

**BỘ GIÁO DỤC VÀ ĐÀO TẠO**

**BỘ TÀI CHÍNH**

**HỌC VIỆN TÀI CHÍNH**

**NGUYỄN THỊ THANH PHƯƠNG**

**Improving the organisation of auditing construction enterprises  
financial statements conducted by small and medium audit firms in  
Vietnam**

*Chuyên ngành* : Kế toán

*Mã số* : 62.34.03.01

**TÓM TẮT LUẬN ÁN TIẾN SĨ KINH TẾ**

**HÀ NỘI - 2018**

**Công trình được hoàn thành  
tại Học viện Tài chính**

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***Phản biện 1:*** .....

***Phản biện 2:*** .....

***Phản biện 3:*** .....

**Luận án sẽ được bảo vệ tại Hội đồng chấm luận án  
cấp Học viện, họp tại Học viện Tài chính**

*Vào hồi..... giờ..... ngày..... tháng..... năm 20.....*

**Có thể tìm hiểu luận án tại Thư viện Quốc gia  
và Thư viện Học viện Tài chính**

## INTRODUCTION

### 1. The necessity of the thesis

The construction industry in general and the construction enterprises in particular are responsible for creating the technical infrastructure for the country. A lot of entities in the economy have interested in the business operations of construction enterprises, and have used those enterprises' financial statements as a basis for decision making, requiring financial statements of construction enterprises to be transparent and reliable. However, the complexity of construction products, which create great difficulties in financial management, is the cause leading to serious mistakes in the operation of construction enterprises. In order to ensure the reliability of the financial statements provided by the construction enterprises, the audit of the construction enterprises' financial statements is extremely necessary.

The audit of financial statements conducted by independent auditors has always been interested by audit firms in order to improve the quality and effectiveness of audits. However, the organisation of audits, especially the process of auditing financial statements, has a lot of differences among audit firms. Therefore, it is necessary to study to identify the advantages, limitations as well as the specific causes of limitations in organising the audit of financial statements in general and construction companies' financial statements in particular in auditing companies, especially in small and medium ones, currently, in Vietnam, in order to provide solutions for completing and improving the quality and efficiency of the audit of financial statements in construction companies, thereby protecting the interests of users of information as well as ensuring the sustainable development of the economy.

From the above analysis, the thesis *“Improving the organisation of auditing construction enterprises’ financial statements conducted by small and medium audit firms in Vietnam”* is timely and urgent both in theory and practice.

### 2. Literature review

#### 2.1. Worldwide research

In terms of audit approach, Arens and Loebbecke (2000), Cullinan and Sutton (2002), Fogarty et al. (2006), Prinsloo (2008) conducted general studies on two typical audit approaches, which were system-based audit approaches and risk-based audit approaches in financial statement audits.

Regarding the financial statement audit process, the study by Aren and Loebbecke (2000) is considered a classic theoretical study of the financial statement audit. The research on the process of auditing financial statements presents a three-stage process: planning, conducting the audit, and ending the audit. The study of the effectiveness of the application of audit procedures in practice was first investigated by Moyes in 1996.

In regard of the quality control of auditing, there have been various studies concerning this aspect from financial statement perspective such as researches by Cushing (1989), Beatty (1989), Imhoff (1988), Chandler (1991) and the American Institute of Certified Auditors Public Accountants (AICPA) (1992 and 2002). The studies pointed out the advantages and disadvantages of quality control in audit firms of various sizes.

Regarding the organisation of auditing financial statements of construction companies, there have not been complete studies concerning this aspect.

## **2.2. Vietnam's research**

In terms of approaching method, Nguyen Thi My (2012), Doan Thanh Nga (2016), and Dinh Thi Thu Ha (2016) conducted comprehensive studies on financial statement audit.

Regarding the process of auditing the financial statements of construction companies, Pham Tien Hung (2009) analysed the characteristics of construction companies' financial statements affecting the auditing financial statement of these companies. At the same time, the author also systematised the theories related to the audit process, audit subjects, audit methods and audit quality control in financial statement audit for this type of business. In addition, the remaining works were researched by a number of scientists in the study of financial statement audit such as Vuong Dinh Hue and Doan Xuan Tien (1997), Nguyen Thi My (2012), and Doan Thanh Nga (2016).

In regard of the quality control of each audit studied by Nguyen Thi My (2012), audit quality control is truly good when the audit is controlled as soon as the audit is commenced, and maintained during the audit in order to ensure timely prevention of all types of risk. Studies on quality control of financial statement audits of construction companies are usually accompanied by studies on the process of auditing financial statement of same type of company.

Concerning the organisation of auditing, Nguyen Huu Phuc studied the process of organising the audit of the State budget conducted by the State Audit of Vietnam; Hoang Quang Ham (2014) studied the organisation of auditing of State budget estimates conducted by the State Audit of Vietnam. Directly related to the organisation of auditing is the recent study by Ngo Nhu Vinh (2017). The author provided a theoretical basis of the organisation and the organisation of audit, at the same time, studied the current situation of auditing State owned enterprises (SOEs) to make recommendations to finalise the organisation of audit of State owned enterprises conducted by the State Audit. However, the research subject of the thesis was SOEs and the auditor was the State Audit. The author did not study the organisation of audit of construction companies' financial statements conducted by small and medium Vietnamese audit firms.

### ***2.3. Comment***

Through a review of domestic and foreign studies, the authors found that these works have studied both theory and practice on organization of audit work. However, up to now, there have not been any researches on the organization of auditing construction enterprises' financial statements conducted by small and medium audit firms in Vietnam. This is the point that the author's thesis will study clarify, showing the thesis topic is really necessary, have the time.

### **3. Research objectives**

**Firstly**, the thesis systematises, supplements and clarifies the general theory of organising the audit of financial statements and organising the audit of construction enterprises conducted by independent auditors.

**Secondly**, it studies and analyses the advantages, limitations and the causes of constraints in organising the audit of construction enterprises' financial statement in small and medium audit firms in Vietnam.

**Finally**, the thesis proposes opinions, solutions and recommendations to improve the organisation of auditing construction companies' financial statement for small and medium audit firms in Vietnam.

### **4. Research subject and scope**

#### ***4.1. Research subject***

The thesis examines the theoretical and practical basis on the organisation of the audit of financial statements of construction companies conducted by independent auditors.

## **4.2. Research scope**

*In theory:* this thesis uses documents and material both in the country and abroad to study on the organisation of the audit of financial statements of construction companies conducted by independent auditors.

*In practice:* the thesis examines the organization of audit of financial statements of construction enterprises carried out by small and medium auditing companies in Vietnam. In particular, it will focus on the organization of audit process of financial statements of construction enterprises.

Time of survey: from 2015 to 2017

## **5. Research method**

**5.1. Methodology:** The thesis is based on the methodology of dialectical materialism and historical materialism of Marxism-Leninism.

### **5.2. Technical method**

a. Document collection methods, including:

- Developing survey questionnaires to send survey to managers, audit team leaders and auditors in Vietnamese small and medium audit firms participating in the organising the audit of financial statements of construction companies.

- Building questionnaires for interviews with managers audit team leaders and auditors in Vietnamese small and medium audit firms participating in the organising the audit of financial statements of construction companies.

- Studying audit dossiers and documents on financial statements of construction companies in a number of audit firms.

- Collecting research results of national and international research project related to the thesis.

b. Document processing method:

- Summarising, classifying and modelling the survey results from survey questionnaires sent for comments, results of direct meeting, research results of audit records, national and international seminars' documents and researches.

- Comparing and analysing the assess the strengths and limitations of the situation as the basis for the delivery of completing solutions.

## **6. Contributions of the thesis**

In theory: the thesis systematises, clarifies and supplements the general theory on organisation of audit of construction enterprises' financial statements conducted by independent auditors.

In practice: the thesis describes and analyses in a full and clear manner the organisation of the audit of construction enterprises' financial statements carried out by small and medium audit firms in Vietnam. It points out the advantages, disadvantages and the cause of the restriction. From that, the thesis proposes a system of synchronous and specific solutions to improve the organisation of the audit of construction enterprises' financial statements implemented by small and medium audit firms in Vietnam

### **7. The structure of the thesis**

Apart from the introduction, conclusion, lists of documents and appendices, the thesis consists of three chapters:

Chapter 1: Fundamental theory of organising the audit of financial statements of construction enterprises performed by independent auditors.

Chapter 2: The status quo of organising the audit of financial statements of construction enterprises conducted by small and medium audit firms in Vietnam.

Chapter 3: Solutions to improve the organisation of the audit of construction enterprises' financial statements implemented by small and medium audit firms in Vietnam.

## CHAPTER 1

### FUNDAMENTAL THEORY OF ORGANISING OF AUDITING CONSTRUCTION ENTERPRISES' FINANCIAL STATEMENTS PERFORMED BY INDEPENDENT AUDIT

#### **1.1. Overview of the financial statement audit conducted by independent audit**

##### **1.1.1. The concept of the financial statement audit conducted by independent audit**

In this section, the thesis presents the concept of auditing financial statements conducted by independent audit and gives an overview of some basic points about independent auditing of financial statements, including audit subject, auditing objectives, auditing objects, auditing evidences, financial statements and auditing reports preparation and presentation framework.

##### **1.1.2. Some basic issues of the financial statement audit conducted by independent auditors**

In this section, the thesis presents some basic concepts of auditing financial statements conducted by independent auditors, including: materiality and risk, auditing methods, techniques for collecting auditing evidences, audit sampling, audit process, audit quality control, audit records.

#### **1.2. Overview of the organisation of the financial statement audit**

##### **1.2.1. The concept and significance of organising the audit of financial statements of construction enterprises conducted by independent audit**

###### ***1.2.1.1. The concept of the organisation of the financial statement audit***

After presenting the concepts of “organisation” according to the Wikimedia Encyclopaedia, Harold Koontz, Cyril Odonnell, and Heinz Weihrich, the thesis provides the basics of organisational concepts. At the same time, it is able to assess the organisation of the audit of financial statements carried out by independent auditors including the following aspects: The organisation of auditing financial statements conducted by independent auditors is identifying the audit work to be done; arranging, grouping the audit work into groups of work and dividing them to each capable person; applying the auditing methods and techniques to ensure the objectives of financial statement audit in accordance with the auditing standards.



The thesis also analyses to clarify every terminology about the organisation of auditing financial statements conducted by independent audit.

### ***1.2.1.2. Significance of the organisation of auditing financial statements***

The organisation of auditing financial statements conducted by independent audit is important for audit firms, audited entities and information users outside the entity.

### **1.2.2. Factors affecting the organisation of financial statement audits**

#### ***1.2.2.1. Elements of the audit approach affect the organization of audit of financial statements***

This chapter presents the organization of the audit of the Financial Statements in accordance with auditing approaches, includes audit trails based on balance sheets, system-based, risk-based and integrated audit approaches.

#### ***1.2.2.2. Group of factors belonging to the audit firm***

The factors, which belong to the audit firms themselves, have a direct, frequent and decisive influence on the organisation of auditing financial statements. These factors include: factors belonging to the auditing personnel; factors that belong to the audit firm's manager's perceived views; and factors belonging to the size of the audit firm.

#### ***1.2.2.3. Group of factors belonging to the audited entity***

Factors belonging to the audited entity include the characteristics of the business line, the characteristics of the management organization and the characteristics of the audited entity's financial statements.

#### ***1.2.2.3. Group of other factors***

Some other factors that affect the organization of auditing financial statements such as information users, the competition of the audit market, and the customers' purpose of auditing financial statements.

### **1.2.3. Characteristics of the organisation of auditing construction enterprises' financial statements**

#### ***a. Characteristics of personnel for auditing construction enterprises' financial statements***

In auditing the financial statements of construction enterprises, the auditing personnel, apart from the auditors, must include technicians or construction experts; and the auditors must have experience and knowledge

of construction audits to properly assess the risks of material misstatements on financial statements of construction enterprises.

***b. Characteristics of the organisation of the audit process of construction enterprises' financial statements***

The process of auditing financial statements of construction enterprises conducted by independent auditors consists of three phases: preparing and planning the audit; performing the audit; and completing the audit.

***c. Characteristics of organising the audit method***

When auditing financial statements of construction enterprises, auditors use two methods of auditing which are basic auditing method and compliant auditing method.

***d. Characteristics of organising the quality control for auditing financial statements of construction enterprises***

The quality control for auditing financial statements of construction enterprises must be organised with full levels of review because the financial statements of construction businesses are often complex and contain a lot of errors leading to higher audit risk.

**1.3. Organising the process of auditing financial statements of construction enterprises performed by independent auditors**

**1.3.1. Organising the preplan and planning phase of the audit**

***1.3.1.1. Organising the audit preplan***

The steps of the organisation of preparing the audit usually include: organising of audit engagement acceptance; organising auditing staff.

***a. The organising of audit engagement acceptance and assessing contract risk***

When organising the consideration of accepting customers and contractual risk assessment for construction enterprises, auditors and audit firms must deal with the following two work contents: (1) collecting information about the construction enterprise and (2) analysing the information to make the decision of whether to accept the audit contract.

***a1. The organisation of collecting information about the construction enterprise***

Understanding the construction enterprise in order to assess whether to accept auditing is usually done by members of the board of directors or highly qualified and experienced auditors.

In order to collect the information about the construction enterprise to assess the possibility to accept customers, the auditor usually performs the observation and interview procedures.

The information about the construction enterprise that the auditor usually looks for in order to assess the possibility to accept customers include: preliminary information about the construction enterprise; necessary information related to the main activities of the construction business and the management of the project; and other information.

*a2. The analysis of information to make a decision*

After understanding the construction enterprise, the auditor will analyse the information to make the decision of whether to accept auditing for the company or not.

The analysis of information for decision making is usually done by members of the board of directors of the audit firm.

***b. The organisation of auditing staff***

*b1. Selection of staff for the audit team*

The selection of auditors will be done by a member of the board of directors who is in charge of the audit.

The number of members of the audit team depends on the volume of audit works at the construction enterprise, the time requirement of the audit, and the qualification and competence of the auditors.

The selection of the person being in charge of the audit (audit team leader) requires that he/she is appropriate to the position, requirements and contents of the work.

*b2. Assignment of work to members participating in the audit group*

The assignment of works is usually done by the board member who is in charge of the audit or the audit team leader.

In order to assign works to team members, the team leader will base on the competence and qualification of each auditors. In addition, it may also be based on the materiality of each item on the financial statements.

*b3. Considering the use of expert opinions*

When auditing financial statements of construction enterprises, audit firms consider the use of expert opinions with construction experience to gather audit evidence.

***1.3.1.2. Organising the audit plan***

Audit firms prepare the audit plan for each audit, including: (1) building the overall audit strategy, (2) planning the audit, and (3) developing the audit program.

The steps in the audit planning phase include:

***a. Organising to understand the business characteristics and operating environment of the construction enterprise***

Performing personnel is the audit team leader.

In order to understand the business characteristics and operating environment of the construction enterprise, auditors use audit procedures such as document checking, observation, and interview.

When studying the business characteristics and operating environment of the construction enterprise, the auditor often studies the external and internal factors affecting the business operation.

***b. Organising the study of accounting policies and the main business cycle of the construction enterprise***

Conducting personnel is the audit team leader.

When studying the accounting system and important business cycles of construction enterprises, the auditors shall examine the following contents: the accounting policies applied by the entity and changes in accounting policies for the year; the process of preparing and presenting financial statements; project management (if any); bidding, management and implementation process of construction contract; the content of the work steps in the main business cycle and the corresponding control steps.

To learn about the accounting system and important business cycles of the construction enterprise, auditors use interviewing and observation techniques.

***c. Organising the preliminary analysis of financial statements***

Conducting personnel is usually the audit team leader.

The auditor generally analyses the fluctuations of the items presented in the financial statements, combined with the non-financial information. In addition, due to the nature of the construction activity, auditors may carry out analysis of information on other reports of the construction enterprise when auditing the financial statements.

When performing a preliminary analysis of financial statements, the auditor uses the combination of trend analysis and rate analysis techniques.

***d. Organising the general assessment of internal controls***

Conducting personnel is usually the audit team leader.

*d1. Understanding internal controls at the enterprise level*

In this step, the auditor will collect information to evaluate the components of the internal control. In order to collect the above information, the auditor uses procedures such as interviewing, observing and checking related documents.

*d2. Evaluating internal controls at the level of each major business cycle*

In order to assess the effectiveness of internal controls for each business cycle, auditors use audit procedures such as interviewing, observing, checking documents, and walkthrough testing.

***e. Organising the determination of materiality level and audit risk***

The determination of materiality level and audit risk for construction enterprises' financial statements is usually done by the audit team leader.

*e1. The determination of materiality level*

In order to determine the materiality level, the auditor may follow the instructions in the audit program sample issued by VACPA.

*e2. The determination of audit risk*

The assessment of the material misstatement of the financial statements is carried out on two levels: financial statement level and database level.

***f. Organize sampling and sample sizes***

This is usually done by the audit team leader.

In the audited construction enterprise' financial statements, auditors usually choose samples for regular transactions, which are not so large in units. For irregular operations, of unusual nature or of great value, auditors may conduct full examination.

***g. Organising the summation of the audit plan and setting up the auditing program for the financial statement of construction enterprises***

The auditor usually identifies the following elements in the audit program: auditing objectives; auditing contents; auditing procedures which must be performed corresponding to each content and each auditing method.

The audit program consists of two types: a survey control program for each business cycle and a detailed audit program for each department and item.

After summing up the audit plan and auditing program, the auditors and the audit firm shall inform the auditing schedule before performing the audit at the enterprise. The content of the notice includes the audit time, auditing contents, and documents needed to be prepared for the audit.

### **1.3.2. Organising the stage of implementing the audit**

Performing personnel are auditors assigned to specific tasks.

Organising the implementation of the audit plan when auditing the financial statement of construction enterprises consists of two steps: (1) Organising the implementation of the audit plan with clients and (2) organising the implementation of the audit plan.

When conducting the audit, the auditor shall perform two steps including: (1) organizing the implementation of control tests and (2) organizing the implementation of substantive tests.

#### ***1.3.2.1. Organizing the implementation of control tests***

##### ***a. Control test for the main business cycle of construction enterprises' financial statements***

The auditor mainly uses techniques to collect audit evidences such as interviews, document checks, observations, walkthroughs, re-implementation requests.

For auditing financial statements of construction enterprises, auditors need to assess the observance of internal control regulations and procedures related to the construction process from the preparation to the completion and handover of construction. Compliance audit procedures are often directed at control regulations and procedures that directly affect data and accounting information.

##### ***b. Control test for components and items on the financial statements of the construction enterprise***

When conducting control tests on components and items on financial statements, auditors use procedures to collect audit evidences such as observations, interviews, document examination, re-implementation.

##### ***c. Evaluation of control test results***

Control test results will reinforce the auditor's initial assessment of the effectiveness of internal controls at the planning stage (which may change

the level of assessment) and are the basis for the auditor to decide on the content and scope of the implementation of basic tests accordingly.

### ***1.3.2.2. Organization of substantive tests***

*a. Performing substantive tests to examine components, items on financial statements of construction enterprises*

#### *a1. Organization of the analytical procedure*

The specific analytical procedures auditors may use in the audit of financial statement include: (1) trend analysis techniques, (2) rate analysis techniques, and (3) estimated analysis.

The audit evidence obtained from the analytical technique is the basis for the auditor to judge information that may contain misstatements to perform detailed expertise and account balance checking techniques.

*a2. Organisation of performing detailed expertise and account balance examination*

The scope of application of detailed expertise and account balance checking techniques depends on the results of assessment of the effectiveness of internal control and general analytical procedures.

Techniques for collecting audit evidence are often used by the auditor including: examination techniques (including physical and documentary examination), calculations, interviews and surveys.

#### ***b. Performing substantive tests to examine other aggregate reviews***

During the period of performing the audit, the auditor also undertakes a basic test to examine other aggregate reviews.

To examine the above contents, the auditors usually carry out detailed inspection procedures such as document inspection, sending confirmation letter, recalculation to check the collection of audit evidence.

### **1.3.3. Organisation of the completing audit phase**

#### ***1.3.3.1. Organisation of summarising audit results***

The work performed in the summarising audit results include: summing up the audit results and discussing with the enterprise on the audit results; analysing the final financial statements comprehensively; reassessing the materiality and risk; reviewing specific events affecting audit opinions; collecting the explanation of the manager. From the obtained results, the audit team leader will conclude whether the audit objectives have been achieved or not.

### ***1.3.3.2. Prepare the draft audit report and discuss with the manager***

Draft audit reports on construction enterprises' financial statements are often drafted by the audit team leader. The reviewer is a member of the board of directors who is in charge of the audit.

Based on the aggregate results of the audit, the audit team leader prepares a draft audit report to give comments on whether the audited financial statement is prepared in accordance with established standards or not.

### ***1.3.3.3. Review, approval and issuance of audit reports***

Audit firms shall specify the content and level of audit report review.

Normally, the review of the financial statement audit report is conducted through three levels: audit team leader, audit chairman, and member of the board of directors who is in charge of the audit

#### ***d. Organization check for events happen after audit report***

This is usually done by the audit team leader.

To keep track of issues arising, the auditors periodically contacts relevant people in the construction enterprises to catch up on events that arise in a timely manner.

## **CONCLUSION CHAPTER 1**

In Chapter 1, the thesis presents a generalisation of the basic theories of auditing financial statements and the organisation of auditing financial statements conducted by independent auditors, the organization of auditing financial statements and the contents of the organization of the process of auditing financial statements of construction enterprises.



## CHAPTER 2

# CURRENT STATUS OF THE ORGANISATION OF AUDITING CONSTRUCTION ENTERPRISES' FINANCIAL STATEMENTS CONDUCTED BY SMALL AND MEDIUM AUDIT FIRMS IN VIETNAM

## **2.1. Overview of Vietnamese small and medium audit firms and overview of the organisation of auditing construction enterprises' financial statements**

### ***2.1.1. Overview of Vietnamese small and medium audit firms (VN SMEs audit)***

The thesis gives an overview of the establishment, development and characteristics of VN SMEs audit.

The thesis gives an overview of legal regulations in the area of independent audit in Vietnam, including Audit Law, Audit standards and sample audit program.

### ***2.1.2. The characteristics of the organisation of auditing construction enterprises' financial statements conducted by VN SMEs audit***

The thesis points out the characteristics of the approaching method for auditing financial statements of construction enterprises; characteristics of determination of objectives, objects, processes and methods of auditing financial statements of construction enterprises; quality control features and the characteristics of the organisation of completing and managing audit records of financial statements of construction enterprises.

## **2.2. Current status of the organisation of auditing process of construction enterprises' financial statements conducted by VN SMEs audit**

### ***2.2.1. Current status of the organisation of the audit preparation and planning phase***

#### ***2.2.1.1. Current status of the organisation of preplanning the audit***

##### ***a. Current status of the organising of audit engagement acceptance***

Conducting personnel is the director of the audit firm. There are 20% of the audit firm which have the participation of board members who are in charge of risk management.

There are 76% of VN SMEs audit which do not undertake the consideration to accept customers; 24% of the firms only consider first-time auditing or large-scale or high-risk construction enterprises, in which 14% of auditors fully applied the audit procedures to collect information, while 10% of them only interview to collect information.

***b. Current status of organisation of auditing staff***

***b1. Current status of the organisation of selecting staff for the audit team***

The selection of audit teams is 100% made by the audit firms' board of directors, in which 20% of the firms where the selection is made by the board members who are in charge of risk management.

***b2. Current status of assignment of work to members participating in the audit team***

The assignment of work to members participating in the audit team is made by the audit firms' board of directors, the most important basis for assigning work is based on auditor's qualifications, followed by years of auditor's experience and the importance of the components of the items on the construction enterprise' financial statements. Gender is not considered when assigning audit team work.

***b3. Current status of considering the use of expert opinions***

76% VN SMEs audit are not expert opinions were used in the auditing construction enterprise' financial statements, 8% of the survey rarely use it, and 16%, depending on the specific case.

***2.2.1.2. Current status of organising the audit plan***

***a. Current status of organising to understand the business characteristics and operating environment of the construction enterprise***

100% of VN SMEs audit undertook to understand the business characteristics and operating environment of the construction enterprise, in which 80% of the firms where made by the audit team leader and 20% are auditors assigned tasks.

When studying business characteristics and operating environment of business enterprises, 72% of VN SMEs audit seek information about business characteristics; 72% of VN SMEs audit general information on construction market; 80% of VN SMEs audit explores the main business

activities of the business enterprises; only 28% of VN SMEs audit often know all 4 contents.

The survey results show that only 32% of auditors used the combination of audit procedures and 68% of auditors only conducted interviews and document review to find out the operation characteristics of the construction enterprise but also less Focus on the business environment of the construction enterprise.

***b. Current status of organising the study of accounting policies and the main business cycle of the construction enterprise***

The survey results show that 100% of VN SMEs audit are perform study of accounting policies and the main business cycle of the construction enterprise, in wich 80% made by the audit team leader and 20% are auditors assigned tasks.

When studying the accounting system and important business cycles of construction enterprises, 100% auditors are interested in both content including: Significant accounting policies applied, changes in accounting policies for the year and the content of work steps in the key business cycle and the corresponding control steps.

***c. Current status of organising the preliminary analysis of financial statements***

According to the survey results, 60% of VN SMEs audit conducted preliminary analyzes of financial statements of DNxDs, of which 32% The company performs preliminary analysis of the construction enterprise' financial statements.

In 60% VN SMEs audit preliminary analysis of financial statements showed that 36% of auditors combined trend analysis, analysis of rate and analysis of estimates, 24% auditors only conducted trend analysis and analysis of rate.

***d. Current status of organising the general assessment of internal controls and fraudulent risk***

The results of the survey show that 100% of VN SMEs audit have implemented the assessment of the efficiency of internal controls of the construction enterprise, of which 80% of VN SMEs audit employees are audit team leader and 20% are auditors assigned tasks. At the same time, 100% of these companies carry out an assessment of the effectiveness of

internal controls at the enterprise level, of which 36% of the staff also assess the effectiveness of internal controls at the level of each major business cycle.

***e. Current status of organising the determination of materiality level and audit risk***

The results of the survey show that 100% of VN SMEs audit have conducted the determination of materiality level and evaluate the risk of material misstatement, in which 80% of VN SMEs audit employees are audit team.

***f. Organization status of sampling and sample size***

Based on the interview results, many VN SMEs audit have made non-statistical sampling based on the auditor's judgment. When selecting elements into the audit sample, the auditors shall select transactions with large or irregular amounts, transactions arising at the beginning of the month, the end of the month, the beginning of the year or the end of the accounting year to conduct the test.

***g. Current status of organising the summation of the audit plan and setting up the auditing program for the construction enterprise' financial statements***

80% of VN SMEs audit perform the audit plan as the audit team leader, and 20% are auditors assigned tasks.

100% of VN SMEs audit are audited by the auditing team, 32% of them also assign the auditing program for each item, department for assigned technicians to audit parts and items.

**2.2.2. Current status of organising the stage of implementing the audit**

***2.2.2.1. Current status of organizing the implementation of control tests***

***a. Current status of control test for the main business cycle***

20% of VN SMEs audit implement control test to supervise the main business cycle and 20% of them use combined interview, observation, documentary and walkthrough procedures.

The results of the survey also show that, when auditing financial statements of construction enterprise, these VN SMEs audit often focus on implementing control surveys for purchase and payment cycles; fixed asset cycle; inventory process, cost.

***b. Current status of control test for components and items on the financial statements of the construction enterprise***

The results of the survey show that 52% of VN SMEs audit conduct control test to inspect the control of items and parts on financial statements of the construction enterprise and do not perform with every FS of construction enterprise audit but depending on each. Specific case according to science and technology. At the same time, 52% of VN SMEs audit who performed this test were at the end of the accounting period, while 12% of them performed this test in both the mid and the end of the accounting period.

***2.2.2.2. Current status of organization of substantitive tests***

During this period, auditors at VN SMEs audit has applied the organization of substantitive tests to solving two following tasks: inspecting parts and items on the financial reports of the construction enterprise and check the review of other general entries.

**2.2.3. Current status of organisation of the completing audit phase**

Based on the results of the survey, 80% of VN SMEs audit have implemented the work steps in the final stage of auditing the construction enterprise' financial statements, include: summing up audit results; Preparation of audit reports and exchanges with managers; Review, approve and issue audit reports. The remaining 20% of VN SMEs audit will be subject to specific audit to organize the audit period.

**2.3. Evaluation of the organisation of auditing process of construction enterprises' financial statements conducted by VN SMEs audit**

***2.3.1. Advantages***

***2.3.1.1. In organisation of auditing process of construction enterprises' financial statements***

***a. Organising the preplan and planning phase of the audit***

In general, VN SMEs audit surveyed enterprises are required to fully implement the work steps in the preplan and planning phase of the audit.

***b. Organising the stage of implementing the audit***

In general, VN SMEs audit surveyed enterprises have applied both test control and substantitive tests to collect the necessary audit evidence in the working steps of this period, including:

- (1) Check parts and items on the financial statement

(2) Examination of other synthesis reviews.

***c. Organisation of the completing audit phase***

In general, VN SMEs audit surveyed enterprises are required to fully implement the work steps in the completing audit phase

***2.3.1.2. Other Advantages***

***a. On organization of quality control of auditing activities construction enterprises' financial statements***

VN SMEs audit have regulations on quality control of auditing activities construction enterprises' financial statements work at all levels according to regulation.

***b. On organizing the management and finalization of audit file***

In VN SMEs audit, records of all audits are collected, arranged and stored in accordance with the company's management requirements and auditing standards.

***2.3.3. Disadvantages***

***2.3.2.1. Disadvantage in organisation of auditing process of construction enterprises' financial statements***

***a. Disadvantage in organising the preplan and planning phase of the audit***

In organising the preplan and planning phase of auditing construction enterprises' financial statements for VN SMEs audit, there are some limitations as follows:

+ Limitations in the organization to consider customer acceptance and contract risk assessment

+ Restrictions in organization using expert opinion in auditing financial statements of construction enterprises

+ Limitations in the organization to understand and identify risks include restrictions on the organization of preliminary financial analysis procedures and limitations on assessment organization of internal control of construction enterprises

+ Limitations in organization of sampling methods

***b. Disadvantage in organising the stage of implementing the audit***

***b1. Disadvantage in applied of control test***

Many VN SMEs audit have not yet applied the control test to carry out surveys on business cycle and main items on financial statements of

construction enterprises. Some company apply control test but do not combine audit procedures such as interview, observation, document inspection, re-implementation.

*b2. Disadvantage in applied of substantive tests*

There are limitations in applied of substantive tests of VN SMEs audit in carrying out basic analysis and limiting in carrying out detailed examination to check parts, other aggregated reviews.

+ Limitations in the organization of analysis procedures

Many VN SMEs audit do not apply the analytical procedures during the period of performing the audit. Some auditor use the combination of trend analysis and rate analysis but rarely apply the analysis of rationality, especially the estimation analysis in financial statements audit of construction enterprises.

+ Limitations in conducting detailed inspections to check parts, items and other aggregate reviews

Most VN SMEs audit do not have risk orientation when carrying out detailed examination in finance auditing of construction enterprises. On the other hand, many auditing procedures have been carried out but they are not formal so they have not been able to gather reliable audit evidence leading to the risk of increasing audit risk.

*c. Disadvantage in organisation of the completing audit phase*

Many VN SMEs audit have not paid much attention to the organization of audit procedures for analyzing the financial statements, re-evaluating the correctness of the initial interruptions of control risk and considering specific events affecting audit opinion.

*2.3.2.2. Some other limitations*

*a. Limitations in organization of quality control audit of construction enterprises' financial statements*

VN SMEs audit have also issued and developed the quality control policy and procedure, but this construction is only to improve the audit file but not really meaningful in practice.

*b. Limitations in the organization of finishing and management of audit file*

Finalization of working papers and audit records is not yet sufficient and timely. The working papers of the auditors have not been finalized

immediately after the audits have been completed but are usually finalized only after the inspection of the enterprise or the professional association.

### ***2.3.3. Cause of Limitations***

The thesis has pointed out the causes of limitations including the causes on the part of the auditing companies, the State and professional associations and the causes on the part of the construction enterprises themselves.

## **2.4. The experience of auditing activities of the building enterprises' financial reports by foreign exchange enterprise in Việt Nam**

The dissertation presents and analyzes the main experiences in organizing the audit of financial statements of construction enterprises conducted by foreign auditing enterprises in Vietnam, thereby drawing lessons for VN SMEs audit.

## **CONCLUSION CHAPTER 2**

Chapter 2 clearly and thoroughly describes the real situation of the organization of auditing financial statements of construction enterprises conducted by VN SMEs audit, which assesses the advantages and limitations. The cause of the limitations is the basis for complete solution

## **CHAPTER 3**

### **SOLUTION TO COMPLETE THE ORGANISATION OF AUDITING CONSTRUCTION ENTERPRISE' FINANCIAL STATEMENTS BY VIET NAM SMALL AND MEDIUM AUDITING COMPANIES**

#### **3.1. Development strategy of small and medium auditing companies**

In this section, the thesis presents the development orientation of VN SMEs audit.

#### **3.2. Requirement and principles for completing the organisation of auditing construction enterprise' financial statement by VN SMEs audit**

In this section, the thesis has pointed out the requirements and principles for completing the organisation of auditing construction enterprise' financial statement by VN SMEs audit.

#### **3.3. Solutions to completing the organisation of auditing construction enterprise' financial statement by VN SMEs audit.**



### **3.3.1. Finalizing the process of auditing financial statements of construction enterprise**

#### ***3.3.1.1. To complete the preplan and planing audit***

##### ***a. Perfect organization to consider accepting customers***

VN SMEs audit need to organize a complete review of customer acceptance and risk assessment.

##### ***b. Complete the organization using expert opinion***

VN SMEs audit may use the opinions of experts and technicians who are knowledgeable in the construction sector to ensure the quality of the financial statements audit of construction enterprise.

##### ***c. Finalization of preliminary financial analysis procedures***

Enhanced use of trend analysis, rate analysis, rational analysis with financial statements.

##### ***d. Finalizing the internal control***

+ Interview questionnaire developed specifically for construction enterprise

+ Focus on learning and evaluating internal control at the enterprise level

+ Develop orientation for points of attention and some key points in each business cycle, the main item on financial statements of construction enterprise.

##### ***e. Complete organization of sampling methods***

Firstly, with the small and medium construction enterprises, the number of economic operations is not high, auditors can choose non-statistical sampling methods based on the auditor's judgment.

Secondly, for large-scale construction firms with complex operations and a large number of economic operations, VN SMEs audit can develop a combination of groups. Sample selection in cumulative monetary value CMA.

#### ***3.3.1.2. To complete organisation of implementing the audit***

##### ***a. To complete organisation of control test***

+ Focus on using control test to survey the main business cycle

+ Focus on using control test to examine the main items

##### ***b. To complete organisation of substaintive tests***

###### ***b1. To complete organization of analysis procedures***

Focusing on using trend analysis, rate analysis and rational analysis to analyze in more detail with revenue, cost, inventories, fixed assets.

***b2. To complete organization of detailed examination***

+ VN SMEs audit should complete risk-oriented audit.

+ VN SMEs audit should increase the use of inventory procedures

+ VN SMEs audit should consult specialists when examining in detail a number of specific items on financial statements of construction enterprise.

***3.3.1.3. To complete organisation of completing audit phase***

***a. Complete the organization to sum up the audit results***

Perfectly review the working papers of regular auditors at both the stage of audit and the end of audit.

***b. Complete assessment of the ability to continue of the construction enterprise***

The auditor must consider whether there are events or conditions that lead to significant doubts about the continued viability of the construction enterprise

***c. Finalizing the work of monitoring issues arising after the balance sheet date***

+ The auditor should perform all basic audit procedures to review events arising after the date of preparation of the financial statements in order to detect these events.

+ The auditor should carry out the following audit procedures to review events occurring after the balance sheet date.

***3.3.2. Other solutions***

***a. Finalizing the quality control audit of financial statements of construction enterprise***

+ Improving organization quality control personnel

+ To improve the quality control of the audit

***b. Complete the organization of completing and managing audit records***

VN SMEs audit need to improve the preparation and storage of documents, working papers and audit file to ensure proper and adequate recording as a basis for issuing audit opinions.

**3.4. Conditions for implementing solutions**

he dissertation sets out the necessary conditions for finalizing the audit of construction enterprise' financial statements audited by VN SMEs audit, including the State, the audit firms and the audited construction enterprise.

### **CONCLUSION CHAPTER 3**

In chapter 3 of the thesis, the development orientation of VN SMEs audit, the requirements and principles for improving the organisation of auditing conducted by VN SMEs audit, thus providing solutions to perfect the organisation of auditing construction enterprises' financial statements conducted by small and medium audit firms in Vietnam, including: complete the audit planning organization; To complete the organization of implementing the audit; To complete the organization of completing audit phase. At the same time, the thesis also clarifies the conditions for effective implementation of measures to improve the organization of the audit of financial statements of VN SMEs audit, including the State, the audit firms and the audited construction enterprise.

### **CONCLUDE**

With the aim of systematizing, clarifying theory and proposing solutions to improve the organization of auditing construction enterprises' financial statements conducted by VN SMEs audit, the thesis has the following main results:

1. The thesis has studied the overview of domestic and foreign studies related to theses subject.

2. The dissertation has systematized, clarified and supplemented the general theory on organization of auditing and organized the audit construction enterprises' financial statements conducted by VN SMEs audit. To study the experiences of the State Audit of some countries in the world.

3. The dissertation has provided an overview of VN SMEs audit, describing in detail and concrete evidence of the current situation, clearly indicating the strengths, limitations and causes of limitations in the organization of the audit work. Financial reports of construction enterprises by small and medium enterprises in Vietnam. To study the experience of

organizing the audit of financial statements of construction enterprises conducted by foreign auditing companies in Vietnam.

4. The dissertation has specified process specified, request, the complete rule and given Solutions to completing the organisation of auditing construction enterprise' financial statement by VN SMEs audit and solution implementation for given.

The authors hope that the proposals in the thesis will be the suggestion for VN SMEs audit to study and apply in order to improve the organization of auditing construction enterprise' financial statement.

However, in the course of research due to limited conditions, the thesis can not avoid certain shortcomings. The author wishes to receive the comments of teachers, colleagues, scientists, auditors and auditing companies so that the dissertation is finalized, has a higher theoretical and practical value.

Thanks you!

## THE LIST OF PUBLISHED WORKS OF THE AUTHOR RELATED TO THESIS

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3. Nguyen Thi Thanh Phuong (Participants) (2016), Determining Factors Affecting Independent Auditing Fees, Academy of Finance.

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