

## Determinants Influencing Audit Quality: The Case of State Audit of Vietnam

### Author's Details:

<sup>(1)</sup>Manh Cuong Nguyen <sup>(2)</sup>Manh Dung Tran <sup>(3)</sup>Huu Dong Nguyen

<sup>(1)</sup> State Audit Office of Vietnam - <sup>(2)(3)</sup>National Economics University, Vietnam

Correspondence: **Manh Dung Tran**, Room No. 202, A14, Living quarter of National Economics University, Hai Ba Trung District, Hanoi, Vietnam.

### Abstract

*This study is conducted to investigate the impact levels of determinants influencing audit quality of ODA projects with the case of State Audit of Vietnam. By interviewing state auditors, observing audit activities in the audit process of ODA projects and sending questionnaires to auditors, primary data were used for running the regression model of audit quality. The results show that two groups of external factors of legal framework and auditee have positive relationships with audit quality, but auditee has a stronger impact. For internal determinants, the impact levels to audit quality reduce from expertise to duration, knowledge, profession with a significant level of 1%. Compliance variable has the lowest level of influence with 10% of a significant level. Working conditions and control are not statistically significant and no impact on the audit quality of ODA project. Based the findings, some recommendations are given for State Audit of Vietnam to improve audit quality of ODA projects.*

**Keywords:** Audit quality, Determinants, State Audit, Vietnam

### 1. Introduction

Official Development Assistance (ODA) has been one of the major sources of investment for Viet Nam's economic development over the past two decades. By the end of 2017, ODA accounted for about 11.2% of the total social investment. According to the Ministry of Planning and Investment (2016), in the 2011-2015 period, the total ODA capital signed in the international agreements reached about \$ 27.78 billion, including ODA and preferential loans reached 26.52 billion dollars, accounting for about 95.5%, non-refundable ODA grant reached 1.25 billion, accounting for about 4.5%. Total ODA and preferential loan disbursements in this period were estimated at 22.32 billion dollars, accounting for 80.4% of total ODA and preferential loan.

ODA is considered to be an important source of capital for economic development of Vietnam. However, there are certain risks associated with ODA, particularly debt repayment. It is essential to set up a monitoring mechanism for the effective use of ODA. The burden on the country will be greater in the coming years, especially as higher interest rates on loans and reduced grace period. Vietnam will also face a number of other risks including exchange rate risk, cash flow risks due to budget deficits and increased debt services, technical risks and even natural disaster risks. Therefore, the Government should strengthen the management and efficient use ODA capital in order to not only enhance their role in the economy but also to create the ability to repay debts; in which the task of monitoring and using ODA capital plays an important role.

The State Audit of Vietnam (SAV), *with its functions and duties under the State Law*, is to inspect and certify the management and the use of public finance, public assets and activities related to the management, using public finance, public assets of public sector units. The State Audit of Vietnam plays an important role in confirming the fairness and truthfulness of data about the Government's foreign debt (including ODA loans) and in confirming the fairness, truthfulness, and rationality of the financial reports of ODA project management units.

In addition, the intensification of auditing the ODA-funded investment projects is driven by the need to improve the efficiency of state budget management and public finance and the requirements from the public for the transparency and accountability of information. The fact that public opinion in the past has many concerns about the effectiveness of public investment because of following reasons as limited effectiveness of projects; total investment increased; investment is spread out; the quality of construction works are low; high loss and waste of funding. This leads to budget deficits and increasing public debts, mainly because of ODA loans and preferential investment loans has not been effectively used. Therefore, the State Audit of Vietnam will be an effective tool for comprehensive examination, evaluation and increasing the economic, efficiency and effectiveness in the process of receiving, managing and using ODA in order to meet the objectives and the socio-economic development policies of the National Assembly and the Government, also improving the soundness of the national financial system.

During the past time, despite the achievement of certain results, the audit of ODA projects operated by the State Audit of Vietnam has relatively low quality and has not met the requirements of the State management authorities. The issue is to improve the quality of auditing ODA projects; it is necessary to find out the level of impact of factors on quality of the audit (both internal and external). Therefore, this study examines the impact of factors on the quality of audit of ODA projects that addresses the management issues.

## **2. Literature Review**

Studies on the factors affecting the quality of audits are often conducted by researchers on independent audits rather than on the State Audit of Vietnam. The size of the audit firm influences the quality of the audits said by Carlin et al. (2010). DeAngelo (1981) suggested that a more reputable audit firm would provide better quality audit services. Defond and Jiambalvo (1991) argue that the audit fee is proportional to the quality of the audits. Boon (2007) concluded that audit firms that have a larger amount of customers would provide better quality audits. According to Libby et al. (2006); Carlin et al. (2010), Carlin et al. (2015) the quality of the audit depends on the audit firms and, more importantly, on the auditor directly auditing the auditees.

According to DeAngelo (1981), the quality of audits depends on the professional competence of the auditors to detect material misstatements and also depends on auditors independence to report the material misstatements. Tran (2011), Angus (2004) argued that factors related to auditors such as independence, competence, and experience; the factors related to audit firms such as reputation, scale, ability to meet audit services affect the quality of the audits. Boon (2007) identified 14 factors that belonged to auditors and audit firms such as audit firm size, the commitments to achieve audit quality, experience of auditors, and their independence affect the quality of financial report' audits at different levels regarding the study of audit quality carried out by the State Audit at local public sector units generally in the context of Australia.

There are also other studies address that the factors influencing the quality of the financial statement audit are more often exercised by independent auditors rather than by the State Audit. However, in general, those researchers usually identify two types of factors that influence the quality of the audit: (i) external factors and (ii) factors within the audit firms.

In the literature conducted in Vietnam, the quality of the audit, the improvement of audit quality control and the factors affecting the quality of the audits, mainly focused on the financial statement auditing, have also been attractive to some researchers in the country. It can be mentioned as Ngo (2002), Ha (2011), Bui (2013) and others. These studies pointed out the external factors such as the regulatory environment, the internal control of the client company; internal factors such as the independence of auditors, professional capacity, compliant standards and others. These researches focus on the quality of financial statement audits conducted by independent audit firms; Moreover, the impact of the factors on the quality of the audit is mostly through interviews and the use of statistical descriptions of the mean, so the persuasiveness is certain and does not make readers satisfy about the level of influence. The recommendations are somehow unconvincing.

Both nationally and internationally, there are not so many researches on the factors influencing the quality of auditing projects using ODA conducted by the State Audit of Vietnam. In addition, the issue of "*raising the quality of auditing*" is currently a big concern; and in order to make recommendations to improve the quality of financial report audits in general and ODA projects in particular, determining the extent to which factors influencing the audit quality is essential. By determining the level of influence of factors on the audit quality, the new audit has the background to focus on which factors are important, which is the key to improving the audit quality and increase the confidence for the audiences while using audit results.

## **3. Audit Quality and Its Measurement**

Audit quality reflects the level of accomplishing audit objectives by auditors as well as the level of law compliance, audit standards, audit procedures, and the application of appropriate professional methods in order to achieve the requirements of the accuracy, true and fair view, objectivity and timeliness of the audit results and to ensure the feasibility of the audit recommendations.

The quality of an audit plan presents the audit plan conducted according to the form and contents prescribed by the State Auditor General; clearly defined audit objectives, audit contents, audit extents, materiality, audit risks, auditing approaches, time and personnel. The contents of the audit planning section

are reasonably explained, appropriate & sufficient evidence, relevant to the situation and data of an auditee. The contents of the audit plan shall be disseminated to each member of the audit team and be commonly understood by team members.

The quality of an audit is understood as the ability to detect and reporting material misstatements, which reveals that the auditors have complied with the objectives and contents of the audit identified. Audit file is made and recorded according to regulations of the audit file forms. The audit evidence has been gathered adequately, and appropriately. The audit team has complied with the regulations of the organization and the operation of the audit team and auditing standards.

The audit report should be consistent with the applicable standards and regulations of audit reports promulgated by the State Audit, ensuring accuracy, timeliness; fully reflect the audit situation and results as well as the audit contents and objectives. Material misstatements presented in the audit report have been properly considered and resolved. Comments and conclusions of the audit which are basing on audit evidence are complete, accurate and reliable.

Audit quality is evaluated based on two methods, namely, indirect and direct methods. The evaluation of audit quality by the indirect method tends to stem from a process of comparing observed values for some accepted proxies for quality among audit firms, while attempts to measure audit quality by the direct method is through the process of an audit. Measuring audit quality using the direct method is more difficult and costly, basing on quality control review, audit processes, peer review and others.

Measuring audit quality using the indirect method (via proxy), including fee differentials, litigation occurrence, and resolution; auditors' perception and users' perceptions and others. In this research, audit quality is evaluated through perceptions of State Audit.

There are several factors affecting audit quality, including internal and external factors. For an audit of the ODA-funded project, internal factors relate to Vietnam State Audit and auditors, including the professional knowledge and skills of the auditors; professional expertise; professional skepticism, compliance with the standards, working conditions of the state auditors; auditing duration and audit quality control.

#### **4. Data Collection and Research Methodology**

##### **4.1. Data Collection**

First, observation: it is a relatively common method of data collection in qualitative research. As one author was a former auditor, who is now in charge of the audit, especially auditing ODA projects, so the author has advantages in collecting research data. The author directly observes the audit team conducting the audit of ODA-funded investment projects from the preparation of the audit, the auditing phase, the preparation and sending of the technical report, the inspection of the implementation of the audit recommendations of the ODA auditees. And also in the process of auditing, there are discussions between auditors and discussions between auditors and ODA projects' management units. Based on observations, discussions and auditing data, the author has honestly reflected on this research to clarify the current situation, as well as provide more realistic solutions and recommendations on the audits of ODA-funded investment projects that are carried out by the State Audit of Vietnam.

Second, interview: the research sample (*selected interviewees*) to submit the questionnaire was 20 auditors from SAV who have audited ODA projects, leaders of some units and auditors who are in charge of quality control in the five year period from 2011 to 2015. The main characteristics of the sample include:

- The interviewees were the auditors who audited ODA projects for 5 years from 2011 to 2015. They have a lot of experiences in project auditing (at least 03 years of experience, leaders a number of units, auditors in charge of quality control).

- Subjects selected for interviews were diversified in terms of composition, including leaders of departments in charge of the audit, heads of audit groups, leaders of audit teams, members of audit teams, quality control departments.

The interviewee is the person who directly participates in the audit, directly signs / revises the quality of the audit, so knows about the audit process as well as factors affecting the quality of the audit, thus ensuring the reliability of the research results.

The purpose of the interview was to investigate the actual status of ODA project audits (results achieved, the existence and causes of constraints), but also to identify factors affecting the quality of the audits from the perspective of members participating in audit delegations at different stages, so data are

collected to ensure objectivity, reliability. In this study area, the author does not interview the parties using information on the financial report for the purposes of the survey, since this study does not consider the level of satisfaction of the agencies, units, and individuals using financial reports. This interview was to evaluate the factors affecting the quality of the audit based on the ability to detect (depending on the capacity of the auditors) and the report of the auditor (depending on the independence of the auditor) about the errors on the settlement of investment capital; in compliance with the applicable law. From interview results as well as related studies in a theoretical framework, there are two groups of factors that affect the results of auditing projects using ODA. They are external factors such as legal framework, audited entity and the internal factors which consist of seven elements that are mainly focused on the auditors: professional qualification of the auditors; professional expertise; professional attitude; standard compliance; working conditions; audit time; and auditing quality control. From the preliminary interview results, the authors designed the questionnaire to assess the impact of these factors on the quality of the audit of ODA-funded projects.

Third, designing questionnaire: questionnaire is designed to include general information about the individual respondents; evaluation of audit objectives; the quality of the audit of ODA-funded projects, groups of factors and attributes of Likert scale factors ranging from 1 to 5; where 1 is the lowest and 5 is the highest for each question. The purpose of collecting this questionnaire was to collect quantitative data in order to run the model to determine the influence of factors on the quality of the ODA project audited by the SAV. Questionnaires are sent via email and hand-held.

The number of questionnaires sent was 200 questionnaires to auditors of the General Department, State Audit of Region I and State Audit of Specialized Branches IV and V of the SAV. The number of questionnaires was 200 that was supposed to represent the whole situation. The reason is that the auditing of investment projects using ODA capital is mainly carried out by State Audit Branch IV and V with about 160 auditors, together with other related departments such as the General Department and some Regional State Audit Offices with about 90 people. So the questionnaire sent out were 200 in total 250 auditors, accounting for 80% of the total.

The number of questionnaires received was 175 questionnaires, including 7 questionnaires with invalid answers and lack of information, thus eliminating the sample. As a result, 168 questionnaires were used, accounting for 84% of the questionnaires sent out and accounted for 70% of the sample size.

The questionnaires were sent to Heads of audit groups, heads and members of audit teams who directly conduct the audits of ODA-funded investment projects and leaders, auditors from quality control departments.

#### **4.2. Data Processing**

First, verify the reliability of the scale and elements in the same group using the Cronbach's alpha confidence factor. Many researchers believe that when Cronbach's alpha is greater than 0.8 or closer to 1, the measurement scale is good, from 0.7 to 0.8 is usable. There are also studies that suggest that Cronbach's alpha 0.6 or more is used.

Second, multi-collinear testing: Multiplicity occurs when there is a linear relationship between the independent variable of the regression model. As the confidence intervals of the regression coefficients are wider, the standard deviation can be large. In order to ensure the effectiveness and accuracy of the regression model, multi-collinear testing should be carried out for early detection and corrective measures.

Third, auto-correlation test: The autocorrelation occurs when there is a correlation between the errors in the assumption of the linear regression model, which leads to the estimation of variance, t-test. And the F test is no longer reliable.

#### **4.3. Research Models**

To determine the level of influence of factors on the quality of audit of ODA-funded investment projects carried out by the SAV, the regression model was constructed as linear multiple regression models, an, i.e., survey of three or more variables, including one dependent variable and multiple independent variables. Based on the theoretical background presented in the previous chapters, dependent variables and independent variables will be measured on a scale of 1-5 to assess the significance of each factor. The contents of the variables are as follows:

+ Dependent variables related to the quality of audit (CHATLUONG) are measured by development criteria from Behn et al. (1997); DeAngelo (1981); Tran & Lai (2016). According to these studies, the quality of the audit included attributes that were defined by the Likert scale by collecting data from



questionnaires. Also in terms of determining the value of the dependent variable in such studies, the dependent variable audit quality (code CHATLUONG) includes the ability to detect critical errors (depending on auditor’s professional capacity) and the ability to report misconduct (depending on the independence of the auditor) when conducting the audits of ODA-funded investment projects implemented by the SAV. Based on level 1: very low to level 5: very high (Likert scale from 1 to 5), the CHATLUONG variable is then defined as the mean value of the error detection capability and the ability to report significant errors in the audit process.

Independent variable consists of two groups of factors: external factors and internal factors.

*External factors include:*

- (1) The legal framework for the audit of ODA projects (PHAPLY);
- (2) The factors that belong to the auditee are the Management Boards/ Management units of ODA projects (DVKT).

*Internal factors include:*

- (3) Professional qualification of auditors (CHUYENMON);
- (4) Career expertise (career competence / career thinking) of auditors (TINHTHONG);
- (5) Professional attitude (Careiness, skepticism) of auditors (THAIDO);
- (6) Compliance with standards of members of Audit Team (TUANTHU);
- (7) Working conditions of auditors (DIEUKIEN);
- (8) Audit Period (THOIGIAN);
- (9) Quality control audit (KIEMSOAT).

Each of the above factors includes a variety of attributes to evaluate, with a scale from 1 to 5 (1 is very low, and 5 is very high). Specifically, the PHAPLY will include five rating attributes; DVKT, and THAIDO and TUANTHU have 6 attributes; The CHUYENMON and DIEUKIEN elements consist of 7 attributes; TINHTHONG has 10 attributes; THOIGIAN and KIEMSOAT have 4 attributes.

Basing on Behn *et al.* (1997), DeAngelo (1981), independent and dependent variables were employed in the regression model for determining the effects of determinants which affect the audit quality of ODA-funded projects, as follows:

$$QUALITY = \beta_0 + \beta_1 \times LEGAL + \beta_2 \times AUDITEE + \beta_3 \times KNOWLEDGE + \beta_4 \times EXPERTISE + \beta_5 \times PROFESSION + \beta_6 \times COMPLIANCE + \beta_7 \times WORKCO + \beta_8 \times DURATION + \beta_9 \times CONTROL + \varepsilon_i$$

*In which:*

Dependent variable: QUALITY: Audit quality

Independent variables: LEGAL: Legal Framework; AUDITEE: Audited entity; KNOWLEDGE: Knowledge and skill; EXPERTISE: Auditors’ expertise; PROFESSION: Professional skepticism; COMPLIANCE: Compliance with law & regulations; WORKCO: Working Conditions; DURATION: Audit duration; CONTROL: Audit quality control.

**5. Results and Discussion**

The result of the regression model is as follows:

**Table 1: Regression results of factors affecting audit quality**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Durbin-Watson
21	.982 <sup>a</sup>	.965	.963	.1889	2.198

a. Predictors: (Constant), questions of 19, 17, 16, 13, 11, 15, 12, 18, 14

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	155.766	9	17.307	484.989	.000 <sup>b</sup>
Residual	5.638	158	.036		
Total	161.405	167			

a. Dependent Variable: Quality

b. Predictors: (Constant), ques 19, 17, 16, 13, 11, 15, 12, 18, 14

Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-.398	.084		-4.740	.000	-.564	-.232
LEGAL	.111	.025	.110	4.486	.000	.062	.160
AUDITEE	.137	.035	.137	3.931	.000	.068	.206
KNOWLEDGE	.163	.034	.159	4.767	.000	.095	.230
EXPERTISE	.322	.042	.314	7.684	.000	.239	.405
PROFESSION	.164	.035	.158	4.732	.000	.096	.232
WORKCO	.014	.013	.016	1.049	.296	-.012	.040
COMPLIANCE	.023	.013	.027	1.753	.082	-.003	.050
DURATION	.183	.036	.175	5.126	.000	.112	.253
CONTROL	.017	.016	.018	1.067	.288	-.015	.050

a. Dependent Variable: QUALITY

Table 1 shows that there are two groups of external factors: legal framework (LEGAL) and auditee (AUDITEE). Among these external factors, AUDITEE has a stronger impact on audit quality than the other, and two group of factors have positive impacts. This means that if legal framework including State Audit Law, Auditing Standards, Audit Process and Auditing Guidelines are properly and adequately compiled, the audit quality is also improved. In addition, if the competence, professionalism, compliance, and understanding of the Project Management Committee (PMC) are improved, that will have a positive impact on the audit quality. Moreover, results of regression analysis for LEGAL and AUDITEE were statistically significant at 1%.

The data in Table 1 show that the impact levels of factors to audit quality reduce from EXPERTISE to DURATION, KNOWLEDGE, PROFESSION with a significant level of 1%. COMPLIANCE has the lowest level of influence with 10% of a significant level.

Besides, WORKCO and CONTROL are not statistically significant, which means that these factors have no effect on the audit quality of ODA project. This can be interpreted as follows:

CONTROL is not statistically significant (with Beta is 0.288). Therefore there is no evidence to conclude that it affects audit quality. This result is different from prior studies with data from independent audit firms. This is because the audit quality control of SAV has been carried out synchronously with several levels, with specific and strict regulations, including inspecting and supervising audit activities to ensure audit quality and quality of audit report; preventing, detecting and correcting errors and limitations of the audit activities. The audit quality control of SAV is also conducted by the State Auditor General; The Chief Auditor of the State Audit of the region, as well as the audit quality control of the State Audit Team. With strict regulations on the functions and tasks of units and individuals for quality control auditing, quality control has been improved so that almost all auditors have good performances. Besides, quality control was carried well in all sector-wide audits, so there is no major difference or impact on the quality of the various audits. In fact, if the audit work of the audit team and the audit delegation has performed at high standard, most of the draft audit reports are of good quality, with almost no significant errors leading to correction

changes the quality and results of audits as recommended by the auditing quality control process of the Department of Quality Control and Audit.

WORKCO is not statistically significant (Beta of 0.296), so there is no evidence that it affects the quality of the audit. This is because, during the audit of the ODA project, auditors use laptops and have experience of project audit, so the forms of this kind of audit used are familiar. Moreover, the audit duration usually lasts for several weeks, so the State's remuneration is acceptable.

Regression results show that  $R^2$  is 0.982, which means that 98.2% variation of the QUALITY variable is explained through the regression model, nearly 2% QUALITY variation can be explained by other factors which does not include in the model. Besides, the result of Durbin-Watson test is about 2, which indicates that the likelihood of autocorrelation in the model is low. In addition, multicollinearity tests show that VIF variance coefficients are less than 2 and the tolerances are greater than 0.1, so it is possible to confirm that multicollinearity does not occur between the toxic variables in the research model.

Thus, the result also reveals the influence of the internal factors (7 determinants) and the external factors (2 determinants) on the audit quality of ODA-funded projects. The factors that are important for the quality of ODA project audits are mainly internal factors such as the EXPERTISE of state auditors (Beta 0.314, statistically significant at 1%); DURATION (Beta 0.178, statistical significance at 1%); PROFESSION (prudence, professional skepticism) of the auditors and KNOWLEDGE (Beta 0.16, statistical significance at 1%); COMPLIANCE (Beta 0.027, statistically significant at 10%. While the external group, which is the nature of auditee and the legal framework, which also affect the audit quality, in which the determinants regarding auditee have a greater impact (Beta 0.159, statistical significance at 1%), legal framework (Beta 0.110, statistical significance at 1%); Working conditions and Audit Quality Control are not statistically significant (over 10%).

## **6. Recommendations**

Based on the findings, some recommendations are given for improving the audit quality of audits of ODA project conducted by the State Audit of Vietnam.

*Firstly*, the human factor is the most important factor that determines the success of the SAV. Therefore, the SAV should eliminate those who are not qualified. Strengthening the training, increasing the amount professional tests annually help to improve professional qualifications for the current staff.

In addition, auditors assigned to audit ODA projects should be trained to improve their English proficiency to read the project documentation. At the same time, every year, the State Audit should invite leading experts who are experienced in ODA projects such as technology, energy, environment, financial appraisal ... to develop materials about ODA projects, teaching and imparting experience for auditors and Heads of specialized State Audit Departments.

*Secondly*, the SAV should early assign the Information Technology Center to cooperate with the specialized State Audit II (unit assigned to audit two ministries: Ministry of Planning and Development, Ministry of Finance) and the specialized State Audit (V) (auditing construction projects) to build of an information system (database) on ODA-funded programs and projects, including the following principal information: Name of the program or project; Name of sponsor, co-sponsor; The name, address and telephone number of the managing agency, the project owner (PMU); The objectives of the program or project; Beneficiaries of the program or project; Implementation progress of the program or project; The total capital of the program or project (clearly stating the capital source structure); The domestic financial mechanism for the program or project; Construction plan and technology; Finished volume value accepted; Value disbursed (payment and advance)...

The development of this database is very useful for systematic monitoring of auditees (ODA projects / programs), also time-saving, less effort and costs for the development of the audit plans, as well as monitoring the auditing activities, including the description and method to build annual audit plan

*Thirdly*, the SAV shall assign the Human Resources Department to study and review the functions and tasks of the specialized and regional State Audit offices, thereby reorganizing the audit of ODA programs and projects along the following directions: i / To assign a specialized State Audit office to take the prime responsibility for the ODA projects' audit, while other specialized State Audit offices and Regional State Audit offices send their auditors to join the audit delegation for comprehensive audit of the ODA capital and the management of the use of ODA fund in the whole country; or (ii) To assign a specialized State Audit take the prime responsibility, and Audit the General shall select experience auditors from the specialized and

regional State Auditing Departments to join the audit delegation according to the request of Head of Human Resources Department and Head of State Audit Specialized Units for a finite period of time.

Particular attention should be paid to specialized audits of the whole sector, which is the preparation of auditing of the units assigned to take prime responsibility for the audit: from the elaboration of survey outlines, audit proposals, information gathering, scientific and technological development, to thoroughly understand and train all members of the audit delegation and leaders of the units involved in the audit to well-coordinated in the process of performing the tasks .

*Fourthly*, the SAV should soon issue guidelines in the direction of changing the method of surveying and gathering information in a suitable manner for all auditing delegations, clearly assessing the financial status and financial management. At the same time, the analysis also identifies the strengths and weaknesses of the internal control system; on that basis, the materiality and audit risk shall be clearly defined in order to determine the objectives and content of the audit. Strict focusing on the principle that "auditing objectives and contents are determined only on the basis of substantive and auditing risks," avoiding the case that poor quality of audit plans only for the purpose of issuing audit decisions.

*Fifthly*, the SAV should early study and promulgate guiding documents on investigative audit methods and specific regulations when applying this method so that auditing teams can apply in order to raise to detect losses and waste in the management and use of ODA capital, and clearly define the responsibilities of parties and individuals; and also determine whether the technical capacity and financial capacity of the foreign contractor are in accordance with regulations.

*Sixth*, the SAV should have specific regulations for the audit delegations to comprehensively audit the implement the project's investment expenses, including the cost of compensation for ground clearance and construction of the resettlement area from the counterpart fund of ODA projects, which shall serve as the basis for evaluating the project's progress and social efficiency. We should focus on auditing the economy, the efficiency, and the effectiveness; evaluating the inadequacies and shortcomings of ODA project management documents so as to make recommendations in order to raise the efficiency of the management and use of ODA funds to avoid losses and waste of capital.

*Seventhly*, study and amend the process of examining the implementation of auditing recommendations of the SAV stipulated in the Decision No. 1223/QD-KTNN dated July 06, 2012 to suit the practical requirements and improve the quality. It requires the inspection and monitoring of the implementation of the recommendations until the auditees perform 100% of our recommendations or the non-performance of the organization must be reasoned in documents and approved by the SAV.

*Eighth*, it is necessary to revise the process of establishment, appraisal, approval, and issuance of the audit report in order to clarify the responsibilities of each functional department, avoid overlapping and waste of resources.

*Ninth*, strengthening the dissemination of the functions, tasks, and role of the SAV so that agencies, units, and people understand and support the activities of the SAV, in order to limit the non-coordination or poor-coordination from the auditees. At the same time, there are strict sanctions for non-coordinating activities of auditees such as lengthening the time for providing documents or supplying untruthful documents.

*Tenth*, there are sanctions for auditing delegations failing to fulfill their tasks according to audit plans approved by Audit the General, issuance of audit reports not timely according to the Law of State Audit.

This study is considered as the first study of factors affecting audit quality of ODA-funded projects. Based on the results of this research, policymakers, as well as the state auditors, need to emphasize and pay more attention to the factors that have great impacts on audit quality in order to have better audit quality in the future.

Recently, there is an increasing concern about the efficiency of public investment such as ineffectiveness, unnecessary investments, low quality of construction, the existence of material misstatements and others. This leads to a high budget deficit and government debt, in which the government's external debt is mainly due to inadequate ODA and preferential loans. The state audit itself determines the importance of the audit, issues relevant policies, standards, regimes and procedures, and focuses on factors affecting audit quality. It is considered to be truly appropriate to meet the requirements of detecting and rectifying violations as well as improving the audit quality of ODA projects.

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