### Step 4: Presentation of Results

The results of the analysis and synthesis will be presented logically in the next section of the paper. The data will be systematized according to the themes identified in Step 3, using direct quotes (where necessary) and summary arguments to illustrate and substantiate the research conclusions. The presentation structure will closely follow the research questions to provide clear, coherent, and well-founded answers to each issue raised.

## 4. Research Findings and Discussion

### 4.1 Analysis of Core Challenges to ESG Audit Quality in Vietnam

#### 4.1.1 Challenge 1: Lack of a Synchronized and Complete Legal and Standards Framework

The analysis of documents reveals that the most fundamental and overarching challenge to the quality of Environmental, Social, and Governance (ESG) report audits in Vietnam is the absence of a synchronized, unified, and mandatory legal framework and reporting standards system. Currently, regulations related to ESG reporting exist in a fragmented manner across various legal documents, lacking interconnection and failing to create a clear set of criteria for businesses to comply with and for auditors to use as a basis for assurance services.

Specifically, current regulations are primarily directional and encouraging. The 2020 Law on Environmental Protection and its guiding documents, such as Decree No. 08/2022/ND-CP, have set requirements for the public disclosure of environmental information for certain types of businesses. Similarly, Circular No. 96/2020/TT-BTC from the Ministry of Finance, which guides information disclosure on the stock market, mentions the presentation of content related to sustainable development in the annual reports of public companies. However, these requirements are still at the level of encouragement or partial obligation, have not formed a comprehensive ESG reporting framework covering all three pillars, and more importantly, are not accompanied by a mandatory requirement for assurance services (auditing) from an independent third party. The absence of a "standardized ESG template" is one of the biggest challenges identified in Vietnamese studies (Lai, 2024)<sup>[18]</sup>, creating an environment where businesses tend to choose to disclose information in the most favorable way, making comparison and evaluation difficult.

When compared with the international context, the gap in Vietnam's legal and standards framework becomes even clearer. Globally, standards systems have developed strongly and are in the process of converging to create a common language for sustainability reporting. The Global Reporting Initiative (GRI) Standards have long been widely applied, focusing on reporting the impacts of businesses on the economy, environment, and society from a multi-stakeholder perspective (Global Reporting Initiative, 2021). More recently, the issuance of the International Financial Reporting Standards for Sustainability (IFRS S1 and IFRS S2) by the International Sustainability Standards Board (ISSB) marked a significant turning point (IFRS Foundation, 2023). These standards are designed to provide a global baseline of



sustainability information that is likely to have a material impact on firm value, targeting investors as the primary users and are built to be auditable.

This fundamental difference creates a "legal vacuum" in Vietnam. Audit firms, despite their capabilities, face difficulties in providing high-quality ESG assurance services without a commonly accepted set of criteria to compare against and form an opinion. Lacking a mandatory legal framework, ESG audits, if performed, are often voluntary, and the scope of the engagement is individually negotiated, reducing the consistency and reliability of the service. Clearly, developing and issuing a roadmap for applying ESG reporting and auditing standards, harmonized with international practices, is a prerequisite for addressing the remaining challenges and creating a transparent and reliable ESG assurance market in Vietnam.

#### 4.1.2 Challenge 2: Issues with the Availability, Reliability, and Comparability of ESG Data

Besides the challenge of the legal framework, the quality of the ESG data itself is a second core barrier, directly affecting the auditor's ability to issue a reliable assurance opinion. Studies in Vietnam have shown that "data inconsistency" and "data quality" are factors that significantly impact ESG audit quality (Lai, 2024)<sup>[18]</sup>. This means that even when companies disclose information, the nature of the disclosed data often does not meet the necessary requirements for an effective audit. A recent study on the quality of sustainability reports of large enterprises in Vietnam confirmed this situation, concluding that the quality of current non-financial information does not meet the requirements for *reliability* and *comparability* (Tran & Nguyen, 2024)<sup>[39]</sup>.

An analysis of actual sustainability reports published by listed companies in Vietnam clearly illustrates these data limitations. First, a large portion of the information, especially in the Social (S) and Governance (G) pillars, is often presented in a qualitative, narrative form, describing policies or general commitments rather than measurable key performance indicators (KPIs). For example, a report might state, "the company is committed to creating a fair and diverse work environment" without providing specific data on gender ratios at management levels, gender pay gaps, or figures on diversity and inclusion training programs. For auditors, verifying such qualitative statements is extremely difficult and highly subjective, a stark contrast to auditing financial transactions with clear evidence.

Second, even when quantitative data is provided, the collection and calculation methods are often inconsistent across companies, severely undermining comparability. For instance, in the Environment (E) domain, one company might report total greenhouse gas (GHG) emissions but only include Scope 1 (direct emissions), while another company in the same industry might report both Scope 1 and Scope 2 (indirect emissions from purchased energy). Similarly, a company may report total water consumption but fail to clarify the measurement method or the context of local water scarcity. This inconsistency, stemming from the lack of a mandatory reporting standard, makes comparing and evaluating the ESG performance of one company against its peers nearly impossible. For auditors, this creates a significant risk, as they must dedicate substantial resources to understanding and assessing the reasonableness of each individual methodology, rather than checking compliance against a common set of rules.

#### 4.1.3 Challenge 3: Gap in Auditor Competence and Expertise

Besides the systemic challenges of legal frameworks and data, the gap in the professional competence of auditors themselves emerges as an internal and decisive barrier. Empirical studies in Vietnam have confirmed that the "professional competence of the auditor" is a factor that significantly impacts ESG audit quality (Lai, 2024)<sup>[18]</sup>. Unlike financial statement auditing, which is based on a well-defined system of standards, procedures, and knowledge, ESG auditing requires a complex integration of various professional fields. Auditors, who are trained in-depth in accounting, finance, and taxation, often do not possess the necessary background knowledge in environmental science, emission measurement techniques, labor law, supply chain management, or sociology to adequately assess a company's ESG risks and performance. While factors such as experience, professional competence, and professionalism have always been considered pillars of traditional audit quality, the definition of "professional competence" in the ESG context has expanded greatly, creating a large gap between market demands and the actual capabilities of the current auditor workforce.

An analysis of the training system in Vietnam shows that this competency gap has deep roots in the curricula of universities and the training courses of professional associations. Currently, accounting and auditing degree programs still focus primarily on financial reporting standards (IFRS) and Vietnamese Accounting Standards (VAS), while content on sustainability reporting and ESG auditing is still very limited or only superficially integrated. Studies have shown that even integrating IFRS into the curriculum is a complex process, requiring changes in teaching methods and the perceptions of both lecturers and students. Therefore, integrating a completely new and multidisciplinary field like ESG is expected to face even greater challenges. The effectiveness of accounting and auditing training is closely related to the curriculum and the level of technology application (Võ, 2023); delays in updating this content will directly affect the quality of the human resources output.

On the part of professional associations like the Vietnam Association of Certified Public Accountants (VACPA) or the Association of Chartered Certified Accountants (ACCA) in Vietnam, there have been initial efforts to organize continuing professional development (CPD) courses and seminars on ESG and sustainable development. However, these activities are still mainly introductory, updating trends rather than providing in-depth, certified, and standardized training programs to build a team of professional ESG audit experts. Overall, the training and professional development system in Vietnam has not kept pace with the development and increasingly stringent market demands for ESG assurance services, creating a major challenge in terms of high-quality human resources for audit firms.

#### 4.2 Assessment of the Readiness of Audit Firms in Vietnam

Facing the analyzed challenges, the readiness of Vietnamese audit firms to provide high-quality ESG assurance services is currently in its initial stages and shows a clear differentiation. This readiness is demonstrated through three main aspects: human resources, technology and processes, and strategy and services.

**Regarding Human Resources:** The readiness of human resources for ESG auditing is currently low and uneven. An analysis of industry reports and publications shows that the

major audit firms (the Big 4) have taken the first steps in building dedicated teams for sustainability services. However, these teams are often small, operate mainly in the main offices, and frequently rely on support from experts in their regional or global networks to handle complex engagements. Meanwhile, the majority of small and medium-sized audit firms have almost no personnel preparation for this area. Similar to the education sector, where training programs need specific preparation to meet international requirements, the audit industry also requires a corresponding investment in developing high-quality human resources capable of performing ESG audits. Research in the digital insurance sector also indicates that the "corporate human resources" factor is a crucial component of the "organization," directly affecting technological adaptability and service efficiency. Therefore, the shortage of well-trained ESG experts within firms is clear evidence of the limited readiness of Vietnamese audit firms.

**Regarding Technology and Processes:** Although the application of technology is considered a key factor for improving audit quality and efficiency, the technological readiness for ESG auditing in Vietnam is still very limited. Studies have confirmed the potential of Artificial Intelligence (AI) and Blockchain in improving traditional audit quality. However, the application of these technologies to collect, process, and analyze the complex, unstructured non-financial data of ESG is not yet common. Analysis shows that audit firms are facing many major barriers. The "technology" factor, including digitalization processes and digital transformation strategies, is identified as influencing a company's adaptability. In the audit industry, these barriers include the initial investment costs for specialized software, incompatible technology infrastructure, and especially an organizational culture that is resistant to change. A study on internal auditing also indicates that the "application of information technology" has the greatest impact on audit effectiveness, which suggests that weakness in applying technology to ESG will be a major obstacle to service quality.

**Regarding Strategy and Services:** The readiness in terms of strategy and service portfolios most clearly reflects the state of the ESG audit market in Vietnam. Currently, ESG assurance services remain a niche market, primarily provided by the Big 4 and a few other large audit firms. These services are often performed as individual engagements at the request of specific clients (usually large corporations or foreign-invested companies), rather than as a standardized and widely available service. Furthermore, the assurance reports issued are mainly at the "limited assurance" level, reflecting the caution of audit firms in the face of risks related to data complexity and the absence of a unified standards framework. The readiness to provide a service with a higher level of "assurance" and "reliability" remains a challenge, similar to assessing service quality in other areas. This indicates that audit firms are still in an exploratory phase, not yet truly considering ESG auditing as a core strategic service area due to the significant legal and market barriers.

## 5. Conclusion and Implications

### 5.1 Conclusion

This study was conducted to systematize the core challenges and assess the readiness of audit firms in Vietnam to provide assurance services for Environmental, Social, and Governance (ESG) reports. Through a comprehensive

analysis of secondary documents, the paper has painted a panoramic picture of a nascent field facing systemic barriers. The research findings have identified three main groups of challenges.

**First**, the absence of a synchronized legal framework and a mandatory system of ESG reporting standards has created a fundamental gap. The current state of fragmented, encouraging regulations that are not harmonized with international standards like IFRS S1 and IFRS S2 has deprived the market of the necessary criteria for a high-quality audit, while also reducing the motivation of both businesses and audit firms.

**Second**, the quality of the ESG data itself is a serious barrier, with common characteristics being a lack of reliability, a heavy reliance on qualitative information, and inconsistency in collection methods, making verification and comparison difficult.

**Third**, the Vietnamese audit industry is facing a large gap in professional competence, as auditors trained in the financial tradition lack the necessary multidisciplinary knowledge for ESG auditing, while the professional training system has not kept pace to fill this gap.

Based on these challenges, the study concludes that the readiness of the Vietnamese audit industry for ESG assurance services is still in an initial, fragmented stage, with a clear differentiation. On one hand, the major audit firms (Big 4) have made initial preparations in terms of strategy, personnel, and processes, mainly leveraging their global network advantages. On the other hand, the vast majority of small and medium-sized audit firms are almost completely unprepared, lacking the resources, expertise, and strategic direction to participate in this new yet complex service market. Overall, the entire industry has not yet reached a synchronized level of readiness to be able to provide high-quality ESG assurance services in a widespread and reliable manner.

### 5.2 Implications of the Research

Based on the analyzed results, this study proposes several key policy and practical implications to promote the quality of ESG assurance services in Vietnam, as follows:

**For state regulatory bodies:** The research results show the urgent need for the Ministry of Finance and the State Securities Commission to soon issue a clear roadmap and a unified, mandatory legal and standards framework for both the preparation and auditing of ESG reports. Delays in establishing a level and transparent playing field will continue to hinder market development. In particular, this framework should include detailed guidance for high-impact industries, such as regulations on *carbon accounting* in the energy and construction sectors, to create a solid legal basis for audit firms to perform their assurance role. Harmonizing Vietnam's regulations with international standards such as IFRS S1 and S2 is a strategic step that will not only help improve information quality but also enhance the ability to attract international investment for Vietnamese businesses.

**For audit firms:** For audit firms, waiting for a complete legal framework is not a sustainable strategy. Instead, they need to proactively build long-term strategies to seize opportunities from the ESG assurance market. This requires a serious investment in in-depth training for their audit teams. The training program needs to go beyond traditional financial knowledge, equipping auditors with multidisciplinary skills, including knowledge in complex areas such as supply chain

management and environmental impact assessment. At the same time, firms should actively explore and apply financial technology (FinTech) solutions, such as Big Data analytics and Artificial Intelligence (AI), to automate the collection and analysis of unstructured ESG data. Collaborating with external experts (environmental scientists, sociologists) is also a practical solution to bridge the competency gap in the short term.

**For educational institutions and professional associations:** Universities and professional associations like VACPA and ACCA play a pivotal role in preparing the future workforce for the audit industry. The research findings are a call for the urgent need to radically update the curricula for accounting and auditing majors. This includes integrating specialized modules on sustainability reporting, and introducing practical case studies on *carbon accounting* and ethical auditing in the *supply chain*. Training needs to emphasize critical thinking skills and professional skepticism in a non-financial data environment. By doing so, educational institutions will not only meet market demands but also contribute to building a solid foundation for the field of *financial audit and ESG reporting research* in Vietnam in the future.

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