



Management

DISCUSSION ON THE HUMAN RESOURCES OF INDEPENDENT AUDIT IN VIETNAM

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Abstract

The purpose of this study is to analyze the situation of human resources working in the independent auditing industry in Vietnam in the period 2010-2015. Through the qualitative research methodology, the author of the study has made some conclusions. The human resources in the independent auditing industry in Vietnam are still limited, both in terms of quantity and quality. These are no small challenges in the context of Vietnam has been and continues to integrate deeply into the international economy.

Keywords: Human Resources; Independent Auditing; International Integration; Vietnam.

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1. Introduction

Human resources is a term that has been proposed by organizations and scientists for quite a long time with many complex points of view. Human resources can be construed as the place of reproduction, nurture and provision of human resources for development. This definition means showing the origin of human resources, in terms of the natural variation of the population and its impact on human resource mobility. Human resources are also construed as a direct element of the socio-economic development process, which is the whole specific people involved in the labor process. Within the framework of the article, the author uses this definition to easily obtain specific and quantifiable assessments of human resources in the independent audit service in Vietnam.

2. Literature Review

In recent years, there have been many studies that have mentioned the role and significance of human resources for improving competitiveness, sustainability and development, efficiency and quality in the business, sector. For example, Thorne’s research shows that high-performing firms are characterized by high performance such as high market share, high productivity, low production costs (Thorne, 2004). The research of WEF (2004) suggests that there are two groups

of factors influencing the company's competitiveness including: internal factors such as organizational capacity; capacity of equipment, tools; human resources quality; financial capacity; business size; marketing capacity; Research and development capacity. Meanwhile, external factors may affect the company's competitiveness including: market; institutions and policies; support; human resources qualifications; Infrastructure system.

For research in the independent auditing field, some studies also dealt with the role of human resources. As illustrated by Newbert's research (2008), there are five main sources which are able to the auditing company's competitiveness including: financial resources, human resources, intellectual resources, organizational resources, and physical resources. Research implemented by Phan Đ. D (2015) has identified that among 12 factors affecting the quality of auditing services provided to the market, there is the quality of staff and managers; Human Resources. Previous research implemented by Doan X. T (2006) also identified the ability of organizations to manage business operation, management, ability to update information, the ability to cooperate with relevant enterprises, ensuring the credibility in business, the quality of the management staff, are factors affecting the auditing company's competitiveness.

From the above analysis, we can see that human resources is an extremely important factor having decisive influence to competitiveness, the quality of services that an auditing company can provide to customers. On a large scope, the quality and quantity of human resources in the audit field will be a key factor for the survival, stability and sustainable development of the audit field; especially, in the period of international integration, there are many advantages but not less difficulties and challenges at present.

3. Materials and Methods

The data collected by the author is based on data from various reports published by the Ministry of Finance and the Vietnam Association of Certified Public Accountants (VACPA) between 2010 and 2016. On the basis of This data, the author conducts the analysis, selection and calculation, presented by indicators, factors related to the situation of human resources in the field of independent audit in Vietnam. Two aspects of the article's author that go into the analysis are the quantity and quality of human resources.

4. Result and Discussion

Based on using qualitative research method with the reliable secondary data published by the Ministry of Finance, VACPA, the author of this article would like to highlight the current situation of human resources in the independent audit service in our country last time including two main aspects: quantity and quality as follows:

- *The number of audit practitioners, skilled employees working in the field of the independent audit.*

According to statistics, in the last five years (2010-2015), skilled employees and audit practitioners working in the field of independent audit in our country are constantly increasing. However, the growth rate in terms of scale of the following year compared to the previous year

was not large and dramatic. This situation is reflected in the figures in the table 1 and figure 1 as follows:

Table 1: Volatility of human resources audit in Vietnam

Year	2010		2011		2012		2013		2014		2015(*)	
	Quantity	(%)	Quantity	(%)	Quantity	(%)	Quantity	(%)	Quantity	(%)	Quantity	(%)
1. Foreign audit firms	2,256	25.9	2,519	26.1	2,632	25.6	2,613	24.7	2,873	25.9	2,825	24.7
Employees (none CPA)	2,045	23.5	2,256	23.4	2,329	22.6	2,444	23.1	2,653	23.9	2,558	22.4
CPA	211	2.4	263	2.7	303	2.9	169	1.60	220	1.9	267	2.3
2. Vietnam audit firms	6,430	74.0	7,119	73.86	7,637	74.3	7,935	75.2	8,198	74.0	8,589	75.2
Employees (none CPA)	5,394	62.1	5,967	61.9	6,386	62.1	6,704	63.5	6,890	62.2	7,147	62.6
CPA	1,036	11.9	1,152	11.9	1,251	12.1	1,231	11.6	1,308	11.8	1,442	12.6
Total	8,686	100	9,638	100	10,269	100	10,548	100	11,071	100	11,414	100
CPA	1,247	14.35	1,415	14.68	1,554	15.13	1,400	13.27	1,528	13.80	1,709	14.97
Employees (none CPA)	7,439	85.65	8,223	85.32	8,715	84.87	9,148	86.73	9,543	86.20	9,705	85.03

(*) As of June 2016

Based on this data, we can see that in terms of quantity, as of June 2016, Vietnam audit firms consist of 11,414 people including 1,709 CPA. Preliminary statistic shows that for each audit firm, there are 80.3 people, of which 12.04 people are auditors registered for practice; The proportion of CPA in the total number of employees working in the audit field is 14.97% (1,709 auditors/11,414 people). These figures show that the size of human resources of Vietnam audit firms is still low.

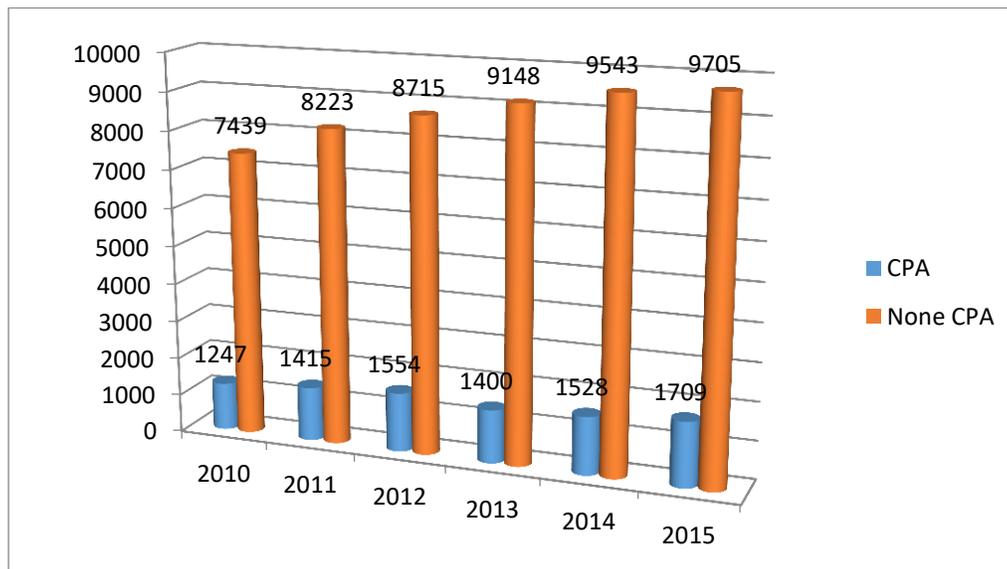


Figure 1: Number of human resources audited in Vietnam from 2010-2015

Particularly, when analyzing at a more detailed level as in Table 2 below, it can be seen that audit practitioners/total employees and average auditors/audit firms is quite low. Especially in the audit firms which are not members of the international audit firms, the average auditors/audit

firms is 7.52, but there are up to 40 audit firms which just meet the minimum level of 5 audit practitioners, 5 audit firms with the number of 6-9 auditors, 17 audit firms with the number of 10-15 auditors. 20 audit firms with the number of 16-28 auditors and only 10 audit firms with the number of auditors at the level of 29-76 peoples as stipulated by law. (VACPA, 2016).

Table 2: The structure of human resources audit in Vietnam in 2016

Forms of enterprises	Number of independent audit firms	Number of skilled employees	Number of auditors	Total employees	Ratio of auditors/employees (%)	Average ratio of auditors/audit firms
A	(1)	(2)	(3)	(4)=(2)+(3)	(5)=(3)/(4)	(6)=(3)/(1)
1. Foreign audit firms	10	2,558	267	2,825	9.45	26.70
Enterprises with 100% foreign capital	3	1,987	176	2,163	8.14	58.67
Invested enterprises	7	571	91	662	13.75	13.00
2. Vietnam audit firms	132	7,147	1,442	8,589	16.79	10.92
Net works firms	15	2,345	435	2,780	15.65	29.00
Association members	12	977	205	1,182	17.34	17.08
Correspondent firms	1	96	20	116	17.24	20.00
Other	104	3,729	782	4,511	17.34	7.52
Total	142	9,705	1,709	11,414	14.97	12.04

Accordingly, based on the above analysis data, it is easy to see that the number of human resources in the independent audit industry is relatively small. In the period of deepening integration, the number of audit practitioners has not reached 2,000 people yet, while actually the number of audits who are granted with CPA certificate by the end of June 2016 is 3,837 people (2,128 people have CPA certificates but do not work in the field of the independent audit or practice registration, accounting for 55.45%).

Compared to the AEC region, with the current number of audit practitioners, Vietnam accounts for only 1.9% of the number of audit practitioners in the ASEAN region (Đang V. T, 2016). A very modest ratio can show the current status of the number of staff directly engaged in the independent audit service in our country today.

- *The quality of audit practitioners, skilled employees working in the field of independent audit*

Besides quantitative factors as analyzed above, the human resource of the independent audit service in Vietnam is still relatively low in terms of quality. This is reflected in many factors such as age, length of service (years of experience) is still low; The number of diplomas and certificates related to the professional qualifications of the audits is quite low, staff and auditors who know and use 2-3 foreign languages fluently is rather low. Table 3 below shows the number of certificates and professional qualifications that human resources in the independent audit industry have achieved in the last two years. Of which the data in column 2015 has been calculated up to June 2016.

Table 3: Professional qualifications of human resources auditin Vietnam between 2015 and 2016

Norms of the professional qualifications	June 2016		June 2015	
	Quantity	%	Quantity	%
Total employees	11,414	100	11,071	100
<i>None CPA</i>	9,705	85.03	9,543	86.19
The number of employees certified CPA Vietnam	1,797	15.74	1,647	14.88
- Vietnamese people	1,772	15.52	1,617	14.61
- Foreigners	25	0.22	30	0.27
Number of people who have been granted CPA at the audit firms	1,709	14.97	1,528	13.80
- Vietnamese people	1,684	14.75	1,500	13.55
- Foreigners	25	0.22	28	0.25
Number of people who are granted international auditing certificate	266	2.33	240	2.17
- Vietnamese people	237	2.08	206	1.86
- Foreigners	29	0.25	34	0.31
Number of people issued Accounting Practice Certificate	107	0.94	60	0.54
Number of people issued Valuer Certificate	342	3.00	315	2.85
Number of peoples issued a Certificate for Practising Service on Tax Procedure	701	6.14	689	6.22

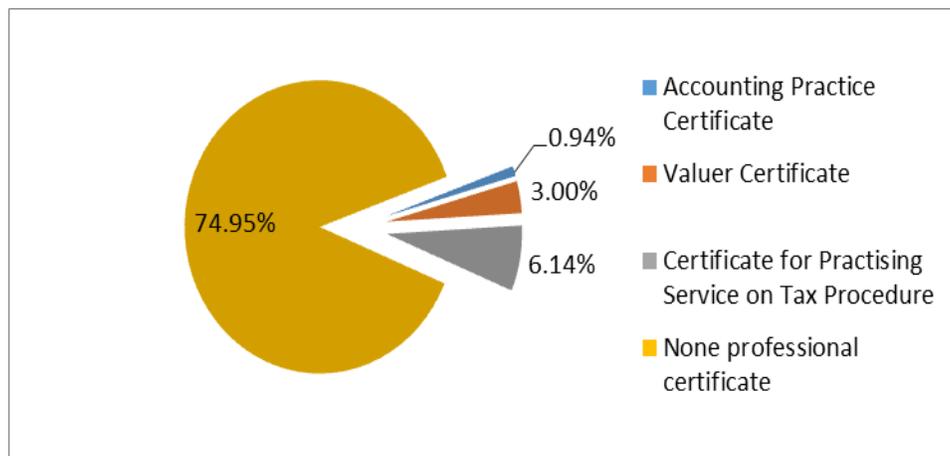


Figure 2: Structure of human resources audit in Vietnam based on professional certificates

According to tables 3 and 2, it can easily be seen that among the 11.414 people working in the independent audit service, the numbers of people who have not yet achieved the professional qualifications in auditing, accounting, taxation, valuation, etc for the related work is quite minimal. Currently up to 74.95% of people do not have elementary qualifications, exclusive of the calculation presented above is only relative because one person may own multiple professional certificates at the same time.

In the scope of this article, in addition to the vocational qualifications and practicing certificates related to the profession, to measure the professional qualification of human resources, the

author also considers the average productivity per an auditor. This criterion is calculated by $(=)$ Sales divided by $(/)$ Number of audit practitioners (or number of skilled employees)

Table 4: Average productivity of audit practitioners in the period 2010-2015

Unit : million VND

Year	2010	2011	2012	2013	2014	2015
Forms of enterprises						
Average productivity of auditors in the independent audit service	2,200	2,343	2,439	2,969	2,999	3,002
1. Average productivity of auditors in foreign audit firms	6,046	6,105	5,920	11,678	9,632	8,795
Enterprises with 100% foreign capital	6,378	6,716	6,498	15,148	14,166	11,960
Invested enterprises	3,047	1,848	2,329	2,402	2,566	2,674
2. Average productivity of auditors in Vietnam audit firms	1,417	1,484	1,595	1,773	1,884	1,929
Net works firms	2,342	2,565	2,691	2,985	3,339	3,173
Association members	1,642	1,697	1,485	1,552	1,587	1,540
Correspondent firms	1,589	2,092	2,218	2,279	1,409	1,377
Other	860	894	1,034	1,101	1,176	1,353
Total	4,629	4,621	4,325	9,905	7,748	6,866

According to the above analysis, it can be seen that on average every year, a audit practitioner belongs to the company's workforce contributing 2-3 billion VND to the audit firms. However, this productivity difference is quite clear (8 to 10 times) between the groups of foreign enterprises, especially 03 Enterprises with 100% foreign capital (E & Y, KPMG, Deloitte) compared with the Vietnam enterprises.

Table 5: Average productivity of skilled employees in the period 2010-2015

Unit : million VND

Sl. No	Norms	2010	2011	2012	2013	2014	2015
1	Average revenue of international audit firms	1,275,746	1,605,721	1,793,840	1,973,661	2,118,939	2,348,270
2	Average revenue of Vietnam audit firms	1,467,973	1,710,127	1,995,892	2,182,965	2,464,195	2,781,295
3	The total revenue	2,743,719	3,315,848	3,789,732	4,156,626	4,583,134	5,129,565
4	Number of skilled employees	8,686	9,638	10,269	10,548	11,071	11,414
4a	- International audit firms	2,256	2,519	2,632	2,613	2,873	2,825
4b	- Vietnam audit firms	6,430	7,119	7,637	7,935	8,198	8,589
5	Average productivity of skilled employees (3/4)	315.9	344.0	369.0	394.1	414.0	449.4
5a	- International audit firms (1/4a)	565.5	637.4	681.6	755.3	737.5	831.2
5b	- Vietnam audit firms (2/4b)	228.3	240.2	261.3	275.1	300.6	323.8

Thus, based on Table 5, it can be seen that the average productivity of skilled employees in the past was between 315-450 million VND/employee/year (approximately 22,500 USD/ year). This is relatively high productivity in comparison to other industries in the society, but in the field of independent audit, this productivity in our country is generally much lower than in other countries in the same region, especially Singapore, Thailand, Indonesia, Malaysia, etc.

5. Conclusion and Recommendations

Thus, based on the data and analysis presented above, it can be seen that though human resources for the independent audit service in Viet Nam in the past time has made many breakthroughs and clear improvement, but basically in terms of quantity and quality, there are still many basic restrictions. This is evidenced by the fact that the number of special human resources of audit practitioners is still low, the average productivity is not high and the professional qualifications shown by the national and international professional diplomas and certificates are still low, the rate of auditors has passed the certificate but not working in the audit field is rather high (55.45%)...

This is a big challenge while Vietnam has been deeply integrating into the international economy, joining in the important organizations such as ASEAN Economic Community (AEC), Trans-Pacific Partnership Agreement (TPP), and *Free Trade Agreement* (FTA).

Based on the current situation and some limitations on the human resources of the independent audit service in the last 5 years, the author presents solutions with specific recommendations as follows. :

For the Government and ministerial levels (Ministry of Finance, Ministry of Education and Training.)

Continue reviewing and finishing, set up the legal framework in the fields of finance, taxation, accounting and auditing, etc in full accordance with international practice to facilitate the sustainable development of services provided by audit firms.

Study and issue sub-law documents on the implementation of service commitments in international and regional organizations such as Bilateral Trade Association (BTA), General Agreement on Trade in Services (GATS) and ASEAN Framework Agreement on Services (AFAS) for auditing services. Promulgate regulations of preferences on procedures for exit, entry, residence and licences of accounting and auditing specialists providing transnational audit services.

Invest in and support universities and institutes in the course of audit training. Encourage training cooperation with prestigious associations in the world to carry out the training of certificates and qualifications such as ACCA, CPA Australia, ICAEW, etc.

Stronger transfer of monitoring and evaluation of quality of work, professional ethics of relevant professional associations such as Vietnam Association of Certified Public Accountants (VACPA), Vietnam Association of Accountants and Auditors (VAA)

Organize exams for practising certificate quarterly and execute in large areas of the 3 regions of the country instead of only implement in Ho Chi Minh City and Ha Noi twice a year at present.

For Vietnam Association of Certified Public Accountants (VACPA), Vietnam Association of Accountants and Auditors (VAA)

Strengthen and expand cooperation with professional organizations in the region and in the world; Carry out the negotiation in order to reach the recognition and standardization of Vietnam's practising certificates in other countries, with the highest priority given to the implementation of agreements on recognition of accounting and audit profession in the AEC area (Mutual Recognition Agreement).

Together with the ministries, branches and audit firms, research and develop a set of standard manuals for training new personnel; curricula, materials for training and review of practising certificates based on the training programs of prestigious professional associations.

Support the audit firms, universities and institutes in training auditors, skilled employees as well as students studying accounting and auditing sector.

Recommend to the Ministry of Finance on modification of the training program for auditors and practising accountants. Separate the current training and certification functions so as to ensure the independence, objectivity and improvement of the professionalism and quality of the trainees.

For audit firms

An audit firm is a participant in the integration process of AEC, TPP and FTA directly and actively. In order to improve the quantity and quality of human resources of their own businesses, the enterprises should attach special importance to the following tasks:

Pay special attention to the training and fostering to raise the qualifications, capacity and professional ethics of the employees. Set up good compensation & benefits package in order to retain good employees and attract human resources to work, both Vietnamese and foreigners. Recruit highly skilled foreign employees, especially neighboring countries in Southeast Asia such as Singapore, Malaysia, Thailand, etc to work to both expand the transnational service to that country and make use of internal training to improve the quality of Vietnamese human resources.

Focus on investment, construction and continuous improvement of business strategies of enterprises by researching the market, provide services, diversify the products and services provided on a stable maintenance basis. and the dramatic development of the quality of the auditors, managers in the enterprise.

Actively seek partners, negotiate to join associations; link with reputable international audit firms to inherit business experience and build strategy, orientation for business development in the coming time. Being a member of international auditing firms is considered as a proper

solution to enhance prestige and brand in business competition; enhance the attractiveness of auditing apprentice. Obviously, in order to achieve this, the audit firms should review and compare the criteria and standards set by the international audit firms; establish a sustainable strategy to achieve those criteria and standards.

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