
Determining Factors Affecting Independent Auditing in Small, Medium and Big-sized Auditing Companies- Case in Vietnam

HOANG THANH HANH DR.¹

¹Academy of Finance Vietnam.
Email ID: hoangthanhhanh@hvtc.edu.vn

Abstract: Along with the development of the economy, auditing also gradually expands the subjects of their specific interest. Previous traditional objects such as financial statements have not necessarily lost their role and position, but cannot meet all the expectations and concerns of managers and investors about the situation of the enterprise. Understanding the picture of determining the factors affecting audit fees such as finding a composite array helps to evaluate an aspect of prices and reasonable fees of auditing firms to gradually improve the audit system. math in Vietnam. And in the current period, when the audit fees are more inadequate, reflecting the inadequacies of the unfair competition, not ensuring the quality of the audit report, the research and research of it more than ever. should be very important. By using the following main research methods: Document analysis, systematic analysis, comparative comparison, survey survey method and data analysis method, to measure impacts of some factors on auditing fee, we find out the technical projects with a large scale and the legal environment has a strong impact on the strategy and policy of the audit service market more.

Last but not least, Evaluating the impact on audit fees also contributes to helping businesses make long-term as well as short-term development strategies that are suitable for their businesses.

JEL: M1, M11, M21

Keywords: auditing fee, determining factors, independent auditor, auditing firm size, auditing activities

INTRODUCTION

In the development phase and modern phase, users of audit results are not only investors, but also managers, relevant third parties. Although the subject of audit is quite broad, it can be divided into two main groups: (i) Group of managers and (ii) Group of shareholders and third party. For non-public companies, the main group of users of audit results are shareholders and managers. For joint stock companies, especially the public, the main user group is in addition to shareholders, managers also have a related third party in society. Because the financial statements of public companies (especially listed companies) affect a wide group of people in society, most countries around the world require public companies to be audited. while the rest may be voluntary. In other words, the important target group that the audit targets is the society and the public.

In the view of medium and large-scale auditing firms, there are several main factors that affect audit fees:

- The standard legal effect on the audit fee
- The average age of the team of internal auditors Skills and knowledge of the internal auditor's IT
- International auditing standards

And some other factors.

The structure of this study is as follows: introduction in 1st session then literature review, method, results, discussion and conclusion.

Hence, We focus on following research issues:

- Research on factors affecting audit fees
- Evaluation of factors impacting from policy, from technical engineering and from the audited entity.
- Then give implications for policies and solutions for relevant research subjects.

LITERATURE REVIEW

Elliot and Korpi (1978) and Wallace (1984) said that the audit cost decreases if the quality of internal audit increases.

Next, Suryanto (2014) examine the effect of client attribute, auditor attribute, and engagement attribute to audit fees and the effect of audit fees to control risks and fraud prevention. The respondents involved in this research were auditors working in public accounting firms in Bandar Lampung, Palembang and Jambi. Based on the census sampling method, the total sample in this research was 104 respondents from public accounting firms in Bandar Lampung, Palembang and Jambi. In this research, Partial Least Square analysis was employed to test the

hypotheses. The results of this research indicate that client attribute, auditor attribute, and engagement attribute are the dominant factors affecting audit fees. The results also show that audit fees have an effect on risk control and fraud prevention.

Beside, Rusmanto and Waworuntu (2015) found that assets (company size) significantly affect/determine audit fee paid by clients to audit firms. Whereas other factors such as profit, business complexity and number of subsidiary are not significant in determining audit fee.

Regression Results shown in the below table:

Table 1: Regression of Factors Influencing Audit Fee

Dependent Variables	Independent Variable	R (R ²)	Regression Coefficients			
			Unstandardized	Standardized	Sig	tValue
Audit Fee	Assets	.977 (.955)	.978	.958	.000	17.428
	Big 4 audit firm		-.281	-.031	.557	-.593
	Loss		-.238	-.018	.700	-.388
	Receivable/assets		5.139	.076	.095	1.713
	Inventory/assets		1.053	.040	.377	.895
	Segment		-.002	-.016	.687	-.407
	Subsidiary		.079	.060	0.185	1.352
	Tobin's Q		-1.785E006	-.003	.945	-.069

From the table it can be seen that from all factors or independent variables such as assets, big audit firm, profit/loss, receivable, inventory, segment, subsidiary and Tobin's Q Value only asset has significant effect to audit fee rate that is 95.5 per cent, while other variables have no significant effect to audit fee rate.

Kikhia (2015) provides further evidence connecting variables such as the auditor tenure effects and auditee risk which have been found to have an inconclusive relationship with the amount of external audit fees in prior studies. However, the auditee size seems to have been the key determinant of external audit fees. Furthermore, financial risk is found to be negatively and significantly associated with the level of external audit fees. On other side, empirical results found that the audit tenure has no significant relationship with audit fees. Finally, the current study is unique because it is the first to empirically examine factors impacting the level of audit fees in Jordan for a total of three years; it revisits the audit fee literature and highlights the important determinants that affect audit fees.

Then, Naser and Hassan (2016) pointed to a significant and positive association between audit fees and each of corporate size and audit committee independence variables. A significant and negative relationship has been detected between external audit fees and business complexity. The findings also revealed that audit fees are not significantly associated with company's profitability, risk, industry type, status of audit firm and audit report lag. Last but not least, Ye (2020) pointed that As the supplier of audit report and the demander of audit report, the relationship between supply and demand of both parties will inevitably affect audit fee. And Kanakriyah and Balqa (2020) examines the factors that have an impact on external audit fees on manufacturing companies listed on Amman Stock Exchange (ASE). Also, it tries to builds a model to determined and measuring external audit fees The most important factors that have significant effect on audit fees are: Audit Report Lag, risk, client size, status of the audit firm, and corporate complexity. Also audit fees are negatively and significantly associated with industry type and profitability. Moreover, no relations were detected between audit committee independence and audit rotation with the audit fees.

Concepts:

According to the Conception in audit education and training in the French Republic, audit is the study and examination of the chronological accounts of an organization by an independent person, nominally called a progressive auditor. Act to assert that the red accounts accurately reflect actual financial position, do not conceal fraud and that they are presented on the official statutory format.

According to Alvin A. Aren and James K. Loebbecker (1988) "Auditing is the process by which independent experts collect and evaluate evidence of quantifiable information of a particular entity, in order to the target confirms and reports on the conformance between this information and the established criteria".

According to the definition of the International Federation of Accountants (IFAC) "Auditing is the independent auditors check and present their opinions on the financial statements"

Beside, in some countries, the audit fee is the fee paid for public audit services and audit services from companies with audit expertise providing services to the organization.

The audit fee factor is often studied to evaluate the volatility of the audit market, the industry development trend of this service sector. According to the theory of political economy the audit fee as the price reflection on audit services. It reflects the relationship between supply - demand and other factors in the modern market.

Factors affecting audit fees can be divided into the following groups:

- + Law factors related to auditing
- + Factors related to the operational capacity of the auditing firm
- Factors related to the size of the entity being audited

+ The factors related to the internal audit quality of the audited entity.

In the group of factors on audit law, is the group of factors that partially reflect the context of the legal environment related to the audit in which the enterprises are operating, it includes the legal capital requirement, number of auditors, operational experience and standards related to the qualifications and qualifications of each auditor.

In the group of factors related to the auditing firm's performance, it reflects the approach and competitiveness of the company in the audit services market.

RESEARCH METHODOLOGY

In the study, to find out the factors affecting the audit fee, the authors conducted a survey and collected information through the form of sending votes to 30 auditing companies and audited entities, participants filling out the form. are auditors at auditing companies.

Out of 100 questionnaires sent to 30 auditing companies, 52/100 questionnaires were collected from 18/30 auditing firms. The analysis results are based on data collected from 18 auditing firms.

The study used SPSS statistical analysis software to analyze the data collected from 52 questionnaires related to audit fees. To get the most out of the information, the research team uses the following social survey tools:

- Methods of collecting and processing secondary data: the research team collects information and data from ministries such as the Ministry of Finance, the Vietnam Association of Auditing website, ... and other data sources.
- The method used is the field survey method. Field survey will be conducted by both qualitative and quantitative methods on the related subjects through the form of questionnaires. (After the monkey has completed the sample form through trial investigation)

We also use the following main research methods: Document analysis, systematic analysis, comparative comparison, survey survey method and data analysis method.

Proposed research model

In order to facilitate analysis and research, the author classifies the technical projects according to the scale with the following criteria:

Table 2: Criteria of grouping auditing firms by scale

Criteria	Revenues (b VND/year)	Clients/year	No of auditors	No of questionnaires obtained from survey
Large scale	> 100	> 600	> 40 auditors	6
Medium scale	30=>100	300=>600	20=>40	22
Small scale	< 30	< 300	< 20	24

The results obtained from the data brought 6 questionnaires from large scale auditing firms, 22 questionnaires from medium scale auditing firms and 24 questionnaires from small auditing firms.

MAIN RESULTS

4.1. The legal trend on auditing is getting stricter

Table 3: Statistics of grouping auditing firms by scale

Group 1 (big size)	Standar d dev.	Group 2 (medium size)	Standar d dev.	Group 3 (small size)	Standar d dev.	All 3 groups	Standar d dev.
3.67	0.82	2.59	1.14	2.71	1.52	2.77	1.32

Commenting on the legal trend on auditing is increasingly tight, the large-scale auditing firms see the effect of this factor with the stated assessment of 3.67.

Meanwhile, the auditing firms with small scale are considered at 2.57, the technical projects of medium scale are considered at 2.59, which means disagreeing. The average of all 3 groups is 2.77, which means that this factor is not considered important.

4.2. Vietnam's standards for auditors are getting stricter every day

Table 4: Statistics of grouping auditing firms by scale

Group 1 (big size)	Standar d dev.	Group 2 (medium size)	Standar d dev.	Group 3 (small size)	Standar d dev.	All 3 groups	Standar d dev.
2.83	0.98	2.86	1.17	3.25	1.03	3.04	1.08

The Auditors commented that the standard trend of auditors is getting higher and higher, this popularizes the trend towards professional requirements of auditors. In this statement, the auditing firms with small scale agree to evaluate at 3.25.

On the contrary, there is disagreement between the auditing firms with medium scale is 2.86 and the auditing firms with large scale is 2.83. All 3 groups rated 3.04 (the factor was not considered very much)

4.3. Auditing standards increasingly approaching international auditing standards

Table 5: Statistics of grouping auditing firms by scale

Group 1 (big size)	Standard dev.	Group 2 (medium size)	Standard dev.	Group 3 (small size)	Standard dev.	All 3 groups	Standard dev.
3.50	0.84	2.86	0.99	3.04	1.20	3.02	1.08

In general, all 3 groups seem to think that the element of audit standards that increasingly approaching with international audit standards affects the audit fees, with a rating of 3.02. The large-scale auditing firms stated that the impact level of this factor is relatively clear at 3.50. The group of auditing firms with small scale thinks that the impact is less than 3.04, while the auditing firms with medium scale think that it does not affect the quality of internal audit much.

4.4. Higher legal standards and auditing standards lead to higher audit costs

Table 6: Statistics of grouping auditing firms by scale

Group 1 (big size)	Standard dev.	Group 2 (medium size)	Standard dev.	Group 3 (small size)	Standard dev.	All 3 groups	Standard dev.
4.00	1.26	3.05	1.00	3.13	0.99	3.19	1.05

The general analysis shows that all 3 groups said that the higher the legal standards and audit standards lead to a higher tendency for the audit costs (3.19). In which, the group of large-scale auditing firms strongly comments on the impact, with an assessment level of 4.00 followed by the group of small-scale auditing firms 3.13 and the group of medium-sized auditing firms is 3, 05.

4.5. A company's growth strategy has an impact on the company's audit fees

Table 7: Statistics of grouping auditing firms by scale

Group 1 (big size)	Standard dev.	Group 2 (medium size)	Standard dev.	Group 3 (small size)	Standard dev.	All 3 groups	Standard dev.
3.33	0.52	2.73	0.98	3.83	1.09	3.31	1.11

The general analysis shows that the company's growth strategy has an influence on the policy of applying audit fees to its clients. In this case, the study shows that the small-scale auditing firms perceive a greater degree of influence with a rating of 3.83, which shows that small-scale companies entering the market are willing to lower their levels. lower fees to get more contracts and have more customers to ensure better company performance is in line with auditing legal standards to improve the company's competitiveness. The second group is the large-scale auditing firms identified at 3.33. Particularly, the group of auditing firms with a scale of 2.73 has just stated that this proves that the auditing firms with the size and business strategy do not focus much on the issue of audit fees, so they do not consider this factor.

4.6. Experience of group auditors affecting auditing fee

Table 8: Statistics of grouping auditing firms by scale

Group 1 (big size)	Standard dev.	Group 2 (medium size)	Standard dev.	Group 3 (small size)	Standard dev.	All 3 groups	Standard dev.
3.00	1.26	2.73	1.08	2.67	0.92	2.73	1.01

Commenting on the experience of the auditors as possible, the higher the audit fee tends to be higher, all 3 groups of auditing firms think that disagree with this opinion with the general assessment of 2.73. The auditing firms with large scale, have neutral opinion with the assessment level of 3. The medium-sized auditing firms have the disagreement of 2.73 and the small-scale auditing firms is 2.67. This may be reflected that there is not much difference in experience from the auditor's team, affecting the audit fees in general and for each group in particular.

DISCUSSION

Analyzing the influencing factors for the group of large-scale technical engineering From the perspective of large-scale technical projects, the order of factors according to them has a great influence on the audit fee level is the following issues:

Table 9: Factors influencing the audit fee from the point of view of the large scale auditing firms

Influence factors	Evaluation
Standard legal effect on audit fees	4.00
Average age of team of internal auditors	3.83

Skills and understanding of the internal auditor's IT	3.83
Auditing standards approaching international	3.50
The market share of the entity is audited	3.50
Characteristics of the field of industry the unit is audited	3.50
The level of competition within the industry	3.33
The company strategy affects the fees	3.33
Risk management	3.17
Number of regular meetings of the internal audit department	3.17

In the view of large-scale auditing firms, there are several main factors that affect the audit fees:

- The standard legal effect on the audit fee with the assessment level is: 4
- The average age of the team of internal auditors with a rating is: 3.83
- Skills and knowledge of the internal auditor's IT with the assessment level: 3.83
- International auditing standards with assessment as: 3.5
- The market share of the audited entity with the assessment is: 3.5
- The specifics in the field of business the unit is audited with assessment level is: 3.5
- The level of competition within the industry with assessment is: 3.33
- Company strategy influences fees with the perception of: 3.33
- The work of risk management is assessed as: 3.17

The number of regular meetings of the internal audit department with the assessment level: 3.17

According to the opinion of large-scale auditing companies, the group of factors belonging to the legal standards and auditor standards has a strong impact on the audit fee. This can be understood that the technical projects have a large scale, the legal environment has a strong impact on the strategy and policy of the audit service market more. In view of the large-scale firms, the legal factors and audit standards are stricter according to international standards, they can develop a policy on higher audit fees.

The next factor that affects the audit fee level according to the large-scale firms is the specifics of the industry and the IT skills of the internal audit team of the audit unit.

Analyze the influencing factors for the group of medium-sized auditing firms

Table 10: Factors affecting the audit fee from the point of view of the medium-sized auditing firms

Influence factors	Evaluation
Size affect fees	3.32
The level of competition within the industry	3.27
Average age of team of internal auditors	3.18
The experience of an internal auditor	3.18
Effect of internal audit quality on fees	3.09
Standard legal effect on audit fees	3.05
Skills and understanding of the internal auditor's IT	3.05
The market share of the entity is audited	3.05
Characteristics of the field of industry the unit is audited	3.05
Risk management	3.05

In the view of medium-sized auditing firms, there are a number of main factors that affect audit fees:

- The scale of impact on the fee level is: 3.32
- The level of competition within the industry with assessment is: 3.27
- The average age of the team of internal auditors with a rating is: 3.18
- Experience of the internal auditor with assessment as: 3.18 -Effect of internal audit quality on fee level is: 3.09
- The standard legal effect on the audit fee with the assessment level is: 3.05
- The skills and understanding of the internal auditor's IT with assessment level: 3.05
- The market share of the audited entity with the assessment is: 3.05
- The specifics in the field of business the unit is audited with the assessment is: 3.05
- The work of risk management is assessed as: 3.05

Thus, the medium-sized auditing companies has both identified the size and capacity, as well as the fact that the industry competitiveness affects the audit fee for them more. This is likely due to the more intense competition of medium-sized auditing firms and the risk of chasing of small-scale auditing firms, causing them to place high importance on scale as well as internal competition of Auditing services to the top.

CONCLUSION

Along with the development of the economy, auditing also gradually expands the subjects of their specific interest. The traditional objects in previous audit studies revolve around financial statements, the quality of financial statements, quality improvement in the audit regime, ... Each study has its values. and the importance of evaluating and reviewing each stage of the audit process. Therefore, research on the issue of audit fees as a piece should be concerned and evaluated in the current period to complete the overall picture of the audit system in Vietnam.

The development of the world economy in general and Vietnam in particular, activity audit is gradually asserting its role for economic and financial activities in both micro and macro scale. The results of this study therefore have important implications in the field of audit research today.

Firstly, the subject of the study is not restricted to a certain extent or limit to provide additional information aspects about the performance of the audited entity and the auditing company. In any field, it is necessary to evaluate economy, efficiency and effectiveness. The assessment of these aspects is the basis for units and businesses to regulate and adjust their own policies, and propose solutions in accordance with the actual situation in order to maximize the resources. force has been and will be used. The saving and efficient use of the resources that they are holding is always a big question for managers.

Secondly, with the characteristic that the economy goes up from the agricultural economy while the industrial structure is growing unevenly, mainly concentrated in big cities, in the delta area, so Determining and allocating resources to serve the development of regions is an issue that needs to be addressed. Auditing is an area that the state pays much attention to improving policies in recent years. The results of this study, therefore, partly give the impact of geographic and sectoral impacts on audit fees, it is the basis for evaluating and building development strategies, top strategies. investment as well as macroeconomic policies suitable for each region, each specific industry.

Thirdly, when Vietnam's economy enters the current difficult period, to maintain the existence and development of every business, every unit, and every organization is always an urgent issue. Enterprises always face numerous difficulties from objective to subjective. Efficiency and sustainable development always need managers to find the final solution. From a business perspective, in order to achieve the set goals, ensuring the saving of existing resources is a very important issue. Especially nowadays, when Vietnamese enterprises are facing the gradual depletion of resources, the fierce competition in the use of resources is gradually narrowed among Vietnamese enterprises themselves. not to mention the competition with businesses that have a foreign mark. Therefore, assessing the impact on audit fees also contributes to helping businesses come up with long-term as well as short-term development strategies that are suitable for their businesses.

Implications for policy:

From the research results, there are some policy implications from the perspective of state managers as well as business managers that can be referenced in state management policy making or governance. enterprise.

During more than 25 years of operation, the independent audit industry in Vietnam has made great developments in terms of quality and quantity. The 2011 Law on Independent Audit is the highest legal document recognizing the importance of independent audit in Vietnam. Independent audited financial statements have been an indispensable part for shareholders, potential investors, banks and related stakeholders. Along with the Law on Independent Auditing, new accounting standards and auditing standards have also been promulgated to inherit most of the standards in International Financial Reporting Standards and International Auditing Standards. These legal documents are considered an important foundation in the establishment and operation of the independent audit market in Vietnam.

Although there have been impressive developments over the past years, the integration trend shows that the independent audit market of Vietnam still needs to be completed as close to the region and the world as possible. In the recent seminars on auditing, there are many opinions on existing issues such as: unfair competition, lower fees to below reasonable rates, audit fee revenue is not enough to be able to invest. Long-term investment in quality personnel, auditing firms do not have enough financial resources to upgrade and update the infrastructure system, the quality of audited information is not guaranteed, the confidence of investors. Decreased investment due to low reliability of audit reports ...

In order to contribute to minimizing the impact of the above problems on the development of the independent audit industry, some policy solutions need a roadmap to further tighten to ensure the fairness and quality of the services. audit:

- Improving the quality of independent audit in units with public interests;
- Creating favorable conditions for the supervision of state management agencies;
- The audit fee should be sure to truly reflect a healthy competitive market relationship; and in accordance with domestic legal documents and international practices.

Currently, the standards and conditions for auditing firms that are approved to audit entities with public interest, and in the securities sector are related to the level of charter capital, the number of audits practitioner, quality control system, professional liability insurance or occupational risk reserve. These standards are completely in line with the objective of improving the quality of auditing and international practice. However, standards and conditions for the number of units (customers) may reflect the firm's size of operations, but do not really reflect

the quality of the audit performed by that firm (According to the law to qualify as an SME auditing firm, the minimum number of clients in the last 2 years is 30). In the current context, when the audit quality is not equal among the auditing firms, taking the number of customers as a standard may not completely match the requirements of improving the audit quality of the agencies. and / or may lead to unfair competition pursued in terms of quantity and / or the auditors also see it as a condition to make it difficult to negotiate audit fees with new auditing firms entering the market. or are upgrading.

Customer number criteria should only be used for the purpose of keeping the number of customers necessary to maintain an audit approved entity with the public interest. If possible, we consider that there is a decentralization level of the minimum number of customers depending on the size of the auditing firmsT, which may create more favorable conditions for small firms to compete with larger auditing companies.

Regulatory agencies may consider mandatory rotation of auditing firms at listed organizations. Currently, the new audit firm rotation requirement is only applied to banks and credit institutions in Vietnam for a period of 5 years. The required public interest entities are not currently required to rotate audit firms.

The experience of a number of state management agencies in the auditing sector (Accounting and Corporate Regulatory Authority (ACRA) in Singapore, Malaysia, Thailand) in managing the licensing for technical and auditors through the issuance, evaluating and examining the Quality Index applicable to auditing firms. Auditing firms are required to manually update on their websites the parameters according to this set of Quality Indicators for regulatory authorities to check and monitor when necessary. Vietnamese licensing authorities can join this organization so that they can share their management practices with regard to independent audits in the region.

REFERENCES

1. A.J. Johnson, C.C. Dibrell, E. Hansen (2009), Market orientation, innovativeness, and performance of food companies, *Journal of Agribusiness*, 27 (1/2): 85-106
2. Jenny Goodwin và Teck Yeow Yeo (2001), Two factors affecting internal audit independence and objectivity: Evidence from Singapore, *International Journal of Auditing*, 5(2): 107-125.
3. Robert Smith (2003), *Audit committees combined code guidance*, London: Financial Reporting Council.
4. Jenny Goodwin-Stewart và Pamela Kent (2006), Relation between external audit fees, audit committee characteristics and internal audit, *Accounting & Finance*, 46(3): 387-404.
5. Kanakriyah, R., & Balqa, A. (2020). Model to Determine Main Factors Used to Measure Audit Fees, *Academy of Accounting and Financial Studies Journal*, 24(2).
6. K Raghunandan và Dasaratha V Rama (2006), SOX Section 404 material weakness disclosures and audit fees, *Auditing: A Journal of Practice & Theory*, 25(1), pp. 99-114.
7. Naser, K., Hassan, Y.M (2016). Factors influencing external audit fees of companies listed on Dubai Financial Market, *International Journal of Islamic and Middle Eastern Finance and Management*, 9(3)
8. Rusmanto, T., & Waworuntu, S.R. (2015). Factors influencing audit fee in Indonesian Publicly Listed Companies applying GCG, *Procedia - Social and Behavioral Sciences*, 172: 63-67.
9. Suryanto, T. (2014). Determinants of Audit Fee Based on Client Attribute, Auditor Attribute, and Engagement Attribute to Control Risks and Prevent Fraud: A Study on Public Accounting Firms in Sumatra-Indonesia, *International Journal in Economics and Business Administration*, 2(3): 27-39
10. Ye, X. (2020). Literature Review on Influencing Factors of Audit Fees, *Modern Economy*, 11(2): 249-260. DOI: 10.4236/me.2020.112022