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**IMPROVING PERFORMANCE AUDIT IN
VIETNAMESE COMMERCIAL BANKS**

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Introduction

1. The necessary of the research topic

Commercial banks are one of the large-scale financial institutions with diversified and complex activities, distributed network of operations and assets, facing many typical risks such as risk credit risk, liquidity risk, interest rate risk, operational risk, etc. According to international practices of IIA and Basel, internal audit in commercial banks needs to evaluate the economy, efficiency, effectiveness of internal control, governance process and risk management activities, thereby offering solutions to bring added value to the customers of the Commercial banks.

The process of international integration leads to fierce competition in the financial market between domestic commercial banks and foreign commercial banks and pressure from stakeholders on accountability and information transparency in business Banks are growing. This requires commercial banks in general and inspection and audit activities in particular to innovate and improve continuously and regularly to create added value for the Bank and its stakeholders. However, in the recent time, the internal audit of Vietnamese commercial banks mainly performs compliance audits and audits of financial statements. implementation content also has many limitations; the construction of a system of criteria, the theoretical basis of methods and implementation processes is not rich. The number of Internal Auditors with deep knowledge and expertise in performing performance audit in Vietnam commercial banks is still very limited compared to auditing financial statements.

Based on the above analysis, the PhD student selected the topic **"Improving the performance audit in Vietnamese commercial banks"**.

2. Literature review

With an overview approach to research according to aspects of performance audit: audit content, evaluation criteria system, approach and technical method, audit process.

2.1. Domestic and foreign researches related to the research topic

2.1.1. Domestic and foreign researches about performance audit

Typical domestic studies on the contents of performance audit such as: Performance audit textbook by Prof. Dr. Nguyen Quang Quynh editor (2014); Textbook of Operational Audit, Department of Auditing, University of Economics Ho Chi Minh City (2018) compiled. Along with domestic doctoral theses such as: Le Thi Thu Ha (2011) on "Organization of internal audit in Vietnam financial companies"; Vu Thuy Linh (2014) on "Improving the process of organizing the internal audit apparatus in Vietnamese State-owned commercial banks"; Nguyen Minh Phuong (2016) on "Improving internal audit at Bank for Agriculture and Rural Development of Vietnam"; Le Ngoc Phuong (2017) on "Auditing activities performed by Internal Audit to create Vietnam Posts and

Telecommunications Group". Banking sector-level topics with mention of the content of internal audit conducted by internal audit: Truong Le Hien (2015) on "Improving the quality of internal audit of Vietnamese commercial banks in accordance with international standards of internal audit practice of the National Association of Internal Auditing. economic (IIA)"; Pham Thanh Huyen et al (2016) on "Improving the quality of Vietcombank's internal audit according to international standards of international internal audit practice IIA".

Some typical domestic studies on the content of OA are as follows:

- + Standard on Internal Audit of IIA (2016) clearly shows the role of Internal Audit when implementing contents associated with internal audit in such as: Standard 2110. A2, Standard 2120, Standard 2130 on evaluation audit specific internal control system standard 2130.A1.

- + Basle Banking Supervision Committee (1998, 2001, 2012) affirmed the role of internal audit in risk management (risk management) and evaluated the internal control system in credit institutions in general and commercial banks in particular in Principle 15, Principle rule 26.

- + The European Court of Auditor (ECA)'s Guide to the implementation of the annual audit, (2017) mentioned the economy, efficiency and effectiveness contents of the Union's sound financial management. European Union.

2.1.2. Domestic and foreign researches about the evaluation criteria system in performance audit

Typical domestic studies on the evaluation criteria system in the CCA: A series of studies by Nguyen Anh Phuong (2014); Nguyen Thanh Phuong (2012), Bui Khac Hoai Phuong (2019) gave the criteria for evaluating sustainability in banking business. Lieu Thu Truc and Vo Thanh Danh (2012), Le Thi Ngoc Phuong (2017); Nguyen Thi Ha Thanh, Le Viet Hoang (2018), Nguyen Phuc Quy Thanh (2019) use the evaluation criteria in commercial banks and run the DEA, SFA models to evaluate the efficiency of commercial banks.

Typical foreign studies on the evaluation criteria system in the performance audit:

- + Foreign studies on the characteristics and methods of developing evaluation criteria in the performance audit: The Canadian Comprehensive Audit Foundation (1996) introduced a system of evaluation criteria in the performance audit towards to evaluate 3Es: Economy, Efficiency and Effectiveness. Carolyn Ditteie (2014) pointed out that the application of the Comprehensive Assessment Model (CAM) in the work of Internal Audit is an innovative approach; The European Court of Auditor (ECA)'s Guidelines for Implementation of the Auditor's Audit (2017) provides a way to develop the questions into the evaluation criteria in the internal audit.

+ Origin of criteria: Alvin A.Aren, Elder.Randal J, Beasley. Mark S (2005), Ghodratoolah Haidari Nejad (2014).

2.1.3. Domestic and foreign researches about approach and technical methods in performance audit

The case studies are summarized in the table below:

Systems-oriented approach	Risk-based approach	Result oriented approach	Technical method
Guidelines for the implementation of the internal audit of the European Court of Auditing (ECA) (2017). - Standard 2100 – The nature of the internal audit work of IIA (2016) emphasized the Internal Audit Department to carry out the contents of the internal audit. - Nguyen Hong Yen et al (2009) - Department of Accounting, Banking Academy (2016)	According to Basel II (2011), it is recommended that internal auditors perform the function of risk-based performance audit through a good understanding of the level of risk in Principle 8 Principle 9. - System of standards of IIA (2016). - Standard IIA 2010, Standard IIA 2100 requires the Head of Internal Audit Department to develop a risk-oriented internal audit plan. - Doctoral thesis: Vu Thuy Linh (2014); Nguyen Minh Phuong (2016) mentioned the risk approach in commercial banks implemented by Internal Audit	Guidelines for the implementation of the internal audit of the European Court of Auditing (ECA) (2017). The Internal Audit Practice Manual for Internal Audit of the Ministry of Finance, Royal Government of Bhutan (2019) mentioned the results approach.	Assoc. Prof. Dr. Thinh Van Vinh (2010), Monograph on Operational Auditing. - Doctoral thesis: Vu Thuy Linh (2014) - Effective methods of DEA, SFA in evaluating banking performance: Lieu Thu Truc and Vo Thanh Danh (2012), Le Thi Ngoc Phuong (2017); Nguyen Thi Ha Thanh, Le Viet Hoang (2018), Nguyen Phuc Quy Thanh (2019)

2.1.4. Domestic and foreign researches about the audit process in performance audit

Performance audit Textbook of the Auditing Department of Ho Chi Minh City University of Economics (2014), Performance audit Textbook of Prof. Dr. Nguyen Quang Quynh et al (2014).

Typical guidelines on the implementation of the internal audit such as: Guidelines for the implementation of the internal audit of the European Court of Auditing (Euro Court Auditor – ECA) (2017); Practical Guide to Internal Audit for Internal Audit of the Ministry of Finance, Royal Government of Bhutan (2019).

2.3. Conclusions and research gaps

In addition to the obtained results, in the research studies analyzed above, there has not been a complete and comprehensive study on performance audit in commercial banks with the following specific contents:

- Regarding the contents of current performance audit in commercial banks: there has not been any research that fully and comprehensively studies the contents of performance audit in commercial banks. . The assessment of environmental and social risk management and the impact of banking business on stakeholders has not been mentioned.

- Regarding the evaluation criteria in the performance audit of commercial banks: the steps to build a framework of evaluation criteria have not been clearly shown, the integration of evaluation criteria in the long-term towards sustainable development has not been clearly demonstrated. use evaluation models in building evaluation criteria system.

- Regarding the approach and technical methods of performance audit in commercial banks: the content of each method has not been clearly shown in terms of implementation steps, associated with the characteristics of performance audit risks and risks in commercial banks. In addition, the studies have not clearly shown the combination of methods in the stages of the performance audit process.

- Regarding the process of performance audit in commercial banks: The researches on performance audit mainly in the public sector conducted by internal audit have not yet been studied by any author on this issue in commercial banks.

From the above gaps, the researcher has determined the research direction as follows:

- Using the theory of stakeholders, the theory of change, the theory of efficiency, social efficiency as the foundation to study the theories of performance audit in commercial banks.

- Learn the characteristics of banking business affecting the operating budget in commercial banks.

- Research on current status of performance audit in Vietnamese commercial banks

- Proposing solutions to improve performance audit in Vietnamese commercial banks.

3. Research objectives

+ Research, systematize, clarify and supplement the theory of performance audit in commercial banks combined with research on international experiences on performance audit in commercial banks in the world to draw lessons from experience on performance audit in Vietnamese commercial banks. Male;

+ Presenting and analyzing the current state of performance audit in Vietnamese commercial banks, specifying the achieved results, limitations and analyzing the objective and subjective causes of the limitations as a basis for proposing complete solutions. improve the performance audit in Vietnamese commercial banks;

+ Researching solutions to improve performance audit in Vietnamese commercial banks.

4. Object and scope of research

4.1. Research objects:

Research thesis on performance audit in commercial banks

4.2. Research scope:

Scope of content:

+ Theoretical: The thesis studies the theory of performance audit in commercial banks in terms of aspects (audit content, evaluation criteria system in audit, technical approaches and methods, audit process)).

+ In practice: The thesis studies the current situation of performance audit in Vietnamese commercial banks, including the following contents: Audit content; Evaluation criteria system; Technical approaches and methods; The KT process.

□ Spatial scope: The thesis researches and evaluates the performance audit in the group of 10 commercial banks selected by the State Bank to pilot Basel II since 2016 and is divided into 2 groups as follows: State-owned commercial banks include Vietcombank, Vietinbank, BIDV; The group of joint stock commercial banks includes: MB, VPB, Maritimebank, Sacombank, Techcombank, VIB, ACB.

Scope of time: The thesis studies the current status of performance audit in Vietnamese commercial banks in the period 2014-present.

The subject conducting the performance audit: The researcher chooses the subject of performance audit to be the internal audit.

5. Research questions

- What is the theory and viewpoints on internal audit in commercial banks implemented by internal audit?

- What is the experience of performance audit of commercial banks in the world and what are the lessons for Vietnamese commercial banks?

- What is the current status of modern performance audit in Vietnamese commercial banks?

- What are the advantages and limitations of implementing internal audit in Vietnamese commercial banks by internal audit? What are the main reasons for these limitations?

- What solutions to improve the performance audit in Vietnamese commercial banks by internal audit?

- What are the requirements to improve the performance audit in Vietnamese commercial banks?

6. Research Methods

General methodology, qualitative research methods, specifically include:

- Researching documents, analyzing, investigating through questionnaires, synthesizing, descriptive statistics, comparing, inductive, deductive, combined with expert interviews to clarify the necessary theory and practice. research.

- To assess the current status of performance audit in Vietnamese commercial banks, the author collects data from two sources: Primary data source (Results of actual survey of performance audit of 10 commercial banks (Surveyed) and Secondary Data Sources (Circulars, Decrees of the Government, SBV; Charter/Audit Process of Internal Audit of the surveyed banks; System of processes, regulations and internal regulations of the surveyed banks) A number of Vietnamese commercial banks have been sampled, the results and reports of the Supervisory Board of selected commercial banks, research works, articles, textbooks of domestic and foreign authors; Websites of the State Bank of Vietnam, of Vietnamese commercial banks are sampled for research; records, value of Internal Audit Division when performing internal audit at a number of commercial banks are case studies).

7. Dissertation contribution

Theoretical contributions: The thesis has systematized, clarified and supplemented the theoretical issues of performance audit in commercial banks, including: audit content; evaluation criteria system; approaches and techniques used; audit process.

Practical contributions:

+ The thesis has described, analyzed and clarified the current status of performance audit in Vietnamese commercial banks, including the following aspects: audit content; evaluation criteria system; approaches and techniques used; audit process in Vietnamese commercial banks. Thereby pointing out the advantages, limitations and causes of limitations.

+ The thesis proposes a system of solutions to improve the performance audit in Vietnamese commercial banks in the following aspects: content of performance audit; the system of evaluation criteria when performing the performance audit; Approaches and techniques used when performing performance audit; performance audit process in commercial banks.

8. Structure of the thesis

In addition to the introduction, the thesis has the following structure:

Chapter 1: Theory of Performance audit in commercial banks

Chapter 2: Current situation of Performance audit in Vietnamese commercial banks.

Chapter 3: Solutions to improve Performance audit in Vietnamese commercial banks.

CHAPTER 1

THEORY ON PERFORMANCE AUDIT IN COMMERCIAL BANKS

1.1. THEORETICAL BASIS ON PERFORMANCE AUDIT IN COMMERCIAL BANKS

1.1.1. Stakeholder theory and application on performance audit in commercial banks

The theory is studied by the authors: R. Edward Freeman (1984), Donaldson & Preston (1995), Max E. Clarkson 1995, Pete Tashman & Jonathan Raelin (2013), Ronald K. Mitchell, Bradley R. Agle and Donna J. Wood (1997). Theoretical application in the performance audit of commercial banks (the author presents in the thesis).

1.1.2. Theory of change and application of performance audit in commercial banks

Theory of Change (ToC) is studied by the authors Weiss, Carol Hirschon (1995), Morra-imas; Rist (2009), Funnell, S.C. and Rogers, P. J. (2011), Fábio Mafra (2016). Theoretical application in the performance audit of commercial banks (the author presents in the thesis).

1.1.3. Theory of performance, social efficiency and application of performance audit in commercial banks

Performance theory was studied by Richard Schechner (1985), Bowen & Waldman (1999). Social efficiency theory embodied in the case study: Timothy Scott Archer (2010).

Application of theories in the performance audit of commercial banks (the author presents in the thesis).

1.2. GENERAL OVERVIEW OF PERFORMANCE AUDIT IN COMMERCIAL BANKS

1.2.1. History and development of performance audit in commercial banks

The history of internal audit in commercial banks is associated with the development of: (i) Internal Audit Association, IIA standards; (ii) Regulations on banking business of the Basel Committee on Banking Supervision (1998, 2001 2012) for the internal audit function in assessing the adequacy, effectiveness and efficiency of internal control activities and systems; (ii) The practical evidences of the weakening of commercial banks in the period have increased the need for self-innovation, comprehensive quality management and towards protecting the long-term interests of stakeholders associated with the Report. COSO report on internal control (1992), Sarbanes-Oxley Act (2002).

1.2.2. The concept and role of performance audit in commercial banks

1.2.2.1. The concept of performance audit in commercial banks

There are many different views, author gives the concept: Performance audit in commercial banks is a systematic process of assessing the *economy, efficiency and effectiveness* of activities in the banking business under control of the Bank's administrators and to report to appropriate individuals the results of the evaluation against established evaluation criteria in order to make recommendations to improve operations within the Bank.

1.2.2.2. The role of performance audit in commercial banks

The author presented in the thesis.

1.2.3. The characteristics of banking business affect the performance audit in commercial banks

Banking activities of commercial banks have the following characteristics affecting the operating economy: (i) Strong financial leverage system entails strict regulations in business, supervision and control of commercial banks to avoid risks. liquidity risk of the whole system; (ii) Risks and risk management issues in the banking business require internal auditors to have sufficient capacity to identify risks of the first and second lines of defense of commercial banks; (iii) Holding financial assets with a high level of risk, complexity and impact on a large number of stakeholders; (iv) Wide network system, complex financial products with many stages, heterogeneity of banking products and services (due to wide network) and inseparability between consumption and supply processes. service level; (v) Banking business is strongly influenced by IT.

1.2.4. Factors affecting performance audit in commercial banks

The thesis outlines the factors affecting the performance audit in commercial banks as follows: (i) Relevant legal framework on performance audit, system of regulations in banking business; (ii) The independent standing, ethics and professional competence of the internal auditors; (iii) Accountability of the bank administrator to related parties; (iv) Awareness of the Bank's managers and departments/branches about the role and benefits of performance audit in the process of innovation and improvement of operations towards sustainability; (v) The level of application of modern information technology in commercial banks.

1.3. SOME BASIC ISSUES ON PERFORMANCE AUDIT IN COMMERCIAL BANKS

1.3.1. Contents of performance audit in commercial banks

Based on the implementation of internal audit in accordance with the responsibility statement IIA (1993) and guidance of IIA (2016) and recommendations of the Basel Committee (2001, 2012, 2017) on banking supervision, performance audit in commercial banks by Internal audit can perform in general the following contents: Check and evaluate the adequacy, effectiveness and efficiency of the internal control system; programs, projects and activities of the Head Office, branches/members in commercial banks; Check and evaluate the effectiveness of the risk management framework in commercial banks; Check and assess the impact of banking business on the environment society and stakeholders.

1.3.2. System of evaluation criteria when performing performance audit in commercial banks

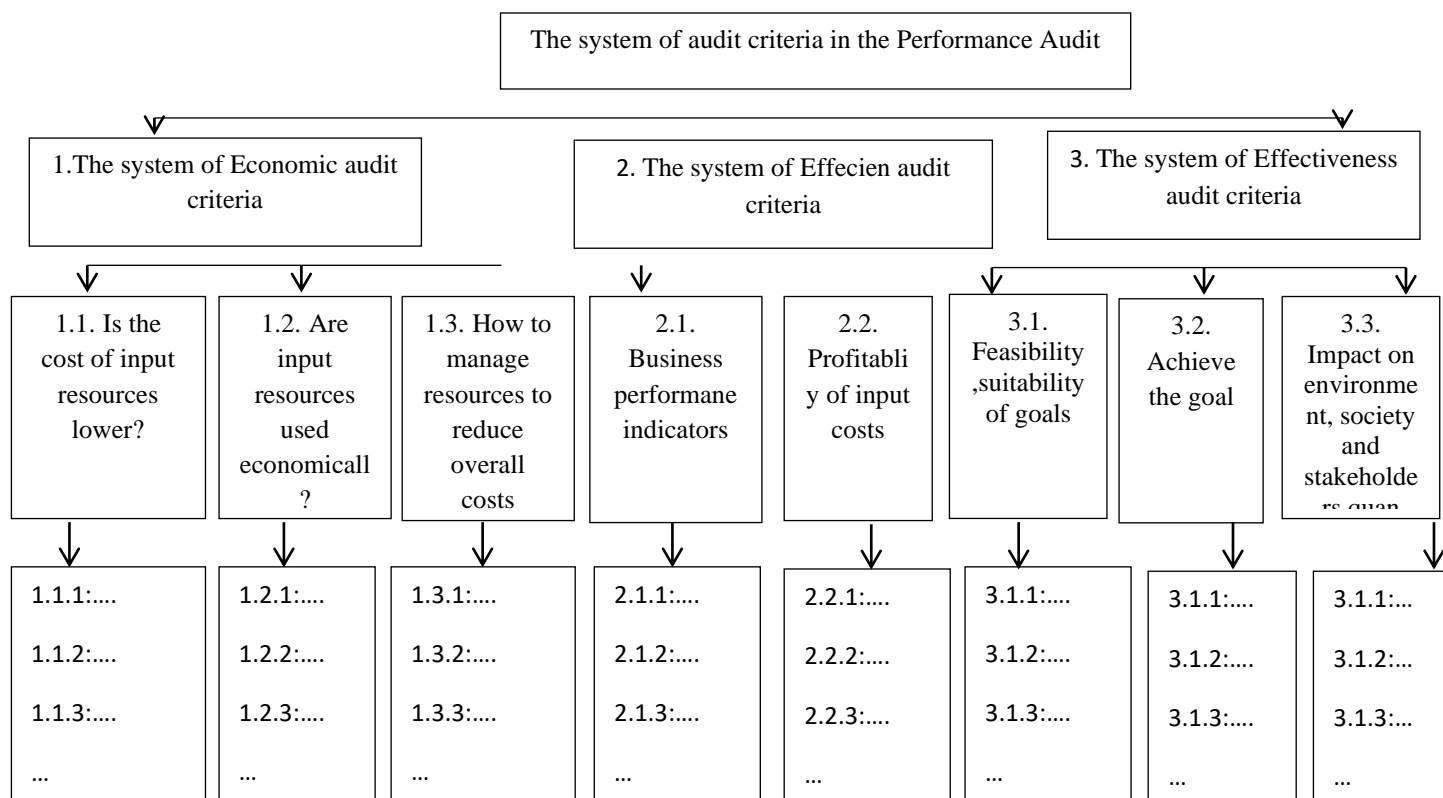
1.3.2.1. Basis for building a system of evaluation criteria of performance audit in commercial banks

Including: (i) Short and long-term business strategies and goals of the commercial bank and the audited entity itself ((Head Office/branch/member unit of the commercial

bank); (ii)) Economic and technical standards; Activities in previous periods; (iii) Industry averages; (iv) Plans for the period of commercial banks.

1.3.2.2. Contents of the evaluation criteria system in performance audit of commercial banks

Diagram of building a system of criteria in performance audit



Source: ISSAI, 3000 [92].

1.3.3. Approaches and techniques on performance audit in commercial banks

1.3.3.1. Approaches when performing performance audit in commercial banks

Methods include: (i) Systems oriented approach; (ii) Results oriented approach; (iii) Risk Based approach.

Specific content of each method the author has presented in the thesis

1.3.3.2. Technical methods when performing performance audit in commercial banks

Information survey methods; Professional technical methods in information collection and analysis and evaluation.

Specific content the author has presented in the thesis.

1.3.4. Performance audit process in commercial banks

1.3.4.1. Audit planning stage on performance audits in commercial banks

(*) Process of strategic planning for performance audit in commercial banks

The strategic planning process for the performance audit in commercial banks includes the following steps: (i) Reviewing the environment related to the content of the performance audit of commercial banks; (ii) Carry out a general survey of the field in commercial banks

that is suitable for the current market; (iii) Consult needs and desires from relevant parties; (iv) Determining the criteria for selecting audit topics based on risk analysis methods to the performance audit objectives of commercial banks; (v) Consider the possibility of developing a strategic plan; (vi) Draft, discuss and approve the strategic plan for the implementation of the performance audit.

(*) Process of planning detailed audits of performance audit in commercial banks

Includes the following steps: (i) Understanding the basic characteristics of the audited entity and a detailed risk assessment associated with the objectives of the commercial bank combined with an analysis of the relationship between the resources used and results; (II) Asking audit questions; (iii) Determine the scope of the audit; (iv) Determination of audit criteria; (v) Establish an audit program; (vi) Develop schedules and allocate resources.

1.3.4.2. Stage of performance audit in commercial banks

The author presented in the thesis

1.3.4.3. End stage of performance audits in commercial banks

The author presented in the thesis

1.3.4.4. Monitor the conclusions and recommendations of the performance audit in commercial banks

Monitoring the implementation of audit recommendations and conclusions includes the following steps: (i) Monitoring and urging the implementation of audit conclusions and recommendations; (ii) Make an inspection plan and notify the audited entity; (iii) Conduct inspection to implement audit conclusions and recommendations; (iv) Prepare a report summarizing the results of the implementation of the audit recommendations; (v) Maintain records of checking the results of the implementation of the audit recommendations; (vi) Quality control monitoring the implementation of the audit conclusions and recommendations on two aspects: Regular supervision of the audit team and Periodic progress monitoring of the assigned tasks of the audit team. Audit team members:

1.4. EXPERIENCE ON PERFORMANCE AUDIT IN SOME COMMERCIAL BANKS IN THE WORLD AND LEARNINGS FOR VIETNAMESE COMMERCIAL BANKS

1.4.1. Experience in performance audit in DBS Bank of Singapore

The author presented in the thesis

1.4.2. Experience in performance audit in Bank of Thailand

The author presented in the thesis

1.4.3. Experience in performance audit in HSBC

The author presented in the thesis

1.4.4. Lessons learned on performance audit for Vietnamese commercial banks are drawn from a number of banks in the world.

Regarding the implementation of the internal audit: Sticking to the international practices of the IIA, and the Board of Directors should strengthen the advisory role of the internal audit in assessing the effectiveness of risk management activities; savings when using input resources; optimal use of resources towards sustainable development, protecting the interests of stakeholders.

About the system of evaluation criteria: Commercial banks need to establish a clear evaluation criteria system related to input resources, and products, output results and take care of the interests of stakeholders.

Regarding the approach in performance audit: it is necessary to increase the use of risk-oriented methods and results-based methods.

Regarding the audit process in the performance audit: Planning based on a risk-oriented approach through assessment of the control environment, managing the risk management perception of the banking unit in combination with the risk culture in accordance with the guidelines on risk management. the bank's risk appetite. In the annual audit plan of the Internal Audit, there should be key issues that need attention associated with digital technology and sustainable development. Recommendations are more focused on business development (how to get more customers, more satisfied customers in service delivery, network expansion, update emerging risks).

CHAPTER 2

CURRENT SITUATIONS ABOUT PERFORMANCE AUDIT IN VIETNAMESE COMMERCIAL BANKS

2.1. OVERVIEW OF VIETNAMESE COMMERCIAL BANKS

2.1.1. Overview of Vietnamese commercial banking system

The banking industry in Vietnam was started with the birth of the Democratic Republic of Vietnam on September 2, 1945 and the establishment of the National Bank of Vietnam on May 6, 1951, applying the one-tier model. managing and trading currencies, and providing payment and credit services. Decision No. 53/HDBT dated March 26, 1988 and the Ordinance on Banking dated May 23, 1990 transformed the banking system from one level to two levels suitable for the market economy.

Currently, Vietnamese commercial banks have state-owned commercial banks and joint-stock commercial banks (including 28 joint-stock commercial banks). In which, the State-owned commercial banks include: Bank for Agriculture and Rural Development of Vietnam (100% state capital), Joint Stock Commercial Bank for Industry and Trade of Vietnam, Joint Stock Commercial Bank for Foreign Trade of Vietnam, Investment Joint Stock Commercial Bank. and Vietnam Development, Vietnam Construction One Member Commercial Bank Limited (100% state capital), Global Petroleum One Member Limited Liability Commercial Bank (100% state capital), Ocean Commercial One Member Limited Liability Bank (100% state capital). Currently, the capital adequacy ratio (CAR) of Vietnamese commercial banks is above 8%, basically guaranteed according to Circular 41/2016/TT-NHNN and gradually meeting the requirements of Basel II. The current bad debt ratio has decreased to over 2%.

2.1.2. Organizational structure, functions and tasks of Internal Audit in Vietnamese commercial banks

The organizational structure of internal audit of Vietnamese commercial banks complies with Circular 44/2011/TT-NHNN and Circular 13/2018/TT-NHNN. Vietnamese commercial banks organize their internal audit apparatus according to the centralized model at the Head Office, without setting up an internal audit department at the bank's branch. Internal audit is set up in the form of internal audit departments, departments or agencies under commercial banks and can be separated by geographical area or by business blocks or functional groups.

2.2 AUDIT CHARACTERISTICS OF PERFORMANCE AUDIT IN VIETNAMESE COMMERCIAL BANKS

2.2.1. Legal bases for performance audit in Vietnamese commercial banks

Up to now, the operational management agencies of Vietnamese commercial banks such as the Government and the State Bank have not issued legal documents with

mandatory requirements, along with specific instructions on the implementation of the performance audit. However, the State Bank has issued documents to facilitate the implementation of performance audit in Vietnamese commercial banks. Specifically, the author presented in the thesis.

2.2.2. Current situation of factors affecting the performance of performance audit in Vietnamese commercial banks

The survey results show that the most influential factor to the internal audit is the legal framework related to the implementation of the internal audit in commercial banks (92.49% of the internal auditors surveyed agree); Independent position in terms of capacity, expertise and ethics of internal auditors (75.89% of internal auditors completely agree); Accountability of the bank's administrator to related parties (77.08% of internal auditors completely agree); Perceptions and actions of the Bank's managers on operational efficiency and sustainable development also have a relatively large influence (80.24% of internal auditors completely agree); The level of modern IT application in commercial banks (68.38% of internal auditors agree).

2.3. CURRENT SITUATION OF PERFORMANCE AUDIT IN VIETNAMESE COMMERCIAL BANKS.

2.3.1. Overview of performance audit in Vietnamese commercial banks

The survey results show that the internal audit of commercial banks is still focusing on compliance audit (100% of internal audit regularly performed) followed by audit of financial statements with 81.82% of internal audit regularly performed. The type of internal audit has been interested in implementing and implementing but is still small with only 13.64% of internal audit surveyed saying that it is conducting regular audit, 14.65% of internal audit has never performed, 27.78% of internal audit rarely performed, and 43.94% of Internal Audit performed occasionally. Internal audit is integrated with financial statement audit, compliance audit during the implementation of Internal Audit (with 44.44% of Internal Audit regularly performing integrated audit, 42.93% occasionally performing 12.63% Internal Audit is rarely performed).

2.3.2. Current situation of content of performance audit in Vietnamese commercial banks

According to the summary report of the Supervisory Board of Vietnamese commercial banks surveyed on the shift in audit content and issues related to the internal audit conducted by the Internal Audit in the period 2014-2020, it was found that a number of Vietnamese commercial banks there was a strategic shift in the content of internal audit from traditional compliance audit to performance assessment audit, and system and process audit, initially focusing on assessing the effectiveness of risk management, internal control, and IT; topics on risk management, capital adequacy assessment and the bank's sufficient

capital level towards meeting Basel II requirements; topics on evaluating the effectiveness of specialized departments under the Head Office or evaluating the effectiveness of activities such as Marketing, service quality, network operation; topics on control and management of operating costs; Topics of operating costs; Thematic cost of project progress; Thematic assessment of the level of goal achievement.

The survey results show that the content of internal audit implemented in Vietnamese commercial banks has changed from traditional audit to effective and efficient audit, but is still fuzzy. Specifically: The main content regularly performed by the Internal Auditors are: Checking and assessing the economy, efficiency and effectiveness. of all programs, projects and activities of the Head Office, branches/units members of commercial banks (70.75% of internal auditors) mainly perform integration with compliance audits, audits of financial statements; Check and evaluate the effectiveness and efficiency of risk management activities/Risk management framework (18.58% of internal audit implementation); Check and assess the impact and impact of banking business on the environment, society and stakeholders (14.62% of the internal auditors). However, the extent to which the internal auditors of Vietnamese commercial banks regularly implement these contents is very small (specifically, the author has presented in the thesis).

According to the results of the State Audit and the government inspection, the content of evaluating the effectiveness of investment activities in Vietnamese commercial banks has not been noticed by the Internal Audit.

2.3.3. The current status of the evaluation criteria system when performing performance audit in Vietnamese commercial banks

2.3.3.1. The system of economy criteria in performance audit in Vietnamese commercial banks

Through the report of the Supervisory Board of the surveyed banks, the internal audit of Vietnamese commercial banks was interested in assessing the economics of the current audit. The survey results show that: The group of criteria for saving input costs (capital mobilization costs, management costs, etc.) in banking business is frequently used by 37.55% of internal auditors. The group of criteria on: The way to manage resources to reduce the overall costs is regularly performed by 7.51% of the internal auditors of Vietnamese commercial banks. Criteria group of measures of commercial banks in adjusting processes or work steps to get lower costs has 7.91% of internal audit regularly used.

2.3.3.2. System of criteria for effectiveness in performance audit in Vietnamese commercial banks

When evaluating the performance of commercial banks, internal auditors pay attention to the cost and income structure; profitability (profit generated per unit of input); KPI system of departments and units. The survey results show that: the group of criteria reflecting profitability is frequently used by Internal Audit at the highest level (79.05%).

2.3.2.3. Criteria system for evaluating effectiveness in performance audit in Vietnamese commercial banks

The results of the survey and in-depth interviews show that the internal auditors of Vietnamese commercial banks have not paid much attention to developing, using and implementing the evaluation criteria of Clarity of Objectives (0.79% of internal auditors are interested), they mainly interested in the group of criteria on whether the results actually achieved the goal or not? (100% of the internal auditors are interested in using it).

The group of criteria for assessing the impact of banking business on the environment was used by 13.83% of the internal auditors on a regular basis. Which is mainly concerned with customers, state management agencies.

2.3.4. Current situation of approaches and methods of performance audit in Vietnamese commercial banks

2.3.4.1. Current situation of performance audit approach in Vietnamese commercial banks

According to the survey results, 100% of the internal auditors at Vietnamese commercial banks implement the systematic approach and the risk-oriented approach, with the frequency of use over 85%; results-oriented method has 67.75% of internal audit using this method. The results of the study of working documents and in-depth interviews with internal auditors show that:

Regarding the systematic approach when implementing performance audit in Vietnamese commercial banks, the implementation of tests of controls mainly aims to see if the paperwork is sufficient,

With the results-oriented method while performing the operating audit in Vietnamese commercial banks, the internal auditors in Vietnamese commercial banks implement the results-oriented method mainly based on experience and judgment to make recommendations without noticing the results. analyze the difference, find the cause of the problem.

With the risk-oriented method, implemented in the spirit of Circular 13/2018/TT-NHNN. There are a few commercial banks that determine the criteria for the ability to complete the goals, almost all commercial banks have not paid attention to the criteria of cost increase affecting the optimal use (saving) of costs. input. Internal Audit of Vietnamese commercial banks conducts risk scoring.

2.3.4.2. Current situation of performance audit techniques in Vietnamese commercial banks

According to the survey results, it is shown that: The technical approaches and methods used in the performance audit of Vietnamese commercial banks: evidence collection techniques used in the process of collecting audit data of the performance audit in commercial banks. Vietnam mainly: interview questionnaires (98.02% of internal auditors

regularly use); re-modelling (Regular Auditorium does 84.19%). The technique of expert consultation is rarely used.

About the techniques used in the process of analyzing audit data: mainly used data description (100% of internal auditors responded to the survey to implement this technique) and comparative analysis (94.47% of internal auditors). survey responses to this technique). Modern methods that yield specific quantitative results such as correlation regression have not been performed by internal auditors and the method of calculating value for money over time has been regularly used by 69.57% of internal auditors. The cost and benefit analysis method is also only 5.53% of internal auditors interested in using.

2.3.5. Current situations of audit process in Vietnamese commercial banks

2.3.5.1. Current situations of planning performance audit in Vietnamese commercial banks

a. Status of strategic planning on performance audit in Vietnamese commercial banks

The survey results show that only 14.62% of the internal auditors who responded to the survey were involved in strategic planning for the internal audit. Among those who do strategic planning, only 11.46% of internal auditors regularly participate in strategic planning; The basis for strategic planning for the BOD is mainly based on the priority areas and views of the Board of Directors and the Board of Management and the annual reporting system of relevant agencies. Normally, Vietnamese commercial banks determine thematics and audits based on risk assessment by business segment and by branch.

b. Actual situation of detailed audit planning on performance audits in Vietnamese commercial banks

The survey results show that 5.93% of internal auditors carry out detailed audit planning.

The audit planning work is also only performed by the heads/deputies of the internal audit department or experienced and professional staff who are the heads of the audit teams.

2.3.5.2 Current situation of the stage of performing audits on performance audits in Vietnamese commercial banks

The survey results show that, in the stage of performing internal audits of internal auditors, Vietnamese commercial banks have focused on using techniques to collect audit evidence and make expected conclusions and recommendations. Meanwhile, the following work has been done very little: Analyze and evaluate the impact of audit findings on the economics, efficiency and effectiveness of the management and use of resources at the entity. audit (1.19% of internal audit regularly performed); Analysis of the causes of material limitations (1.58% of the internal audit regularly performed); Synthesize audit results to evaluate the economy, efficiency and effectiveness in the management and use of resources (4.35% of Internal Audit regularly performed).

2.3.5.3. Current situation of the closing stage of performance audits in Vietnamese commercial banks

Evaluation of the effectiveness and efficiency of the internal control system is still sketchy. Evaluation of new audit findings is only a description of the problem and has not yet assessed the consequences of the findings on the economy, efficiency and effectiveness of related resources and departments.

The recommendations of the Internal Audit when implementing the internal audit in Vietnamese commercial banks mainly focus on the following contents: Completing policies, processes and regulations in control and management of the head office, audited units (55, 34% of Internal Auditors regularly pay attention to this content); Measures to accomplish business goals (45.85% of Internal Auditors surveyed regularly pay attention to this content). Recommendations on Measures to minimize negative impacts and increase positive impacts on the social environment and stakeholders are rarely mentioned by internal auditors (4.35% of internal auditors make recommendations on this issue). .

2.3.5.4. Current situation of the monitoring period, audit conclusions and recommendations after the performance audits in Vietnamese commercial banks

Researching and reporting on the Supervisory Boards of Vietnamese commercial banks, combined with in-depth interviews with internal audit in surveyed Vietnamese commercial banks, shows that the work of monitoring conclusions, post-audit recommendations in the internal audit of Vietnamese commercial banks is mainly done. implemented with the participation of a monitoring department (or general department) in commercial banks. Quarterly, the Chief of Internal Audit summarizes the performance and reports to the Head of the Supervisory Board on the implementation of post-audit recommendations at the units.

2.4. ASSESSMENT ABOUT THE CURRENT SITUATION OF PERFORMANCE AUDIT IN VIETNAMESE COMMERCIAL BANKS

2.4.1. Achievements

The author presented in the thesis

2.4.2. Limitations

2.4.2.1. Facility for implementation of performance audits in Vietnamese commercial banks:

The legal basis for performing audit in Vietnamese commercial banks as well as specific regulations and guidelines on performing audit are too few and limited; Internal audit of Vietnamese commercial banks is still weak in quality, and lacking in quantity; Awareness of employees in the Bank about the benefits of current performing audit is still limited; The number of employees of Vietnamese commercial banks who understand the role of the internal audit is not much, the degree of cooperation with the internal audit is not

high in the audit process; The support of modern IT when performing performance audits in Vietnamese commercial banks is still low.

2.4.2.2. Limitations the content of performing audit in Vietnamese commercial banks

The frequency of evaluation of economy, efficiency and effectiveness is sparse and sporadic. The content of evaluating the effectiveness and efficiency of the internal control system mainly focuses on evaluating the effectiveness with the assessment of the components of internal control, but it is incomplete (mainly focusing on the assessment of the control environment and the control operations). The content of evaluating the effectiveness of programs, projects and activities carried out by the internal auditors of Vietnamese commercial banks has not paid attention to the assessment of risk management issues on the environment and society around the place where the project or program is located. processes and activities carried out by the Bank. Contents of assessment of the impact and impact of banking business on the environment and society where the Bank is located; assessment of the influence of the Bank's business activities on related parties is still limited.

2.4.2.3. Limitations of the evaluation criteria system of performance audit in Vietnamese commercial banks

- Internal audit in Vietnamese commercial banks has not yet developed a system of evaluation criteria when performing operating audit.

- Internal audit in Vietnamese commercial banks has not studied and applied models, learned tools and principles in developing evaluation criteria. Internal audit performed mainly based on experience in combination with the objectives set by commercial banks.

- Commercial banks have built a KPI system to support the operating audit, mainly assessing the timeliness or "dateline" without going into the assessment of the quality and real efficiency of the work.

2.4.2.4. Limitations on approaches, technical methods of performance audit in Vietnamese commercial banks

a. Systems-orient approach

The content of the evaluation of the internal control system is still sketchy, the assessment is general, and it is heavily judgmental of the internal auditors.

b. Risk based approach

The risk assessment to build a risk profile, when learning about the audited entity to identify risks is mainly done through the identification of risk scoring criteria without relying on an investment model. input - output. The use of measurement models, estimation of risk indicators is still limited. Internal auditors approach the typical risks of commercial banks such as credit risk, operational risk, liquidity risk, interest rate risk, etc., without specifying the risks or their impact level. to the objectives in the performance audit (risks

affecting the objectives in terms of economy, efficiency, effectiveness of activities, information).

c. Result oriented approach

Have not analyzed the improvement opportunities and challenges that the audited entity is likely to face in the next period in order to make appropriate forecasts.

d. Professional technical methods

The technique used is still simple, not yet bearing the color of the performance audit, but still serves to audit financial statements and audit compliance. Modern multi-dimensional analysis techniques such as data envelope analysis (DEA) and regression analysis have not been applied.

2.4.2.5. Limitations on the performance audit process in Vietnamese commercial banks

The performance audit in Vietnamese commercial banks is being carried out sporadically. There are very few separate strategic plans for the implementation of the performance audit.

In each audit: (i) No planning associated with risks in terms of economy, efficiency, effectiveness, and input-output model has been carried out; (ii) The technique has not yet carried the colors of KTHD; (iii) Failure to perform cause analysis and assessment of the consequences of audit findings on the economy, efficiency, effectiveness in management and use of economic resources at the entity; (iv) The impact of the recommendation on the audited entity is not expected in terms of economy, efficiency and effectiveness.

2.4.3. Causes of limitations when performing performance audit in Vietnamese commercial banks

2.4.3.1. Objective reasons

Firstly, the legal document system is still limited and incomplete

Second, the development history of modern economics in Vietnam is still young

Third, the characteristics of business operations of Vietnamese commercial banks have difficulties in implementing the performance audit by the internal audit.

2.4.3.2. Subjective reasons

Firstly, lack of support from senior management:

Second, the internal audit team in Vietnamese commercial banks is still limited in terms of expertise and quantity to perform the performance audit.

Thirdly, the management's awareness is not enough about the performance audit, the awareness and coordination of the audited units is still limited.

CHAPTER 3

SOLUTIONS TO IMPROVE PERFORMANCE AUDIT IN VIETNAMESE COMMERCIAL BANKS

3.1. AUDITOR DEVELOPMENT PERFORMANCE AUDIT IN VIETNAMESE COMMERCIAL BANKS

Decision No. 986/QĐ-TTg of the Prime Minister for the period of 2021-2025, which emphasizes that the system of credit institutions develops towards: domestic credit institutions play a key role; transparent, competitive, safe and effective operation; diversified structure in terms of ownership, scale and type; based on technology, advanced banking management; Continue to improve and implement sound internal policies and procedures; review, evaluate, supplement and modify advanced management and administration methods based on international standards and practices and in accordance with the provisions of Vietnamese law; Continue to modernize the technology system, increase the application of information technology in operating and managing, analyzing and preventing risks; continue to invest and have appropriate solutions to ensure information technology security... The above basic orientations will create conditions for the internal audit to develop better performance audit in commercial banks.

3.2. VIEWPOINTS AND REQUIREMENTS FOR IMPROVING PERFORMANCE AUDIT IN VIETNAMESE COMMERCIAL BANKS

3.2.1. Viewpoints on improving performance audit in Vietnamese commercial banks

- Improving performance audit in Vietnamese commercial banks is a regular and continuous process towards safe and sustainable development, effective risk management.

- The improving process must be comprehensive in terms of contents, methods, evaluation criteria system, and audit process in a manner suitable to each Bank.

3.2.2 Requirements for improving performance audit in Vietnamese commercial banks

- To improve performance audit in Vietnamese commercial banks, it is necessary to ensure the following issues: (i) Must comply with laws and international practices; (ii) Must ensure the independence of the conducting entity, coordination and consistency in the assessment with the bank's departments; (iii) Must be associated with the business model and development strategy of each commercial bank; To ensure the effectiveness in the organization and operation of internal audit.

3.3. SOME SOLUTIONS TO IMPROVE PERFORMANCE AUDIT IN VIETNAMESE COMMERCIAL BANKS

3.3.1. Solutions to improve content of performance audit in Vietnamese commercial banks

With the audit content on the economy, efficiency and effectiveness of risk management activities; Assessing the effectiveness and efficiency of the internal control system, internal auditors need to follow the guidelines of IIA (2016), principles of internal control of Basel II and components of internal control of COSO Circular No. 13/2018/TT-NHNN issued by the state bank on May 18, 2018 and Circular No.8/2021/TT-BTC issued by the Ministry of Finance on January 25, 2021.

With the content of auditing activities, programs/projects of the Bank branch/member unit, it is necessary to strengthen and supplement the content of assessing the impact and impact of the Bank's business on the environment and society. where the Bank is located; to stakeholders: shareholders, customers, bankers, partners...

Expanding the audit content on evaluating the efficiency of the bank's use of assets, capital and financial investments in subsidiaries and associates in order to increase the efficiency of capital use and protect the interests of the bank. investors, the government avoid causing loss and waste of resources.

3.3.2. Solutions to build a system of evaluation criteria of performance audit in Vietnamese commercial banks

- Develop steps to form a system of evaluation criteria in auditing the operation of Vietnamese commercial banks.
- Propose principles and apply evaluation models in building a system of evaluation criteria in the performance audit of Vietnamese commercial banks.
- Using the evaluation model of CAMELS to evaluate efficiency and risks in commercial banks.

3.3.3. Solutions to improve approaches and technical methods of performance audit in Vietnamese commercial banks

3.3.3.1. Solutions on approach in performance audit of Vietnamese commercial banks

- Standardize the steps of applying the systems-oriented approach associated with the risks of the operating economy and the input-output model.
- With a results-oriented approach: Internal auditors in Vietnamese commercial banks conduct an assessment of objectives and results according to defined steps that limit the use of experiential internal auditors.
- With the risk-based approach, the internal auditors in Vietnamese commercial banks use the risk-oriented approach to identify audit topics for each period, each year. The identification of risks should be continuously identified while considering the effects of these risks on the objectives of the performance audit (economy, efficiency, effectiveness). In the era of strong development of digital technology in banking business, Vietnamese commercial banks need to strengthen IT application, implement audit software, and conduct continuous audits to regularly monitor risks from time to time. real time.

The internal auditors of Vietnamese commercial banks perform a combination of audit methods in the performance audit corresponding to the stages of the performance audit process.

3.3.3.2 Solutions to improve audit techniques used in performance audit in Vietnamese commercial banks

Using techniques associated with features in urban economics, collecting information needs to clearly identify the source.

Increasing the use of modern methods in performance evaluation: DEA, SFA methods..

3.3.4. Solutions to improve performance audit in Vietnamese commercial banks

- Develop a strategic planning process for the performance audit that provides strategic direction in developing audit topics.

- Improving the detailed audit plan on the performance audit in Vietnamese commercial banks from associated with risks in terms of economy, efficiency, effectiveness and understanding the operating model of the audited entity according to the investment model. input – output, and resources used.

- Improving the stage of performing performance in Vietnamese commercial banks: strengthening the core cause analysis of audit findings Internal auditors can use a variety of tools.

- Improving the closing phase and making the audit report in the perform of performance audit in Vietnamese commercial banks: in the direction of summarizing information and detecting audits associated with economy, effectiveness and efficiency.

- Monitor the implementation of post-audit conclusions and recommendations performance audit in Vietnamese commercial banks: Monitor, urge, and implement audit conclusions and recommendations, make audit plans and Notify the audited unit, Carry out inspection and implementation of audit conclusions and recommendations, Make minutes of inspection results and implement audit recommendations, Measures to control the quality of the stage of monitoring the implementation present audit conclusions and recommendations

3.4. CONDITIONS FOR IMPLEMENTATION OF THE SOLUTION TO IMPROVE PERFORMANCE AUDIT IN VIETNAMESE COMMERCIAL BANKS

3.4.1. On the side of the State management agencies and the State Bank of Vietnam

The author presented in the thesis

3.4.2. On the side of Vietnamese commercial banks

3.4.2.1. Improve qualifications, capacity and skills of Internal Auditors in performing performance audit

Vietnamese commercial banks need to develop a synchronous and unified plan on the following steps: (i) Requirements on capacity and qualifications in recruiting internal audit

personnel for commercial banks associated with professional titles at prestigious professional organizations. credit; (ii) Regular on-the-job training; (iii) Periodically, the Supervisory Boards of commercial banks need to evaluate the effectiveness and efficiency of the internal audit department in its work in general and the implementation of the internal audit in particular.

3.4.2.2. Improve accountability and awareness of managers and employees about performance audit in Vietnamese commercial banks

Commercial banks need to increase actions to protect the legitimate interests of stakeholders to create a safe and sustainable development environment; Increased accountability takes breadth and depth.

At the same time, Vietnamese commercial banks also need to propagate and disseminate the benefits of current performance audit to branches/members of the Bank.

3.4.2.3. Building a 4-loop control model to strengthen the exchange between internal auditors with the Banking Supervision Agency and independent auditors

Internal auditors regularly exchange views with: (i) external auditors to gain knowledge about other commercial banks in the same industry; (ii) Supervisors of the Banking Inspection and Supervision Agency to update regulations and policies of the State Bank on banking business.

3.4.2.4. Strengthening continuous monitoring and applying modern technology in internal audit activities

Internal auditors of Vietnamese commercial banks need to carry out continuous monitoring with the monitoring of key performance indicators (KPIs) of branches/members.

Vietnamese commercial banks need to strengthen the application of IT in auditing with the use of computer-based auditing and continuous auditing.

CONCLUSION

The research results of the thesis have theoretical and practical significance, the thesis has systematized the following basic contents:

The thesis has given an overview of domestic and foreign researches on current economics and analyzed and presented a research gap to conduct research on that gap.

The thesis has systematized, clarified and supplemented the general theory of performance audit in Vietnamese commercial banks with the following issues: implementation content, approaches and technical methods when performing audits and audit procedures maths. This is the theoretical foundation for the author to study the reality of performance audit in Vietnamese commercial banks.

The thesis has researched and synthesized the experience of implementing performance audit of a number of commercial banks in the world from which to draw lessons learned from applying to performance audit in Vietnamese commercial banks.

Based on the theoretical basis, studying international experience on the performance audit of commercial banks, the thesis has surveyed, researched, analyzed and evaluated the current situation of the performance audit in Vietnamese commercial banks on specific contents: practical content. practices, approaches and techniques when performing an audit, and the audit process. The evaluation results indicate the achieved results, especially the shortcomings and the causes of these shortcomings, which is the basis for the thesis to propose a solution to improve the performance audit in Vietnamese commercial banks.

The thesis has clearly presented the development orientation of Vietnamese commercial banks, analyzed through points and requirements for completing the performance audit in Vietnamese commercial banks. At the same time, the thesis has also described fully, clearly and specifically about the system of solutions to improve the performance audit in Vietnamese commercial banks in terms of the complete contents of the audit content, the improvement of the methods of audit. Approaches and technical methods of implementation, audit process of performance audit in Vietnamese commercial banks.

Thank you very much for attention and comments of the scientists and those who are interested in the research topic of the thesis!

LIST OF RESEARCH WORKS RELATED TO THE AUTHORED THESIS OF THE AUTHOR

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