

Assessing the Performance of the Internal Auditing Functions in Vietnamese Construction Corporations

Phan Trung Kiên *

*National Economics University, Hanoi, Vietnam,
207 Giải Phóng Road, Đồng Tâm Ward, Hai Bà Trưng District, Hanoi, Vietnam*

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Abstract: An Internal Audit (IA) Function has been officially established in some Vietnamese large companies since 1997. Because of special features, there have been more big companies operating in the construction industry than in other industries. However, an IA function has existed in a few companies only (e.g. Construction Corporation “90”). When operating in Vietnamese Construction Corporations (VCCs), the IA function faces many problems in terms of performance and structure. These problems include: inconsistency in performing audit content; more focuses placed on information rather than areas that need to be audited; and failure to apply any principles or standards in the auditing work... To solve these problems, the performance of the IA function needs to be objectively appraised. This paper seeks a proper way to answer the question: “What is the current performance of the Internal Audit Function in these Vietnamese Construction Corporations?” Based on the identified findings and reasons, this paper proposes some relevant suggestions.

Keywords: Performance measurement, internal audit function, Vietnamese construction corporations.

1. Introduction

In Vietnam, there were some signals of an IA Function found in a few organizations before the 1950s (Nguyen Dinh Huu et al., 2006; Phan Trung Kien, 2008). In 1957, the Vietnamese Government had issued an accounting policy that was based on the journal recording system. In this system, each journal’s transaction should include both information requirements and verification of financing activities. In this year, the Ministry

of Finance combined with the General Statistics Office to issue the Policy of Accounting Code, the Journal System, and the Accounting Report System. These legal documents were associated with IA techniques. In 1988, the Government approved the Ordinance of Accounting and Statistics that says a chief accountant is regarded as a state controller in a state-owned business. Before 1996, Vietnam had not issued any legal documents directly relating to internal control systems or any documents directly relating to IA performance (Phan Trung Kien, 2008).

The definitions of *internal control* and *independent audit* were introduced for the first

* Tel.: 84-913500373
E-mail: phankien76@gmail.com

time in Vietnam's official documents in the 1990s. However, in 1996, the Government issued Decree No. 59/1996/ND-CP (dated on Oct. 3, 1996) requiring annual financial reports of state-owned businesses to be checked and confirmed by an independent auditing firm or an IA department. The Decree therefore laid the foundation for the organization of an IA model for Vietnamese businesses, including VCCs. Following the Decree, the Ministry of Finance promulgated Decision No. 832/TC/QD/CDKT (dated Oct. 28, 1997) of the regulations on internal auditing. Later, the Ministry issued Circular No. 52/1998/TT-BTC guiding the organization of the internal audit apparatus in state enterprises, and Circular No. 171/1998/TC-BTC guiding the organization of the internal audit in state enterprises. Those documents have played an important role in the development of the IA function in all Vietnamese companies.

In fact, the IA department has been established in Vietnamese large companies corporations "90" or "91" (Nguyen Dinh Huu, et al., 2006, Phan Trung Kien, 2008). After the year 1997, an IA department was set up in several large VCCs. In the construction industry, most companies with an IA department following the corporation "90" norm. A "pilot" research conducted in 2013 showed that only 8 out of 34 VCCs have an IA department. Most IA departments were set up during the period from 1997 to 2005. The number of IA departments has increased since 2005¹. The setting up of IA departments is a popular trend for Vietnamese economic groups (Nguyen Thi Hong Thuy, 2010).

¹ Author's project has been implemented since 2013 funded by the National Economics University.

During over 15 years of its development in VCCs, IA has significantly contributed to the success of those businesses, adding more value for them, especially in financial management. In the development of IA departments both the content and audit scope of the departments have also been extended. Despite the positive contributions of IA departments they are still facing many challenges.

2. Framework for performance measures for internal audit functions

2.1. Method of performance measurement

There are various systems of classification to measure the performance of an internal audit department. One of the most common systems is the Balanced Scorecard. This approach emphasizes the alignment of an internal audit department's objectives and activities in relation with those of the larger organization to which it belongs. Accordingly, some of the performance measures are selected to balance the perspectives of various stakeholders who are affected by the auditing process (Ziegenfuss, Douglas, 2000).

An alternate classification is the input-process-output method introduced by Rupsys in 2007. According to this system, input is considered as being the inherent qualities of the internal auditors and the organization, such as the staff's experience, budget, and a variety of different factors (Rupsys, et al., 2007). The process is the actual auditing work itself, and encompasses the entirety of the audit work. The outputs in this classification system are the end products of the auditing process, including assurance audits, advisory services, and recommendations to management. Finally, this system also measures the audit environment, which includes factors such as the relationship

of the internal audit department with management. This system focuses on selecting performance measures from each of these categories in order to understand the full process of internal auditing, from input to output.

The classification system used in this study is a modified form of the *Input - Process - Output* method that places a greater emphasis on the end results of the audit function. The system chosen for this study includes five unique categories of performance measurement including environment, output, quality, efficiency, and IA impacts as follows:

(i) *Environment*: The first category to be analyzed refers to environmental measurements. This category includes some factors that impact the work of the internal audit function indirectly. These could be viewed as audit process “inputs” that are not necessarily under the control of audit management but have a large effect on the success or failure of the auditing. Some environment performance measurements may be provided in the survey, with the opportunity to provide additional measurements such as number of management requirements, number of meetings with the organization, number of meetings with executive management, etc. The most commonly used environment measurement is management satisfaction survey results. The second most common response is the number of management requests, with the number of meetings within the organization and with executive management both having few responses. The use of this indicator instead of the other performance measurements is logical; this factor takes into account many of the other environment performance measurements, as it is the “bottom-line” indicator of an internal audit office’s relationship with management.

(ii) *Output*: The next category of performance measures analyzed is output measurement. This category includes the end results or products of the internal audit function, including assurance audits and advisory services. Relevant output measurements are provided in the survey, with the opportunity to provide additional measures such as percentage of audit plan completed, number of audits completed, number of advisory services completed, number of recommendations made, and number of recommendations implemented, etc. Additional performance measurement provided in the “other” category included: budgeted hours to actual hours, number of unresolved findings, revenue enhancements/cost savings realized, and the number of management action plans completed. Measuring the number of unresolved findings is a unique example of an output measure that would seek to be minimized. This could be a valuable performance measurement because of its ability to gauge the amount of unsuccessful audit work relative to successfully implemented recommendations.

(iii) *Quality*: The third category of performance measures examined is quality. This category expands on the previous category. It focuses on the quality of the end results and includes measurement of the quality of auditing staff. The three most common quality performance measurements are auditee satisfaction surveys, number of hours of training per staff, and the last external peer review score. Interestingly, the least chosen performance measure was the number of professional organization meetings attended. This signifies that more should be done to recognize participation in professional

organizations as an important part of staff development and audit organizational effectiveness. The responses included measures such as: number of non-audit related suggestions made to department, number of external quality assessment reviews conducted, percentage of total time spent on audits, and achievement of long-term quality objectives.

(iv) *Efficiency*: Performance measurements dealing with efficiency are analyzed. This category measures the output and quality of the internal auditing process versus its costs. The purpose of this category is to determine if internal auditing work is efficiently using its time and resources. Similarly to the quality measurement, a large number of performance measures were provided such as cost per audit hour, dollars spent per dollar audited, hours spent vs. hours budgeted, percentage of administrative time, time cycle for issuing draft report, number of repeat findings, time cycle for development of annual audit plan, percent of recommendations implemented... Several additional efficiency performance measures were provided such as percent of “chargeable” hours to projects, total dollars spent vs. budgeted dollars, percent of time by activity, etc.

(v) *Impact*: The final category of performance measures examined is impact measures. This category measures the ultimate impact of an internal audit function on its organization’s effectiveness such as percent of budget audited, and percent of identified risks audited. Additional impact measurements provided such as percent of high risk audit areas addressed, and the amount of money recovered or saved through projects.

All five of these categories make up the performance measurement system used by this study. They also provide an adequate method of

categorizing the various types of performance measures used in internal auditing.

2.2. Data collection

The data collection was divided into two steps including the stage of overviewing research (the “Pilot” research) and the stage of direct evidence collection. The first stage focused on gathering general information about the IA function within VCCs such as which VCC has organized an IA department, the IA’s structure in relation to the VCC’s structure model... By interviewing managers, getting information from websites and other public information, the relevant data was collected in this stage. The result of those surveys shows that there are only eight VCCs having an IA department. This information about VCCs in this stage is exhibited in Appendix 1.

The next stage of data collection concentrated on those eight IA departments, in which, the secondary data collected from two main parties - management and the IA function. Different kinds of reports were collected concerned with the function’s assessment. These included: IA reports, meeting reports between management and the IA department, external reports and management letters composed by internal auditors.

Primary data was gathered from different persons including internal auditors, auditee’s managements, and independent auditors... The major method of data collection was through questionnaires. The researcher made direct or indirect interviews with 27 internal auditors and received 25 replies; 22 top managers with 19 replies received; and 10 replies received out of 12 independent auditors’ interviews. All questions and responses from the survey together with three observations of audits along with verification of four IA’s files

conducted in this stage, can be found in Appendices of my research project².

3. Measuring performance of the internal audit function in Vietnamese construction corporations

Performance measurement relates to an effective implementation of the IA function in comparison with plans to carry out an annual IA, to the extent and duration of complete plan measurement as well as the approval of the proposed internal auditors. However, the systematic measurement of the IA's performance has to use five full features including auditing environment, outputs, quality, efficiency, and the IA's effect.

(i) Performance Measurement - Environment of the IA functions in VCCs

There are 7 indicators associated with the measurement of the IA environment at the eight VCCs. Interviews with executives (e.g. director or deputy director; finance directors; board of management; director or Chief Accountant) were directly or indirectly conducted in each corporation. All responses under the relevant content were averaged for the number of results received and their calculations are presented in Table 1 below.

The survey results and responses show that the IA function does not satisfy top management's expectations at VCCs. The indicator illustrating the management's satisfaction is very low (2/19). The results of interviews with internal auditors identified concerns with management's expectations. This indicator plays an important role because it exhibits a level (good or bad) of the relationship between the IA department and management. It may be a criterion used in measuring the IA function's efficiency and

effectiveness. In addition, the indicator under the number of management or general directors or control department's requests, as well as the number of meetings with the organization, shows that VCCs' management pays little attention to the IA function. There are no standards or programs found, and audit files and related documents show that audits are conducted base on the internal auditors' experiences mainly. Therefore, this may explain why audit results do not mesh with management needs. Other indicators such as auditing time, a comparison between actual results and targets, and cross checks are low in general. These results give support to the previous conclusion (under the *Management's satisfaction*) and contribute to explaining the poor assessment of the IA function appraised by management.

(ii) Performance Measurement -Outputs

There were 25 replies received from internal auditors under 5 criteria to appraise the IA functions' consequences. These replies are divided by the number of replies (25) or the number of VCCs where an IA department existed. Final responses computed are as follows:

Some general conclusions can be drawn from the averaged responses on the IA's outputs. The number of audits completed in the table is at a moderate level (in comparison with the minimum and maximum level surveyed in the construction industry³ as well as this indicator in the financing industry [9]) and the percentage of the audit's completion is quite small. The indicator under the number of advisory services completed is more than a moderate level, but the number or percentage of findings unsolved is at a relatively high level (34%). These exhibit bad signals about the IA's implementation. Besides, these working papers of internal auditors verified support more evidences on unsolved findings that have not been completely solved and some of findings have been ignored.

² Author's project has been implemented since 2013 funded by National Economics University.

Table 1. Performance Measure - Environment

Order	Specifications	Responses
1	Number of management or general directors or control department's requests	1.53
2	Number of meetings with the organization	2.15
3	Number of meetings with executive management	4/19
4	Management's satisfaction from survey results	2/19
5	Management's assessment of audit results in comparison with targets	3/19
6	An assessment of auditing time between budgeted time and actual time	
	- Enough	2/19
	- Exceeding	11/19
	- Deficient	5/19
7	Making cross check for findings and recommendations	2/19

Source: Responses and other information computed and totaled by author

Table 2. Performance Measure - Outputs

Order	Specifications	Responses
1	Percent of audit plan completed	57,5%
2	Number of audits completed	4.2
3	Number of advisory services completed	3.2
4	Number of recommendations made	23/25
5	Number of recommendations implemented	18/25
6	Number or percentage of findings unsolved	
	- Times	1,1
	- Percentage	34%
7	Number of findings relating to saved cost or prevention of frauds and errors	4.6

Source: Responses and other information computed and totaled by author³

³ Author's project has been implemented since 2013 funded by National Economics University.

The analyses of the survey results above raises doubt about both uncompleted audits and unenforceable recommendations in VCCs. Good news under the indicator of the number of findings relates to the saving of costs and the prevention of frauds and errors proves that those businesses are able to save cost from the IA's results. There is insufficient evidence of cost saving, but internal auditors believe their work is reducing costs under the last indicator in Table 2. Auditors could help business save costs directly or indirectly by preventing VCCs from violating with fraud or errors. In fact, these criterion above concerned is at a high level compared to the averaged number of findings within an audit. This might positively impact on general audit results. However, the higher the number of unsolved findings that exist, the lower the audit efficiency and the less the effectiveness of the IA function achievement.

Additionally, evidence collected in verification of the IA's working papers, IA reports, and suggestions, show that many issues about the IA's performance exist. Internal auditors spent nearly 60% of auditing time conducting audit procedures, 30% of the time for doing its administrative management, and only 10% of the time for completing other work. In fact, the auditors of the VCCs have had the limitation of auditing scope in connection with the implementation of a auditing procedure, with focus on unsuitable content, out of control the auditing work... Beside facing with those issues of audit implementations, these IA departments has solved other problems such as time distribution for audit fieldworks, audit efficiency and effectiveness.

(iii) *Performance Measurement - Quality*

There are 10 criteria used for measuring the quality of the IA's performance. The results under each criterion depict in Table 3.

The *last external peer review* exhibits the degree of prudence during an audit and it also show how external parties do believe in an IA's results. The small value of the indicator means that the IA's results may be risky for users. In addition, the indicators of management's satisfaction mentioned above also support this assessment.

Some remaining criteria, such as the number of professional certifications, the percentage of staff meeting CPE requirements, the number of hours of training per staff member, and the percentage of the whole time for auditing, show the relationship between the measurement of auditors' competence and audit quality. The group of these indicators expresses that the quality of findings and recommendations or audit results are of low value. The two last indicators also have values at a low level. However, the existence of recommendations excluded in the findings raises a doubt about how an internal auditor does make recommendations excluded in findings. Analyses of evidences written in audit work-papers show that internal auditors' experience has taken a big effect on audit results and audit quality. It illustrates the risky situation of the IA function.

(iv) *Performance Measurement - Efficiency*

Table 4 presents relevant responses under the *efficiency criteria* of the IA function, as follows:

The same as with quality measurement, it is very difficult to measure the efficiency of IA's. The measurement of efficiency is usually based on quite sensitive information, such as auditing cost, auditing time, reporting time,

period to develop and implement the auditing plan... Additionally, the calculations are very complicated. In fact, available data is not enough to compute either the cost per audit hour and cost per each one million VND audited. Therefore, these difficulties influence the efficiency assessment. However, the other criteria can replace them in assessing the function's efficiency.

Although the surveys do not supply enough data about cost indicators, the IA's cost may be predictable. A high indicator of the actual audit time to budgeted time, a high percentage of audit time for administration, a long time for issuing a draft of audit report all show that the auditors spent more time than planned to complete an audit. More audit time than allocated to administration may express inefficient work. The number of repeat findings is quite high, which highlights the waste of time of duplicate work. Besides, 51% of the recommendations being implemented mean that a lot of suggestions are not acceptable in the VCCs. Those indicators provide that auditors did not complete their work as well as the audit plan required. Therefore, the cost estimated for the audit is usually higher than budgeted costs. It also means the inefficiency of IA's work in VCCs.

(v) Performance Measurement - Impact of the IA function

The IA function does not conduct an audit for itself. The function is to internally assess different operations, supplying findings and recommendations for management. Therefore, the measured impact of the IA function plays an important role in assessing the effectiveness of the IA within a business. The impact measurement may be the best way to understand whether the function takes an effect

on other operations in VCCs. All indicators in Table 5, filtered and computed under the four concerned criteria, are as follows.

Unfortunately, there are not enough data for calculation of both level of budget audited and level of money reclaimed or money saved. Although the low level of budget-audited among the received replies means audit work conducted by internal auditors is a small part of the essential audit work in a VCC. Verification of the IA's documents evidences that the function usually concentrates on traditional areas and audits of financial information. When internal auditors were omitting the other audit areas, audit results were riskier. Nowadays, VCCs join in other areas, such as the production of construction materials, investments, trade... Consequently, the VCCs' performances also are riskier and the IA function has to face new challenges, especially risk management. By paying attention to traditional ways such as financial audits, audits of normal item or operation, the IA do not satisfy the expectation of the VCCs' management. Moreover, there have been some part of the IA's work duplicating with procedures of an external audit at VCCs. Since, cost saving is not achievable.

Working in a changing environment, the IA functions need to find a new approach to satisfy management's expectations. The risk based approach is the best choice for identifying the appropriate auditing objectives and achieving efficiency as well as effectiveness. However, the indicators of risk identified in each audit show that the IA functions did not keep their mind on risk areas. Internal auditors have ignored the risk-based approach during the implementation of audits. Therefore, bad auditing results may be predicted.

Table 3. Performance Measurement - Quality

Order	Specifications	Responses
1	Last external peer review	2/19
2	Auditee's satisfaction survey	2/19
3	Number of professional certifications	0.5
4	Percentage of staff meeting CPE requirements	12/20
5	Number of professional organization meetings attended	5/25
6	Number of hours of training per staff member	0.6
7	Percent of staff turnover audited	n/a
	Recommendations excluded in findings	
8	- Existence of recommendations not basing on audit findings	5/25 1.2
	- Averaged number	
9	Percentage of whole time for auditing	59%
10	Achievement of long-term targets	2/17

Source: Responses and other information computed and totaled by author

Table 4. Performance Measurement - Efficiency

Order	Descriptions	Responses
1	Cost per audit hour	n/a
2	VND spent per one million VND audited	n/a
3	Hours spent/hours budgeted	1.24
4	Percentage of administrative time	20.7%
5	Issuing draft report	
	- Issuance of draft report	5/25
	- Time cycle for issuing draft report (days)	0.9
6	Number of repeat findings	1.7
7	Development of annual audit plan	
	- Annual audit plan exists	8/8
	- Time for development of annual audit plan	n/a
8	Percent of recommendations implemented	51.2%

Source: Responses and other information computed and totaled by author

Table 5. Performance Measurement - Impact of the internal audit functions

Order	Descriptions	Responses			
		High	Moderate	Low	n/a
1	Level of budget audited	0/25	1/25	4/25	20/25
2	Level of identified risks audited	1/25	5/25	19/25	0
3	Level of defined high risk areas audited	2/25	5/25	18/25	0
4	Level of money reclaimed or money saved	0	1/25	3/25	21/25

Source: Responses and other information computed and totaled by author

(vi) Performance Measurement - Additional analysis of the IA's performance

Working papers and auditing files prepared by independent auditors may provide sufficient evidence for assessment of the IA's performance. The integration between the IA function and external audit may exist and it can help external auditors to reduce time as well as improving audit quantity. If the IA's documents are believable, external auditors can use them as good evidence without limitation. Most standards of independent audit always accept the IA files from internal auditors.

Questionnaires for external auditors used under this category are presented in Appendix 5. The survey results of ten independent auditors working at four independent auditing firms that had audited annual financial statement of nearly 28 VCCs have been used to average following responses. Additionally, some other responses provided in surveys may be used for assessment of the IA's performance in VCCs.

Although external auditors expected to use the IA's documents, they did not use those documents as appropriate evidence for a financial audit. The results under additional criteria show the external auditors did not believe in those documents as well as the performance of the IA. Those documents are

neither believable nor verifiable. This also explains why results of the IA do not meet with VCCs' requirements.

4. Conclusions and recommendations on performances of the internal audit functions in Vietnamese Construction Corporations

4.1. Conclusions

Although the survey covered a relatively small geographic area, the variety of organizations included in this study provides a representative snapshot of the internal auditing profession as a whole. Based upon the analysis of the survey data, the following six conclusions were reached.

- Many IA departments are failing to use performance measures. According to the survey, almost 95% of the respondents reported that their organizations did not establish performance measures. This is a surprisingly large percentage, given that internal auditors constantly stress the importance of good performance measures in the activities that they audit. The failure of the IA functions to use appropriately performance measures can be attributed to at least three factors, including lack of standards, difficulty in measuring impact, and lack of adequate resources.

Table 6. Performance Measurement - Additional assessment of the IA performance

Order	Descriptions	Responses
1	External auditors need to use IA's documents	10/10
2	Number of VCCs having an IA department	8
3	External auditor verified and used the IA's documents	2/10
4	External auditors have used the IA documents for audit conclusions	0/10
Assessments in detail:		
	- Using these documents for appraising effectiveness of internal control system	0/10
	- Using these documents for testing balances	0/10
	- Using these documents for making a general assessment or auditing conclusions	0/10
	- Using this documents for saving audit cost	0/10

Source: Responses and other information computed and totaled by author

- These results of internal audits do not satisfy the expectations of the VCCs' top managements. The IA operations are not effective.

- The IA function did not keep up with the changes in the Vietnam construction market, in which there are new construction companies including multinational corporations that have joined in, and that create a fierce competition among those companies. Because the IA functions have not improved themselves, they have not positively supported VCCs' managers in managing their businesses, especially in the creation of new value and risk management.

- There are only a few IA departments in the VCCs. In addition, the performance of the IA departments has not made a recordable impact on the VCCs' operations. Therefore, the performance of the IA departments has not changed the management's mind regarding the departments.

- The VCCs' top managements have a big effect on the development of the IA

departments in the VCCs. The management does not take part in meetings with the IA departments or discussions with auditors on the performance of the IA departments. This is a failure to positively affect the IA activities.

- The IA departments have been faced with confusion as to whether the function should be kept or not, established or not, to apply a new auditing approach or a traditional one, etc. This is not only a challenge for extending new IA function in the VCCs, but is also a big difficulty for the development of the function in VCCs and in Vietnam.

4.2. Recommendations

(i) Increasing quality and quantity of internal auditors

Firstly, the quality of internal auditors needs improving immediately. This is the main factor to contribute to the success of an internal audit within a business. Therefore, the establishment of requirements for internal

auditors' is very essential. Accordingly, a good internal auditor has to achieve the following requirements:

- He thinks more and avoids action "Think more than do"
- He produces more than one solution for a problem
- He thinks over his course of action before implementing it first in practice
- He verifies his decisions frequently and asks "why?"
- He has a broad knowledge: his special education supports the broad knowledge
- He is able to think abstractly
- He is self-confident and can tolerate an unclear and unsolved situation
- He does not take overhasty "heave ho" solutions to get the problem out of sight...

Secondly, the number of internal auditors should be defined objectively in relation to the establishment of a benchmark. A limitation of auditors will impact negatively on audit work and affect audit quality. The more audits they do, the more auditors the VCCs will employ. Revenue or the number of staff is regarded as good factor to estimate the number of internal auditor.

- (ii) *Analysis combines with performance measurement to identify risk and appraise business processes*

As I mentioned above, VCCs seem to have failed to develop the IA function for internal management. The most important reason is not to identify appropriate desirability of top management. To improve this issue, auditors have to pay attention to the application of an analytical procedure that helps auditors to define a

given business risk as a base in accordance with contribution of limited sources to a particular audit. In the changing environment, top management expects more support from internal auditors in managing businesses as well as adding more value for VCCs. Based on findings and causes identified, I suggest the application of the Balanced Score Card model for analysis and assessment of both operations and internal processes in VCCs following - Figure 1.

(iii) *Integrating different audit contents within an internal audit*

Another reason affecting the IA's effectiveness is the duplication of the IA's results and the external auditors' findings. While top management was expecting to receive support information about efficiency, effectiveness, risk management, etc., the IA department did not serve them on time. The IA function can internally conduct many different types of audit (financial audit, performance audit and compliance audit) as well as many kinds of audit areas (audit of information, audit of the IT system, audit of human resource management...). Therefore, I recommend extending audit contents within an audit. The recommended content of an IA is as follows:

- Assessment of internal controls' effectiveness
- Efficiency of using different resources such as machinery, equipment, human resources, etc.
- Appraisal of information systems;
- Assessment of strategies, long-term plans, projects, etc.
- Compliance, assessment of law, VCCs' regulations, etc.
- Issuance of recommendations for improving effectiveness and efficiency.

(iv) *Building the internal auditing charter for the IA function*

Analyses prove that it is difficult for the IA departments to control auditing activities, especially quality controls. It is a fact that most of the departments do not issue an auditing charter as a good base for the IA's performance. Such a charter is an essential prerequisite for the smooth

functioning of an internal audit department. At least an audit charter should establish:

- The objectives and scope of the internal audit function;
- The internal audit department's position within the VCC;
- Its powers;
- Its responsibilities;

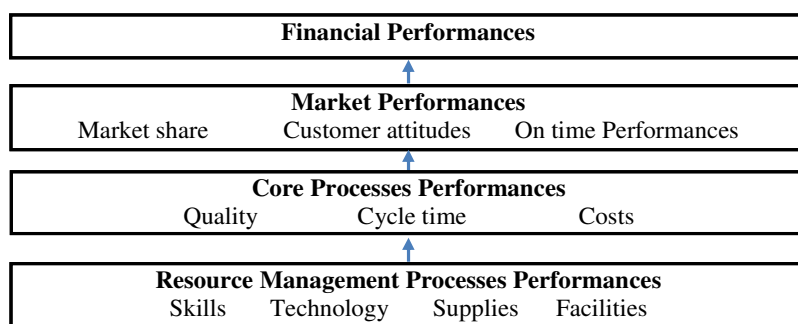


Figure 1. The model of analysis integrates performance measurement recommended.

Source: Author's recommendation

- Its relation with other control functions;
- The accountability of the head of the internal audit department.

Within this charter, the VCCs' top management gives the IA department:

- The right of initiative;
- The authorization to have direct access to and communication with any member of staff;
- Permission to examine any activity or entity of VCC;
- Permission to access any records, files or data of VCC.

The charter should state the terms and conditions, according to which the internal audit department can be called upon to provide consulting or advisory services or to carry out other special tasks.

(v) *Improving the quality controls of the IA function*

Internal auditing also is defined as a systematic assessment of different operations within a business. The IA department supports a business's management by supplying services relating to different operations [2]. Therefore, quality control plays an important role to maintain and develop the department's function within a business. In VCCs, the functions' activities are always faced with the poor quality of auditing work as well as the difficult management of the auditing process. To improve the overall quality of an internal audit, all relevant factors should be defined clearly as following:

- Defining the structure of an internal auditing department in detail;
- Defining the relationship between the internal audit department and other departments in a VCC;

Within a given internal audit, quality control will be improved following these guidelines;

- Comply with audit plan and audit program;
- Customize the common audit program for a particular auditee;
- Choose a suitable auditor for auditing;
- Build sufficient auditing papers and auditing files;
- Identify appropriate and clear auditing content.

In the difficult situation of the Vietnam economy as well as that of the Construction Industry, for the improvement of the IA functions in VCCs it is very difficult to take all recommendations into reality. It is very important that the IA department makes efforts to conduct audits along with the presentation of its roles in the VCCs' management. Although the internal audit is established by management's requirement, those external parties such as the Ministry of Finance, the Ministry of Construction, and associations of professional... also play an important role for the successful fulfilling of those recommendations in VCCs. They may launch a framework or regulations in which the IA function is required to be objectively installed in a business. Specifically, those regulations may directly affect whether the IA function in a business should be organized or not.

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