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IMPROVING INTERNAL AUDIT ORGANIZATION AT BAOVIET HOLDINGS

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DOCTORAL DISSERTATION ABSTRACT

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LIST OF WORKS PUBLISHED BY THE AUTHOR

RELATING TO THE DISSERTATION

1. Nguyen Thi Phuong Thao (2019), *Experience of organizing internal auditing of insurance enterprises in the world and lessons for Vietnam,* Journal of Accounting and Auditing, 3/2019 (186), p.39 – 42.

2. Nguyen Thi Phuong Thao (2019), *Characteristics of insurance enterprises affecting internal audit organizations in enterprises*, Journal of Auditing Studies, 3/2019 (137), p.41 – 45.

3. Nguyen Thi Phuong Thao (2019), *Information technology audit in internal audit at Baoviet Holdings - Situation and solutions,* Journal of Accounting and Auditing,, 6/2019 (189), p.42 – 46.

INTRODUCTION

1. The urgency of the research topic

IA (IA) is an important part in the corporate governance structure of most large companies in the world. The IA was born in the 1960s and developed very strongly in the 80s of the 20th century in the field of manufacturing and business. Currently, IA is developing strongly and increasingly going into all areas.

In theory, in recent years, there have been many researches of domestic and foreign scientists studying the theory of organizing IA in enterprises. However, there has not been any research focusing on fully and comprehensively the contents of organizing IA in enterprises in general and insurance sector in particular. *In practice,* Baoviet Holdings (BVH) has built an IA department that is an effective support of the Board of Directors as well as the Executive Board, contributing to support Baoviet Holdings in achieving its business goals. However, the contents of organizing IA at this is still not fully and effectively, needing to be completed in a more scientific and reasonable manner..

Stemming from the requirement to complete in theory and in practice, the research on the topic ***"Improving IA organization at Baoviet Holdings"*** is urgent and meaningful in theory and practice.

2. Literature review

The author gives an overview of domestic and abroad resaerches related to the dissertation's topic in two groups: Domestic and abroad researches on organizing IA in general; Domestic and abroad researches on specific contents of organizing IA include: organizing to build up IA charter and organizing IA apparatus in enterprises; organizing to apply IA's approaches and techniques in enterprises; organizing to determine the content of IA in enterprises; organizing IA's process in enterprises; organizing quality control for IA in enterprises; organizing IA's files and working papers in enterprises.

The researches include textbooks, dissertations, topics and articles related to the dissertation topic, such as: *Internal Auditing in Business* by Phan Trung Kien (2015) , *Internal Auditing* by Nguyen Phu Giang and Nguyen Truc Le (2015), Modern Internal Auditing by Brink by Moeller (2009), *"Internal Audit Hanbook"* by Henning Kagermann et al. (2008), *"Internal Audit: Efficiency through Automation"* by David Coderre (2009), Dissertation *"Improving the internal audit organization in Vietnam construction enterprises"* by Phan Trung Kien (2008) , *"Improving the internal audit organization in economic groups"* by Nguyen Thi Hong Thuy (2010), *"Organizing the internal audit at Vietnamese financial companies"* by Le Thi Thu Ha (2011), *"Improving the internal audit at corporations under Vietnam national coal and mineral industry holding corporation"* by Vu Thuy Ha (2016); researches *"A symbiotic relationship: when the audit committee includes best practices for internal auditing in its charter, both groups can benefit"* by Bailey James (2007), *"The European literature review on internal*

auditing" by Allegrini, M., D'Onza, G., Paape, L., Melville, R. and Sarens, G. (2006); *"The perceived effectiveness of audit committees in the South African public service"* by Van der Nest (2008),"The use of internal audit by Australian companies" by Jenny Goodwin-Stewart & Pamela Kent (2006), *"The internal auditing pocket guide: Preparing, performing, reporting and follow up"* by Russell (2007), *"Internal Audit Quality: Developing a quality assurance and improvement programe"by* Sally Anne Pitt (2014); surveys such as *Internal Audit Function in Large Financial Institutions* by IIA Spain (2013), *North America Pulse of Internal Audit* by IIA (2018), …

Through the liturature review, the author found that these researches have studied both theory and practice of organizing IA in enterprises. However, up to now, there has been no complete and comprehensive research on IA organization in enterprises on specific contents. This is the gap that the dissertation of the author will study to clarify and show that the dissertation topic is really necessary and topical.

3. Research objectives

The research objectives of the t dissertation include:

+ Research, systematize, clarify and supplement the theory of IA and IA organization in enterprises combined with research on international experience on organizing IA in enterprises around the world to draw lessons about organizing IA;

+ Presenting and analyzing the current situation of organizing IA in BVH, indicating the achieved results, limitations and analyzing the objective and subjective reasons of the limitations as a basis for proposing solutions to improve the IA organization at BVH;

+ Research solutions to improve the IA organization at BVH.

4. Research subjects and scope

4.1. Research subjects

The dissertation focuses on researching theoretical issues, surveying and analyzing practices on IA organization in enterprises, researching practical situations in BVH.

4.2. Research scope

✓ **Content scope:**

+ *In theory:* The dissertation provides general research on the IA and IA organization in enterprises.

+ *In practice:* The thesis studies the current situation of IA organization at BVH, include: organizing to build up IA charter and organizing IA apparatus; organizing to apply IA's approaches and techniques; organizing to determine the content of IA; organizing IA's process; organizing quality control for IA; organizing IA's files and working papers.

✓ **Time scope**: The dissertation studies the status of IA organization at Baoviet Holdings in 2014-current.

✓ **Spatial scope:** The dissertation researches and assesses the status of IA organization at BVH and its wholly owned subsidiaries, including: Baoviet Insurance Corporation, Baoviet Life Corporation and Bao Viet Fund Management Co Ltd.

5. Research questions

The author selected the practical research method on Internal Audit organization at BVH with questionnaires and depth interviews. The main purpose of the author is to answer questions:

- What is the rationale for organizing IA in enterprises?

- What is the current status of organizing IA at BVH?

- What are the main causes that limit the role and efficiency of the IA organization at BVH?

- What is the solution to improve the IA organization at BVH?

6. Research methods

6.1. Methodology

The dissertation is based on the dialectical materialism and historical materialism of Marxism - Leninism.

6.2. Technical methods

6.2.1. Data collection methods

- The method of document research including the stages of analysis, synthesis, systematization and generalization of theories as well as practical research works of the authors in domestic and abroad that have been published on books and magazines on issues related to IA at insurance.

- Depth interview method was used to consult the leaders of the IA Department, the IA divisions and internal suditors at BVH.

- Investigation method to study the current status of IA organization in BVH. The author uses the results of the questionnaire survey to synthesize and analyze the situation of the IA organization at BVH in terms of organizing to build up IA charter and organizing IA apparatus; organizing to apply IA's approaches and techniques; organizing to determine the content of IA; organizing IA's process; organizing quality control for IA; organizing IA's files and working papers. Since then, giving advantages and limitations as a basis for proposing solutions and recommendations to complete the IA organization at BVH.

- Case study method is used to analyze some practical working papers IA organization at BVH. This research method helps in-depth study in some cases, thereby illustrating and clarifying the interview ideas collected.

6.2.2. Data processing methods

+ The author perform summarizing, classifying and mapping the survey results from the questionnaire survey submitted for comments received, the results of direct interviews, research results of audit files at BVH , documents of seminars, synthesis of domestic and foreign.

+ Based on the results of this survey, the author summarizes the results to compare, analyze and assess the current status of IA organization at BVH, and specify the outstanding advantages, limitations and causes of limitations as the basis for making complete solutions.

7. Contributions of the dissertation

In theory: The dissertation has systematized and clarified theoretical issues about IA and IA organization including: organizing to build up IA charter and organizing IA apparatus in enterprises; organizing to apply IA's approaches and techniques in enterprises; organizing to determine the content of IA in enterprises; organizing IA's process in enterprises; organizing quality control for IA in enterprises; organizing IA's files and working papers in enterprises.

In practice:

+ The dissertation has described the actual situation of internal audit organization at Bao Viet Group including organizing to build up IA charter and organizing IA apparatus; organizing to apply IA's approaches and techniques; organizing to determine the content of IA; organizing IA's process; organizing quality control for IA; organizing IA's files and working papers. The dissertation also analyzes and compares the status of IA organization at BVH with the theory and points out the advantages, limitations and causes of limitations.

+ On the basis of analyzing the situation and basic theory which have been systematized and supplemented, the disseertation proposes solutions to improve the organization of IA at BVH. The solutions proposed by the dissertation are systematic, practical and feasible. Thereby contributing to improving the quality and efficiency of organizing IA at BVH.

8. The dissertation structure

In addition to the Introduction, Conclusion, List of References and Appendices, the structure of the dissertation consists of 3 chapters as follows:

Chapter 1: Rationale for organizing IA in the enterprises

Chapter 2: Actual situation of organizing IA at BVH

Chapter 3: Solutions to improve IA organization at BVH

Chapter 1

RATIONALE FOR INTERNAL AUDIT ORGANIZATION IN THE ENTERPRISES

1.1. GENERAL OVERVIEW OF INTERNAL AUDIT IN ENTERPRISES

1.1.1. The concept, functions, roles and principles of internal audit in the enterprise

This section presented and analyzed clearly the concept, function, role and principles of IA in enterprises (including independence, objectivity, compliance with laws and regulations, professionalism)

1.1.2. Some basic issues of internal audit in enterprises

This section presented and analyzed some basic issues of Internal Audit in enterprises including IA charter and IA apparatus; IA's approaches and techniques; the content of IA; IA's process; quality control for IA; IA's files and working papers in enterprises.

1.1.3. Internal audit and risk management in enterprises

This section presented and analyzed the types of risks of enterprises (for example specific to insurance enterprises) and the relationship between IA and risk management in enterprises.

1.2. OVERVIEW OF ORGANIZING INTERNAL AUDIT IN ENTERPRISES

1.2.1. Concept of organizing internal audit in the enterprise

After presenting and analyzing the concepts of "organize" in the Vietnamese Dictionary of the Institute of Linguistics, Wikimedia Open Encyclopedia, Vietnamese Dictionary, according to Victor Z. Brink and Herbert Witt, the group authors Mason Carpenter, Talya Bauer, Berrin Erdogan, the group Harold Koontz, Cyril Odonnell and Heinz Weihrich, from the perspective of management, , the dissertation has given the concept of organizing IA as follows: "Organizing IA is the process of arranging and arranging the work in a certain order, assigning and distributing resources of IA department to ensure the achievement of the goals effectively"The thesis also analyzes to clarify each element in the concept of organizing IA.

1.2.2. Bases for organizing internal audit in the enterprise

Bases for organizing IA in enterprises include: Standards, regulations on IA and related legal documents; principles and international practices on IA; The role and function of IA in enterprises; Requirements of business managers.

1.2.3. Factors affecting internal audit organization in the enterprise

This section presented and analyzed clearly the internal and external factors affecting the internal audit organization in the enterprise in terms of organizing to build up IA charter and organizing IA apparatus; organizing to apply IA's approaches and techniques; organizing to determine the content of IA; organizing IA's process; organizing quality control for IA; organizing IA's files and working papers. Internal factors include: characteristics of enterprises; Features of management activities and scale, organizational structure of enterprises; Awareness of managers and other departments in the enterprise on IA; IA resources of enterprises. *External factors* include: International practices on IA in enterprises; Standards and legal rules on IA in enterprises.

1.3.CONTENTS OF ORGANIZING INTERNAL AUDIT IN ENERPRISES

1.3.1. Organizing to build up internal audit charter and organizing internal audit apparatus in enterprises

1.3.1.1. Organizing to build up internal audit charter

The Chief of IA discussed with the Executive Board and the BOD/ Audit

Committee (AC) to agree on some contents of the IA chater. After discussion and agreement, the Chief of IA will be responsible for drafting the IA charter and submit it to the Executive Board, the BOD/ AC for approval.

The IA charter after approval should be made public throughout the enterprise to raise the awareness of the departments, functional departments and related parties about the IA.

1.3.1.2. Organizing internal audit apparatus in enterprises

Organizing IA apparatus in enterprises an be considered on the following main contents: organizing to determine the position and structure of the IA; organizing the IA personnel and build the relationship of the IA with other divisions in enterprises

(*) Organizing to determine the position and structure of the IA in enterprises

- IA position in enterprises: The IA position depends on the functions and duties of the IA, which is defined by enterprises, and is consistent with the overall goals of the enterprise and the goals for each specific activity. The IA position in enterprises depends on the perceptions of managers that may belong to the BOD/AC, and the Executive Board.

- IA structure in enterprises: IA structures that can be applied include: centerlized structure, decenterlized structure and mixed structure.

(*) Organizing the IA personnel in enterprises

Organizing the IA personnel in enterprises includes organizing to select and appoint Chief of IA and orgazizing the IA personnel resources.

- Organizing to select and appoint Chief of IA

Audit committee consults Control Board, BOD before submitting to the BOD for approval to appoint the Chief of. Audit committee, Control Board, BOD consider the selection Chief of IA. After that, Audit Committee submits to the BOD to appoint Chief of IA.

- Orgazizing the IA personnel resources

Orgazizing the IA personnel resources in enterprises includes organizing to recruit IA personel; organizing to train IA personel; arranging, supervising, commending and disciplining works and organizing code of behaviour.

+ Organizing to recruit IA personel

The Chief of IA proposes to recruit the IA personnel, the BOD approves, the HR department organizes the recruitment in the form of enterprises and coordinates with the IA department when evaluating the candidates' professional qualifications.

+ Organizing to train IA personel

Participants in the IA training organization may include Chief of IA, IA staff, training department, BOD or external experts. The training of internal auditor can be through different methods.

+ Organizing to arrange, supervise, commend and discipline works of IA personel

Chief of IA, head of departments, IA seniors are responsible for organizing this work. The way to implement the reward and disciplinary mechanism may be using the management by objectives method, KPIs, ... or according to the regular evaluation of the Chief of IA.

+ Organizing to build up code of IA behaviour in enterprises

Participants in organizing to build up code of IA behaviour in enterprises include Chief of IA, BOD/Audit Committee (AC) and internal auditors. AC discuss and agree with BOD, submit code of IA behaviour to BOD for approval..

(*)Organizing to build up the relationship of the IA with other divisions in enterprises

Enterprises need to build up the relationship of the IA with other divisions in enterprises include AC, BOD, DN cần tổ chức xây dựng mối quan hệ của KTNB với các bộ phận trong DN bao gồm UBKT, HĐQT, Excutive Board, other divisions and external auditor, state audit. To organize this work, the BOD should promulgate regulations and rules on the coordination between the IA and these departments. At the same time, the IA and related departments must always be clearly aware of their role in coordination to carry out their activities well.

1.3.2. Organizing to apply internal audit's approaches and techniques

1.3.2.1. Organizing to apply internal audit's approaches in enterprises

The organization of applying the risk-based approach is implemented AC/BOD, Chief of IA and internal auditor. The BOD/AC specifies in the IA charter, regulation or policy of the enterprises on the audit approach, building the audit process based on a risk-based approach. Chief of IA, internal auditor applies the risk-based approach when performing IA activities.

1.3.2.1. Organizing to apply internal audit's techniques in enterprises

The determination of the IA techniques applied in each audit is conducted by the IA senior and the internal auditors assigned to perform the audit. Some techniques commonly used include: Manual audit techniques (checking, observation, interview, confirmation, calculation, analytical procedure, etc.) and auditing techniques using IT applications. The method of determining the IA techniques applied is based on factors such as the objective of the audit, the risk level of the audit, the IA resources, the IA document.

1.3.3. Organizing to determine the content of internal audit in enterprises

Organizing to determine the content of IA in enterprises includes organizing to determine the annual IA contents and IA contents for each IA. Participants in determining the content of IA comprise Chief of IA and assigned internal auditors. Bases for defining the content of the annual IA (or each IA) is the IA objectives.

1.3.4. Organizing internal audit's process in enterprises

1.3.4.1. Organizing to build up internal audit plan

(*) Organizing to build up the annual IA plan

The Chief of IA prepares an overall audit plan for the whole year to ensure consistency with the audit strategy that has been identified, risk-based, focus on departments and processes that have high risk (based on result of annual risk assessments). Organizing to build up the annual IA plan includes: Organizing to identify objectives and subjects of IA; Organizing to draft the annual IA plan; Organizing to discuss, approve and issue the annual IA plan.

(*) Organizing to build up the IA plan for each audit

Based on the approved annual IA plan, the Chief of IA assigns a team to organize a detailed plan for each audit or consultant proposed in the annual plan before conducting the field audit. . Organization of the IA plan for each audit includes organizing to assess detailed risk, organizing to determine the audit scope, organizing to build up the audit program, organizing to build up schedule and resource allocation, organizing to summary and build up audit plan.

1.3.4.2. Organizing to implement internal audit

(*) Organizing a short meeting at the audited entity

Before starting the audit, the IA team should have a short meeting with the audited entity to discuss the scope, objectives, time of the audit and agree on how to coordinate the audit team and the entity during the audit..

(*) Organizing to select samples based on a defined sample size

On the basis of the sample size determined at the audit program, the internal auditors collect information about the sample population and uses the sampling technique to select audit samples. The auditors can perform sampling based on two main methods: statistical sampling and non-statistical sampling.

(*) Organizing to implement the audit according to the audit plan and program

Based on the audit program, the IA senior is responsible for managing and directing the internal auditors to perform the audit work. Internal auditors apply both manual audit procedures and audit procedures using IT when performing audits.

(*) Organize to record of information and save audit results on working papers

The information collected during the entire IA process must be recorded and stored in working papers (WPs) to support the conclusions and opinions given by the IA. The Chief of IA should provide guidance for recording the IA document and is often presented in the IA process and policy manual.

1.3.4.3. Organizing to summary IA's result and prepare IA report

(*) Organizing to summary IA's result and prepare IA report for each audit

The IA senior is responsible for organizing to the summary and classify the audit results, organizing to draft the report of each audit before discussions with related parties on the audit results. After discussion and agreement, The IA senior updated the audit report. When preparing the audit report, the IA senior should pay attention to not only describing detected frauds, but also need to explain the cause, compare the business process with general practices, from which appropriate solutions and recommendations. The IA report is submitted to the Chief of IA for approval before sending and releasing the report.

(*) Organizing to summary IA's result and prepare annual IA report

Based on the audit results of each IA, the assigned team summarizes and classifies the annual audit results of the IA department, prepare a draft annual IA report. The Chief of IA is responsible for reviewing and approving the annual IA report and reporting to the AC/ BOD and managers of enterprises. Reports can be discussed directly through meetings, seminars and telegraphs or by sending documents; or the report may be published in summary or complete form depending on the type of report and the recipient. For the IA report of each audit, the recipient is the managers of the audited entity, the BOD/AC, the Executive Board. For the annual internal audit report, the recipients are the BOD/AC and the Executive.

1.3.4.4. Organizing to follow-up the implementation of recommendations

(*) Organizing to follow-up regularly

The IA Department is responsible for assigning the team to assess the implementation of the auditors' recommendations. The evaluation team receives the IA report and organizes to evaluate the implementation of recommendations for the assigned entities. Organizing to follow-up regularly is carried out according to the following contents: Organizing to request entities and sections to make reports on the implementation of recommendations, organizing to inspect of the implementation of recommendations according to report and inspect the implementation of recommendations at the audited entities.

(*) Organizing to follow-up preodically

Based on the results of assessing the implementation of recommendations, the IA team is assigned to summarize the results, prepare a draft report on the implementation situation. The Chief of IA is responsible for reviewing and approving the draft before reporting to the AC/BOD and entities' managers. After the approval of Chief of IA, the report on the implementation of recommendations is formulated and sent officially.

It should be noted that this is the process when the IA performs the assurance function, the procedure for the implementation of the advisory function when performing IA is similar to this procedure but there is no follow-up phase for recommendation implementation, replaced with supporting to implement recommendations. Specifically, the process of performing the consulting function

includes: Planning, Implementation, Summary of results and preparation of advisory reports, Support to implement recommendations.

1.3.5. Organizing quality control for internal audit in enterprises

(*) Organizing internal assessments

- Organizing to supervise regularly

Chief of IA is generally responsible for the monitoring of IA activities. The regular supervision expressed through supervision is carried out at each audit including the following contents: Organizing the approval of audit programs, audit plans, audit reports and other arising matters; Reviewing audit documents, Monitoring and evaluating progress and results of the IA (the most common and effective method in monitoring audit progress is the Gantt diagram.); Use appropriate measures to evaluate IA performace.

- Organizing periodic assessments

Periodic self-assessment of IA activities can be conducted through the following methods: Regularly reviewing and approving internal rules, IA regulations and other relevant documents, Reviewing annual IA plans based on the risks of enterprises, Review the documents, files of internal auditors on a sample basis, compare them with general practices, and consider compliance with mandatory regulations, Reviewing criteria of evaluating IA activities.

(*) Organizing external assessments

Independent assessments are conducted by independent external experts to assess the quality and compliance of the IA. There are two methods of conducting independent assessments: done entirely by a team of independent experts or by the enterprise itself and with independent certification.

1.3.6. Organizing of internal audit files and working papers in enterprises

The auditing team directly performs the audit will be responsible for archiving WPs of the audit and under the control of the senior, the Chief of IA. For the general IA files that involve multiple audits, the Chief of IA is responsible for the control of these records. Normally, the IA WPs can be divided into groups: permanent files, administration files, current files, files of computer-assisted audit procedures.

1.4. ORGANIZING INTERNAL AUDIT IN SOME ENTERPRISES IN THE WORLD, AND LESSONS FOR VIETNAMESE ENTERPRISES

The dissertation presents and analyzes the IA organization status in some major corporations in the world such as Prudential PLC and Manulife, thereby giving lessons for Vietnamese enterprises.

CONCLUSION OF CHAPTER 1

In chapter 1, the author systematized, clarified and supplemented the general theory of organizing IA with different specific contents. The author presented and analyzed on the

basis of organizing IA in enterprises, analyzed the factors affecting the IA organization in the enterprise, presented and analyzed the content of the IA organization in the enterprise, presented and analyzed in detail about the internal audit organization in enterprises, at the same time summarized the experience on organizing IA of some enterprises in the world. The content of chapter 1 has created a theoretical foundation for the author to study the situation in chapter 2 and propose solutions in chapter 3.

Chapter 2
CURRENT SITUATION OF ORGANIZING INTERNAL AUDIT AT BAOVIET HOLDINGS

2.1. OVERVIEW OF BAOVIET HOLDINGS AND INTERNAL AUDIT AT BAOVIET HOLDINGS

2.1.1. Overview of Baoviet Holdings

The dissertation has generalized about the process of formation and development, business lines and organizational structure, business performance of .

2.1.2. Overview of internal audit at Baoviet Holdings

The dissertation presented and analyzed the concepts, positions, functions and tasks of the IA at BVH; The relationship between IA and risk management at BVH.

2.2. CHARACTERISTICS OF ORGANIZING AT BAOVIET HOLIDNGS

2.2.1. Basis for organizing internal audit at Baoviet Holdings

The disertations presented and analyzed the bases for organizing internal audit at the special forces including: standards, regulations on IA and related legal documents; operating principles and international practices on IA, functions of IA at BVH, the BVH's business characteristics, the requirements of managers.

2.2.2. Factors affecting internal audit organization at Baoviet Hodings

The dissertation presented and analyzed the factors affecting the IA organization of BVH. These factors include internal factors (Business operation characteristics of special equipment, Development strategy of special equipment, characteristics of organization and management of special equipment, Awareness and expectations of SCT managers on Internal Audit, Internal Audit resources of SEDC and external factors include (best practices on Internal Audit in enterprises and standards, legal regulations on Internal Audit in Enterprises in Vietnam).

2.3. CURRENT SITUATION OF ORGANIZING INTERNAL AUDIT AT BAOVIET HOLDINGS

Through the survey, direct interview and researching of documents and audit files, the author summary and analyze current situation of organizing internal audit at Baoviet Holdings as follow:

2.3.1. Organizing to build up internal audit charter and organizing internal audit apparatus at Baoviet Holdings

2.3.1.1. Organizing to build up internal audit charter at Baoviet Holdings

The IA Department has developed the IA charter, which is reflected in the Regulation on the organization and operation of IA Department, issued together with the Decision No. 1039/2015 / QD-HĐQT July 2015 of the BOD of BVH. However, this regulation does not contain the content of quality control, applicable IA standards and reporting mechanism. Besides, this regulation has only been updated on the software "Bao Viet Dictionary" at the parent company of BVH, 100% owned subsidiaries cannot access this regulation.

2.3.1.2. Organizing internal audit apparatus at Baoviet Holdings

(*) Organizing to determine the position and structure of the IA at BVH

- IA position at BVH

The IA Department is a part of the AC-BOD, established and operating in accordance with international advanced management practices.

- IA structure at BVH

BVH organizes the structure centralized IA, that is, it only organizes the IA Department at the Parent Company, not in the subsidiaries. Currently, the IA Department has 3 divisions, including the non-life insurance division, the life insurance division and the investment division with 41 internal auditors. (2018).

(*) Organizing the IA personnel at BVH

- Organizing to select and appoint Director of IA and head of divisions

+ Organizing to select and appoint Director of IA: AC will consult the AC and the Remuneration and Appointment Committee before submitting to the BOD on the appointment of the Chief of IA. The AC, Control Board, and BOD considered selecting the Director of the IA Department.

+ Organizing to select and appoint Head of IA divisions: The selection and appointment of Head of IA divisions is made by the Director of IA. IA department conducts and submitts to the AC/BOD for approval.

- Organizing the IA personnel resources

+ Organizing to recruit IA personel at BVH: The recruitment organization is jointly implemented by HR department and IA department, recruiting mainly from external sources or recruiting excellent employees from the professional departments, the three priority recruitment requirements are qualification; work experience and foreign language ability.

+ Organizing to train IA personel at BVH: Human Resource Department, Training Center, IA Department combine to do training oganization for IA. The internal auditor is mainly trained on the job and hires outside experts.

+ Organizing to arrange, supervise, commend and discipline works of IA personel: Director of IA, Head of IA divisions, audit manangers, audit seniors do this work.

+ Organizing to build up code of IA behaviour in enterprises at BVH

Currently, BVH has not developed an IA code of behaviour to ensure raising the sense of responsibility of the Internal Audit, the prestige of the IA department in the BVH.

(*)Organizing to build up the relationship of the IA with other divisions at BVH

BVH has issued the Regulation on internal coordination between the IA deparment and its related parties at BVH and its subsidiaries invested 100% of charter capital.

2.3.2. Organizing to apply internal audit's approaches and techniques at BVH

2.3.2.1. Organizing to apply internal audit's approaches at BVH

BVH has specific provisions on the applied IA approach which is applied and has developed the IA process according to the risk-based approach. The IA Department has adopted a risk-based approach when conducting IA.

2.3.2.1. Organizing to apply internal audit's techniques at BVH

At BVH, the determination of the IA techniques used in each audit is conducted by IA senior and the IA assigned team to perform the audit at the subsidiaries. The determination of the techniques applied is based primarily on the objective of the audit. IA at the BVH mainly used manual auditing techniques, less used IT methods.

2.3.3. Organizing to determine the content of internal audit at BVH

Determining the content of the IA of each division, each field will be discussed by the Head of IA Divisions with the Director of the IA Department, then the Diretor of IA will approve and submit to the BOD for approval. Results of direct interviews with the leaders of the IA divisions and department showed that, BVH maily conducted an audit to assess the effectiveness and efficiency of internal control processes and evaluates the effectiveness and effectiveness of activities, financial statements audits and IT audits are rarely conducted. BVH has not yet implemented the advisory function, so has not yet organized to determine the content to perform the advisory function.

2.3.4. Organizing internal audit's process at BVH

2.3.4.1. Organizing to build up internal audit plan at BVH

(*) Organizing to build up the annual IA plan at BVH

The Director of IA is responsible for preparing the audit plan, focusing on departments and processes that have high risk (based on result of annual risk assessments and consider some other factors) . At BVH, each IA division prepares its own annual audit plan and submit it to the Director for approval, the assigned

staffs summarizes the audit plans of the divisions and make an annual audit plan for the deparment, submits to the IA Director for review and approval before submitting to the BOD.

The dissertation presents and analyzes the organization of building up annual IA plan including: Identifying the objectives, objects of the annual IA; organizing to draft the annual IA plan, organizing to discuss, approve and issue the annual audit plan.

(*) Organizing to build up the IA plan for each audit at BVH

Based on the approved annual IA plan, the Head of IA divisions assign the IA team to organize to build up a detailed plan for each assurance or advisory audit proposed in the annual plan before conducting the field audit. Specifically include organizing to assess risks (inherent risk assessment, identification of internal control processes and risk reduction activities, residual risk assessment and preparation of risk assessment report), organizing to identify scope of the audit, organizing to build up the audit program organizing to build up schedule and resource allocation, organizing to summary and build up audit plan.

2.3.4.2. Organizing to implement internal audit at BVH

(*) Organizing a short meeting at the audited entity at BVH

IA of BVH regularly holds the opening meeting with the audited entities to implement internal audits.

(*) Organizing to select samples based on a defined sample size at BVH

On the basis of the sample size determined in the audit program, internal auditors conduct sampling selection for testing. Internal auditors often use only non-statistical sampling method.

(*) Organizing to implement the audit according to the audit plan and program at BVH

The audit program rarely has to be corrected because it is not suitable, and all auditors follow the auditing steps according to the audit program. The most used audit techniques are interviews and document checks. Audit procedures using IT and other procedures have not been used much.

(*) Organize to record of information and save audit results on working papers at BVH

The IA seniors appoint a staff in charge of summarizing the WPs of the internal auditors in the group and making audit files. This staff is in charge of printing, submitting to sign general documents and collecting WPs of other internal auditors. WPs on computers are saved on Lotus Note management software because there is no audit software.

2.3.4.3. Organizing to summary IA's result and prepare IA report at BVH

(*) Organizing to summary IA's result and prepare IA report for each audit at BVH

- Organizing to summary and classify IA's result for each audit: The IA seniors are responsible for summarizing, reviewing and classifying the results of the field audit at the audited entities according to the priority levels..

- Organizing to draft report of each audit: After reaching agreement in the group, all auditors perform the making of audit reports. Personnel involved in the preparation of the audit report include the IA team and the IA senior..

- Organizing to dicuss to related parties on audit results: Before publishing and sending reports, the internal auditors hold a closing meeting with the audited entities. The composition of the closing meeting is similar to the composition of the opening meeting and the parts related to the recommendations of the IA.

- Organizing to approve the report for each audit

After updating information discussed with the audited entities, the audit report was submitted to the Director of IA department for approval.

(*) Organizing to summary IA's result and prepare annual IA report at BVH

Annually, the Director of IA assigns the internal auditors to collect and classify the annual IA results. The draft of the annual internal audit report is prepared based on the summary and classification of annual results and is reviewed and approved by the Director of IA Department.

(*) Organizing to issue and send IA report

The IA report is sent to the Chairman and members of BOD; General Director of BVH; Chairman of AC, AC and the audited entities. Each IA report is issued in writing, the annual audit report is issued in the form of direct communication through the meeting.

2.3.4.4. Organizing to follow-up the implementation of recommendations at BVH

The follow-up organizations to implement the IA recommendations at BVH include regular follow-up and periodic follow-up. Specifically, the current situation of follow-up the implementation of recommendations at BVH is as follows:

(*) Organizing to follow-up regularly at BVH

Organizing to follow-up regularly of the implementation of the IA recommendations at BVH is done by the follow-up in the office and the auditors implement recommendations at the audited entities. Specifically, the contents to be implemented include: organizing to request entities and divisions to make reports on the implementation of recommendations, organizing to inspect the situation of implementation of recommendations according to reports and inspect the implementation of recommendations at the audited entities.

(*) Organizing to follow-up preodically at BVH

According to the results of the survey, every 6 months, the Director of the IA assigns the auditor to collect and classify the results of the recommendations, prepare a

draft report on the implementation of the recommendations. Periodical reports on implementation of periodical recommendations are communicated directly to related parties through the meeting, not in writing.

2.3.5. Organizing quality control for internal audit at Baoviet Holdings

(*) Organizing internal assessments at BVH

- Organizing to supervise regularly

Organizing to supervise regularly at BVH mainly consists of regularly approving the audit plan, program and regularly reviewing reports and related audit documents and files. Organizing to monitor and evaluate of progress and results of the IA activities is implemented at a lesser extent. IA at the BVH does not use Gantt diagram to monitor the progress of the IA.

- Organizing periodic assessments

At BVH, IA do not organize periodic internal assessments.

(*) Organizing external assessments at BVH

At BVH, the IA Department do not organize an independent assessment by a team of independent experts or by the enterprise itself with independently certified.

2.3.6. Organizing of internal audit files and working papers at Baoviet Holdings

BVH has specific regulations on organizing of IA files and WPs. BVH does not have a common system to store IT files and documents of IA, each division stores documents and WPs on computers or Lotus Note management software by itseft.

In addition, through direct interviews and document research, BVH has not implemented the advisory function when organizing IA..

2.4. EVALUATION OF CURRENT SITUATION OF ORGANIZING INTERNAL AUDIT IN BAOVIET HOLDINGS

2.4.1. Achievements

In recent years, the IA activities in BVH has achieved a certain number of achievements, specifically as follows:

+ *Firstly,* the legal basis of the IA activities at BVH is built quite fully and firmly.

+ *Secondly,* about organizing to build up IA charter and organzing IA apparatus. The IA department was established under the AC. This organizational structure ensures the IA department has certain independence and power with other parts of BVH. BVH has built IA personnel with good competence and ethical qualities. In addition, BVH also invested continually in education and training in order to improve the quality of employees, issued the "Ethical standards of the Ia Department" to guide the ethical behavior of the IA.

+ *Thirdly, regarding organizing to apply IA's approaches and techniques*. BVH has built the IA based on risk in accordance with international practices.

+ *Fourthly, on organizing IA's process.* BVH has issued the IA process attached to the Decision No. 692/2010 / QD-UBKT dated June 7, 2010 of the BVH Audit Committee.

+ *Fifthly, about organizing quality control for IA,* the IA department has conducted regular folow up through supervision performed at each audit from the planning stage and throughout the audit process.

+ *Sixthly, on organizing IA's files and working papers,* BVH has issued regulations guiding the retention of documents and WPs of IA. At the same time, implementing physical control activities and restricting the right to access to IA files and WPs.

2.4.2. Limitations and causes of limitations

2.4.2.1. Limitations in organizing internal audit at Baoviet Holdings

Beside the above achievements, the IA activities in BVH also revealed many limitations, as follow:

(*) Organizing to build up IA charter and organizing IA apparatus at BVH:

- About organizing to build up IA charter at BVH: The IA department built the charter did not include the content of quality control, applicable internal audit standards and reporting mechanism. The IA charter of BVH has not been published throughout the Group.

- About organizing IA apparatus at BVH:

+ *Regarding IA structure in enterprises,* the current 3 divisions structure is no longer suitable for the coming years. The fact that the Investment auditing division is currently performing an IT audit will not be appropriate, reducing the effectiveness of the IT audit.

+ *About organizing the IA personnel*:

✓ *About IA quantity.* The number of internal auditors compared to the total number of employees of the Group is still low (in 2018, this ratio is: 0.6%).

✓ *About organizing to recruit and train IA personel*

The training after recruiting is not really effective and helpful. IA personnel do not have a deep knowledge of IT, legal knowledge and analytical skills.

✓ *About organizing to arrange, supervise, commend and discipline works of IA personel.* BVH has not used management by objectives method or KPI to evaluate the operation of IA as a basis for making appropriate reward and discipline regimes.

✓ *About organizing to build up code of IA behaviour.* BVH has not built up code of IA behaviour.

+ *About organizing to build up the relationship of the IA with other divisions.* Because the risk management system of BVH, especially in subsidiaries, has not been completed, the IA Department has not been able to fully utilize information from the Operating management deparment to serve as the basis for risk assessment, making annual audit plan.

(*) About organizing to apply internal audit's approaches and techniques at BVH

- About organizing to apply IAt's approaches at BVH

The application of a risk-based approach in the IA activities at BVH has not been completed. The IA Department collects information and implements the overall risk assessment independently to prepare the annual audit plan, but has not yet been used risk register of the audited entities.

- About organizing to apply IAt's techniques at BVH

Auditing techniques applied in the IA at BVH are not really diverse, mainly the method of interviewing and checking documents. Other methods and methods of using IT are rarely used.

(*) About organizing to determine the content of IA at BVH

- Firstly, the content of IA at BVH is still limited: financial audit has not yet been implemented and the IT audit has not been focused yet.

- Secondly, the IA at BVH has not implemented the advisory function so it has not organized the content related to the implementation of this function.

(*) About organizing internal audit's process

- BVH has not yet organized an IA process for financial audit and IT audit, resulting in a lack of uniformity in the organization and implementation of the IA process, reducing the effectiveness of IA activities.

- The IA process has been issued since 2010, there is no process for audit of investment activities.

- BVH has not yet issued the Manual Guidline for guiding the IA activities.

- BVH has not have auditing software.

At each specific stage of organizing the internal audit process at BVH, there are some limitations as follows

- About organizing to build up internal audit plan at BVH

+ Organizing to build up the annual IA plan at BVH

✓ *Firstly,* the way of risk caculation for some indicators is no longer suitable

✓ *Secondly,* BVH has not built a risk caculation model when assessing overall risk for investment activities.

✓ *Thirdly,* BVH has no detailed and clear regulations on the priority risk score when considering the overall risk assessment results and the selection of audit subjects to be included in the annual audit plan.

- About organizing to implement IA at BVH

+ *Firstly,* the sampling method is not diverse.

+ *Secondly*, there is no specific guidance on the recording of WPs of IA and there is no provision for making a checklist of work completion, signing and saving in the audit file.

- About organizing to summary IA's result and prepare IA report at BVH

+ Firstly, about organizing to summary IA's result and prepare IA report for each audit, the IA report at BVH has just stopped at listing the findings, giving the priority level, the risks that may occur due to violations and make recommendations with virtually no analysis and evaluation and point out the reasons for such violations.

+ Second, about organizing to summary IA's result and prepare annual IA report, the annual audit report in the form of direct dicussion through the meeting, not yet released in writing.

- About organizing to follow-up the implementation of recommendations at BVH

+ Firstly, BVH has no specific regulations on the form of handling the failure to implement the IA recommendations.

+ Secondly, BVH has not specified time for closing audit file.

+Thirdly, the preodic report on the implementation of recommendations is directly discussed with related parties through the meeting, without reporting in writing.

(*) About organizing quality control for internal audit at BVH

- Firstly, about organizing to supervise regularly, IA at BVH has not applied Gantt diagram to monitor the work progress of the IA.

- Secondly, at BVH, IA department does not organize periodic internal assessments and independent assessments by a team of independent experts or by the enterprise itself with independent certification.

(*) About organizing of IA files and working papers at BVH

- Firstly, BVH does not have a common system to store files and WPs using IT.

- Second, the organization of keeping audit files and WPs is not divided into groups: permanent files, administrative files, current files.

2.4.2.2. Causes of limitations

Objective causes include a limited and incomplete legal document system, the development history of IA in Vietnam, the impact of the industrial revolution 4.0. Subjective causes include limitations on internal auditing personnel, the absence of IT application in IA activities, characteristics of BVH, and awareness, the coordination of the audited entities is limited.

CONCLUSION OF CHAPTER 2

The dissertation presented and analyzed clearly the situation of organizing IA at BVH, thereby assessing the advantages, limitations and causes of the limitations. These assessments are the basis for the author to find directions to improve the IA at BVH in Chapter 3.

Chapter 3
SOLUTIONS TO IMPROVE INTERNAL AUDIT ORGANIZATION AT BAOVIET HOLDINGS

3.1 DEVELOPMENT ORIENTATIONS, REQUIREMENTS AND PRINCIPLES TO IMPROVE ORGANIZING INTERNAL AUDIT AT BAOVIET HOLDINGS

3.1.1. Development orientations of Baoviet Holdings

This section presents and analyzes the development orientation of BVH that leads to requirements for perfecting the IA organization at BVH.

3.1.2. Requirements and principles to impove organizing internal audit at Baoviet Holdings

3.1.2.1. Requirements to impove organizing internal audit at Baoviet Holdings

Ensuring good implementation of the role and function of IA, ensuring compliance with the principles, practices and practical conditions of Vietnam, meeting integration requirements, ensuring flexibility and ensuring effective and efficient goals, ensuring systematic and comprehensive on all aspects of the organization.

3.1.2.2. Principles to impove organizing internal audit at Baoviet Holdings

Complying with international laws and standards on IA professional practice, consistent with the Group's business model and development strategy, inheriting and selecting the experience of organizing IA in developed countries in the world, complying to the basic principles of IA.

3.2. SOME SOLUTIONS TO IMPROVE INTERNAL AUDIT ORGANIZATION AT BAOVIET HOLDINGS

3.2.1. Improving to organize internal audit charter and internal audit apparatus at BVH

3.2.1.1. Improving to organize internal audit charter at BVH

BVH needs to revise the contents of the IA charter, update the organization of IA charter more appropriately.

3.2.1.2. Improving to organize internal audit apparatus at BVH

(*) About IA structure at BVH

The IA Department should fully prepare the quantity and quality of IA with expertise in IA area to set up an IT audit division that operates independently from the rest. Simultaneously perform training internal auditors to improve capacity, and assign tasks to divisions to perform audit activities in the IT environment and IT audit in the future.

(*) About organizing the IA personnel

- IA quantity:

+ *Firstly,* BVH should develop a long-term strategy and immediate plan for personnel.

+ *Secondly,* BVH in general and IA department in particular should have a mechanism to sponsor the study and examination of professional qualifications of the IA.

- About organizing to recruit and train IA personel

+*Firstly, it is necessary to organize well recruitment activities:* The number of internal auditors must be sufficient to complete the assigned work. BVH needs to specify more standards and conditions for IA members about the number of years of experience working in the field of auditing or finance - insurance, requirements for IA certifications.

+ *Secondly, organize good training activities*: BVH should clearly stipulate the norms of learning hours or attend training in the year of internal auditors and put the completion of norms into the KPI indicators to evaluate the work of each individual, regularly organize training for the IA team, build up specific plans on changing positions or going on field trips at the subsidiaries for inexperienced technicians, encourage KTV to get CPA or CIA.

- About organizing to arrange, supervise, commend and discipline works of IA personel at BVH

The IA Department should use the method of management by objectives to manage and evaluate the operation of the IA and is the basis for the remuneration regime of the IA.

- About organizing to build up code of IA behaviour

The IA Department should organize to build up Code of IA behaviour to ensure improving the responsibility and awareness of internal auditors at the same time improving the efficiency and prestige of IA activities in BVH.Khối KTNB TĐBV nên tổ chức xây dựng quy tắc ứng xử KTVNB để đảm bảo nâng cao trách nhiệm, ý thức của các KTVNB đồng thời nâng cao hiệu quả, uy tín của hoạt động KTNB trong DN.

(*) About organizing to build up the relationship of the IA with other divisions at BVH

The BOD needs to ensure effective coordination between the Operating management department and the IA department, especially in improving the risk management system in subsidiaries and affiliates.

3.2.2. Improving the organization of applying internal audit's approaches and techniques at BVH

3.2.1.1. Improving the organization of applying internal audit's approaches

The Director of the IA and internal auditors need: Continue to improve the dicussion mechanism with the BOD and the Board of management of risk management

and need to have a synchronized process in place to plan, audit and report on risk management issues. The IA Department will also evaluate risk management in audits related to a specific field or process.

3.2.1.2. Improving the organization for applying internal audit's techniques

- *Firstly,* BVH should specify clearly auditing techniques. Techniques include: Manual auditing techniques and auditing techniques using IT.

- *Secondly,* BVH should flexibly and fully apply auditing techniques.

3.2.3. Improving the organization for determining the content of internal audit

- Firstly, complete and build the content of audit in the IT audit and financial statements audit

- Secondly, BVH needs to determine the audit content related to the objective of implementing the advisory function

3.2.4. Improving the organization of internal audit's process

3.2.4.1. Improving the organization of internal audit's process in general

- *Firstly,* improving the organization of IT audit process.

- *Second*, improving the organization of financial audit process.

- *Thirdly,* improving the organization of the IA process.

- *Fourthly,* releasing an IA handbook.

- *Fifthly,* improving the organization of the IA process to perform the advisory function.

- *Sixthly,* improving the auditing software

3.2.4.2. Improving the organization of internal audit's process for each stage

(*) Improving organization for building up internal audit plan at BVH

- *Improving organization for building up annual audit plan at BVH*

+ *Firstly,* finalizing inappropriate criteria in the risk caculation model: the dissertation offers a risk caculation model with more appropriate criteria.

+ *Secondly,* finalizing the risk assessment model when assessing overall risk, to prepare an annual audit plan for investment activities: the dissertation provides a risk caculation model with specific criteria for the investment activities.

(*) Improving organization for implementing IA at BVH

- *Firstly, improving the application of sampling methods.* Auditors in the process of performing the audit may select samples according to different methods, with or without IT support. There are 2 ways of selecting samples: statistical sampling and non-statistical sampling/judgment sampling.

- *Secondly, complete the recording of WPs of the IA.* The IA Department should have clear regulations or raise the awareness of internal auditors about the necessary content in WPs.

(*) Improving to organization for to summarizing IA's result and prepare IA report

The Director of the IA Department, Head of the IA divisionst and internal auditor should pay attention to bringing the cause of the violations in the IA report.

(*) Improvement for organizing to follow-up the implementation of recommendations

- Firstly, the form of handling for the failure to conduct IA recommendations

BVH is more drastically in requiring the subsidiaries, audited entities to implement recommendations of IA through one of the following methods: Bringing the criteria for completion of the recommendations is one of the criteria for evaluating performance of subsidiaries; At the audited entities, making criteria for implementing IA's recommendations is one of the criteria for evaluating year-end performance of individuals and departments responsible for.

- Second, finalize specific provisions on criteria for closing audit files

BVH should set specific criteria for closing audit files, avoiding the case that the recommendations have been persisted for many years and have to be re-evaluated many times.

- Thirdly, finalizing the submission form of the situation report on implementing periodic recommendations. Annual IA reports should be published in written form.

3.2.5. Improving to organize quality control for interal audit at Baoviet Holdings

3.2.5.1. Improving organization to supervise regularly

- Firstly, BVH should apply Gantt diagram to monitor the work progress of internal auditor.

- Secondly, complete the measures to evaluate the efficiency of IA activities. BVH should develop a set of KPIs which are criteria to evaluate the performance of IA.

3.2.5.2. Improving to organize periodic assessments and external assessment

(*) Organizing periodic assessments

At the end of each year, the IA department may organize a review of the IA's documents and working files on the basis of sampling, comparing with common practices and considering compliance with mandatory regulations.

(*) Organizing external assessments

According to IIA's, BVH has to organize an independent evaluation at least once every 5 years based on discussions about the frequency with which BOD.

3.2.6. Improving to organizr internal audit files and working papers at BVH

- Firstly, BVH should have audit software or a common system to keep records, WPs uses IT and hard WPs (scan and put on the system if possible).

- *Secondly,* BVH should complete files keeping into groups: permanent files, administrative files, current files in a scientific and reasonable.

3.3. CONDITIONS FOR IMPLEMENTING SOLUTIONS

The dissertation proposes necessary conditions to improve the IA organization at BVH on the side of the State and functional agencies; from BVH to the IA department and audited entities at BVH.

CONCLUSION OF CHAPTER 3
CONCLUSION

With the goal of systematizing, clarifying reasoning and researching to perfect the aspects of organizing IA at BVH, the disertation achieved the following main results:

1. The dissertation gave an overview of the domestic and foreign research about organizing IA and analyzed and find out research gaps for conducting research on that gap..

2. The dissertation systematized, clarified and supplemented the general theory of organizing IA and the specific contents of this in the enterprise.

3. The dissertation researched and summarized the experience of organizing IA in some enterprises in the world, thereby drawing lessons to apply in Vietnam.

4. Based on the theoretical basis, international experience on IA organization, the dissertation surveyed, researched, analyzed and assessed the current situation of organizing IA at BVH about specific contents. The evaluation results show the achivemets, limitations and the causes of limitations, which is the basis for the dissertation to propose a plan to improve the IA organization at BVH.

5. The dissertation clearly presented the development orientation of BVH, analyzed requirements and principles for improvign the IA organization at BVH. At the same time, the dissertation also described fully, clearly and specifically the system of solutions to improve the IA organization at BVH on specific contents. In addition, the dissertation also made recommendations to the state agencies and BVH to create favorable conditions for the development of IA, to contribute to the operational efficiency of insurance enterprises in general and BVH in particular.

The author hopes that the research results of the dissertation will contribute to improve the quality and efficiency of the IA organization in BVH as well as a reference in learning and researching on the IA organization in general, BVH in particular.

Sincerely thank the attention and suggestions of scientists and those interested in the research topic of this dissertation!