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Article

Enhancing auditors' independence in auditing enterprises in Vietnam

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Enhancing auditors' independence in auditing enterprises in Vietnam

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Abstract: The working environment of professional auditors can make a threat to independence. There are many studies in the world on this issue but the results are not the same due to differences in each country. By using the qualitative methodology in combination with quantitative data analysis through the period 2016–2017, the study identifies factors affecting auditor independence. The results show that the observed factors that are related to the independent auditor's working environment and that affect the auditor independence are: corporate governance, audit tenure, auditing fee, non-audit service, the auditor–client relationship, and size of audit companies. In particular, the corporate governance of the auditing company has the greatest influence on auditing independence. The paper has contributed to the theoretical body of literature by introducing a theoretical



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PUBLIC INTEREST STATEMENT

The working environment of professional auditors can make a threat to independence. There are many world studies on this issue but the results are not the same due to differences in each country. By using the qualitative methodology in combination with quantitative data analysis through the period 2016–2017, the study identifies factors affecting auditor independence. The results show that the observed factors that are related to the independent auditor's working environment and that affect the auditor independence are: corporate governance, audit tenure, auditing fee, non-audit service, the auditor–client relationship, size of audit companies. In particular, corporate governance has the greatest influence on the auditing independence. The paper contributes to the theoretical body of literature by introducing a framework for auditors' independence in Vietnam, providing a basis for further research. As a result, the results of the study suggest that auditing firms need to focus on corporate governance to promote other factors. Moreover, the research contributes to enhancing auditor independence to meet the expectations of society.

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Subjects: Auditing; Corporate Governance; Corporate Social Responsibility & Business Ethics

Keywords: Auditor independence; auditing enterprises; Vietnam

Subjects: M42

1. Introduction

According to Arens and Loebbecke (1997), audit is the process by which a competent, independent person accumulates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria. Audits are categorized by purpose, including financial statements audit, compliance audit and performance audit.

According to the International Federation of Accountants (IFAC, 2007), audit is about auditors examining and expressing their opinions on financial statements. The quality of auditing services is really essential to users and more important to service providers in order to bridge the gap between social expectations and the ability to meet the performance of the auditor. It means the need to ensure the reliability and quality of auditing services has largely focused on auditors' independence. Auditor's independence can be affected by many factors. There are many foreign auditors-researchers who have done research on this subject. However, there are few domestic studies determining which factors may affect and affect most the independence of practicing auditors. When referring to the past studies, the results obtained are inconsistent and differ very much from the specific economic, social and cultural settings of each country. On the basis of inheritance and development of the researches done both in the world and in Vietnam, the objective of this study is to investigate the affecting factors inside the auditing companies which increase the threat to auditor independence. Thereby the study finds ways to improve the independence and the quality of auditing services in Vietnam. Independence is the fundamental requirement and precondition of quality of auditing services and, as mentioned above, it has been researched thoroughly in the world (see the following theoretical background). This study is performed in the following steps: the overview of theoretical background based on the previous domestic and foreign researches; the research methodology; the research results and discussions; finally, the policy suggestions and recommendation based on the achieved results of research. This study is intending to verify the hypothesis that states: "*the corporate governance is the most important factor impacting the independence of auditing services in the current Vietnamese business condition and environment*".

2. Theoretical background

2.1. Viewpoint of independence

Depending on the perspective of each client (DeAngelo, 1981a & 1981b; Parasuraman, Berry, & Zeithaml, 1991), the owners, shareholders, bondholders, investors, lenders and other creditors or society, professional associations, the public (IAASB, 2013), whose perception of the importance of developing and maintaining the factors affecting audit quality is the same, the independence is a key constituent factor (Suseno, 2013).

Independence is the cornerstone of auditing and is essential for the reliable corporate financial statement. In common with the International Federation of Accountants in Vietnam, independence is defined in the professional ethics of accounting and auditing issued in accordance with Circular 70/2015/TT-BTC dated 8 May 2015 (VMF, 2015), the Vietnam's Ministry of Finance has classified independence into two parts: independence in fact (real independence) and independence in appearance (perceived

independence). This Circular also mentioned some threats affecting the independence of auditors such as: self-interest (financial interest in client), self-review (evaluating own work), familiarity (auditors become too sympathetic to a client's interest, through a close relationship with them), advocacy (auditors promote a position or opinion to the point that their objectivity is compromised in regard to that position/opinion), intimidation (auditors are deterred from acting objectively by threats made against them). Identification of the potential threats should be made to ensure the independence of the auditor.

2.2. Previous studies

The *lending credibility theory* provides the primary function of auditing to increase the reliability of financial statement (Ittonen, 2010), in which the auditor independence provides public trust (Beattie, Brandt, & Fearnley, 1999). It is fundamental to the existence of auditing (Bakar & Ahmad, 2009) to act in accordance with social expectations (Suchman, 1995). Based on the theoretical view of legality, many studies have shown that when attitudes and social expectations change audit independence should be appropriately adapted within the framework of standards (Deegan, 2006; Lindblom, 1994). The environment of the auditors includes various stakeholders such as information users, public managers and professional bodies. All stakeholders have different expectations about the truth and fairness of the financial statements. In line with *stakeholder theory*, formal independence depends on how the user perceives the information. Also, stakeholders' impact on auditors can control threats that maintain legitimacy to an acceptable level.

The level of optimality for auditor independence is suboptimal (DeAngelo, 1981a), so it is important to select qualified and knowledgeable auditors to be able to detect material misstatements. One of the major influences is the principal costs (Francis & Wilson, 1988), which is perfectly consistent with *agency theory*. Some researchers (DeAngelo, 1981b; Magee & Tseng, 1990) argue that lowballing lowers the quality of auditing. Economic dependence is considered to be one of the most threatening factors of independence, in particular when a client's fees account for 10% of the firm's total revenues (Alleyne, 2006; Beattie et al., 1999).

The provision of non-audit services in a professional manner increases the total value of the service pack that auditing companies providing their customers (Lennox, 2005). Many other studies (Blay & Geiger, 2013; Brody & Masselli, 1996; Crain, Goldwasser, & Harry, 1994; Duska, Duska, & Kury, 2018; Francis & Ke, 2006; Haynes, Jenkins, & Nutt, 1998; Jenkins & Lowe, 2011; Pany & Reckers, 1983; Ponemon, 1995; Robinson, 2008; Shaub, 2004; Shockley, 1981; Trompeter, 1994) show that non-audit services, such as management consultancy, tax consultancy, detract audit independence. In addition, it reduces counterbalance in the relationship between the clients and the auditing companies, creating a high risk of self-reliance and self-examination (Quick & Warming-Rasmussen, 2015). This threat often occurs in small auditing companies (Shockley, 1981). Large auditing companies, members of a global corporation, are generally more independent than small local auditing companies (Al-Ami & Saudagaran, 2011; Alleyne, 2006). According to DeAngelo (1981a), auditing companies must improve auditing quality in order to survive and develop. However, they have to consider "quasi-rents" which is the pressure of balance between benefits and costs. The authors have come to the conclusion that large-scale auditing companies are generally of higher quality (as perceived by the market) than smaller auditing companies. However, other views expressed by Goldman and Barlev (1974) suggest that large-scale auditing companies should not be immune to customer pressures as the Arthur Andersen and Enron's cases in history have shown.

Since then, regulations have been in place to preserve the non-audit services engagement because the close relationship between auditors and clients would negatively affect audit quality (Bamber & Iyer, 2007). The rotation of auditors is considered to be one of the main factors contributing to the independence of the auditing services (Beattie et al., 1999; Teoh & Lim, 1996). Many studies (Garcia-Blandon & Ma-Argiles, 2015; Geiger & Raghunandan, 2002) show that there is a negative relationship between auditor tenure and audit quality. Manry, Mock, and Turner (2014) discovered a significantly negative correlation between the auditor tenure and the cumulative adjustment for an audit tenure term of seven years or more in case of small customers

and insignificantly negative correlation in case of large customers. A study by Johnson, Khurana, and Reynolds (2002) concluded that short-term auditor tenures of 2 to 3 years had a negative impact on poor quality of financial statements but there was no evidence of a decline in audit quality for long-term auditor tenures of 9 years or more.

Based on the theory of audit quality and independence, a number of factors such as clients' gift/hospitality, corporate governance, has less or not been studied empirically. Cadbury (1992) states that corporate governance is the whole system of monitoring and control to ensure that the company manager carries out its work in the right way. The elements of corporate governance that impact on audit independence may include the management philosophy, the way of monitoring the auditing process and reviewing the auditing reports, the measures of quality control, and so on.

Many researches are carried out in different countries with various socio-cultural, economic and political settings. Thus, the research results obtained about the impact of each factor on the independence of auditing and audit quality are different, even contradictory. Many studies have found no evidence in relation to factors such as non-audit services (Beaulieu & Reinstein, 2010; DeFond, Raghunandan, & Subramanyam, 2002; Ghosh & Pawlewicz, 2009; Ratzinger-Sakel, 2013; Seetharaman, Sun, & Wang, 2011), cost of auditing (Chi, Huang, Liao, & Xie, 2009; Choi, Sohn, & Yuen, 2018; Dogui, Boiral, & Heras-Saizarbitoria, 2014; Li, 2009; Reynolds & Francis, 2001), the size of the auditing firm (Canning & Gwilliam, 1999), the audit tenure (Carcello & Nagy, 2004; Ruiz-Barbadillo, Gomez-Aguilar, & Carrera, 2009; Wen & Hay, 2013) that affect the auditor independence.

In Vietnam, Dang (2011) has found four main factors affecting the quality of services of auditing companies in Vietnam: (1) the auditing firm and client relationship; (2) the process of training and capacity building of auditors; (3) the audit cycle; (4) the effectiveness of the audit process. Other studies have also found the cause of impairment of the values of auditing services (Dang, 2009) in the auditor-client relationship. The threat of self-interest, threat of self-review, threat of familiarity, threat of advocacy and threat of intimidation affect the independence of the audit (Giang, 2010). Researches carried out by Nguyen and Ha (2015) have reviewed the views and opinions on the subjects related to financial reports and independence of not only the auditors in Vietnam (but also the accountants, bank creditors and investors) and factors that affect this independence. The authors found that eight factors: (1) non-audit services, (2) audit fees, (3) auditor's tenure; (4) rotation of auditors/audit firms, (5) the auditing committee appointed, (6) the competition in auditing market, (7) the size of the auditing companies, (8) the risks of disclosure of financial relationships have different levels of impact that increase or threaten the independence. Recent research by Vo (2016) shows that there are four factors that have the opposite effect (non-audit services, auditing costs, tenure and rotation of auditors) and two positive factors (risk for auditing, public financial relations) to the independence of the auditor.

Summarizing the findings of auditors independence studies conducted in developed countries, such as the United States (Bamber & Iyer, 2007; Blay & Geiger, 2013; Carcello & Nagy, 2004), UK (Beattie et al., 1999), and in developing countries such as China (Wu & Ying, 2016), Malaysia (Bakar & Ahmad, 2009), Taiwan (Chi et al., 2009), Thailand (Boatham & Ussahawanitchakit, 2009), Vietnam (Dang, 2009, 2011; Giang, 2010; Nguyen & Ha, 2015; Vo, 2016), a combination of factors impacting on auditors independence and audit quality such as non-audit services, the audit fee, the relationship between the auditor and the client, the size of the auditing companies and the audit term has been established. Many studies have not been published extensively on the impact of corporate governance on the independence of audit. These studies have not fully investigated the factors that affect independence through the threat of compromising audit independence: the threat of self-interest, the threat of self-review, and the risk of self-defense, friendly risk, threats and safeguards. These risks and safeguards constitute audit independence. Each risk has many factors. Therefore, it is important to study the factors that lead to the threat of auditor independence.

Studies in the past have mainly inherited the previous research on factors affecting auditor independence and use quantitative methods to test the impact of these factors in a specific market

for a specific time period. These studies are based on quantitative methods using representatives, such as corrections, audit opinion issues, or restated financial data that measures the auditor's independence and examines its relationship to various factors. However, the meaning and operation of auditor independence cannot be entirely determined solely by the use of quantitative measurements and statistical relationships. Especially for those countries, the construction of the independent auditors may have been formed by those affected in different contexts. The past research has seldom used qualitative research methods to discover new factor in market research.

The aim of this study is, using the presented research methodology in the following section, to investigate the affecting factors, the level of their importance inside the auditing companies which increase the threat to auditor independence, thereby to find the ways to improve the independence and the quality of auditing services in Vietnam. Independence is the fundamental requirement and precondition for the quality of auditing services, and it has been researched thoroughly in the world (see the above theoretical background). The study has contributed to the theoretical body of literature by introducing a theoretical framework for auditors' independence in Vietnam, providing the basis for further research. As a result, the results of the study suggest that auditing firms need to focus on corporate governance that will promote other factors. Moreover, the research contributes to enhancing auditor independence to meet the expectations of society.

3. Research methodology and research model

3.1. Research methodology

This study is using a combination of qualitative and quantitative research methods. Qualitative research methods are used to find all internal factors that threaten the auditor independence and to argue for results that the quantitative method does not explain. Quantitative methods are used to model and re-examine theories, to find out what factors influence the level of impact on the independence of the auditor.

The qualitative research uses archival research methodology and interpretive research methodology to study the concepts and theories related to the subject of study. Screening domestic and abroad research articles is done to find out a set of factors that may affect the auditor independence. Using interview methods with open questionnaires is to determine which factors in the set of factors affect the independence of the auditors and to find new ones. Therefrom, the model presents the factors that threaten the independence of auditors in Vietnam.

In quantitative research, the author collects data through survey methods in three forms: (1) Directly, (2) Mailing, (3) Emailing to be applied to the company located in Southern Vietnam. After obtaining the results of the survey, the data were processed by using statistical methods to determine the weight and frequency of selected factors. We were using IBM SPSS statistics 20 and AMOS 23 software to analyze the reliability of factors as well as criteria for factors' measurement. At the same time, statistical methods are used to synthesize and compare in order to quantify the impact of factors on the independence of the auditors. The results of the analysis were used to provide concrete evidence as a basis for the assessment of the situation and to provide solutions towards improving the auditor independence.

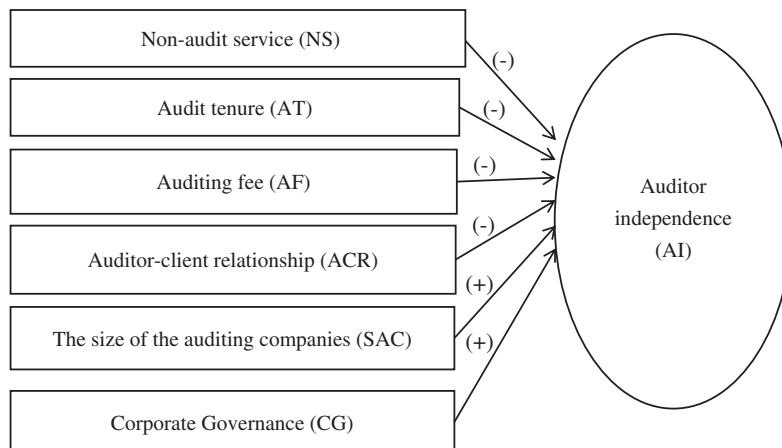
The research area embraces focal topics of understanding and determining the internal factors affecting the audit independence at auditing companies in Southern Vietnam. The time period of study in terms of data collection and analysis is between the year of 2016 and 2017.

3.2. Research model

From the succession of previous studies, expert in-depth interviews and expert group discussions, the authors set up a model of six main groups of factors and hypotheses about the degree of positive (+) or negative influence (-) of these factors on auditor independence (Figure 1).

Figure 1. The proposed research model (Source: author's development).

Source: Authors' development



To identify the factors that affect the independence of the auditor, the overall correlation model is as the following form:

$$AI = \beta_0 + \beta_1NS + \beta_2AT + \beta_3AF + \beta_4ACR + \beta_5SAC + \beta_6CG + \varepsilon (*)$$

Where: ε : interference coefficient; β : regression weights

4. Research results and policy implications

4.1. Research results

According to Hoang and Nguyen (2008), the observed sample size is at least four or five times the number of variables in factor analysis. The survey using factor analysis and model of study will have 21 observed variables (21 questions in the survey), so the minimum number of samples is $N = 5 * 21 = 105$. Number of formal study sample of 110 is considered appropriate. Samples were selected by a random method. Surveyed subjects participating in the study were aged mainly between 40 years and younger, mostly graduates from colleges and universities, with 2 years seniority or more, especially senior groups with over 5 years seniority were accounted for 57.3%. General information about the participants in the survey is shown in Table 1.

The Cronbach Alpha coefficient has a variable value of [0, 1]. If a measurement variable has an Item-Total Correlation coefficient equal to or greater than 0.30, it is satisfactory. A good reliability scale when it varies between [0.70–0.80]. If the Cronbach Alpha coefficient is equal to or greater than 0.60, the scale is acceptable in terms of reliability. Table 2 presents the values of Cronbach Alpha coefficients of our interested group of variables.

The results show that all variables (observed variables and independent variables are described in the appendix 1 and appendix 2) have coefficients Cronbach Alpha > 0.6 and Corrected Item-Total Correlation > 0.3. Authors analyzed the EFA factor on variables, finding that the KMO coefficient is [0.5; 1] and Sig = 0.00 < 0.5 (Table 3), the independent factor analysis is appropriate.

To assess the suitability of the model with market data, researchers are often interested in chi-square/df indices, the Tucker–Lewis index (TLI), CFI comparative index, RMSEA—an important indicator to determine the suitability of the model against the overall. In some case studies, we distinguish two cases: chi-square/df < 5 (with sample $N > 200$); or < 3 (when sample size $N < 200$), the model is considered to be good. The sample size is $n = 110$ ($n < 200$), so if the model receives chi-square/df < 3 (also known as $cmin/df < 3$), the TLI, CFI ≥ 0.9, RMSEA ≤ 0.08 then the model is considered suitable.

Table 1. Statistics of respondents

Positions	Frequency	Percent	Target	Frequency	Percent	
Director of Audit	3	2.7	Age	Less than 31	64	58.2
Head of audit department	3	2.7		From 31 to 40	41	37.3
Auditor	5	4.5		From 41 to 50	5	4.5
Auditing Assistant	40	36.4	Level	Colleges University	83	75.5
Manager	1	0.9		Postgraduate	27	24.5
Chief accountant	21	19.1	Experience	Under 5 years	51	46.4
Accountant	15	13.6		From 5 to 10 years	41	37.3
Bank staff	10	9.1		From 11 to 15 years	18	16.4
Lecturers	10	9.1	Income	Under 10 millions	53	48.2
Other	2	1.8		From 10 to 20 millions	40	36.4
Total	110	100.0		>20 millions	17	15.5

Source: Authors' calculation.

Initial regression model

$$AI = -0.082NS - 0.168AT - 0.125AF + 0.029ACR + 0.211SAC + 0.206CG$$

Table 4 presents the confirmatory factor analysis (CFA). Results $CMIN/DF = 1,314 < 3$, $CFI = 0.902 > 0.9$, $RMSEA = 0.054 < 0.08$ showed that the pattern was consistent. The author then uses the bootstrap method to re-estimate the model scale ratios estimated by the ML method. Bootstrap is a repetitive sampling method, in which the initial sample acts as a crowd. If the standard value ($CR = Bias/S.E. Bias$) is less than $t = 1.96$ in the Student distribution table, the deviation is very small, not statistically significant at 95% confidence level. Thus, the ML estimation parameters used in the model can be trusted. The results show that Estimate (ACR1) = 0.442 and Estimate (SAC1) = 0.397 are all less than 0.5.

Modified final regression model

$$AI = -0.075NS - 0.182AT - 0.134AF + 0.038ACR - 0.041SAC + 0.203CG$$

Assuming that other factors are constant, the direction of the impact of factors on audit independence is consistent with the original hypothesis. Through auditing, it can be argued that internal factors affect the auditor's independence in the order of importance "Corporate Governance (CG)"; "Audit tenure (AT)", "auditing fee (AF)", "non-audit service (NS)", "Auditor-client relationship (ACR)" and "The size of the auditing companies (SAC)".

The situation shows that economic indicators have an upward trend in socio-economic development. In the field of the auditor independence, although the size of the auditing companies is growing, it is not synchronous in terms of quantity and capacity of practicing auditors. Auditing service is a type of highly specialized service. According to the annual meeting of Directors of audit firms of VACPA (Vietnam Association of Certified Public Auditors), the expert opinion and the results of testing the model: the quality of the auditors independence of auditing companies is still low, the quality of services of auditing companies in general and service fees have not reached the regional and international level. The quality of auditing in general and the quality of services, in particular, are not consistent within the auditing companies and there is a large gap between the foreign auditing

Table 2. Summary of measurement results

Group variables	Cronbach's alpha	Variable	Corrected item-total correlation
AI	0.689	AI1	0.579
		AI2	0.497
		AI3	0.438
NS	0.749	NS1	0.607
		NS2	0.673
		NS3	0.462
AT	0.685	AT1	0.445
		AT2	0.592
		AT3	0.468
AF	0.650	AF1	0.478
		AF2	0.496
		AF3	0.430
ACR	0.679	ACR1	0.442
		ACR2	0.492
		ACR3	0.550
SAC	0.725	SAC1	0.443
		SAC2	0.629
		SAC3	0.583
CG	0.794	CG1	0.637
		CG2	0.604
		CG3	0.678

AI – Auditor Independence.
 NS – Non-auditing services.
 AT – Auditing Tenure.
 AF – Auditing Fee.
 ACR—Auditor–Client Relationship.
 SAC – Size of Auditing Company.
 CG – Corporate Governance.
 Source: Authors' calculation.

Table 3. KMO and Bartlett's Test

		Dependent variable	Independent variables
Kaiser–Meyer–Olkin Measure of Sampling Adequacy.		.640	.617
Bartlett's Test of Sphericity	Approx. Chi-Square	56.485	586.578
	Df	3	153
	Sig.	0.000	0.000

Source: Authors' calculation.

companies and the private auditing firms in Vietnam. Most of the opinions that the auditors are independent in terms of form, thought and attitude are of professional skepticism. However, the friendly relationship between auditors and clients in auditing companies is likely to diminish auditor independence. Corporate governance has a strong impact, alongside auditor independence, which means that auditors of companies have an important role to play in managing and executing auditing services in the environment. In the past, Vietnam has made many changes and improvements, step by step in accordance with regional and international accounting practices. In addition, the law on independent auditing has not been finalized, for example, the audit fee framework. In

Table 4. Analysis of factors confirmed CFA

Model	CMIN/DF	CFI	RMSEA
Default model	1.314	0.902	0.054
Saturated model		1.000	
Independence model	3.561	.000	0.153

Source: Authors' calculation.

addition, many opinions suggest that auditing companies should be obliged to prevent auditing frauds when collusion between clients and auditing companies is taking place.

4.2. Policy implications

4.2.1. First, corporate governance

The auditing companies should develop an effective audit process that can be consulted on a sample audit program that is regularly updated by the VACPA with current regulations. Moreover, the auditing companies should improve the quality control system of the auditing enterprise. According to the ISA 220 auditing standard, the internal control system of an auditing firm for each audit must include: (i) Acceptance, retention of audit clients and audit contracts; (ii) Assignment of audit groups; (iii) Implementation of the audit; (iv) Monitoring; (v) Audit documents and records. According to experts, promoting this factor, first of all, depends on the sense and leadership capacity of the head of the auditing business. It works to design and operate an efficient and effective internal quality control policy and procedure, rather than a formal one. Accordingly, the audit must be directed, guided, supervised and reviewed at all stages so that the reasonable assurance is that the work has met the higher quality standards.

4.2.2. Second, the audit tenure

The study results showed that the audit tenure being one of the evaluated factors importantly affects the independence of auditors. Thus, the tenure of the auditor/audit director should be two or three years for a client. An audit firm should carry out an audit for a client for a period not exceeding five years to comply with the provisions of the Law on Independent Auditing. It is clear that auditors are not allowed to perform audits for public interest entities for five consecutive years, and the term of assistant auditors extends up to three years for a single client.

4.2.3. Thirdly, audit fees

When negotiating the cost of services, the auditor has the right to practice to set fees they deem appropriate. The auditing companies must assess the severity of the risk and shall apply the necessary safeguards to eliminate or reduce the threat to an acceptable level. If the unit has public benefit clients of auditing companies in two consecutive years total service charges from customers and related units account for more than 10% of the total revenue of the auditing companies, the auditing companies must disclose to the client's Managing Board that the total service charge is more than 10% of the total turnover of the enterprise. Furthermore, the auditing companies must discuss which of the following protective measures will be taken to reduce the risk of loss of personal interest to an acceptable level.

4.2.4. Fourth, non-audit services

Auditing companies may not conduct an audit in cases where they are performing or have performed in the preceding year adjacent to the services of recording accounting books and making financial statements for auditing customers. Providing a number of tax services can give rise to a risk of self-examination and the risk of justification. Thus, in the non-audit services mentioned above, the service of recording accounting books and tax consulting services provided in conjunction with the audit service for the same customer will reduce audit independence. At the same time, the code of ethics in professional auditing in Vietnam does not allow auditing company to simultaneously provide these services simultaneously with providing auditing services to one client.

4.2.5. *Fifth, the auditor–client relationship*

Practicing auditors providing services must be independent of customers using the service. Independence of thought and independence of form are essential to practicing auditors concluded or considered as concluded an unbiased manner, no conflict of interest or not affected unreasonably from others. The auditors must comply with the standards promulgated when detecting violations of independence in accordance with Circular 70/2015/TT-BTC. When practicing auditors detect violations of any other provisions of Circular 70/2015/TT-BTC, the auditor must assess the seriousness of the breach and its effect on the compliance with basic ethical principles. The practicing auditors must use all reasonable measures as soon as possible to properly settle the consequences of the breach. The practicing auditor must determine whether it is necessary to report this violation to those who may be affected by the offense, the professional organization in which they are a member, management agency or supervisory authority concerned.

4.2.6. *Sixth, the size of the auditing companies*

To strengthen the large-scale audit business, minimize the small-scale auditing business, the authors proposed (1) to encourage small auditing companies to merge or consolidate into larger auditing companies, (2) to increase in human resources with professional qualifications, i.e.: to reform the service of training and certification of auditors, towards internationally certified auditors; auditing firms need to develop a rigorous recruitment process, adopt remuneration policies for auditors, and create a proper working environment to maintain human resources.

5. Conclusions, recommendations and limitations

Increasing the independence of auditors is to contribute to improving the quality of the audit. The study of the factors affecting the auditor independence to exam the influence of each factor exerted on the environment of independent auditing companies. Thereby, the research proposed appropriate policy implications to contribute and to address the new issue which is the auditor independence in Vietnam today and that is the main goal of this study.

The results of the research have gained theoretical and practical significance. The topic of developing a framework for research on auditor independence includes a review of domestic and foreign studies, background theories, the theoretical basis for auditing independence, the factors constituting auditors independence, models and scales, and the used methodology. Since then, the topic of contributing to the following research has been related to the independence of the auditor. The authors have demonstrated the factors that are not or rarely studied such as Gifts and hospitality; Company manager. This research has examined the internal factors that threaten the independence of the auditors at auditing companies across Southern Vietnam.

Research topics not only contribute theoretically in the field of auditing, corporate governance but also the practical significance for the State management agencies in the audit and professional auditing societies. In addition, the results are also applicable for auditing firms, audit audiences as well as universities. Policymakers and managers can use these results in the process of developing policies, formulation of management mechanisms, and business decision-making. Moreover, the research results can open the next direction in order to constantly improve the independence of auditors in particular and the quality of independent auditing in general in the context of extensive restructuring and deepening international economic integration.

However, all in all, this study has several limitations as follows. Firstly, the research sample is only made by convenient sampling and the sample size is still limited. Although we have used a number of techniques and statistical tools to eliminate suspicious factors potentially influencing unreliable outcomes, it was impossible to eliminate the evaluation by subjective factors. Therefore, the assessment of factors affecting auditor independence still has certain limitations. Concerning the psychological factors of the majority of respondents, the Vietnamese people, in general, are hesitant to give their views or opinions. Secondly, regarding the scope of the study, this study was only investigating: (a) the chief auditor, independent auditor and audit assistants who are working in auditing enterprises

located in Southern Vietnam; (b) specialists, university lecturers, bank credit officers, and chief accountants of audited enterprises. According to the authors, there is a need to broaden the scope of research objects to include financial analysts, economic researchers, and policymakers.

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Appendix 1. Description of the observed variables

Group variables	Basis scale	Observed variables	Symbol	Survey question
Auditor independence (AI)	Beattie et al. (1999)	1. Independence of form	DL1	1. The auditors are now independent in form
		2. Independence of thought	DL2	2. The auditors are now independent of thought
	Building through qualitative research	3. Skepticism of the profession	DL3	3. The current auditor has an attitude of professional skepticism

5 point Likert scales the degree of compatibility with the specific numbers: (1) Strongly disagree, (2) Disagree, (3) No reviews, (4) Agree and (5) Strongly agree with the DL observation variables in the model (*).

Source: Authors' development.

Appendix 2. Description of independent variables

No.	Group variables	Basis scale		Independent variables	Survey question
1	Non-audit Services (NS)	mEGD	1.1	Training Services (NS1)	Auditing companies provide training services for auditing clients.
		Beattie et al. (1999)	1.2	Internal Control System Design/ Assessment (NS2)	The auditing company performs the design/ assessment of the internal control system.
			1.3	Fee for non-audit services (NS3)	Non-audit service fees account for 25% of the audit fee from a customer.
2	Audit tenure (AT)	Alleyne (2006), Nguyen and Ha (2015)	2.1	The term of the auditor/audit director (AT1)	The term of the auditor/audit director is two or three years for a client.
			2.2	Audit firm tenure (AT2)	An audit firm performs an audit for a client over a period of time that is over 5 years
			2.3	Audit Assistant Term (AT3)	The term of the auditor's assistant for more than 3 years for a client

(Continued)

No.	Group variables	Basis scale		Independent variables	Survey question
3	Auditing Fee (AF)	Beattie et al. (1999)	3.1	Revenue from a customer (AF1)	Revenue from a client that is greater than or equal to 10% of the total revenue of the audit firm/ audit office
		mEGD	3.2	High Fee (AF2)	The audit fee is too high compared to the estimated audit fee
		mEGD	3.3	Low Fee (AF3)	Audit fees are too low compared to the estimated cost audit
4	Auditor-Client relationship (ACR)	mEGD	4.1	Preferred employment relationship and potential (labor relationship) (ACR1)	Auditors are recruited by potential customers during the audit process
		mEGD	4.2	Former employee (ACR 2)	The current employees of an audit client is a former employees of the auditing company. It has great impact on financial statement.
		mEGD	4.3	Good deal, gift (ACR3)	Auditors are well treated in the auditing process
5	The size of the audit companies (SAC)	Beattie et al. (1999), modified to apply to Vietnam	5.1	Company/ subsidiary in the country with local small Co. (SAC1)	The auditing company/branch of the auditing company is a small local company.
			5.2	The domestic companies have many branches all over the country (SAC2)	The auditor/ branch of the audit firm whose auditors are working is of scale with many domestic branches (It is not Big 4)
			5.3	Branches of foreign audit firms (SAC3)	The auditor/ branch of the auditing company that the auditor's working on is a branch of a foreign audit firm.

(Continued)

(Continued)

No.	Group variables	Basis scale		Independent variables	Survey question
6	Corporate Governance (CG)	mEGD	6.1	Audit Process (CG1)	The audit process at the company is effective.
			6.2	Quality Control Process (CG2)	Quality control process at an efficient audit firm
			6.3	Management philosophy of the auditing company (CG3)	Leadership of an audit firm determines that auditing independence is important to the company

- Interpretation of symbols: mEGD is the method of expert group discussion.
 - The Likert scale of 5 points corresponds to the specific numbers: (1) Serious threat of independence, (2) Threatening independence, (3) Without prejudice to independence, (4) Increased independence and (5) Strongly increased independence for independent variables used in the model.

Source: Authors' development



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