



## THE STUDY OF AUDIT EXPECTATION GAP: THE AUDITOR'S RESPONSIBILITIES IN A FINANCIAL STATEMENT AUDIT IN VIETNAM



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### ABSTRACT

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This research ascertains the structure, composition, and extent of the Audit Expectation Gap (AEG) in Vietnam, thereby demonstrating the existence of the AEG in Vietnam. This study indicates reasonable solutions in narrowing the AEG in auditing financial report in Vietnam. The research design used the research framework of Porter (1993); Porter and Gowthroe (2004); Porter *et al.* (2012) and Turner *et al.* (2010). Survey data was collected by sending a random survey questionnaire to four interest groups: (i) auditors (the sample of auditors was a random selection from the list membership of the Vietnam Association of Certified Public Accountants (VACPA), (ii) auditees (joint-stock companies listed on the securities market), (iii) audit beneficiaries - in the financial community (direct beneficiaries of the audit function as users of audited financial statements), and (iv) audit beneficiaries - general public (they are randomly selected in Ho Chi Minh City, Hanoi (Capital of Vietnam) and neighboring provinces where many businesses, investors, and universities are located). The total number of questionnaires sent out was 1400. The number of usable responses was 454 or 32%. The study results provided empirical evidence that the existing AEG in Vietnam was significantly in line with the definition of audit expectation-performance gap (AEG) of Porter (1993) and that there was no research component proposed by Turner *et al.* (2010). The structure and extent of the AEG in Vietnam: reasonableness gap 31%, deficient standards gap 49%, and deficient performance gap 20%. In this study, the response rates of the survey groups were low. Practical implications included: identifying responsibilities which constitute each component of the AEG in Vietnam and determining the specific causes relevant to each responsibility and solutions to adjust, supplement or amend promptly. This would narrow the AEG in Vietnam. The AEG's component's measurements provide the indicator for the relevant agencies to build, implement policies to improve the capacity of independent auditing profession in Vietnam.

**Contribution/ Originality:** This study contributes to understanding the structure, composition, and extent of the Audit Expectation Gap (AEG) in Vietnam, thereby demonstrating the existence of the AEG in Vietnam. This study indicates some reasonable solutions in narrowing the audit expectation gap in Vietnam.

## 1. INTRODUCTION

“Expectation gap” is the term that was used for the first time in Liggio (1974) and was defined as the difference in opinion between the public and the auditor regarding audit responsibility. Cohen Commission extended the

definition to as “whether a gap may exist between what the public expects or needs and what auditors can and should reasonably expect to accomplish” (Cohen, 1978) and was understood in a general way as “The difference between what the public expects from the audit profession and what the audit profession really can provide” (Jennings *et al.*, 1993). Initially, most studies have shown that the AEG only includes the expected distance components expected by the public to be unreasonable in the audit profession (Lee 1970, Beck 1973, Baron *et al.* 1977). Accordingly, the main reason for the AEG’s existence is not the responsibility of the auditors but the lack of understanding of the public (Lee 1970, Humphrey *et al.* 1993, McEnroe & Martens 2001, Lee & Azham 2008). This implies that errors are due to the public and the AEG exists objectively due to differences in opinion between the auditors and the groups using the financial statements. There are different levels of interest and knowledge about audit in each group using financial statements (McEnroe & Martens, 2001). Conclusions drawn from empirical studies in most countries around the world in this period support the idea that the AEG always exists objectively with the audit profession and they cannot narrow down entirely if due to differences of opinion. Economic, political and social factors do not directly affect the emergence and existence of the AEG (Lee 1970, Beck 1972, Humphrey *et al.* 1993). More than a decade later, the AEG is still in existence and tends to widen. The increasing criticism of the audit profession requires researchers and professionals to take a new research approach toward the AEG and reconsider whether the impact of the AEG has negatively impacted the position of the audit profession in the society. Porter (1993) proposed that the AEG should be extended to AEG. Porter (1993) argument was that recent criticism against auditors has arisen from the fact that auditing professions fail to meet social expectations. That result has undermined confidence in the audit function as well as its position in social structure.

According to Limperg (1933) the position and role of an audit are based on the level of trust formed on the basis of the interaction between public expectations and perception. The bigger the AEG, the more likely the audit profession does not meet the expectations of the society. As a consequence, the public's trust in the audit profession is declining, so auditing can be removed. Therefore, in order to narrow the AEG, according to Porter (1993) it is necessary to identify (i) the audit responsibility that society expects; (ii) the reasonable responsibility that society expects; and (iii) the extent to which the auditor meets the reasonable expectations of the society.

Narrowing the AEG is particularly effective when measuring the level of each component of the gap and pointing out which group is responsible for a particular case. So, in the early 1990s, Porter (1993) proposed the definition of the AEG, which differs in structure and composition from previous definitions, in order to determine whether the AEG exists as a liability of public or auditors. Subsequently, Porter *et al.* (2012) and Porter and Gowthrope (2004) conducted a survey to measure and assess the degree of each component of the gap defined in 1993 in New Zealand and England. The study compared the changes, modifies and evaluates the effectiveness of the AEG reduction solutions in practice. In Vietnam, the AEG is a new term for professionals and regulatory organizations, even in the field of research.

The Ministry of Finance has amended and issued the Vietnamese Standards on Auditing effective from January 1st, 2014 which adhere to the International Standards on Auditing. The process of developing the Vietnamese Standards on Auditing has been consulted on by experts and researchers but has not yet been based on specific social survey results on the position and role of the audit profession, public expectations, and expectations for auditor’s responsibilities. Therefore, although there have been more than three years of application, no empirical studies have evaluated the impact and benefits of the Vietnamese Standards on Auditing.

In Vietnam, no research has ever identified and measured the extent to which each component constitutes the AEG. Therefore, this study was conducted with two main objectives:

- i. *Discovering the audit responsibilities which contribute to each component of the AEG in Vietnam.*
- ii. *Determining the extent, structure, and composition of the AEG in Vietnam.*

## 2. AUDIT EXPECTATION GAP MODEL

The AEG has been defined and proposed by many different researchers and professionals. Liggio (1974) defines the AEG as the difference between the levels of expected performance “as envisioned by the independent accountant and by the user of financial statements” (p.27). In 1978, the Cohen Commission extended the definition of the AEG from “users of financial statements” to “the public”, and from “expected performance” to “what auditors can and should reasonably expect to accomplish”. Also focusing on auditors’ responsibility, but more specifically, Guy and Sullivan (1988) states that “the AEG is the difference between what the public believes to be within the responsibilities of the auditors and what auditors themselves believe to be within their responsibilities. The limitation of this definition is that it only considers the liability of the auditor from auditors and audit firms’ perspectives. The perspective of the auditor and audit firm can be governed by the regulations, work environment, size of the company, and reputation of the audit firm.

### a) *The AEG model of Porter (1993)*

Porter (1993) based on the results of a study conducted in 1989 in New Zealand, commented that the definition of Liggio (1974) and Cohen (1978) were too narrow and did not mention that the auditor may not accomplish “expected performance” (Liggio, 1974) or what they can and reasonably should” (Cohen, 1978). It is impossible to assess the situation in which an auditor fails to complete his/her work or what an auditor is capable of performing.

Therefore, in order to recognize the AEG, it is necessary to identify (i) the audit responsibilities which the auditor is expected to perform by the society; (ii) the reasonable audit responsibilities which the auditor is expected to perform by the society; and (iii) auditors’ ability to meet the social expectations (Porter *et al.*, 2005). Thus, Porter asserted that the AEG study must be designed to allow the extension of different approaches and explanations. Porter proposed adding a “performance gap” and defined AEG as the gap between society’s expectation of auditors and auditors’ performance. The AEG model, according to Porter (1993) consists of two components:

- (i) The “reasonableness gap” – the gap between the responsibilities which auditors are expected to perform by the society and those it is reasonable to expect from auditors.
- (ii) The “performance gap” – the gap between the responsibilities of auditors which are reasonably expected by the society and those it perceives they deliver.

This component may be subdivided into:

- (a) The “deficient standards gap” – the gap between the auditors’ responsibilities which are reasonably expected and those auditors are required to perform by statute or case law, regulations or professional promulgations.
- (b) The “deficient performance gap” – the gap between the expected standard of performance of auditors’ existing responsibilities, and what is perceived to be delivered, by the society.

### b) *The AEG model of Turner et al. (2010)*

Turner *et al.* (2010) argued that Porter (1993) AEG model had the limitation of not indicating that the audit profession must provide services to more than one customer, and had not addressed the issue of the exchange of information between auditing firms and auditees. This can cause the possibility that the user has no need for the provided auditing services or the auditees does not want to pay for the responsibilities performed by the auditor in accordance with the professional standards. Accordingly, alongside the components similar to Porter (1993) AEG model, Turner *et al.* (2010) had added another component called “the research” for when a service firm did not have information on what customers expect. This is formed when an auditor performs auditing tasks and responsibilities that are not requested or expected by the public. For example, international accounting standards (ISA) require auditors to provide comments on auditees’ compliance with environmental regulations but developing countries such as Vietnam do not yet have these regulations, which require enterprises to publish financial information related to environmental activities.

### 3. PREVIOUS STUDIES RELATED TO IDENTIFYING AND MEASURING THE LEVEL OF THE AEG

Porter (1993) conducted the first survey in New Zealand in 1989 to determine the structure, composition, and extent of the audit expectation- performance gap. Research methods were inherited partially from studies by Lee (1970) and Beck (1973). This research provided a method for determining the composition, structure, and measurement of the distance of each component that makes up the AEG. More importantly, this research indicated a comprehensive approach towards narrowing the gap, thereby, reducing criticism and litigation that auditors were facing. Research results indicated that the AEG exists between auditors, auditees, and the two audit beneficiary groups. The reasonableness gap, deficient standards gap, and deficient performance gap were respectively 34%, 50%, and 16%.

Porter and Gowthrope (2004) conducted a comparative study in the UK and New Zealand in 1999 to (1) identify the components, structures and levels of gap in the UK and New Zealand in 1999; (2) compare the AEG between the two countries; (3) compare the changes in NZ in 1989-1999 period. The participants in the survey were randomly selected from four interest groups – auditors, auditees and two audit beneficiary groups. The questionnaire included 51 existing auditor duties, the duties' performance standard and the duties that auditors should perform.

The research findings indicated the structure, composition, and extent of the AEG resemblance to the AEG model of Porter from 1993. The results also showed, in 1999, the composition, structure, and extent of the audit expectation - performance gap in NZ and the UK were very similar. The reasonableness gap, deficient standards gap, deficient performance gap were 8%, 42% and 50% in the UK; and 6%, 41%, and 53% in NZ respectively.

In 1989, the reasonableness gap, deficient standards gap, deficient performance gap in New Zealand were 11%, 58%, and 31% respectively. There were significant changes in the structure, composition, and extent of the audit expectation - performance gap in New Zealand from 1989 to 1999: deficient standards gap reduced from 58% to 41%, deficient performance gap reduced from 11% to 6%, and responsibilities that were not reasonably expected from auditors lead to the reasonableness gap rising from 31% to 43 %.

In 2008, Porter *et al.* (2012) conducted the same survey, but added a number of new responsibilities that she believed were the responsibilities of auditors. The results showed that the reasonableness gap, deficient standards gap, and deficient performance gap were 50%, 43% and 7% respectively. Thus, after twenty years, the reasonableness gap had not changed, but the deficient standards gap had widened and the deficient performance gap had narrowed. This means the quality of audits in New Zealand has improved significantly due to a more stringent audit of the audit profession (Porter *et al.*, 2012).

### 4. RESEARCH METHODOLOGY

This research is based on Porter (1993) the AEG model and partially inherited the research methodology used in Porter *et al.* (2012).

The objective of the study was to discover the auditor's responsibilities that contributed to each component of the AEG, confirm the existence and measure the components that constitute the AEG in Vietnam.

This thesis developed the research of Porter *et al.* (2012) in two ways. Firstly, by adding the "research gap" in Turner *et al.* (2010) to determine whether the AEG in Vietnam was composed of three components: research gap (Turner *et al.*, 2010) reasonableness gap, and performance gap (Porter, 1993). Secondly, by exploring and using the viewpoint of the auditors as a benchmark to explain why some of the auditors' responsibilities are reasonably expected, although not stated in the current auditing standards (the Porter *et al.* (2012)) study has not yet been used to explain).

Quantitative research was conducted through direct interviews and mail surveys with interest groups.

Respondents were classified into four groups:

- i) Auditors (the sample of auditors was a random selection from the list of Certified Public Accountants Vietnam).
- ii) Auditees (joint-stock companies listed on the securities market).
- iii) Audit beneficiaries-in the financial community (direct beneficiaries of the audit function as users of audited financial statements).
- iv) Audit beneficiaries-general public (randomly selected in Ho Chi Minh City, Hanoi and neighboring provinces).

The methods of non-probability sampling with the number of the survey of 1,400 achieved 454 usable responses which were 32% (average responses per sample group were 113). The survey period was from December 2016 to April 2017. The standards which defined each component constituting the AEG according to the standards of the Porter *et al.* (2012) research was based on the average total score & the proportions of each group's responses. Microsoft Excel was used to analyze the descriptive statistics.

The questionnaire design followed the Porter *et al.* (2012) and was adjusted to suit the Vietnamese business environment. The questionnaire in Appendix 1 includes 45 proposed responsibilities of auditors and interviewers were asked to choose the appropriate response to three questions:

1. Is the proposed responsibility an existing responsibility of auditors?
2. If so, how well is the responsibility performed?
3. Should the proposed responsibility be a responsibility of auditors?

For question 1 and 3, the options 'yes', 'no', and 'not sure' were provided. These were coded +1, -1 and 0 respectively.

For question 2, the respondents were asked to select from four options 'poorly', 'adequately', 'well', and 'unable to judge'. These were coded 1, 2, 3, and 0, respectively.

Criteria for the classification of auditors' responsibilities were:

- (i) The existing auditors' responsibilities in Vietnam as defined by the law, regulations and professional promulgations in Vietnam and Vietnamese Standards on Auditing – VSA Appendix 2.
- (ii) The existing auditors' responsibilities in Vietnam which are perceived by the public determined by question one (1)<sup>1</sup>.
- (iii) The responsibilities auditors should perform determined by question three, with >20% average proportions of the non-auditor interest groups.
- (iv) The responsibilities auditors should perform determined by question three are reasonable responsibilities if means of responses of both auditees and audit beneficiaries in the financial community > 0.
- (v) Assessment of auditors' existing responsibilities performance by interest groups: a mean of interest group responses is < 2% or > 20% meaning the society considers these responsibilities being sub-standardly performed by auditors, which suggests that members of the group (excluding those who were unable to judge) considered auditors' performance is not satisfactory.

Criteria for identifying the components of the AEG:

1. The responsibilities unreasonably expected from auditors constitute the "reasonableness gap".
2. The responsibilities that society sees auditors are performing substandard constitute the "deficient performance gap".
3. The gap between the responsibilities reasonably expected from auditors and those they are required to perform by legislation, case law, regulations or professional promulgations constitute the "deficient standards gap".

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<sup>1</sup>if the average of the means of the four identified interest groups for a particular responsibility > 0, it would be considered as the auditors' existing responsibility in Vietnam.

The analytical framework of auditors' responsibilities and the components of the the AEG.

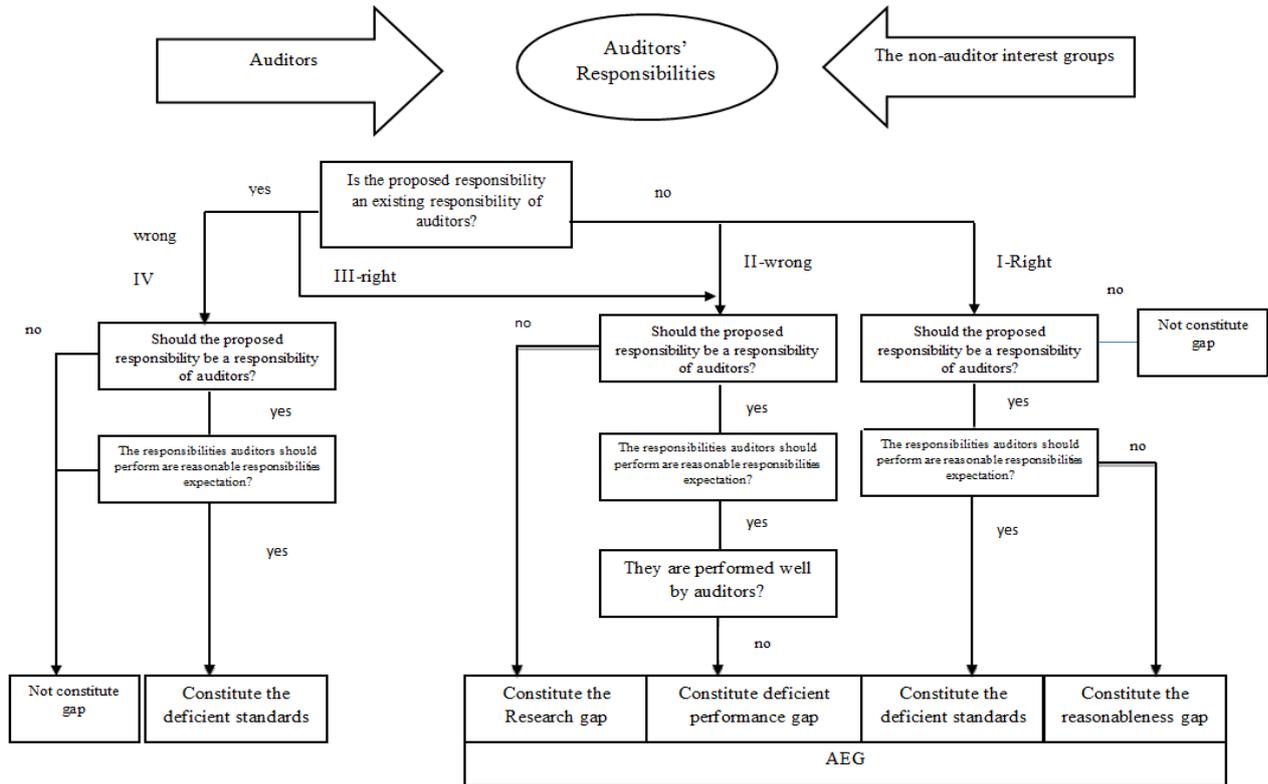


Figure-1. The analytical framework of auditors' responsibilities and the components of the AEG.

Source: The analytical framework of study.

## 5. ANALYSIS AND DISCUSSION OF RESEARCH FINDINGS

### 5.1. Identification of Auditors' Responsibilities Which Directly Contribute to the Audit Expectation Gap

#### a) Identification of Auditors' Responsibilities - the 'Reasonableness Gap'

- *The responsibilities that auditors should perform:* Based on the theory of Inspired Confidence of Limperg (1933) to identify which are the suggested responsibilities should be performed by auditors. Survey results showed that the interest group expects auditors to perform 42/45 responsibilities, with the proportion of Society group  $\geq 20$  percent signifies the findings Column No.12<sup>2</sup>, Table 1.
- *The responsibilities that are reasonably expected from auditors:* Based on the agency theory and the theory of Inspired Confidence to identify responsibilities that are reasonably expected from auditors, results show the understanding and interest of two groups: the auditees and the audit beneficiaries from the financial community are fairly similar mean of two group  $>0$ , column No. 3, Table 1. With this criterion, 29 of the 42 proposed auditors' responsibilities were identified as reasonably expected from auditors Row A-I, Table 1.
- *The responsibilities that are unreasonably expected of auditors:* There are 42 responsibilities that interest groups consider auditors should perform in which 29 are reasonably expected from auditors. Society expects auditors to perform the remaining thirteen responsibilities, however it is not cost - beneficial for them to do so. These thirteen responsibilities constitute the "reasonableness gap", Row A-II, Table 1.

<sup>2</sup> Proportion of interest group signifying that auditors should perform the responsibility. The suggested responsibilities listed in the questionnaire identified by 20% or more of the society group consider that auditors should perform.

Table-1. Responsibilities which are reasonable/ unreasonable to expect from auditors.

Resp. No.	Proposed auditors' responsibilities	Mean of two groups	Auditors		Auditees		Audit beneficiaries society financial community		Audit beneficiaries society non-financial community		Society group
			mean	(%)	mean	(%)	mean	(%)	mean	(%)	(%)
1	2	3 = (6+8)/2	4	5	6	7	8	9	10	11	12
A	Responsibilities Auditors Should Perform (42 responsibilities)										
I	Responsibilities which is reasonable to expect from auditors (29 TNKT)										
13	Detect deliberate distortion of client's financial statements	55	64	70	53	61	57	66	40	57	61
6	Disclose in audit report doubts about client's continued existence	45	68	70	38	47	52	64	22	52	54
29	Examine and report (in audit report) the effectiveness of client's internal financial controls	43	33	52	30	44	56	64	24	51	53
3	State whether client's financial statements fairly reflect its financial situations.	42	74	82	51	59	34	56	48	64	59
23	Detect illegal acts by client's directors/managerial personnel which directly affect the client's financial statements	42	42	58	28	45	56	64	14	44	51
43	Examine and report to client's directors (or audit committee) the adequacy of financial risks identifying and managing control procedures.	39	37	55	34	50	44	57	20	47	52
25	Disclose in audit report illegal acts by client's directors/senior management which directly affect client's financial statements	39	47	59	28	44	50	61	17	46	50
28	Examine and report (in audit report) the reliability of information in client's annual report	38	30	48	25	45	50	61	34	54	53
40	Examine and disclose inconsistent (material) information with the information presented on the financial statements	37	42	55	29	47	44	59	42	59	55
20	Disclose in the audit report larceny of client's assets by managerial employees	36	13	42	26	44	46	58	13	39	47
39	Examine and disclose the reliability of all information presented in the annual report	34	24	44	22	43	45	56	31	55	51
44	Examine and report to client's directors (or audit committee) the adequacy of client's financial risks identifying procedures.	33	3	37	25	44	42	56	18	43	48
21	Disclose in the audit report deliberate distortion of client's financial statements	33	37	55	18	41	48	62	18	46	49
38	Examine business transactions with stakeholder	33	59	67	28	48	37	55	38	57	53

19	Disclose in the audit report larceny of client's assets by non-managerial employees	32	7	38	21	43	43	57	9	38	46
22	Report to a regulatory authority suspected embezzlement of property or distortion of financial information.	31	25	47	26	43	36	48	-2	35	42
5	Report to a regulatory authority doubts about the company's continued existence	29	65	73	31	45	26	52	18	43	47
7	Ensure compliance with disclosure requirements of Companies Acts	27	24	43	12	36	42	56	12	48	47
33	Audit semiannual published financial statements	27	-5	27	11	34	42	55	-6	34	41
41	For a listed client, examine compliance with all of the Stock Exchange's corporate governance requirements and report (in audit report) compliance therewith	22	18	38	10	34	33	49	21	45	43
42	For a listed client, examine compliance with all of the Stock Exchange's corporate governance requirements and report (in audit report) non-compliant instances.	21	12	36	9	30	33	49	11	39	40
10	Detect larceny (e.g. > 5% of turnover or total assets) of client's assets by directors/senior management	19	16	41	24	41	13	42	12	42	42
35	Examine and report the fairness of financial forecasts	17	-15	23	0	30	34	52	24	49	44
31	Examine and report the fairness of non-financial information	16	18	41	5	32	27	49	-2	34	38
9	Detect larceny (e.g. > 5% of turnover or total assets) of client's assets by non-managerial employees	15	20	43	24	42	5	38	18	46	42
32	Examine and report the efficiency and effectiveness of the company's management	13	8	37	3	30	23	46	10	39	38
27	Report to a regulatory authority illegal act uncovered in the company	10	-14	27	-2	24	22	43	0	34	34
17	Report to a regulatory authority distortion of financial information	7	-7	27	3	30	10	43	-7	26	33
16	Report to a regulatory authority larceny of client's assets by directors/senior management	3	-13	25	3	29	2	36	-10	25	30
II	Responsibilities auditors should perform (13 responsibilities)										
12	Detect minor (but not petty) theft of client's assets by directors/senior management	0	-3	30	-1	25	2	31	-2	30	29

24	Detect illegal acts by client's directors/managerial personnel which indirectly affect the client's financial statements (e.g. breaches of environmental laws and regulations).	0	-11	27	6	30	-7	31	2	37	33
34	Audit quarterly Financial report.	-1	-29	13	-33	9	31	49	-21	25	28
18	Disclose in the audit report minor (but not petty) theft of client's assets by non-managerial employees	-1	-26	23	-17	21	16	43	-14	26	30
45	Examine & report (in audit report) the reliability of online information (other than in audited financial statements) published by company.	-1	-30	18	-18	18	16	37	5	38	31
11	Detect minor (but not petty) theft of client's assets by non-managerial employees	-3	-21	20	-3	24	-2	32	4	34	30
26	Disclose in audit report illegal acts by client's directors/managerial personnel which indirectly affect the client's financial statements (e.g. breaches of environmental laws)	-4	-15	30	-4	24	-3	31	-2	32	29
4	Guarantee client's 'clean' audit report is financially sound	-4	-46	12	9	30	-17	29	-3	27	29
2	Guarantee client's financial statements are accurate	-6	-45	16	-13	22	1	40	-2	38	34
15	Report to a regulatory authority larceny (e.g. > 5% of turnover or total assets) of client's assets by non - managerial employees	-10	-32	13	-3	26	-16	27	-7	26	26
8	Report to a regulatory authority about non-compliance with tax law discovered during the audit process.	-13	-5	27	-16	20	-10	30	-19	25	25
30	Examine and report (in audit report) the effectiveness of client's IT systems	-16	-3	29	-12	21	-20	25	-26	22	23
14	Report to a regulatory authority minor (but not petty) theft of client's assets by non-managerial employees	-17	-40	9	-14	22	-20	24	-21	18	21
B	Responsibilities Auditors Should Not Perform (3 TNKT)										
36	Consider and report (in audit report) the effects client has on the local community	-23	-42	5	-21	18	-25	19	-32	17	18
37	Consider and report (in audit report) the effects client has on the environment (other than its carbon footprint)	-24	-26	19	-16	19	-32	18	-30	19	19
1	Prepare the client's financial statements	-38	-68	8	-35	16	-41	21	-38	18	19

Source: The result of the study.

*b) Identification of the Responsibilities Reasonably Expected from Auditors that Auditing Standards Need to Encompass – the Deficient Standard Gap*

The above analysis showed that 29 responsibilities satisfied the criterion to be recognized as responsibilities auditors are reasonably expected to perform. By comparing these 29 responsibilities with the auditing responsibilities set out in Vietnam's current regulations, laws and standards, there were sixteen existing auditors' responsibilities in Vietnam as listed in Appendix 1, and thirteen audit responsibilities were not available in regulation, laws and Vietnamese Standards on Auditing (VSA). Thus, that constituted the "deficient standards gap". Based on the opinion of the auditors, ten responsibilities auditors may be required by Vietnamese Standards on Auditing in normal conditions including responsibilities of 29, 28, 39, 31, 41, 32, 7, 19, 44, 38 -Table 1, Table 2 and Table 3. And three responsibilities auditors may be required by Vietnamese Standards on Auditing if there is a need of some reasonable means to ensure the risks that they face while performing their duties including responsibilities of 17, 35, 33- Table 1.

*c) Identification of the Responsibilities that Being Perceived Sub-Standardly Performed by Auditors - the Deficient Performance Gap*

This was based on the reader response theory to explain society's judgment of auditors' performance. The survey results showed that interest groups overall considered that standard performance of eight out of sixteen existing auditor responsibilities was satisfactory, including responsibilities of 3, 6, 40, 43, 21, 5, 25, 42 Para. I, as shown in Table 2.

This study provided evidence for the differences in evaluations of the standard of auditors' performance of other responsibilities and the standard of auditors' performance of the above eight responsibilities, considering them as unsatisfactory (Mean of Society group < 2.0). These responsibilities constituted the "deficient performance gap" Para II, as shown in Table 2.

*d) Identification of Auditors' Responsibilities - the Research Gap*

The survey results showed that all sixteen existing responsibilities were those that the public expects auditors to perform and were reasonable. Thus, all existing responsibilities were needed according to public recognition and do not constitute a research gap as per Table 2.

## *5.2. The Extent of the AEG and its Components*

*a) Identifying the Components of the AEG*

The responsibilities comprise each of the three components of the AEG: reasonable gap (thirteen responsibilities), deficient standards gap (thirteen responsibilities), deficient performance gap (eight responsibilities). There is no "research gap".

Table-2. Vietnam society group's assessment of auditors' existing responsibilities performance (Deficient performance gap or research gap).

Resp No	Proposed auditors' responsibilities	Society group		Auditors		Auditees		Audit beneficiaries society financial community		Audit beneficiaries society non-financial community	
		mean	% poor	mean	% poor	mean	% poor	mean	% poor	mean	% poor
1	2	3	4	5	6	7	8	9	10	11	12
I	The existing responsibilities are considered satisfactory										
3	State whether client's financial statements fairly reflect its financial situations	2,2	7	2,3	3	2,2	4	2,2	3	2,2	14
6	Disclose in audit report doubts about client's continued existence	2,2	9	2,3	3	2,2	0	2,1	8	2,1	19
40	Examine and disclose inconsistent (material) information with the information presented on the financial statements	2,2	8	2,3	2	2,2	3	2,2	1	2,1	19
43	Examine and report to client's directors (or audit committee) the adequacy of financial risks identifying and managing control procedures.	2,1	13	2,2	3	2,0	15	2,1	6	2,1	16
21	Disclose in the audit report deliberate distortion of client's financial statements	2,0	16	2,2	2	2,0	15	2,0	15	2,1	18
5	Report to a regulatory authority doubts about the company's continued existence	2,0	18	2,0	9	2,2	13	1,9	19	2,1	22
25	Disclose in audit report illegal acts by client's directors/senior management which directly affect client's financial statements	2,0	17	2,3	7	1,9	26	2,0	11	2,1	15
42	For a listed client, examine compliance with all of the Stock Exchange's corporate governance requirements and report (in audit report) non-compliant instances	2,0	16	2,1	0	2,1	11	2,0	7	1,9	28
II	The existing responsibilities are considered unsatisfactory										
20	Disclose in the audit report larceny of client's assets by managerial employees	1,8	27	2,0	15	1,8	27	1,7	24	1,9	30
9	Detect larceny (e.g. > 5% of turnover or total assets) of client's assets by non-managerial employees	1,7	33	2,1	13	1,8	36	1,6	34	1,7	30
27	Report to a regulatory authority illegal act uncovered in the company	1,7	28	1,7	30	1,8	26	1,7	27	1,6	32
16	Report to a regulatory authority theft of client's assets by directors/senior management	1,6	41	2,0	23	1,7	27	1,5	43	1,6	54
	Total			2,1	9	2,0	19	1,9	20	1,9	26

Source: The result of the study.

b) The Extent of the AEG

The relative contribution of the deficient performance gap, deficient standards gap and reasonableness gap to the overall AEG are 20%, 49%, and 31% as per Figure 2.

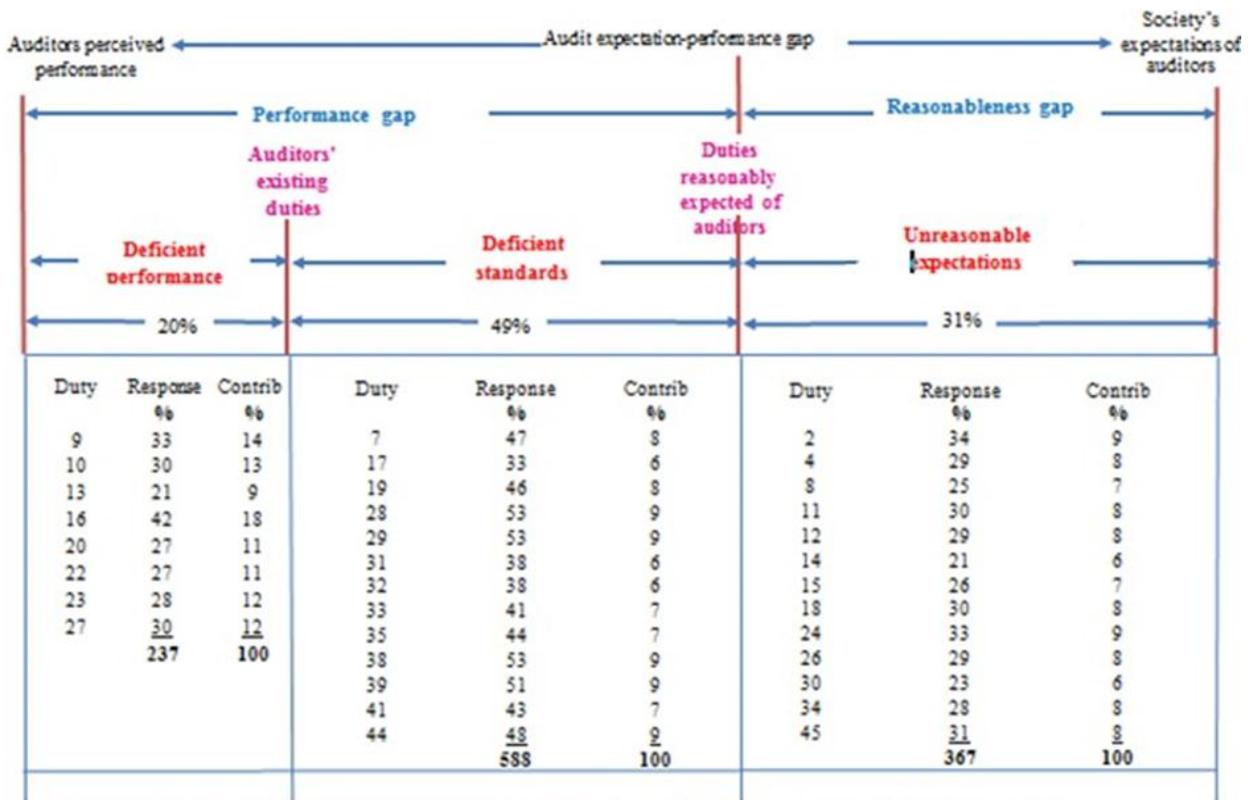


Figure-2. Relative contribution of responsibilities to components to the AEG in Vietnam.

Source: The result of the study.

## 6. THE RESULTS AND IMPLICATIONS

### 6.1. Conclusion

The study results provided empirical evidence which demonstrated that there is a portion of the AEG parallel with the auditing profession. The results also provided the identification of auditors' responsibilities which contributed to the AEG: thirteen out of 42 responsibilities constituted the reasonableness gap, thirteen out of 42 responsibilities constituted the deficient standard gap, eight out of 42 responsibilities constituted the deficient performance gap, and no responsibilities constituted the research gap as in the AEG model of Turner. The contributions of each component in the AEG were: reasonableness gap 31%, deficient standard gap 49%, and the deficient performance gap 20% as per Table 3.

The study of the AEG in the financial statements auditing in Vietnam has identified the components, structure, and level of the AEG, as well as the impact of audit professions on the existence of these expectation gaps; thereby, raising rational awareness of the auditing profession within the public. Conversely, the legislature and audit professionals can identify the specific responsibilities of auditors which need to be added or altered in order to enhance them in Vietnam. In addition, auditors can understand the quality of their works under social perspective. Various studies also indicated the existence of the AEG and recognized the difficulty of completely eliminating it.

The AEG always exists with the auditing profession. The development of auditing also shows that the bigger the AEG, the more detrimental it is to auditing profession. Therefore, it is significantly necessary to have appropriate policies to narrow the AEG.

Table-3. Contribution of responsibilities to components of the AEG in Vietnam.

Resp No.	Proposed auditors' responsibilities	Performance gap duties	Existing duties of auditors	Deficient standards gap duties	Duties reasonably expected of auditors	Reasonableness gap duties	Duties expected of auditors
		%		%		%	
1	2	3	4	5	6	7	8
1	Prepare client's financial statements						
2	Guarantee client's financial statements are accurate					34	S
3	State whether client's financial statements fairly reflect its financial situations.		D		RE		S
4	Guarantee client's 'clean' audit report is financially sound					29	S
5	Report to a regulatory authority doubts about the company's continued existence		D		RE		S
6	Disclose in audit report doubts about client's continued existence		D		RE		S
7	Ensure compliance with disclosure requirements of Companies Acts			47	RE		S
8	Report to a regulatory authority about non-compliance with tax law discovered during the audit process.					25	S
9	Detect larceny (e.g. > 5% of turnover or total assets) of client's assets by non -managerial employees	33	D		RE		S
10	Detect larceny (e.g. > 5% of turnover or total assets) of client's assets by directors/senior management	30	D		RE		S
11	Detect minor (but not petty) theft of client's assets by non -managerial employees					30	S
12	Detect minor (but not petty) theft of client's assets by directors/senior management					29	S
13	Detect deliberate distortion of client's financial statements	21	D		RE		S
14	Report to a regulatory authority minor (but not petty) theft of client's assets by non -managerial employees					21	S
15	Report to a regulatory authority larceny (e.g. > 5% of turnover or total assets) of client's assets by non -managerial employees					26	S
16	Report to a regulatory authority theft of client's assets by directors/senior management	41	D		RE		S
17	Report to a regulatory authority distortion of financial information			33	RE		S
18	Disclose in the audit report minor (but not petty) theft of client's assets by non -managerial employees					30	S
19	Disclose in the audit report larceny of client's assets by non-managerial employees			46	RE		S
20	Disclose in audit report larceny of client's assets by managerial	27	D		RE		S

	employees						
21	Disclose in audit report deliberate distortion of client's financial statements		D		RE		S
22	Report to a regulatory authority suspected embezzlement of property or distortion of financial information.	27	D		RE		S
23	Detect illegal acts by client's directors/managerial personnel which directly affect the client's financial statements	28	D		RE		S
24	Detect illegal acts by client's directors/managerial personnel which indirectly affect the client's financial statements (e.g. breaches of environmental laws and regulations).					33	S
25	Disclose in audit report illegal acts by client's directors/senior management which directly affect client's financial statements		D		RE		S
26	Disclose in audit report illegal acts by client's directors/managerial personnel which indirectly affect the client's financial statements (e.g. breaches of environmental laws)					29	S
27	Report to a regulatory authority illegal act uncovered in the company	30	D		RE		S
28	Examine and report (in audit report) the reliability of information in client's annual report			53	RE		S
29	Examine and report (in audit report) the effectiveness of client's internal financial controls			53	RE		S
30	Examine and report (in audit report) the effectiveness of client's IT systems					23	S
31	Examine and report the fairness of non-financial information			38	RE		S
32	Examine and report the efficiency and effectiveness of the client's management			38	RE		S
33	Audit semiannual published financial statements			41	RE		S
34	Audit quarterly Financial report					28	S
35	Examine and report the fairness of financial forecasts			44	RE		S
36	Consider and report (in audit report) the effects client has on the local community.					-	
37	Consider and report (in audit report) effects client has on the environment (other than its carbon footprint)					-	
38	Examine business transactions with stakeholder			53	RE		S
39	Examine and disclose the reliability of all information presented in the annual report			51	RE		S
40	Examine and disclose inconsistent (material) information with the information presented on the financial statements		D		RE		S

41	For a listed client, examine compliance with all of the Stock Exchange's corporate governance requirements and report (in audit report) compliance there with			43	RE		S
42	For a listed client, examine compliance with all of the Stock Exchange's corporate governance requirements and report (in audit report) non-compliant instances.		D		RE		S
43	Examine and report to client's directors (or audit committee) the adequacy of financial risks identifying and managing control procedures.		D		RE		S
44	Examine and report to client's directors (or audit committee) the adequacy of client's financial risks identifying procedures			48	RE		S
45	Examine & report (in audit report) the reliability of online information (other than in audited financial statements) published by company.					31	S
	Number of auditor's responsibilities	8	16	13	29	13	42
	Total gap of each group	238		588		367	
	Contributions to uncounscious gap	20%		49%		31%	

D: Existing auditors' duties.

RE: Auditors' reasonably expected duties.

S: Auditors' expected duties.

## 6.2. Policy Implications

To narrow the AEG in Vietnam, the study results indicated the need to improve auditor performance for eight responsibilities, develop standards on auditing for thirteen responsibilities, enhance education training focusing on ten responsibilities and increase the exchange of information by changing the form of audit reports for eight responsibilities as per Figure 3.

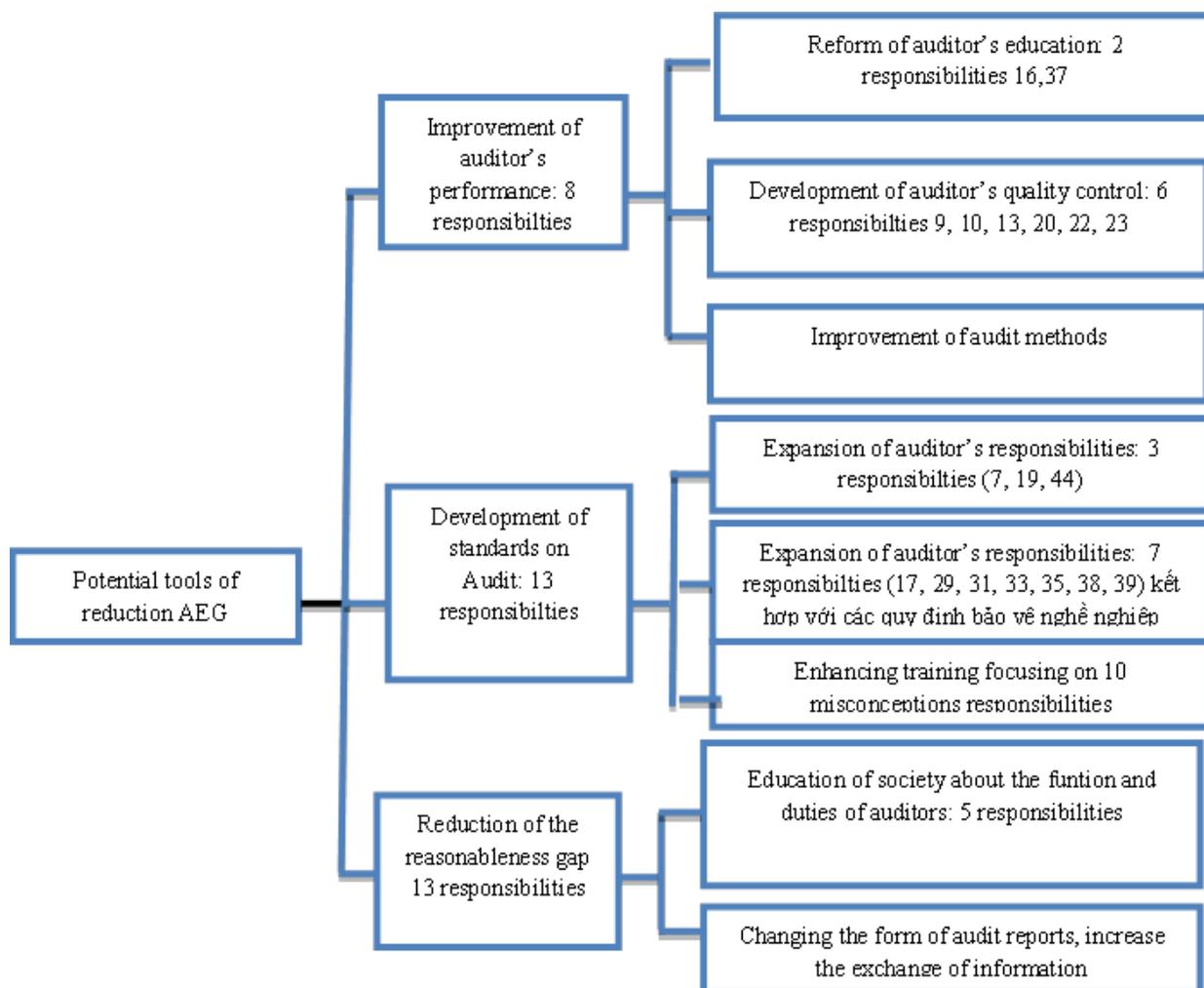


Figure-3. Potential tools of reduction the AEG .

Source: The result of study.

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**Competing Interests:** The authors declare that they have no competing interests.

**Acknowledgement:** Both authors contributed equally to the conception and design of the study.

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Appendix-1. The questionnaire

Survey of Expectation of External Auditors in Vietnam

This questionnaire has two parts:

- Part 1: The responsibilities of auditors
- Part 2: Background information

Please answer all of part 1,2. Thank you for your participating in this survey

Name:.....: Workplace:.....

Email:.....:Phone:.....

Part 1: The Responsibilities of Auditors

**Section 1a:** Please complete Section 1 a by circling to appropriate number to indicate whether you think auditors are or are not required to perform the listed responsibility or you are not sure.

**Section 1b:** If you circle “1” to indicate “yes” in section 1a, please complete Section 1b by circling to appropriate number to indicate how well do you think auditors perform the responsibility.

**Section 2:** Please complete Section 2 by circling to appropriate number to indicate whether you think auditors should or should not be required to perform the listed responsibility or you are not sure.

N u m b e r	Responsibilities of Auditor are	Section 1								Section 2:		
		Section 1a: Auditors are required to perform responsibility			Section 1b: How well existing responsibilities are performed					auditors should be required to perform this responsibility		
		Yes	No	Not sure	Poorly	Adequately	well	Unable to adjust	Yes	No	Not sure	
1	Prepare client’s financial statements	1	2	3	1	2	3	4	1	2	3	
2	Guarantee client’s financial statements are accurate	1	2	3	1	2	3	4	1	2	3	
3	State whether client’s financial statements fairly reflect its financial situations.	1	2	3	1	2	3	4	1	2	3	
4	Guarantee client’s ‘clean’ audit report is financially sound	1	2	3	1	2	3	4	1	2	3	
5	Report to a regulatory authority doubts about the company’s continued existence	1	2	3	1	2	3	4	1	2	3	
6	Disclose in audit report doubts about client’s continued existence	1	2	3	1	2	3	4	1	2	3	
7	Ensure compliance with disclosure requirements of Companies Acts	1	2	3	1	2	3	4	1	2	3	
8	Report to a regulatory authority about non-compliance with tax law discovered during the audit process.	1	2	3	1	2	3	4	1	2	3	

N u m b e r	Responsibilities of Auditor are	Section 1							Section 2: auditors should be required to perform this responsibility		
		Section 1a: Auditors are required to perform responsibility			Section 1b: How well existing responsibilities are performed						
		Yes	No	Not sure	Poorly	Adequately	well	Unable to adjust	Yes	No	Not sure
9	Detect theft of material amount (e.g. > 5% of turnover or total assets) of client's assets by non -managerial employees	1	2	3	1	2	3	4	1	2	3
10	Detect theft of material amount (e.g. > 5% of turnover or total assets) of client's assets by directors/senior management	1	2	3	1	2	3	4	1	2	3
11	Detect minor (but not petty) theft of client's assets by non -managerial employees	1	2	3	1	2	3	4	1	2	3
12	Detect minor (but not petty) theft of client's assets by directors/senior management	1	2	3	1	2	3	4	1	2	3
13	Detect deliberate distortion of client's financial statements	1	2	3	1	2	3	4	1	2	3
14	Report to a regulatory authority minor (but not petty) theft of client's assets by non -managerial employees	1	2	3	1	2	3	4	1	2	3
15	Report to a regulatory authority theft of material amount (e.g. > 5% of turnover or total assets) of client's assets by non -managerial employees	1	2	3	1	2	3	4	1	2	3
16	Report to a regulatory authority theft of client's assets by directors/senior management	1	2	3	1	2	3	4	1	2	3
17	Report to a regulatory authority distortion of financial information	1	2	3	1	2	3	4	1	2	3
18	Disclose in the audit report minor (but not petty) theft of client's assets by non -managerial employees	1	2	3	1	2	3	4	1	2	3
19	Disclose in the audit report theft of material amount of client's assets by non-managerial employees	1	2	3	1	2	3	4	1	2	3
20	Disclose in the audit report theft of material amount of client's assets by managerial employees	1	2	3	1	2	3	4	1	2	3
21	Disclose in the audit report deliberate distortion of client's financial statements	1	2	3	1	2	3	4	1	2	3
22	Report to a regulatory authority suspected misappropriation of property or distortion of financial information.	1	2	3	1	2	3	4	1	2	3
23	Detect illegal acts by client's directors/management which directly impact the client's financial statements	1	2	3	1	2	3	4	1	2	3
24	Detect illegal acts by client's directors/management which only indirectly impact the client's financial statements (e.g. breaches of environmental laws and regulations).	1	2	3	1	2	3	4	1	2	3
25	Disclose in audit report illegal acts by client's directors/senior management	1	2	3	1	2	3	4	1	2	3

N u m b e r	Responsibilities of Auditor are	Section 1							Section 2:		
		Section 1a: Auditors are required to perform responsibility			Section 1b: How well existing responsibilities are performed				auditors should be required to perform this responsibility		
		Yes	No	Not sure	Poorly	Adequately	well	Unable to adjust	Yes	No	Not sure
	which directly impact on client's financial statements										
26	Disclose in the audit report illegal acts by client's directors/management which only indirectly impact the client's financial statements (e.g. breaches of environmental laws)	1	2	3	1	2	3	4	1	2	3
27	Report to a regulatory authority illegal act uncovered in the company	1	2	3	1	2	3	4	1	2	3
28	Examine and report (in audit report) the reliability of information in client's annual report	1	2	3	1	2	3	4	1	2	3
29	Examine and report (in audit report) the effectiveness of client's internal financial controls	1	2	3	1	2	3	4	1	2	3
30	Examine and report (in audit report) client's IT systems	1	2	3	1	2	3	4	1	2	3
31	Examine and report the fairness of non-financial information	1	2	3	1	2	3	4	1	2	3
32	Examine and report the efficiency and effectiveness of the company's management	1	2	3	1	2	3	4	1	2	3
33	Audit semiannual published financial statements	1	2	3	1	2	3	4	1	2	3
34	Audit quarterly Financial report	1	2	3	1	2	3	4	1	2	3
35	Examine and report the fairness of financial forecasts	1	2	3	1	2	3	4	1	2	3
36	Consider and report (in audit report) the impact of client on its local community	1	2	3	1	2	3	4	1	2	3
37	Consider and report (in audit report) the impact of client on its environment (other than its carbon footprint)	1	2	3	1	2	3	4	1	2	3
38	Examine business transactions with stakeholder	1	2	3	1	2	3	4	1	2	3
39	Examine and disclose the reliability of all information presented in the annual report	1	2	3	1	2	3	4	1	2	3
40	Examine and disclose inconsistent (material) information with the information presented on the financial statements	1	2	3	1	2	3	4	1	2	3
41	For a listed client, examine compliance with all of the Stock Exchange's corporate governance requirements and report (in audit report) o compliance there with	1	2	3	1	2	3	4	1	2	3
42	For a listed client, examine compliance with all of the Stock Exchange's corporate governance requirements and report (in audit report) instances of non-compliance	1	2	3	1	2	3	4	1	2	3

N u m b e r	Responsibilities of Auditor are	Section 1							Section 2:		
		Section 1a: Auditors are required to perform responsibility			Section 1b: How well existing responsibilities are performed				auditors should be required to perform this responsibility		
		Yes	No	Not sure	Poorly	Adequately	well	Unable to adjust	Yes	No	Not sure
43	Examine and report to client's directors (or audit committee) the adequacy of control procedures to identify or manage financial risks	1	2	3	1	2	3	4	1	2	3
44	Examine and report to client's directors (or audit committee) the adequacy of client's procedures for identifying financial risks	1	2	3	1	2	3	4	1	2	3
45	Examine & report (in attached audit report) the reliability of information (other than in audited financial statements) posted by co. on Internet	1	2	3	1	2	3	4	1	2	3

**Part 2. Background Information**

Please circle the relevant number for all of the groups to which you belong or to which you have belonged in the last three years (3 years).

<b>Job</b>	<b>Now</b>	<b>Not now but in the last 3 years</b>	<b>Job</b>	<b>Now</b>	<b>Not now but in the last 3 years</b>
Audit partner	1	2	Shareholder	1	2
Audit staff	1	2	Banker	1	2
Board of Director	1	2	Financial analyst	1	2
Chief Executive Officer	1	2	Stockbrokers	1	2
Head of Division	1	2	Certified Public Accountant	1	2
Chief Financial Officer/ accounting manager	1	2	Government auditor/ tax official	1	2
Accountant	1	2	Teacher of auditing	1	2
Internal auditor			Lawyer	1	2
			Financial journalists	1	2
Others: .....				1	2

**Appendix-2.** The existing auditors' responsibilities in Vietnam as defined by the law, regulations and professional promulgations in Vietnam and Vietnamese Standards on Auditing –VSA.

Number	The existing auditors' responsibilities in Vietnam	The law, regulations and professional promulgations in Vietnam and Vietnamese Standards on Auditing
3	State whether client's financial statements fairly reflect its financial situations.	VSA200 - Para 02. The objective of an audit of financial statements, as aimed at by the auditor and the audit firm, is to express an opinion as to the fairness of the financial statement on the basis of the general principal statements on the basis of the general principles governing an audit of financial statements.
5	Report to a regulatory authority doubts about the company's continued existence	VSA 570- Para 23: Unless all those charged with governance are involved in managing the entity, <sup>7</sup> the auditor shall communicate with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern. Such communication with those charged with governance shall include the following: (a) Whether the events or conditions constitute a material uncertainty; (b) Whether the use of the going concern assumption is appropriate in the preparation of the financial statements; and (c) The adequacy of related disclosures in the financial statements.
6	Disclose in audit report doubts about client's continued existence	VSA 570- Para 18-20 If the auditor concludes that the use of the going concern assumption is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial statements: (a) Adequately describe the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and (b) Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. (Ref: Para. A20) If adequate disclosure is made in the financial statements, the auditor shall express an unmodified opinion and include an Emphasis of Matter paragraph in the auditor's report to:..... If adequate disclosure is not made in the financial statements, the auditor shall express a qualified opinion or adverse opinion...
9	Detect theft of material amount (e.g. > 5% of turnover or total assets) of client's assets by non -managerial employees	VSA240: Para 10, 12, 31, 36 Para 10 The objectives of the auditor are: (a) To identify and assess the risks of material misstatement of the financial statements due to fraud; (b) To obtain sufficient appropriate audit evidence regarding the assessed risks

Number	The existing auditors' responsibilities in Vietnam	The law, regulations and professional promulgations in Vietnam and Vietnamese Standards on Auditing
10	Detect theft of material amount (e.g. > 5% of turnover or total assets) of client's assets by directors/senior management	<p>of material misstatement due to fraud, through designing and implementing appropriate responses; and  (c) To respond appropriately to fraud or suspected fraud identified during the audit.</p> <p>Para 12 In accordance with ISA 2005, the auditor shall maintain professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist, not with standing the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance.</p> <p>Para 31 Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>Para 31 If the auditor identifies a misstatement, whether material or not, and the auditor has reason to believe that it is or may be the result of fraud and that management (in particular, senior management) is involved, the auditor shall reevaluate the assessment of the risks of material misstatement due to fraud and its resulting impact on the nature, timing and extent of audit procedures to respond to the assessed risks. The auditor shall also consider whether circumstances or conditions indicate possible collusion involving employees, management or third parties when reconsidering the reliability of evidence previously obtained</p>
13	Detect deliberate distortion of client's financial statements	<p>VSA240: Para 10, 12, 31</p> <p>Para 31: Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively,...</p>
16	Report to a regulatory authority theft of client's assets by directors/senior management	<p>VSA240: Para 43- If the auditor has identified or suspects a fraud, the auditor shall determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the auditor's legal responsibilities may override the duty of confidentiality in some circumstances.</p> <p>A65: The auditor's professional duty to maintain the confidentiality of client information may preclude reporting fraud to a party outside the client entity. However, the auditor's legal responsibilities vary by country and, in certain circumstances, the duty of confidentiality may be overridden by statute, the law or courts of law. In some countries, the auditor of a financial institution has a statutory duty to report the occurrence of fraud to supervisory authorities. Also, in some countries the auditor has a duty to report misstatements to authorities in those cases where management and those charged with governance fail to take corrective action.</p>

Number	The existing auditors' responsibilities in Vietnam	The law, regulations and professional promulgations in Vietnam and Vietnamese Standards on Auditing
		A66: The auditor may consider it appropriate to obtain legal advice to determine the appropriate course of action in the circumstances, the purpose of which is to ascertain the steps necessary in considering the public interest aspects of identified fraud.
20	Disclose in the audit report theft of material amount of client's assets by managerial employees	VSA700: Para 10, 11, 17 10- The auditor shall form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. 11- In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error 17- If the auditor: (a) concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or (b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.
21	Disclose in the audit report deliberate distortion of client's financial statements	Decree on independent audit the government, No. 105/2004/ND-CP. Article 25. Obligations of auditing enterprises, 5. In the auditing course, if they detect signs of violating financial and accounting legislations by the audited units, they are obliged to notify such to the audited units or write their comments in audit reports.
22	Report to a regulatory authority suspected misappropriation of property or distortion of financial information.	VSA 240 Para 43-If the auditor has identified or suspects a fraud, the auditor shall determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the auditor's legal responsibilities may override the duty of confidentiality in some circumstances.
23	Detect illegal acts by client's directors/management which directly impact the client's financial statements	VSA 250 Para 11, 12, 13, 14 11- As part of obtaining an understanding of the entity and its environment in accordance with VSA 315, the auditor shall obtain a general understanding of: (a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates; and (b) How the entity is complying with that framework 12- The auditor shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements 13- The auditor shall perform the following audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements 14- During the audit, the auditor shall remain alert to the possibility that other audit procedures applied may bring instances of non-compliance or suspected non-compliance with laws and regulations to the auditor's attention

Number	The existing auditors' responsibilities in Vietnam	The law, regulations and professional promulgations in Vietnam and Vietnamese Standards on Auditing
25	Disclose in audit report illegal acts by client's directors/senior management which directly impact on client's financial statements	<p>VSA 250 Para 25, 26, 27</p> <p>25- If the auditor concludes that the non-compliance has a material effect on the financial statements, and has not been adequately reflected in the financial statements, the auditor shall, in accordance with VSA 705, express a qualified opinion or an adverse opinion on the financial statements.</p> <p>26. If the auditor is precluded by management or those charged with governance from obtaining sufficient appropriate audit evidence to evaluate whether non-compliance that may be material to the financial statements has, or is likely to have, occurred, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements on the basis of a limitation on the scope of the audit in accordance with VSA 705.</p> <p>27. If the auditor is unable to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by management or those charged with governance, the auditor shall evaluate the effect on the auditor's opinion in accordance with VSA 705</p>
27	Report to a regulatory authority illegal act uncovered in the company	<p>VSA 250 Para28</p> <p>28- If the auditor has identified or suspects non-compliance with laws and regulations, the auditor shall determine whether the auditor has a responsibility to report the identified or suspected non-compliance to parties outside the entity</p>
40	Examine and disclose inconsistent (material) information with the information presented on the financial statements	<p>VSA 720 Para 01, 06, 07, 08, 09, 10</p> <p>01- In the absence of any separate requirement in the particular circumstances of the engagement, the auditor's opinion does not cover other information and the auditor has no specific responsibility for determining whether or not other information is properly stated. However, the auditor reads the other information because the credibility of the audited financial statements may be undermined by material inconsistencies between the audited financial statements and other information. (Ref: Para. A1)</p> <p>06- The auditor shall read the other information to identify material inconsistencies, if any, with the audited financial statements.</p> <p>07- The auditor shall make appropriate arrangements with management or those charged with governance to obtain the other information prior to the date of the auditor's report. If it is not possible to obtain all the other information prior to the date of the auditor's report, the auditor shall read such other information as soon as practicable.</p> <p>Material Inconsistencies</p> <p>08- If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the audited financial statements or the other information needs to be revised</p> <p>09. If revision of the audited financial statements is necessary and management refuses to make the revision, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.</p> <p>10- If revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance, unless all of those charged with governance are involved in managing the entity (VSA260) and (a) Include in the auditor's report an Other Matter paragraph describing the</p>

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		material inconsistency in accordance with VSA 706; (b) Withhold the auditor's report; or
42	For a listed client, examine compliance with all of the Stock Exchange's corporate governance requirements and report (in audit report) instances of non-compliance	Article 14, Circular on independent audit for public interest unit, No.: 183/2013/TT-BTC 5. During the process of audit, if detecting the audited unit does not comply with the law and regulations related to the preparation and presentation of audited financial report, the audit organization or the accredited registered auditor shall inform in writing and require the audited unit to take preventive and remedial measures and handle the violations. If the audited unit fails to take remedial measures or handle violation, the audit organization or the accredited registered auditor shall record comments in the audit report or the management letter in accordance with the auditing standards. After issuing the audit report, if suspecting or detecting the audited unit has significant violations due to noncompliance with law and regulations related to audited financial report, the audit organization or the accredited registered auditor must inform in writing the audited unit and the third person in accordance with Vietnam auditing standard and inform the competent authorities granting accreditation;
43	Examine and report to client's directors (or audit committee) the adequacy of control procedures to identify or manage financial risks	Circular on independent audit for public interest unit, No.: 183/2013/TT-BTC Article 14 Obligations of audit organization and accredited registered auditor 6. Fully and promptly issuing the management letter to inform the audited unit of: a) Important contents detected during the audit, especially serious deficiencies in internal control related to the preparation and presentation of financial report; b) The limited audit scope leads to the exceptional opinion in the audit report and this limitation is caused from customers and audited units; c) That the audited unit does not agree to adjust significant mistakes in the financial report on the requirement of audit organization shall lead to the exceptional opinions in the audit report; d) The noncompliance with the law related to the preparation and presentation of financial report may cause significant mistakes in the financial report; For the contents specified at Point d of this Clause, inform in writing the owner's representative (Company Chairman, Executive Board, member Board and other owner's representative (if any) as prescribed by law) of the audited unit and the competent authorities granting accreditation within 30 days after the auditor and audit organization issue the official written conclusion on the auditing opinions or from the day the registered auditor and the audit organization have sufficient rational grounds to determine the audited unit has not complied with VSA 260, Para 16d The auditor shall communicate with those charged with governance: Other matters, if any, arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process. (Ref: Para. A20) VSA 315 Para 15 The auditor shall obtain an understanding of whether the entity has a process for: (a) Identifying business risks relevant to financial reporting objectives; (b) Estimating the significance of the risks; (c) Assessing the likelihood of their occurrence; and (d) Deciding about actions to address those risks. (Ref: Para. A79)

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		<p>VSA 315 Para 17 If the entity has not established such a process or has an ad hoc process, the auditor shall discuss with management whether business risks relevant to financial reporting objectives have been identified and how they have been addressed. The auditor shall evaluate whether the absence of a documented risk assessment process is appropriate in the circumstances, or determine whether it represents a significant deficiency in internal control. (Ref: Para. A80)</p> <p>VSA 265 Para 5 The objective of the auditor is to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified during the audit and that, in the auditor's professional judgment, are of sufficient importance to merit their respective attentions.</p>

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