

Constructing A Model of Factors Affecting the Effectiveness of Internal Auditors at Public Non-Business Units in Vietnam



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SUMMARY: The article presented the concepts of internal auditors, public non-business units and some related concepts. In order to meet the goal of constructing a model of factors affecting internal audit effectiveness, the research team has applied background theories and research models on internal audit of authors around the world. With four factors inherited from the study of Alzeban et al (2014), the research team has introduced two new factors, namely political institutions and group interests, into Constructing a Model of influencing factors. Affecting the effectiveness of internal audit at public non-business units in Vietnam. Constructing a Model suitable for the Vietnamese context will be one of the factors that help propose solutions to increase the efficiency of internal audit at public non-business units in Vietnam.

KEYWORDS: Internal auditors; Model, Public non-business units, Vietnam

1. THE PROBLEM

According to the IIA Association of Internal Auditors, "Internal Auditors are independent, objective assurance and consulting activity designed to add value and improve an organization's operations. Internal audit helps an organization achieve its objectives by applying a systematic and disciplined approach to evaluate and improve the effectiveness of its risk management, control and governance". From the above definition, it can be seen that internal audit supports the organization's risk management, ensures efficiency and brings high performance in operations. Currently, businesses and administrative and non-business units consider internal audit as a function of checking financial and accounting work. The internal audit department is similar to an extension of the finance and accounting department. Although it has been recognized for a long time in the world, the roles, functions and activities of multiple audits in Vietnam are mostly not really understood according to their inherent nature. Internal audit brings many benefits, but up to now, the number of enterprises and units applying internal audit in checking the compliance with control regulations related to some financial activities of the unit is still quite low. Many businesses in Vietnam and especially the public administration sector are not fully aware of the importance and effectiveness of Internal Auditors. Therefore, it is urgent to study and build a model to evaluate the effectiveness of internal audit and the factors affecting the effectiveness of Internal Auditors.

2. THEORETICAL BASIS

2.1. Some concepts

Public non-business units

The Law on Public Employees took effect on January 1, 2012 and was amended on November 25, 2019 to define a public non-business unit as an organization operated by a competent state agency, a political organization, or a political organization, socio-political organizations established in accordance with law, having legal status, providing public services and serving state management.

Effective

According to Investopedia.com "Efficiency means the degree to which a process is performed that uses the lowest number of inputs to produce the greatest output. Efficiency involves the use of all inputs in the production of any given output, including individual time and energy. Efficiency is a measurement concept that can be determined by determining the ratio of useful outputs to

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total inputs. It minimizes the waste of resources such as physical materials, energy and time, to successfully achieve the desired output.”

Internal Auditors

According to the Institute of Internal Auditors (IIA), internal audit is an independent, objective assurance and consulting activity designed to increase and improve activities within an organization. Internal audit contributes to the achievement of an organization's objectives by applying systematic and disciplined approaches to evaluate and improve the effectiveness of its risk management, audit and control processes. control and administration.

2.2. Background theory

New theory of public administration

This theory was promoted by Hood (1991) with a focus on the New Public Management model. For the Government of traditional public administration: All public affairs are performed and handled by the Government in accordance with the law. The function of the Government is heavy on social administration, directly participating in social work. The government's function is purely administrative and not directly related to the market. Meanwhile, for the Government of the development administration: The public affairs are more political, the influence of politics is increasing in the administration. The function of direct participation in public services is increasingly reduced, but through the socialization of those services to manage society, but still under the management of the State. Government function faces market challenges. The administrative development of all countries must pay attention to and shoulder the common responsibility for human problems such as poverty, epidemics, environment, drugs, crime... In short, New Public Administration (Development Administration) has a new approach to traditional public administration. The emergence of this model has changed the way the public sector operates significantly. With the characteristics of the new model: effective management, deregulation, decentralization, application of some elements of the market mechanism, political attachment, and partial privatization of operations. State, applying many methods of enterprise management, internationalization trend; The development administrative model appeared to overcome the inappropriate weaknesses of the traditional administrative model. Vietnam's economy is operating according to the market mechanism and is increasingly integrating deeply into the global economy. The government function will inevitably face the challenges of the domestic market and the world market.

Therefore, along with the application of reasonable factors of the new model of Public Administration (Development Administration) to build a model with Vietnamese characteristics, promoting administrative reform to keep up with economic reform. it is necessary to evaluate the effectiveness of internal audit in public sector units, in order to evaluate the effectiveness of Internal Auditors, it is first necessary to identify the factors affecting the effectiveness of Internal Auditors.

Agency theory

Agency theory has its roots in economic theory, developed by Alchial & Demsetz (1972), and further developed in 1976 by Jensen & Meckling. This theory emphasizes that the principal makes choices. the agent performs some tasks on their behalf, and the agent must provide a better choice for the principal. The performance of the executor's duties will be reviewed by a third party performing the role of monitoring and evaluating objectively or on behalf of the principal. Michael B. Adams, (1994) Arguing that Agency theory also provides a useful theoretical framework for studying the internal audit functions, he argues that delegation theory not only helps explain and predicts the existence of internal audit, which also helps to explain the roles and responsibilities assigned to the organization's internal auditors, and delegation theory also predicts the internal audit functions may be affected by organizational change. He also concluded that proxy theory provides a rich theoretical basis for research that will benefit both the academic community and the internal audit profession. Therefore, the author uses delegation theory throughout the thesis research process to analyze the responsibilities of the internal audit department in providing information about the performance of public sector units. In addition, the theory of delegation also helps the author to study the need to use information of the heads of the units to propose recommendations to improve the efficiency of internal audit at the unit to better meet the needs of the organization use of trustee information.

3. RESEARCH METHODS

According to Creswell et al., (2003) there are three research methods commonly used when doing scientific research in the field of business: qualitative research, quantitative research and mixed research. To achieve the stated objective, the study uses qualitative research methods.

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Data from the source is accessible to the author in the form of documents from domestic and foreign studies on internal audit in public administrative units in the form of articles, reviews, theses, public works, research programs at universities, the author collects during the research. These studies are grouped by topic and study period. Thereby, helping the author to summarize the theoretical issues of Internal Audit and the effectiveness of Internal Audit, combined with the experience gained from the practice of teaching and working in related fields to help the author have can understand and solve research related work conveniently.

4. CONSTRUCTING A MODEL

4.1. Overview of related research models

Research by Zulkifli Baharud-din et al (2013), "Factors that Contribute to the Effectiveness of Internal Audit in Public Sector" (International Proceedings of Economics Development Research, 2013, Vol. 70, p126).

This paper examines the factors that contribute to the effectiveness of internal audit in the Malaysian public sector. It is to determine the auditor's perception of the effectiveness of the internal audit work, influenced by the quality of the audit work to effectively perform as a control tool in public financial management. It also aims to identify the relationship between factors that contribute to the effectiveness of internal audit in promoting better transparency and integrity of public management. The scope of this study includes internal auditors working in ministries in Putrajaya. This study uses a cross-sectional survey to investigate the effectiveness of internal audit. Several statistical techniques such as statistical, correlation and regression descriptive analysis are used to analyze the data from surveys. The results of the study show that the factors analyzed in this study such as auditor's capacity, auditor's independence and objectivity, and management support all affect the effectiveness of the audit. internal. In addition, the results of the study also found that high internal audit effectiveness depends on audit capacity and management support, any negative factors affecting these factors will give a significant change in the effectiveness of internal audit. Management support is the most influential factor among the factors that contribute to the variation of audit work quality and is a clear factor influencing the effectiveness of internal audit.

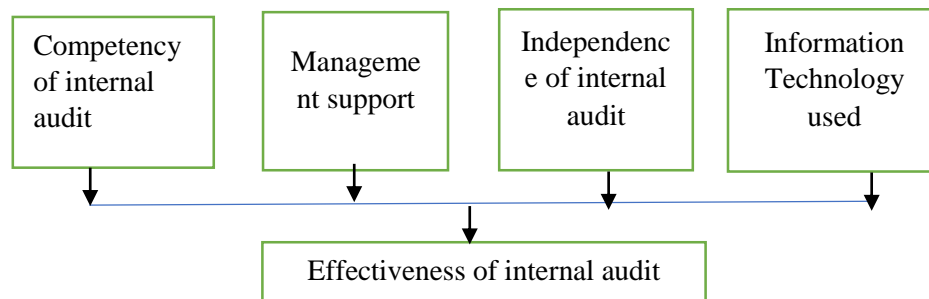


Figure 1. Conceptual framework of Zulkifli Baharud-din et al (2013)
Sources: Researcher Zulkifli, Alagan and Mohd, 2013

Research by Abdulaziz Alzeban et al (2014), "Factors Affecting the Internal Audit Effectiveness: A survey of the Saudi Public Sector" (Journal of International Accounting, Auditing and Taxation Volume 23, Issue 2, 2014, Pages 74–86).

Using data obtained from two surveys, separate questionnaires were sent to 223 managers of audited divisions in 79 Saudi public sector organizations and 396 auditors. auditors in these organizations are subject to audit by the GAB. The results of this study suggest that factors such as: capacity of internal auditors, number of employees in internal audit department, relationship between internal audit and external audit, independence of Internal audit and the level of management support for internal audit functions influence the effectiveness of internal audit functions in the public sector in Saudi Arabia. At the same time, the author's research results highlight the role of support management for internal audit functions as the main driver of internal audit. This study further elaborates on the current internal audit literature in Saudi Arabia. Given the importance of the public sector in the Saudi economy, this study enhances understanding know about the nature of internal audit in Saudi Arabia and the basic factors affecting internal audit effectiveness.

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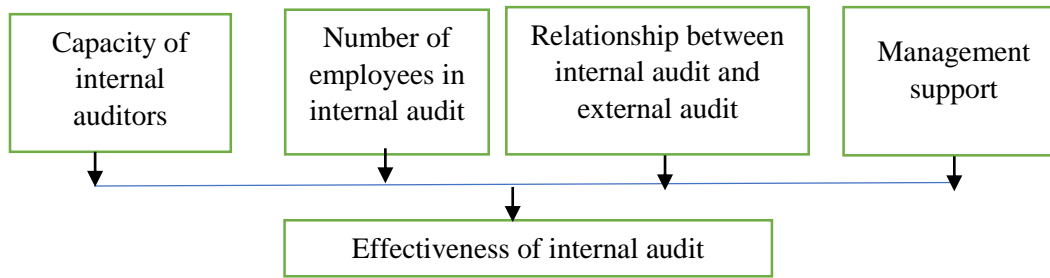


Figure 2. Conceptual framework of Abdulaziz Alzeban et al (2014)
Sources: Researcher Abdulaziz Alzeban et al (2014)

Research by Drogalas George (2015), "Factors associated with Internal Audit Effectiveness: Evidence from Greece" (Journal of Accounting and Taxation, Vol. 7(7), pp. 113-122, July, 2015).

In this study, the author investigates the specific factors associated with the effectiveness of internal audit in the Greek business environment. Empirical evidence is gathered by a survey. The author uses the dual factor analysis method and regression analysis to prove the collected information. The results show that the main factors affecting the effectiveness of internal audit are: (1) the quality of the internal audit, (2) the capacity of the internal audit team, (3) the independence of the internal audit and (4) support from management. More specifically, the author's results also suggest that the independence of internal audit is the foundation of internal audit effectiveness, as it is the most important factor in the model. Finally, the author concludes that internal audit is of great importance for Greek businesses.

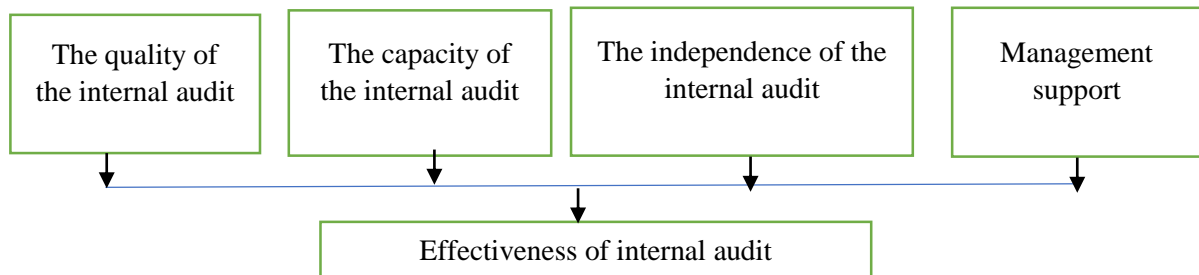


Figure 3. Conceptual framework of Drogalas George (2015)
Sources: Researcher Drogalas George (2015)

Research by Tabandeh Salehi (2016), "Investigation Factors Affecting the Effectiveness of Internal Auditors in the Company: Case Study Iran" (Review of European Studies; Vol. 8, No. 2; 2016).

The study develops and tests through 5 hypotheses, collects data through a questionnaire survey to 355 internal audit managers and 272 internal audit staff. The author uses a multivariate regression model to test the relationship between internal audit effectiveness and four main influencing factors, which are: Capacity of internal audit staff, number of employees in the department internal audit, communication between internal auditors and external auditors, management support for the internal audit department. These factors were identified by the author based on a review of previous studies (Alzeban & Sawan, 2013; Soh & Bennie, 2011; Ahmad et al, 2009; Mihret & Yiamaw, 2007; Ali et al, 2007); Sarens & Beelde, 2006; Carcello et al, 2005; Brierley et al, 2001, 2003). The results of the study show that internal audit effectiveness is more strongly influenced by 3 factors: trained and experienced internal audit staff, management support, resources of the internal audit department. The author's findings also highlight management's support for performing internal audits, as an important leader in internal audit performance.

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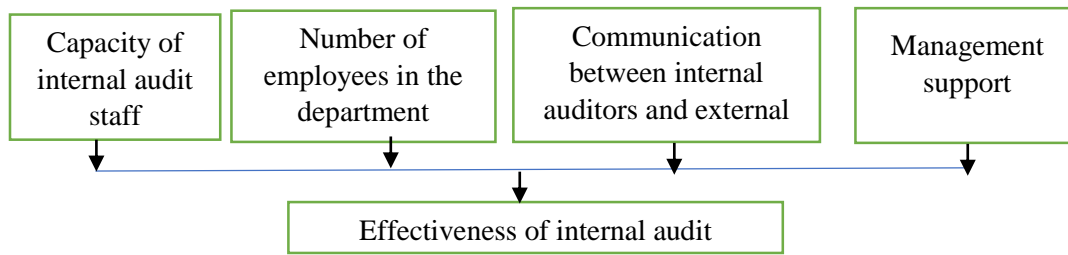


Figure 4. Conceptual framework of Tabandeh Salehi (2016)

Sources: Researcher Tabandeh Salehi (2016)

Detecting the factors affecting the effectiveness of internal audit will help provide solutions to improve the efficiency of internal audit. From the research overview of related works, it can be seen that the research focuses on 4 factors summarized by the author in the following table:

Table 1: Summary of factors affecting the effectiveness of internal audit

Serial	Factor	Author
1	Capacity and number of internal audit	Baharud-din et al , 2013; Alzeban et al , 2013, 2014; Hailemariam, 2014; George, 2015; Salehi, 2016
2	Communication between internal auditors and external auditors	Alzeban et al , 2013, 2014; Salehi, 2016
3	Management support	Cohen & Sayag, 2010; Baharud-din et al , 2013; Alzeban et al , 2013, 2014; Hailemariam, 2014; George et al , 2015; Salehi, 2016
4	Independence of internal audit	Baharud-din et al , 2013; Alzeban et al , 2013, 2014; Hailemariam, 2014; George et al , 2015; Salehi, 2016

Source: Synthesis of the research team

In Vietnam, in-depth studies, using quantitative research methods and conducting surveys in Vietnam to determine the factors affecting the effectiveness of internal audit at regional units. Public and business alike are re-applying the model of international studies. Or studies in the field of internal audit are only qualitative studies aimed at perfecting the internal audit system at an enterprise or at a specific administrative and non-business unit, but not in depth. in building a research model suitable to the characteristics of Vietnam. Therefore, the construction of a research model of factors affecting the effectiveness of internal audit at public non-business units in Vietnam has practical and topical significance for Vietnam today.

4.2. Influence factor

Capacity and number of internal audit staff

Theoretical background shows that to be effective internal audit, the organization must have adequate resources to carry out the responsibilities appropriately and the lack of competent resources is also a challenging issue. large for the internal audit system in the unit. The internal audit team leader must ensure that internal audit resources are deployed appropriately, adequately and effectively to accomplish the approved plan. (ISPPIA, Standards 2030 and 2230). Alzeban (2014) he said that the capacity of internal auditors is measured through professional competence; work experience; the number of hours that internal auditors are trained and updated their specialized knowledge regularly.

Relationship between internal auditors and external auditors

Coordination and cooperation between internal and external auditors has long been considered important to the benefit of audits for organizations and external stakeholders. Examples of such coordination and cooperation include planning and exchanging information, opinions, and reports to facilitate higher quality audits and avoid unnecessary duplication of audit engagements. Professional standards address the relationship between internal auditors and external auditors. For example, ISPPIA, in its coordination standard, suggests that coordination should include information sharing and coordination of activities. The Standards require the establishment of a professional working relationship between the respective audit parties, which helps the internal auditors in achieving their objectives and providing better service to the organization. office. From the external auditor's point of view,

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the information provided by the internal auditor has the potential to assist in providing an audit opinion for greater audit effectiveness and thereby effective of greater resources in which case external auditors may rely on work done by internal auditors.

Academic research shows that the right partnership increases the economics, efficiency, and effectiveness of audits and helps manage the delivery of high-quality public services. The absence of cooperation between internal and external auditors is often identified as a factor in the deterioration of both forms of public sector audits in developing countries (Gwilliam et al. El-Nafabi, 2002; Brierley et al., 2001).

Management support for internal audit

The IIA definition of internal audit embodies such things as good management, which in part relies on the professionalism of management to ensure a rigorous internal audit function. In recognition of this, senior managers place increased importance on the audit function and change their expectations about internal audit (Carcello et al., 2005). With the support of top management, internal auditors can obtain adequate resources to perform their duties and responsibilities, and the internal audit department can hire qualified staff and provide training and continuous development (Alzeban and Sawan 2013, Cohen and Sayag, 2010).

Previous studies have suggested that management support is of prime importance for the success of the internal audit function. Ahmed et al. (2009) found that management support is the second most important determinant of internal audit performance in the Malaysian public sector, and the study also shows that with support from management, audit recommendations are made. Internal audit will probably be done and the internal audit will be well resourced in terms of number of staff and budget.

Independence of internal audit

The independence and objectivity of the internal audit department has been identified as an important factor in its effectiveness (CIPFA, 2003). Worldwide professional standards and ISPPA and IIA guidelines suggest that appropriate independence and objectivity can be achieved by reporting to levels within the organization that enable the Internal Audit departments to carry out their responsibilities. its responsibilities without management intervention; avoid conflicts of interest; have direct contact with the board of directors and senior management; have unrestricted access to records, employees and departments; has the right to appoint and remove the head of the internal audit who is not under his direct management authority; and does not perform non-audit work.

Research on political institutions

According to the results from the studies of Zingales (1998), Beck et al. (2003), the political institutional factor has a direct influence on financial development. The authors Kaufmann et al. (2009) in their research have established the factors that reflect the political institution of a country including: regulatory quality factors, political stability factors, and factors. government effectiveness, policy accountability, and corruption control. The indicators used by the authors to reflect the political institutional factor have been calculated, published and updated annually by the World Bank.

Research on group interests

The author Rawls, J.A (1971) when studying group interests, stated that a political institution is considered complete when there is a complete legal system, creating opposition between interest groups in the body. mechanism and proactively create a resistance mechanism through self-improvement and continuous renewal processes, and at the same time share power among different components of the government apparatus so that they can self-monitor and adjust the balance of power. power in that institution.

Research by author Frank Scarpatti (1977) shows that group interests have both positive and negative effects. Our task is to continue to establish and modernize the mechanism for controlling state power, to create an institution in which it will maximize the positive influence of group interests, and at the same time minimize the negative effects of group interests. Research by the authors Allan J.Cigler & Burdett A. Loomis (1995) shows that from group interests form interest groups. Our society is a complex set of interests, interests within groups, or between different groups that are constantly interacting in a state of constant competition for ownership, the right to distribute public resources and the right to participate in the process of shaping and formulating policies in order to bring the highest benefits to their groups. It is impossible for groups to exist outside of interests. The number of interest groups is regulated and limited by the interest index.

From the point of view of inheriting and continuing to develop previous studies, the study will continue to study the effectiveness of internal audit. In the research direction of the author, in addition to the factors that the authors have studied before that affect the effectiveness such as: Capacity and quantity of internal auditors; The relationship between internal auditors and internal auditors (external auditors); Management support for internal audit; Independence of the Internal Auditor. The author will pay attention to the specific factors of the Vietnamese economy that can affect the effectiveness of internal audit in public administrative

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units such as: Vietnam's political institutions, group interests in the unit. Therefore, the author in addition to inheriting the research model of Alzeban et al (2014) and previous studies to determine the factors affecting the effectiveness of internal audit and build models of influencing factors The effectiveness of internal audit of public sector units in Vietnam needs to be verified, including 6 factors as follows:[1] Capacity and number of internal audit staff; [2] Relationship between internal auditors and external auditors; [3] Management support for internal audit; [4] Independence of internal audit; [5] Research on political institutions; [6] Research on group interests.

4.3. Proposed research model

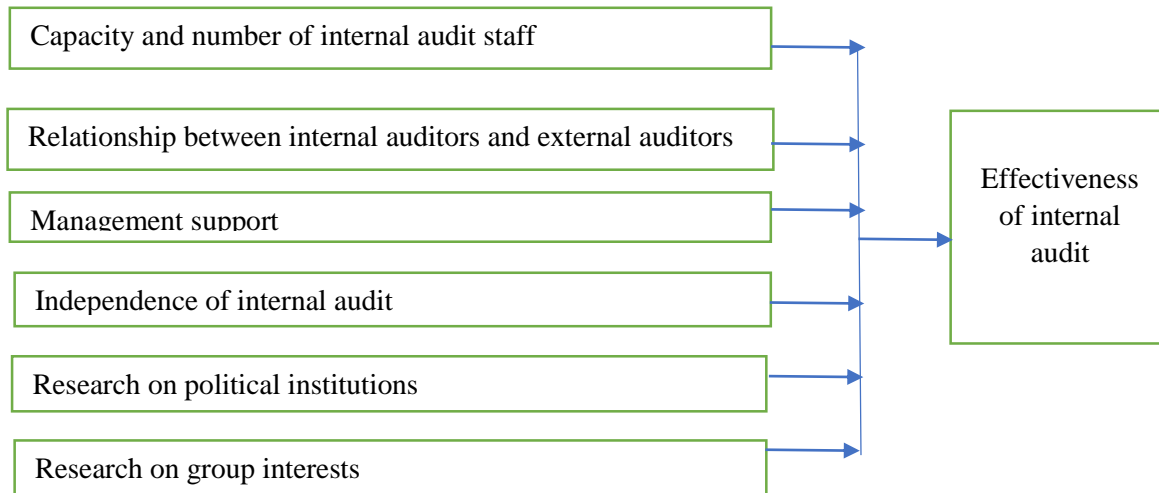


Figure 5. Conceptual framework
Source: The research team

5. CONCLUSION

The article also provides background theories on public sector, internal audit and internal audit effectiveness, and provides background theories for research purposes. Besides, based on previous studies, the author inherits a research model consisting of 1 dependent variable (Internal audit effectiveness) and 4 independent variables (Capacity and number of employees of the internal audit department). internal audit; The relationship between internal audit and external audit; Management support for internal audit; Independence of internal audit) while adding two new factors: the main institution values and group interests to Constructing a Model of factors affecting the effectiveness of internal audit at public non-business units in Vietnam.

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