

The Factors Affect the Quality of Financial Statements Audit in Vietnam Businesses

Do Huu Hai¹ & Ngo Sy Trung²

¹ VNU Information Technology Institute, Viet Nam

² Hanoi University of Home affairs, Viet Nam

Correspondence: Do Huu Hai, VNU Information Technology Institute, Viet Nam. E-mail: haidh@vnu.edu.vn; haidh1975@gmail.com

Received: August 26, 2015 Accepted: September 28, 2015 Online Published: December 21, 2015

doi:10.5539/ass.v12n1p172

URL: <http://dx.doi.org/10.5539/ass.v12n1p172>

Abstract

The development of a market economy, especially the financial markets is asking for transparency and truthfulness of the financial information with high quality. The information in the financial statements will impact directly and indirectly to the rights and decisions of investors. Independent auditors play a role of evaluating truthfulness and reasonable financial information in enterprises, however there are still risks. This study focuses on analyzing the factors affecting the quality of financial statements audit in enterprises. The analytical methods used in this study are: factor analysis method to explore and test the Cronbach's alpha coefficient for the construction and testing of measuring scales. Moreover, linear structural modeling method (Structural Equation Modeling SEM) is used to test the reliability and value of discrimination, convergence, unitary of the concept and scale of research. The study results showed that occupational qualification is an important factor affecting the audit quality in the establishment of the business financial statements and legal environment factors, factors belonging to business, factor of independence, factors of quality control system of audit firm.

Keywords: financial statements audit, Vietnam, legal, occupational qualifications, quality control

1. Literature Review

In Vietnam, there was many researches relating to the financial statement audit such as doctoral thesis of Ngo Duc Long (2002), Solutions to improve quality of independent audit in Vietnam; Doan Thi Ngoc Trai (2003), Improving organization of financial statements audit in Vietnam enterprises; doctoral thesis of Pham Tien Hung (2009), Improving the financial statements audit in construction enterprises of independent auditing organization; and recently as research of Doan Thanh Nga (2011), with topic "Evaluating the audit highlights and risks to enhance the activity quality in Vietnam independent audit enterprises"; Nguyen Thi My (2013) with the doctoral thesis "Improving the audit of financial statements of listed firms on Vietnam stock market"; Ha Thi Ngoc Ha (2012), branch-level research project. "Solutions to improve and strengthen quality control of financial statement audit in public interest units". It is clearly demonstrated as follows.

Doctoral thesis of Ngo Duc Long (2002) is "*Solutions to improve quality of independent audit in Vietnam*". One of the important contributions of this thesis is evaluating the condition of audit quality management in Vietnam and the lessons from studying the experience of other countries, in combination with the problems of audit quality control and audit quality management, which are the important and persuasive basis for making solutions to improve the quality of independent audit in Vietnam such as enhancing the level of auditors, improving the quality of the audit program.

Research student Doan Thi Ngoc Trai (2003) with the subject *Improving organization of financial statements audit in Vietnam enterprises*. This subject is both urgent in the early 1920s and significant of development in business auditing financial statements reasoning in specific conditions of Vietnam. The author analysed the current upcoming problems of the financial statement audit activity in Vietnam, and proposed the orientation and solutions for perfecting the organization of apparatus and organization of business financial statement audit.

The doctoral thesis of Pham Tien Hung (2009) at Acedamy of Finance, Hanoi studied *Improving the financial statements audit in construction enterprises of independent auditing organization*. In his thesis, the author

showed the solutions for amendment and perfection of the financial statements audit in construction enterprises.

Doan Thanh Nga (2011), succeeded in studying the project *Research on evaluating the audit highlights and risks to enhance the activity quality in Vietnam independent audit enterprises*. Evaluating the highlights and risks of the audit is a vital step which deeply affects the audit quality. Therefore, the proposals and the conclusions of this subject are positive contributions to the studies and practices of audit.

Ta Thu Trang (2012) with the article *Fraud in business and influence on the financial statements* presented the nature and form of fraud in enterprises and negative impact of enterprise fraud on the financial statements according to two trends: Adjustment of financial statements following the direction of "be beautiful" and "be bad". However, in this article she just focused on listing the forms of fraud expression such as establishment of fraud financial statement and embezzlement of assets and basing on fraud behavior falsifies information on financial statements.

In the article *Financial fraud and the responsibility of auditors* Nguyen Thi Phuong (2012) discussed about signs of fraud, the auditor's responsibility on detecting and handling fraud acts in enterprises, the tricks of avoiding audit legal risk.

In the article *Improving the classification fraudulent acts in the audit standards No. 240* Phan Thanh Hai (2012) showed the viewpoint of fraud in financial statements audit according to international auditing standards and the Association of Certified Fraud Examiners (ACFE). The author argued that the form of fraud in financial statement must be added form of embezzled assets. The author commented the contents of Vietnam audit standards and the urgency of amending Vietnam audit standards.

Overall, in the studies of these authors, factors affecting the quality of the financial statements audit are not the main object and targets of the researches, but only a part, or used for other related important critical analysis, so the factors affecting the system neither are fully provided nor assess the extent of their impact on the audit quality. However, in the domestic research, the authors also pointed out or discussed factors that affect audit quality, including: *External factors group*: Demand for economy (Demanding market, economic and social level); The mechanism of the economy (including economic objective, economic policy, quality management organization) (Long, 2012); *Factors group belonging to auditor and audit company including*: human factor (quality of auditor and the levels of management); Technical factors (The process of auditing); Management factors; Factors of working conditions (Long & My, 2002 and 2013); The scale of audit firms; The depth of the audit; The term of the auditors; Audit fees; The scope of non-audit services; Personality and professional ethics of auditors; Quality control services provided (Ha, 2011; My, 2013).

In the researches from abroad, the viewpoints of quality audit are understood as the ability of auditors *detecting* and *reporting* about the material misstatement in the presentation and publication of the financial statement of clients audited (viewpoint of DeAgelo (1981), Palmrose, Z (1988), Bradshaw (2001) and most of scientific studies on audit). Accordingly, the assessment's results of the factors affecting the audit quality indicate that the ability of auditors detecting material misstatement depends on many factors, especially professional auditors' capacity; the ability of reporting violations depends on the independence of the auditors (including pressure from customers audited ...), (Lam & Chang, 1994). Many other case studies abroad about the factors affecting the quality of audits performed by Mock & Samet (1982); Schroeder and et al. (1986); Sutton & Lampe (1990); Carcello and et al. (1992), Aldhizer and et al. (1995); Davis (1995); Behn and et al. (1997); Sucher and et al. (1998); Behn and et al. (1999); Pandit (1999); Chen and et al. (2001); Francis (2004); Angus Duff, (2004); Kym Boon (2007), Kym Boon and et al. (2008) also made conclusions on separate factors or groups of factors affecting the audit quality. In the research findings, the factors identified can be inherited and newly developed, and the important extent of the factors to audit quality may be vary, depending on the perception of the object that researchers conducted investigations and surveys, as well as the location and the context of the research period.

The research results "Dimensions of audit quality" of Angus Duff, University of Paisley (2004), the factors affecting the financial statement audit quality of the business considered as aspect of technical and service. The results indicate that the factors belonging to the auditors / audit group (such as independence, competence and experience) and the factors that belong to the company audit (as reputation, size and ability to meet, non-audit services) have an important influence on the audit quality. Specifically, audit quality does not depend on the size of audit company, the quality of big audit companies and small auditing companies are evaluated equally under the the perspective of the object using the financial statements (the financial analysts) such as research of Imhoff (1988), Chandler (1991) and the American Institute of certified public accountants (AICPA) (1992 and 2002). However, there are many recent researches show that the size of audit firms is one of the factors that affect the

audit quality such as research of Titman and Trueman (1986), Beatty (1989), Davidson and Neu (1993), Choi et al. (2008), Sundgren and Svanstrom (2011), Simunic et al. (2011), Moeinnadin et al. (2013).

Research of Sundgren and Svanstrom (2011) about the relationship between the audit quality and the scale of audit firms in Sweden showed that the audit quality was significantly improved in the large-scale audit company (including big four, Grant Thornton and BDO - two big audit firms ranked 5th and 6th in Sweden). The authors also explain the differences in the quality between the audit firms with different scale due to the basic qualities of auditors (experience, qualifications, ability to work in groups) and the way how to periodically train of the audit firms..

Simunic et al. (2011) conducted experimental studies to assess the impact of audit firm's scale on the audit quality in the United States. Researching the audit results of the audit firms belonging the Big four and remaining audit firms in the the 2002-2005 period showed that the audit quality of the Big four is different from the audit quality of the remaining audit firms group. This difference relating to the investment strategies in audit technology: the audit firms belonging the Big four have had greater investment in developing audit technology. This is a different strategy to raise their relative value through the audit quality. In an audit, technology is an important factor in combination with the efforts of auditors and willingness to the appropriate fee for the necessary procedures of the audit has created the great success of the Big four compared with other audit firms.

Moeinnadin et al. (2013) used FANP and FTOPSIS methods for identifying and ranking the factors that affect the audit quality in Iran, including the scale of audit firms stand at No. 9 of total 15 factors belonging to audit entities affecting the audit quality.

Research of Modar Abullatif (2013) found that the factors that lead to risks of fraud come from the characteristics and attitudes of managers, while factors of financial situation difficulty of the customers are not important.

2. Study Model

Directly researching on factors that affect quality of business financial audit helps determine the direction to improve auditing quality and ensure auditors' ability to detect and report the material misstatements, since it is the most important concern of not only companies providing auditing services, but investors and managers in any stocks markets as well. From the perspective on auditing quality in general, and characteristics of business financial in particular, and an overview of international and domestic studies, these factors are systematized in Figure 1 below.

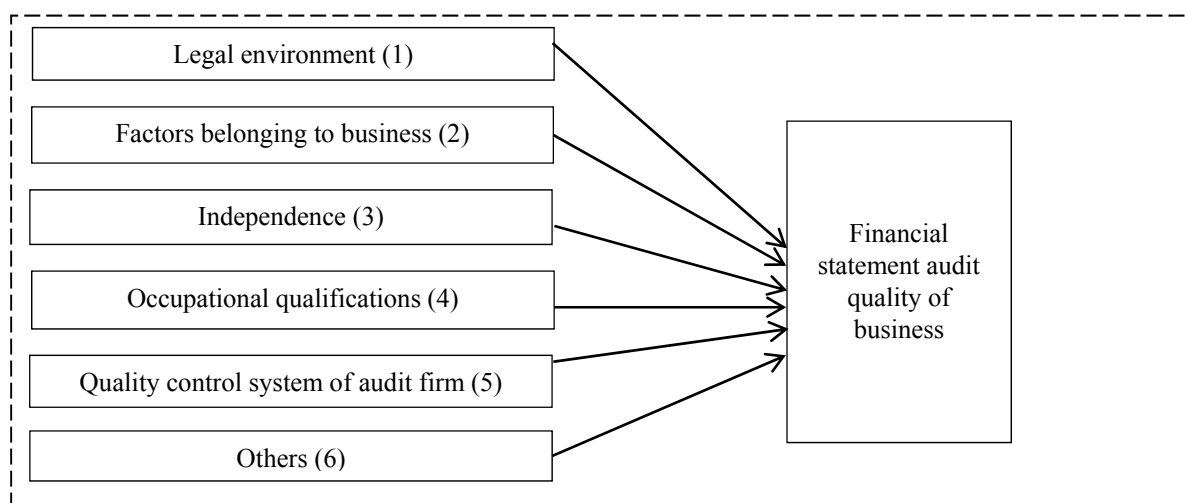


Figure 1. Factors that affects financial statement audit quality of business

Study variables present in the diagram:

+ **Dependent variable:** Financial statement audit quality of business.

+ **Independent variables:** Legal environment, Factors belonging to business, Independence, Occupational qualifications, Quality control system of audit firm, others.

Assumptions:

- H1: Legal environment factor affects financial statement quality of business.
- H2: Factors belonging to business affects financial statement audit quality of business.
- H3: Independence factor affects financial statement audit quality of business.
- H4: Occupational qualifications factor affects financial statement audit quality of business.
- H5: Quality control system of audit firm factor affects financial statement audit quality of business.
- H6: Others factor affects financial statement audit quality of business.

The detailed content of factors / groups of factors as follows:

Factor	Sign	Composition (Observed variables obtained from interview questions)
Legal environment	MTPL_1	1.1. The complete system of standards and auditing regime
	MTPL_2	1.2. The compatibility of the audit standards systems
	MTPL_3	1.3. Strictness of sanctions and responsibilities of the stakeholders
Factors belonging to business	DN_1	2.1. The understanding of business leaders about laws, standards and current legislation related
	DN_2	2.2. The integrity of business leaders on responsibility of publishing the financial statements honestly and reasonably
	DN_3	2.3. The scale and institutions of companies (subsidiaries, organizational structure ...)
	DN_4	2.4. The complexity in the business line field of enterprises (such as: basic construction, real estate, finance-banking, ...)
	DN_5	2.5. The complexity of the items / transactions on the financial statements of enterprise (eg, inventory, accounts receivable, financial investments,..)
	DN_6	2.6. Quality of internal control systems in enterprises
Independence of auditors group	DL_1	3.1. Independence on social relationships with enterprises
	DL_2	3.2. Independence on economic relationships with enterprises
	DL_3	3.3. Independence in gathering and evaluating audit evidence obtained
	DL_4	3.4. Declaration of independent commitment before conducting the audit in enterprises
Occupational qualifications	TDCM_1	4.1. Knowledge are basically trained (degree) in major of accounting, auditing, finance and tax
	TDCM_2	4.2. Have international practicing certificate
	TDCM_3	4.3. Have ipracticng certificate in Vietnam
	TDCM_4	4.4. Annually update knowledge
Quality control system of audit firm	HTKS_1	5.1. Commit ensure the quality before each audit
	HTKS_2	5.2. Pay attention to the customer acceptance
	HTKS_3	5.3. The role of the independent monitor in the audit firms for each audit
	HTKS_4	5.4. The role of supervision departments on audit quality in general
	HTKS_5	5.5. The process of quality control
Others	NTK_1	6.1. Macroeconomic situation
	NTK_2	6.2. Cultural environment, habits and routines
	NTK_3	6.3. The role of quality control of business audit financial statements from the State management agencies

3. Methodology

Primary data in this study was collected by using a survey questionnaire for 200 auditors with convenience sampling method.

Directly: Questionnaires were directly sent to auditors of auditing companies (Deloitte, AAT, KPMG, VACO...). Time of sending and collecting direct questionnaires were implemented continuously for over a year from 2013 to 2014.

By email, using Google doc to create questionnaire and collecting questionnaires through an automatic summary of Google doc (for cases to which are unable to send directly). This form was implemented from June 2014 to December 2014

The result is that, there are only 150 valid questionnaire sheets among collected ones, in which the number of sheets collected from direct form is 97 (accounts for 64.6%) and from indirect form through Google doc is 53 (accounts for 35.4%). The responses are highly reliable, showing that auditors have seriously answered and have deep understanding of the questions, in accordance with data analysis using SPSS and AMOS. Scales using in this study are in 5-point Likert scale with 1 – totally disagree and 2 – totally agree. Measures of Exploratory Factor Analysis (EFA) and Cronbach's Alpha coefficient test are used for the construction and testing of scales. Finally, the Confirmatory Factor Analysis (CFA) and Structural equation modeling (SEM) are used to test the reliability, differential values, converged values, and the unitarily of concepts in this study, while assessing effect level of such factors as legal environments, factors belonging to business, independence, occupational qualifications, quality control system of audit firm, and others over the financial audit quality of the business.

4. Study Results

4.1 Cronbach Alpha Coefficient

Table 1. Cronbach's alpha of study concepts

Observed variables	Scale average if variable deleted	Scale variance if variable deleted	Correlation coefficient variable – sum	Cronbach alpha if variable deleted
Legal environment (MTPL)				0.891
MTPL_1	10.633 3	6.019	0.797	0.835
MTPL_2	10.773 3	6.069	0.803	0.830
MTPL_3	10.686 7	6.149	0.759	0.869
Factors belonging to business (DN)				0.853
DN_1	25.320 0	29.199	0.526	0.850
DN_2	25.633 3	27.710	0.644	0.827
DN_3	25.213 3	26.518	0.784	0.800
DN_4	24.586 7	30.848	0.500	0.852
DN_5	24.926 7	27.250	0.702	0.816
DN_6	24.653 3	27.154	0.683	0.819
Independence (DL)				0.836
DL_1	14.046 7	12.716	0.681	0.787
DL_2	14.240 0	13.445	0.692	0.782
DL_3	13.620 0	14.170	0.612	0.816
DL_4	13.853 3	13.535	0.686	0.784
Occupational qualifications (TDCM)				0.656
TDCM_1	9.180 0	3.773	0.540	0.515
TDCM_2	9.240 0	4.210	0.395	0.616
TDCM_3	9.326 7	3.859	0.501	0.542
TDCM_4	9.973 3	4.496	0.319	0.665
Quality control system of audit firm (HTKS)				0.819
HTKS_1	17.120 0	22.992	0.633	0.780
HTKS_2	17.553 3	23.108	0.605	0.786
HTKS_3	16.880 0	21.798	0.495	0.826
HTKS_4	17.006 7	20.611	0.679	0.763
HTKS_5	17.013 3	21.342	0.679	0.764
Others (NTK)				0.798
NTK_1	8.833 3	8.140	0.740	0.626
NTK_2	9.060 0	8.231	0.574	0.805
NTK_3	8.786 7	8.746	0.626	0.742

Cronbach alpha values are used to test the effectiveness of each group of factor. Cronbach alpha analysis result of each factor is presented as follows: Financial statement audit quality of business is measured with 6 aspects. In general, Cronbach Alpha coefficients of these aspects reached over 0.6, and correlation coefficients between variable and sum were over 0.3, so the reliability of scale of each aspect is ensured. The specific Cronbach Alpha coefficient is: Legal environment (MTPL) = 0.891; Factors belonging to business (DN) = 0.853; Independence (DL) = 0.836; Occupational qualifications (TDCM) = 0.656; Quality control system of the firm (HTKS) = 0.819 and Others (NTK) = 0.798.

4.2 Factor Analysis

To assess whether the EFA measure is suitable to analyze in this case, the author used KMO and Bartlett's tests. In exploratory factor analysis, KMO (Kaiser-Meyer-Olkin) index is used to test the appropriateness of factor analysis. This analysis is appropriate when KMO value ranges from 0.5 to 1. If this value is lower than 0.5, factor analysis is possibly inappropriate to data.

KMO and Bartlett's tests in factor analysis using 25 observed variables of the scale shows that KMO index is high (0.853) with significance equal to 0 (sig = 0.000). Thus, KMO index of over than 0.5 indicates that the application of exploratory factor analysis is appropriate.

For factor analysis, the author used eigenvalues to determine number of factors. Eigenvalues represents the amount of variation explained by the factors. Only factors that have eigenvalue of higher than 1 were retained in the model.

The results provided data on eigenvalue analyzed from 25 observed variables. There are 25 factors with calculated eigenvalues corresponding to 25 observed variables. However, there are only 6 factors that have eigenvalue of higher than 1, while the eigenvalue of the remaining factors is lower than 1. Rotation Sums of Squared Loadings hit a high to approximately 66.09%, which means that the use of 6 factor representing 25 observed variables can explain 66.09% of data variation. In analysis, the Rotation Sums of Squared Loadings" reaching 50% is acceptable. Hence, we can conclude that six factors can be used to reflect the information provided by 25 observed variables.

Factor analysis is done with extraction method of Principal Component Analysis using Varimax rotation based on such criteria of Community $\geq 0,5$ and Factor loading ≥ 0.3 . Factors in table **Rotated Component Matrix** called **Factor loadings** shall be selected if satisfying the above criteria. On a certain row, observed variable with highest factor loading lies in any column, then observed variable shall belong to factor in that column. After rotation, 25 observed variables all satisfied the criteria for factor loading of higher than 0.5. These observed variables were divided into 6 groups of factor. The specific factor loading of each observed factor is presented in Rotated Component Matrix Table (Table 2).

Table 2. Rotated Component Matrix^a

	Component					
	1	2	3	4	5	6
DN_3	0.791					
DN_5	0.743					
DN_6	0.736					
DN_4	0.696					
DN_4	0.674					
DN_6	0.654					
DN_2	0.584					
NTK_3	0.576					
NTK_1	0.575					
HTKS_4		0.776				
HTKS_5		0.764				
HTKS_1		0.757				
HTKS_2		0.691				
HTKS_3		0.666				
NTK_2		0.538				
MTPL_2			0.879			
MTPL_1			0.874			
MTPL_3			0.848			

TDCM_2		0.794	
TDCM_1		0.713	
DN_1			0.750
DN_2	0.504		0.652
TDCM_4			0.717
TDCM_3			0.638

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 15 iterations.

4.3 Scale Test by CFA

Collected CFA results: Chi-square/df=1.408; GFI=0.826; TLI=0.912; CFI=0.923; RMSEA=0.052, proving that scale model of factors affecting financial auditing quality of business is appropriate to the market data.

The standardized weights of scale are all high and higher than 0.5, and P-value of each pair of concepts is lower than 0.05. On the other hand, the correlation coefficient with the standard deviation shows that they are higher than 1. Therefore, the study model has been adjusted and achieves converged value and differential value. The model has no correlation among measurement errors of factors, so the model is unitary.

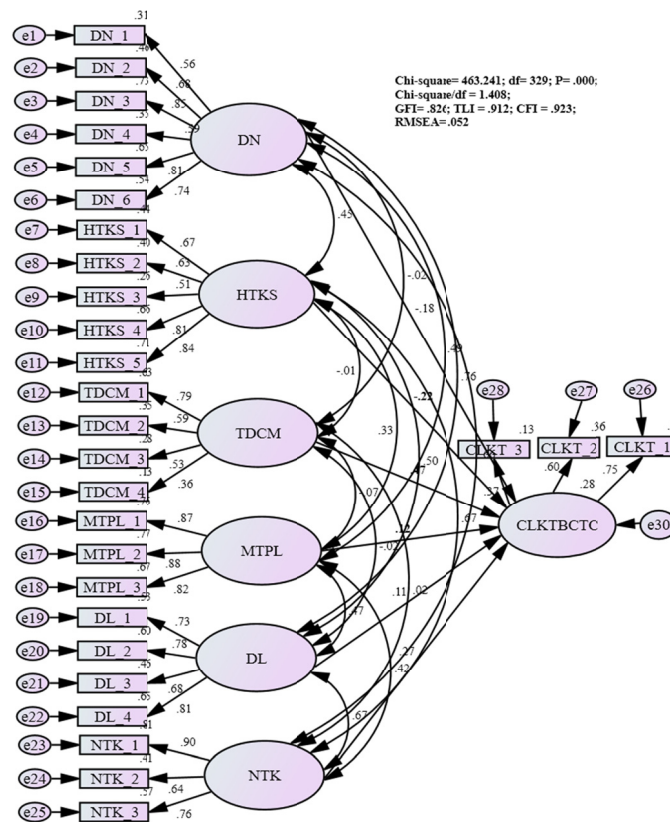


Figure 1. Result of SEM theoretical model (standardized)

Table 3. Assumptions testing results

Relationship		Estimate	S.E.	C.R.	P	
CLKTBCTC	<---	HTKS	-0.043	0.033	-1.310	0.190
CLKTBCTC	<---	TDCM	0.368	0.159	2.317	0.020
CLKTBCTC	<---	MTPL	0.029	0.029	0.988	0.323
CLKTBCTC	<---	DN	-0.043	0.048	-0.896	0.370
CLKTBCTC	<---	DL	0.024	0.045	0.542	0.588
CLKTBCTC	<---	NTK	0.058	0.044	1.299	0.194

5. Conclusions

This study has built a model of factors affecting financial statement audit quality of business. The test results showed that factors: H4 - Occupational Qualification is an important factor affecting audit quality of enterprise financial statements; and H1 - Legal Environment, H2 - Factors belonging to business, H3 - Independence, H5 - Quality control system of audit firm, H6 - Other factors that do not affect audit quality of business financial statements because of ($P > 0.1$ - Table 2). At the same time, the results showed that theoretical models which is suitable with market data, meaning that there is a positive relationship between the factors that affect audit quality of business financial statements. Since then, in the perspective of independent auditors, study of effect of audit quality factors in building financial statements has helped auditors focus on important factors affecting on fraud actions in building business financial statement in Vietnam and design appropriate audit procedures detecting fraud, and encouraged auditors to enhance effective audit procedures in order to detect fraud in building Vietnam enterprise financial statements, especially enterprises listed on Vietnam's stock market. The research results as a reference for auditors to have solutions for improving audit quality of financial statements. Specifically, Occupation Qualification has evaluated factors belonging to business as follows:

5.1 Structure of Capital Ownership

In factors belonging to enterprises, structure of capital ownership to following types of enterprises: State Enterprises: Characteristics of state enterprises are that capital belongs to State and is not associated with an organization and a specific person in the role of shareholders, Board of Directors, or Executive Board. State capital representatives seem more of token rather than real shareholders. As a result, business of state enterprises does not bring direct benefits to state capital representatives. Fraud opportunities and motives are higher than that in private enterprises, joint-stock companies, specially, in declaring profitable achievements for one or individual group of state capital representatives.

Enterprises which have capital governed by several major shareholders: the fewer the number of shareholder is, the more opportunities are for enterprises to perform fraud actions with the aim of serving personal benefits of governing shareholders / shareholder groups. Typical examples are public businesses / organizations and financial institutions. Risk levels of fraud and influence are marked if manipulated. The recent incidents involve acts of acquiring and manipulating banks in the world and in Vietnam.

5.2 Operating Sector Characteristic of Enterprises

Enterprises operating in highly monopolistic fields are able to impose conditions on business partners: This advantage may help enterprises conduct some non-market transactions in order to serve benefits of businesses or individual groups of leaders and investors. State monopoly enterprises in some fields/ sectors will often have this advantage.

Group model enterprises including many member units: Enterprises can perform these frauds through transactions with member units, joint venture units, especially non-market/ short transactions implementing goals of enterprise leaders. A typical sample in recent years is establishing backyard companies/ subsidiaries of some corporations for the purpose of producing benefits for some individual groups/ avoiding tax, conducting capital mobility transactions when conducting transactions through these units.

Multi- sector enterprises have more characteristic business activities: many different business activities, complexity of transactions, and many characteristic accounting policies or financial businesses using a lot of accounting estimates accounting to increase chances of carrying out frauds to enterprises. The risk of fraud in conglomerate enterprises is larger than that in monophyletic ones.

5.3 Ineffective Quality-Control Systems

Members of Board of Directors are not separated from Executive Board: effectiveness of independence and monitoring role of Board of Directors is reduced and opportunities to perform frauds in these businesses will rise. Typical examples are enterprises whose chairman of the Board of Directors is general director. They are also main causes which managers consider as holes in control process to produce frauds of largest economic Groups in the world and Vietnam.

Executive Board is decentralized with great power; power is concentrated in one or a number of people: Decentralization of marked power to Executive Board will raise the sense of initiative; however, this will also create opportunities for implementing frauds if any.

Insufficient and ineffective management policies: Management Policies, ineffective Accounting and Finance Policies, no details and regulations for transaction and finance activities of companies will provide opportunities

for implementing frauds (if any) of the board of enterprise directors. Policies and management procedures are an important system in management and control of companies; if crucial transactions / businesses in organizations do not have specific regulations on how to organize and conduct or are not strictly complied creating opportunities for individuals to perform non-controlled frauds.

Management information systems are not enough details and not reported regularly. If report systems of company management (especially financial management reports) are not reviewed periodically (monthly/quarterly) and not enough details to analyze and evaluate actual states of enterprise activities, fraud actions (if any) are difficult to be discovered and prevented in time. Besides control environments, policy systems/control procedures, accounting information systems is an important component of internal control systems. Poor enterprises of internal control systems have risk of frauds not detected in time or create opportunities for individuals/ individual groups to carry out frauds.

5.4 Ineffective Supervision of Board of Directors

Monopoly in management of a person or a group of people without reasonable control procedures and supervision activities of the Board of Directors for process of building and presenting financial statements and weak internal control.

5.5 Benefits of Board of Directors/ Management Board Associated with Finance Situation of Enterprises

Income structure, salary and bonus of Board of Leader depend significantly on finance results of enterprises, there are motivations for Board of Directors to adjust reports in the better direction to get higher incomes / bonuses. The greater the proportion of bonuses from enterprise results is, the stronger motives to increase business results are and vice versa. To promote and generate motivations for production and business development, enterprises today have trend of increasing the proportion of incomes/bonuses for staffs, employees, especially senior leader groups associated with business results of units. This tool also creates motives for distorting reports to perform terminal income goals of Board of Leaders in companies if not well controlled.

5.6 Pressure of Meeting Expectations of Third Parties

Expectations of third parties (shareholders, investors and banks) relate goals such as stock price, profit efficiency and finance structure. If expectation levels are too optimistic, it will put pressure on Executive Board to meet these expectations including to distorting financial statements. Especially when enterprises have plans to issue stocks and shares or mobilize capital from a bank, or a number of major shareholders plan to withdraw capital from companies, changes of profit results increase / decrease value of stocks and shares, or changes of finance structure increase financial capacity of enterprises. Companies listed on the stock market before information releasing more stocks and shares are quite common.

In addition, auditors should pay attention to pressure of company in a year such as pressures on loans, pressures to achieve financial goals Management Board has set... is an important factor affecting risks of derogations in the financial statements that might be frauds of units. Sector environment has considerable changes in the direction of adverse or positive for enterprises: when there are changes in market demand, competition and macro factors affecting enterprise business plans, enterprises will have trend of handling technically financial statements in order to achieve business goals assigned. Economic recession in recent years, enterprises do not reach business plans, even fall into losses and bankruptcies. To survive and continue to receive support from investors, banks providing loans, businesses will tend to build financial statements of increasing profits / decreasing losses. However, enterprises are always under pressure of objective and subjective causes such as political instability, natural disasters, high competition from competitors and rapid changes in technical technology while business market saturates and demand of consuming products declines, ... Abnormal fluctuations from business activities and financial situations of business profession and sector negatively impact financial situation of enterprises even make losses in business activities leading to risks of bankruptcy or asset attachment or distraintment. To maintain financial stability and potentially lucrative, directors or employees of units should adjust financial statements in the positive direction for business benefits.

Professional qualification of auditors presents the quality of auditing in developed countries. Similarly, qualification and quality are essentially important to auditing financial statements in Vietnam. This is the basis for researches in both theories and application.

References

Boon, K., Crowe, S., McKinnon, J., & Ross. (2005). Compulsory Audit Tendering and Audit Fees: Evidence from Australian Local Government. *International Journal of Auditing Accounting Research Journal*, 9(3), 221-241. <http://dx.doi.org/10.1111/j.1099-1123.2005.00288.x>

- Boon, K., McKinnon, J., & Ross. (2007). Audit Service Quality in Compulsory Audit Tendering: Preparer Perceptions and Satisfaction. *Accounting Research Journal*, 21(2), 93-122. <http://dx.doi.org/10.1108/10309610810905917>
- Bradshaw. (2001). Do Analysts and Auditors Use information in Accruals? *Journal of Accounting Research*, 39(1), 45-73.
- DeAngelo, L. E. (1981). Auditor Independence, "Lowballing" and Disclosure Regulation. *Journal of Accounting and Economics*, 3, 113-127. [http://dx.doi.org/10.1016/0165-4101\(81\)90009-4](http://dx.doi.org/10.1016/0165-4101(81)90009-4)
- Duff, A. (2004). *Dimensions of audit quality*. University of Paisley.
- Ha, H. T. N. (2012). *Solutions to improve and strengthen quality control of financial statement audit in public interest units*. Branch-level research project. Ministry of Finance.
- Hai, D. H. (2014). *Criteria system of business culture identification – Applying for Vietnam businesses* (Doctoral thesis). National Economics University.
- Lam, S., & Chang, S. (1994). Auditor Service Quality and Auditor Size: Evidence from Initial Public Offerings in Singapore. *Journal of International Accounting, Auditing & Taxation*, 3, 103-114. [http://dx.doi.org/10.1016/1061-9518\(94\)90009-4](http://dx.doi.org/10.1016/1061-9518(94)90009-4)
- Lennox, C. S. (1999). Audit Quality and Auditor Size: An Evaluation of Reputation and Deep Pockets Hypotheses. *Journal of Business Finance and Accounting*, 26(7/8), tr. 779-805. <http://dx.doi.org/10.1111/1468-5957.00275>
- Long, N. D. (2002). *Solutions to improve quality of independent audit in Vietnam* (Doctoral thesis). Vietnam University of Commerce
- My, N. T. (2013). *Improving the audit of financial statements of listed firms on Vietnam stock market* (Doctoral thesis). National Economics University.
- Palmrose, Z. (1988). An Analysis of Auditor Litigation and Audit Service Quality. *The Accounting Review*, 63, 55-73.
- Thuy, B. T. (2014). *Research on factors that affect financial statement audit quality of companies listed on stock market of Vietnam* (Doctoral thesis). National Economics University.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/3.0/>).