

The Accounting – Auditing Services Market in Vietnam in the Context of Intergration

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ABSTRACT

On May 22, 2022, the Prime Minister of VietNam issued Decision No. 633/QD-TTg approving the Accounting - Auditing Strategy until 2030 to improve the system of regulations on accounting and auditing to ensure strict, effective, and efficient compliance, and to harmonize accounting and auditing standards in line with international practices and Vietnam's conditions. Accordingly, the Strategy has formulated general objectives, specific objectives, identified task groups, and solutions for implementing the strategy. One of the task groups and solutions proposed is the development of the accounting - auditing services market. This aims to enhance the quality of economic - financial - budgetary information systems, making them increasingly transparent, reflecting truthful economic - financial information within the national economy, meeting the requirements of state management, decision-making, as well as those of other enterprises, units, and organizations. This article is based on research on the current accounting and auditing services market in Vietnam and the requirements set forth by the strategy for the development of the accounting - auditing services market to propose suggestions for its development that meet the strategy's requirements.

Keywords: Accounting and auditing services; accounting and auditing strategy; accounting; auditing

I. INTRODUCING THE ISSUE

In the context of deepening international economic integration across all sectors as it is happening now, accounting and auditing services are among the conditional business sectors, a profession recognized in an open market economy, not only supporting enterprises in establishing economic and financial information in accordance with the law but also contributing to economic growth, particularly enhancing transparency of financial information and strengthening the national financial system. Accounting and auditing

service enterprises play an important role in assisting and advising investors, enterprises on legal matters, financial regimes, state financial systems, as well as in accounting, tax calculation, and financial reporting. According to assessments by international professional organizations, in recent years, the quality of human resources in the accounting and auditing field in Vietnam has significantly improved, and the training quality in this field has become more professional. On May 22, 2022, the Prime Minister of VietNam issued Decision No. 633/QD-TTg approving the Accounting - Auditing Strategy until 2030 to improve the system of regulations on accounting and auditing to ensure strict, effective, and efficient compliance, and to harmonize accounting and auditing standards in line with international practices and Vietnam's conditions. Accordingly, the Strategy has formulated general objectives, specific objectives, identified task groups, and solutions for implementing the strategy. One of the task groups and solutions proposed is the development of the accounting - auditing services market. This aims to enhance the quality of economic - financial - budgetary information systems, making them increasingly transparent, reflecting truthful economic - financial information within the national economy, meeting the requirements of state management, decision-making, as well as those of other enterprises, units, and organizations. Aimed at a transparent economy by providing professional accounting and auditing services, integrating and competing globally, the improvement of both the quality and quantity of service-providing enterprises, specialized experts, and operational processes has raised many issues for management agencies and professional communities..

II. ACCOUNTING - AUDITING STRATEGY UNTIL 2030

During the period from 2021 to 2030, the socioeconomic context sets forth new goals, requirements, and tasks. Alongside the general

objectives of the socioeconomic environment, the objectives of the financial and budgetary sector also include restructuring the state budget, managing public debt, reforming organizational machinery, and applying internationally appropriate standards in the context of Vietnam's conditions, amid the ongoing international integration process and the fourth industrial revolution. This presents both opportunities and challenges for all sectors within the financial industry, where accounting and auditing need to seize opportunities to achieve development goals.

In line with the Resolution of the 13th Party Congress, the Socioeconomic Development Strategy for the 2021-2030 period, and the first five-year plan, specific objectives are defined as "Implementing auditing, accounting, and statistical regimes consistent with international standards and enhancing the quality of analysis and forecasting to serve management and decision-making." Therefore, in the context of the period from 2021 to 2030, as the Vietnamese market economy develops and gradually matures, the role and requirements for accounting and auditing tools are increasingly important, with deeper societal impacts.

With the achievements obtained and the new context of the economy and society, the process of summarizing, evaluating, and constructing new strategies has laid the groundwork for the emergence of a new strategy. On May 22, 2022, the Prime Minister issued Decision No. 633/QĐ-TTg approving the Accounting - Auditing Strategy until 2030 to improve the system of regulations on accounting and auditing to ensure strict, effective, and efficient compliance, and to harmonize accounting and auditing standards in line with international practices and Vietnam's conditions.

From the perspective that accounting and auditing are important economic management tools responsible for establishing an information system on the economy, finances, and budgets to meet the requirements of state management and economic decision-making at both the national and organizational levels, it is necessary to enhance and improve the quality of accounting and auditing information systems towards transparency, reflecting truthful and comprehensive economic and financial information in the national economy. It's also necessary to establish a coherent policy system to promote comprehensive, transparent, effective, and efficient accounting and auditing activities in line with international standards and Vietnam's conditions, suitable for the digital transformation process, addressing implementation difficulties, focusing on developing high-quality

human resources, and improving service quality to meet the requirements of international integration. The strategy outlines general objectives, which are further specified into 7 specific target groups, thus building 8 groups of tasks and solutions to be implemented. Among these, the specific objective of enhancing the quality of human resources and the accounting - auditing services market is identified as follows: "Develop the accounting - auditing services market; implement measures to improve the quality of accounting services, auditing services. Determine the scale and quantity of organizations providing accounting - auditing services appropriate to actual requirements through improving the professional mechanism and conditions. Identify effectively audited objects, ensuring that by 2025, 100% of large-scale enterprises are audited for financial reporting without distinction of activities or ownership forms. Policies should be in place to increase the number and improve the quality of accountants and auditors to ensure the provision of high-quality human resources meeting the requirements of international integration."

The 8 groups of tasks and solutions developed include: Enacting Accounting Law, Independent Audit Law; Issuing and publicizing accounting standards, auditing standards; Enhancing the capacity of management and supervision agencies regarding accounting - auditing and the effectiveness of inspection and supervision of compliance with accounting - auditing laws; Developing the accounting - auditing services market; Developing professional associations; Developing human resources in accounting - auditing; Strengthening and expanding international cooperation activities; Applying information technology and other activities. One of the solution groups developed is the development of the accounting - auditing services market. Specifically for this group of tasks and solutions, the Strategy has outlined the tasks to be implemented:

- Researching and determining the entities required to conduct independent audits of financial reports appropriately; specifying criteria for enterprises required to undergo annual financial report audits and transparent financial and accounting information to enhance the requirements and quality of services, effectiveness in publicizing and transparency of economic and financial activities.

- Identifying criteria for entities with public interests towards supplementing necessary entities, along with stricter and more effective requirements for transparent and effective financial

reporting to ensure public interests and the sustainable development of the economy. Researching, identifying the entities subject to annual financial report audits as large-scale public sector entities, especially self-governing public sector entities with both investment and regular expenditure, and self-governing public sector entities with regular expenditure only.

- Developing orientation criteria for the scale, quantity, and quality of services provided by auditing firms, accounting service enterprises suitable to real-world requirements through improving the professional mechanism and conditions; increasing the quantity and quality of accountant and auditor teams; effectively implementing solutions for service supply to enhance the quality of accounting - auditing services.

- Improving and implementing legal regulations to establish the basis and conditions for negotiation, participation in international agreements, and mutual recognition of accounting - auditing services with countries in the region and worldwide.

- Implementing solutions to enhance the quality of appraisal services and other services; building information systems, databases as the basis for determining financial indices.

III. THE CURRENT SITUATION OF THE ACCOUNTING AND AUDITING SERVICE MARKET IN VIETNAM

The service of accounting and auditing is an essential requirement for Vietnam in the process of deep integration into the global economy. On one hand, it meets the demand for transparency in the market economy, while on the other hand, it promotes the development of advanced financial management systems based on prevailing international standards. The National Assembly, the Government, as well as the Ministry of Finance, have made efforts to improve the legal framework for the development of the accounting and auditing profession and services, aiming to build an advanced financial management system that is in line with international norms and standards.

3.1. About legal environment

The legal environment for the operation of the accounting services market in Vietnam has been relatively well-established, clear, and tailored to domestic conditions as well as international norms, principles, and standards. This creates favorable conditions for the formation and development of the accounting services market

provided by both domestic and foreign accounting and auditing firms.

The Accounting Law of 2015 enacted by the National Assembly, along with various Government Decrees (such as Decree No. 174/2016/ND-CP dated December 30, 2016 detailing certain provisions of the Accounting Law, and Decree No. 41/2018/ND-CP dated March 12, 2018 regulating administrative sanctions in the fields of accounting and independent auditing) have clearly defined the subjects eligible for accounting services, cases where services cannot be provided, and administrative penalties for violations in the field of accounting. These regulations contribute to establishing an important legal foundation for the stable development of the accounting services market. In particular, the strong and determined implementation of the Accounting and Auditing Development Strategy until 2020, with a vision to 2030 (issued by Decision No. 480/QD-TTg dated March 18, 2013 by the Prime Minister), has yielded many positive results. This strategy has established a relatively comprehensive accounting system, compatible with the state management mechanism, and meeting international integration requirements. On March 4, 2024, the State Audit Office issued Decision No. 477/QD-KTNN on the Quality Control Regulations for State Audits, effective from March 4, 2024.

With an increasingly refined legal framework for accounting, conditions are created for the development of accounting activities, serving as effective support for the economic and financial activities of enterprises, organizations, and accounting units. This environment fosters the development of the Vietnamese accounting services market, achieving significant achievements both in scale and service quality.

3.2. Regarding the scale of accounting, auditing and auditing service businesses

The scale and number of enterprises providing accounting services have been continuously increasing over the years. The activities of accounting and auditing services are making significant contributions to the development of enterprises and the economy. According to Vu Duc Chinh (2020), the accounting services market in Vietnam has developed in terms of both service quality and operational scale, thereby contributing to improving the quality, transparency, and accountability of economic and financial activities of all units and organizations in the socio-economic sphere. At the conference summarizing the activities of 2022-2023 and outlining the directions for 2024 of the accounting

services business, the assessment of the market situation for the years 2022-2023 shows that as of December 31, 2022, there were 155 units certified to meet the conditions for providing accounting services, including 5 branches of foreign accounting enterprises operating in Vietnam. By December 31, 2023, there were 159 units certified to meet the conditions for providing accounting services. The main offices of these units are distributed relatively widely across provinces and cities nationwide, with Hanoi having 51 units and Ho Chi Minh City having 87 units, among others. Based on the data from the 155 units qualified to provide accounting services, the report on the operational situation for 2022 showed that there were 3,392 employees, including 378 practicing accountants holding a Certificate of Registration for accounting services, an increase of 0.8% compared to 2021 (375 people). Only 9 units had between 5 to 10 practicing accountants, while the remaining 146 units had between 2 to 4 practicing accountants..

3.3. Regarding the quality of human resources of the accounting and auditor teams

With the development of the market, the workforce performing accounting and auditing services has also increased in both quantity and quality. In recent years, under the tight management of the regulatory authorities, particularly the Ministry of Finance, the compliance awareness and adherence to accounting regulations in general, and the quality of accounting services in particular, provided by companies offering such services and by accountants themselves, have been elevated. Moreover, the number of individuals obtaining accounting certifications has been steadily increasing in line with the market's demand. The competency of accountants is also improving, fundamentally meeting the requirements of clients..

3.4. About the market for auditing and accounting services

Accounting service enterprises play a crucial role in assisting and advising investors and businesses on legal matters, financial regimes, state accounting structures, as well as in accounting record keeping, tax calculation, and financial reporting. Accounting and auditing services have experienced rapid development in both quantity and quality, diversifying their activities and enhancing the capabilities and expertise of organizations and individuals practicing accounting and auditing. The professional consciousness and responsibility of accountants have been gradually

elevated. Many professional accountants have matured and are capable of providing various services to diverse client groups. Assessments from international professional organizations also indicate that in recent years, the human resources in the accounting services sector in Vietnam have significantly improved. Alongside this, foreign investors' confidence in the Vietnamese market has also notably increased, providing Vietnamese businesses with more opportunities to receive investment capital from reputable companies and conglomerates worldwide.

IV. SOME LIMITATIONS OF THE CURRENT VIETNAMESE ACCOUNTING AND AUDITING SERVICE MARKET

Besides the achievements that the accounting and auditing service market currently has, there are still some issues that exist, such as:

4.1. About state management

The management, supervision, inspection, and examination of accounting activities play a crucial role, but in practice, they have not been perfected. Quality control activities in accounting services still have certain limitations in some cases. The effectiveness of management, inspection, and supervision activities in ensuring compliance with accounting laws is not yet high. Although there has been an improvement in the quality of human resources in state management agencies in the field of accounting, the quantity remains insufficient in the context of the increasingly developing accounting service market, where inspection and supervision activities are becoming more diverse and complex....

4.2. Market size of accounting and auditing services

In recent years, the development of the accounting field has been significantly contributed to by professional organizations. However, overall, the role of professional organizations in accounting and auditing in Vietnam is relatively unclear in terms of management, mainly limited to providing technical support and training for accountants and auditors. The number of registered accounting and auditing service providers is still limited, and the market size remains small, thus not fostering sufficient competition in service quality among companies. The development of accounting and auditing services in Vietnam has not kept pace with the economic growth. Despite significant improvements in service quality, the actual quality of accounting and auditing services in some

companies is still limited, failing to meet requirements. Some companies and accountants/auditors do not fully comply with accounting standards, auditing standards, and relevant legal regulations. Although the number of clients and service revenue of accounting and auditing firms has increased, the overall growth rate is still low.

The development of accounting and auditing services in Vietnam has not matched the economic growth. Moreover, there is still an imbalance in the development of the market, where companies with 100% foreign capital account for a small proportion but contribute up to 50% of the total market revenue for accounting and auditing services..

4.3. Services provided are not diverse, low added value, and service quality does not meet requirements

Although there have been positive developments, accounting and auditing services provided in the market are mainly focused on basic services such as financial statement auditing, basic accounting services (bookkeeping, financial reporting as required), and tax filing. High-value-added services such as financial consulting, managerial accounting, auditing, and risk management are still relatively limited. In the context of the Fourth Industrial Revolution, basic services will have less room for growth.

In addition to the limitation in service diversity, the quality of accounting and auditing services also faces challenges due to a shortage of high-quality human resources and low service fees. State management of the accounting and auditing services market is incomplete and lacks coherence, while the role of professional organizations remains unclear.

V. SOME SOLUTIONS TO DEVELOP THE ACCOUNTING AND AUDITING SERVICE MARKET AND HUMAN RESOURCES

The accounting and auditing services market is a specialized market. Its development impacts the transparency, honesty of financial information, and the efficiency and safety of allocating financial resources. Therefore, transparency, honesty, and quality are top criteria.

Developing the accounting and auditing services market based on respecting market principles while ensuring state regulation is essential. Particularly, professional expertise and ethical standards need to be tightly controlled by

state management agencies and professional organizations..

5.1. Complete the system of regulations, promulgate, publish and update the system of accounting standards and auditing standards

Amend and supplement the Accounting Law, revise and supplement the Law on Independent Audit to ensure consistent and internationally compatible provisions suitable for Vietnam's conditions. Enhance the roles and responsibilities of enterprises, organizations, and individuals in providing accounting and auditing information. Increase alignment between financial mechanisms and accounting standards; establish a legal framework to apply International Financial Reporting Standards (IFRS) in a suitable roadmap. Update the Vietnam Financial Reporting Standards (VFRS), independent auditing standards, internal auditing standards, and professional practices based on international standards and Vietnam's conditions to ensure comparability of economic and financial information among entities in the economy. Publish the system of Vietnam Public Sector Accounting Standards based on international public sector accounting standards and implement them appropriately according to Vietnamese law.

Continuously improve the legal framework for accounting and auditing services in alignment with international practices and Vietnam's conditions. Research and develop replacement Accounting and Auditing Laws that approach international standards, are suitable for Vietnam's conditions, and address fundamental limitations and challenges to build and enhance the legal framework for accounting and auditing. Strengthen the management and oversight capacity of state management agencies over service providers in the market; enhance international cooperation in market management for accounting and auditing services. Enhance regulations to facilitate participation in international agreements and mutual recognition among accountants and auditors. Continue to review, streamline, and simplify administrative procedures to create favorable conditions, save time, and reduce costs for enterprises, accounting units, accounting service businesses, and accounting professionals. Promote the development of domestic accounting and auditing professional organizations, gradually expanding their functions, and considering transferring management functions from the state to suitable professional organizations in line with international practices..

5.2. Improve the quality of human resources and the accounting and auditing service market

Developing the accounting and auditing services market involves implementing measures to enhance the quality of these services. It includes determining the appropriate scale and number of organizations providing accounting and auditing services to meet practical requirements through improving professional practice mechanisms and conditions. By 2025, it is aimed to ensure that 100% of large-scale enterprises undergo financial statement audits, without discrimination based on activity type or ownership form. Policies need to be in place to increase both the quantity and quality of accountants and auditors to meet the demand for high-quality human resources in the context of international integration.

Building a network of accounting and auditing training institutions closely linked with accounting and auditing service enterprises is necessary. There should be efforts to enhance training and promote ethical standards among accountants and auditors. Increasing awareness of management and enhancing the quality of accounting and auditing services are also crucial. Quality control should rely on established criteria for evaluation and improvement. Market development should involve diversifying services, focusing on high-value-added services by integrating accounting and auditing services with financial consulting, tax advisory, risk management, and governance advisory services. Professional associations need to enhance the efficiency of their professional activities, transfer appropriate professional activities, strengthen relationships, and leverage support from international accounting and auditing organizations and non-governmental organizations worldwide. Studying models from developed countries and applying them in Vietnam to build accounting technical expertise is essential. Furthermore, continuous improvement of training models, examinations, and certification issuance for accounting professionals should be pursued.

5.3. Implement digital transformation in the field of accounting and auditing

Enhancing the application of information technology in alignment with the digital transformation process is crucial in establishing the legal framework and organizing the implementation at various units; constructing databases related to accounting and auditing to serve the activities of units and management and supervision of accounting and auditing. Market development must be coupled with diversification

of services, aiming at high value-added services (integrating accounting and auditing services with financial consulting, tax consulting, risk management, and governance advisory services)... Rational increase in the number of enterprises providing accounting and auditing services; encouraging the formation of large-scale, high-quality accounting and auditing companies capable of competing in the domestic market and providing services in foreign markets. Enterprises need to enhance the application of information technology in their professional activities to increase productivity; strengthen business cooperation in providing comprehensive and integrated services to customers.

Accounting and auditing services play a particularly important role in the development of businesses and the economy. Building and improving the coordinated development of the market and enhancing the quality of accounting and auditing services will be the foundation to meet the increasing demands of customers. Therefore, in the near future, each service-providing enterprise needs to build a sufficient number of staff with professional expertise..

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