

**MINISTRY OF EDUCATION AND TRAINING    MINISTRY OF FINANCE**  
**ACADEMY OF FINANCE**

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**AUDITING OF ENTITIES OPERATING**  
**UNDER THE LAW ON COOPERATIVES IN VIETNAM**

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**MAJOR CODE: 9.34.03.01**

**SUMMARY OF THE DISSERTATION**

**HA NOI - 2026**

**This research was conducted at: The Academy of Finance – Ministry of Finance**

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The dissertation will be defended before the Institutional – level.

Dissertation Committee, convened at the Academy of Finance.

Time: ..... (hours), Date: .....Month: ..... Year: .....

The dissertation is available for reference at: The National Library of Viet nam and The Academy of Finance Library.

## INTRODUCTION

### 1. RESEARCH RATIONALE

Over the years, collective economic units and cooperatives have become an important part of the Vietnamese economy, especially in the fields of agriculture and rural development. These units contribute significantly to raising incomes and improving living standards for communities, while promoting sustainable development in rural areas. However, due to their non-profit-maximizing nature, complex organizational models, and susceptibility to social factors, these units also face numerous difficulties in financial management and transparency of business operations. One proposed solution to address these issues is the use of auditing services to audit the operations, financial statements, and legal compliance of cooperatives.

The study of the topic "*Auditing of Entities Operating Under the Law on Cooperative in Vietnam*" is significant both theoretically and practically.

#### *Theoretical Significance:*

Firstly, in the system of auditing research, most current studies focus on auditing enterprises, public sector auditing, or auditing financial and banking institutions. Meanwhile, cooperatives are a type of economic organization with a multi-ownership nature, governance mechanisms, operational objectives, and benefit distribution methods that are very different from other organizations. Applying the auditing models of enterprises or other entities to cooperatives in a mechanical way is not truly appropriate.

Secondly, current research shows that a complete theoretical framework for auditing cooperatives in a market economy has not yet been established. Cooperatives in Vietnam operate according to market principles while also embodying mutual assistance and equality for the benefit of their members. This necessitates the development of a separate theoretical basis regarding the objectives, entities performing the audit, the cooperatives being audited, the content and scope of the audit, and the audit process.

Thirdly, this thesis contributes to the systematization and development of the theory of auditing and financial information transparency in the collective economic sector. Auditing is an important tool to ensure transparency, accountability, and good governance. However, in the cooperative sector, these issues have not been fully studied from the perspective of auditing theory. This thesis will contribute to clarifying the role of auditing in improving the effectiveness of cooperative governance, thereby supplementing the theory of auditing control for collective economic organizations in general and cooperatives in particular.

#### *Practical significance:*

Firstly, the development of the cooperative sector demands increasingly higher requirements for transparency, enhanced trust, and the need for auditing.

Secondly, the current state of auditing work for cooperatives still has many limitations.

Thirdly, there is a need to improve the institutional framework and policies for the development of the collective economy.

Fourthly, there is a need to ensure compliance with the law and standards.

Fifthly, it is necessary to meet the requirements of integration and enhance the reputation of Vietnamese cooperatives.

Sixthly, it is necessary to meet the requirements of future laws.

In the context of Vietnamese cooperatives still facing many difficulties in terms of awareness and organizational capacity, the implementation of auditing activities encounters many obstacles. Based on both theoretical and practical significance, the study of "*Auditing of Entities Operating Under the Law on Cooperative in Vietnam*" is not only theoretically significant but also highly practical, helping to improve the quality of financial management, ensure transparency, and contribute to the sustainable development of these cooperatives (The thesis focuses only on auditing cooperatives, not other units operating under the Cooperative Law, to ensure the focus is on cooperatives as the audit subject).

## **2. OVERVIEW OF RELATED RESEARCH TOPICS**

### ***2.1. General Regulations on Cooperatives, Auditing, and the Legal Framework for Cooperative Auditing***

Works related to the legal framework, role, characteristics of cooperatives, policies supporting cooperatives, auditing, and the role of auditing in cooperative governance.

### ***2.2. Studies on Auditing Practices***

Works related to the auditing entity, audited entity, audit content, auditing standards, and auditing procedures.

### ***2.3. Research on Cooperative Auditing Models***

### ***2.4. General Assessment of the Research Situation and Identification of Research Gaps in the Dissertation***

After reviewing research on general regulations for cooperatives, auditing, and the legal framework for auditing cooperatives; and research on auditing practices (auditing entities, audited entities, audit content, auditing standards, and auditing procedures), the doctoral candidate has the following assessments:

Firstly, regarding research content: The majority of published works focus on specific aspects of cooperatives and auditing of entities such as: research on

auditing of businesses and financial institutions; research on the legal framework, role, and characteristics of cooperatives; research on auditing and the role of auditing in cooperative governance; some research on auditing entities such as independent auditors, state auditors, or internal auditors; research on auditing methods; and research on auditing standards for auditing businesses in general. Furthermore, these studies mainly focus on earlier stages and none have conducted in-depth research on auditing of entities operating under the Cooperative Law in Vietnam. In particular, none have comprehensively examined the auditing practices for cooperatives, including the auditing entity, the audited cooperative group, the content and scope of the audit, auditing standards, and the auditing process.

Secondly, regarding the scope of research: Studies on auditing are very diverse, conducted on audited entities of various types of businesses and economic organizations in different geographical areas: such as commercial enterprises, manufacturing enterprises, service providers, construction enterprises, banking and financial institutions, etc. Although there are diverse studies covering all fields and industries, the issue is that the collective economic sector, mainly cooperatives, has more distinct and specific characteristics compared to general studies on auditing for the aforementioned businesses and organizations, yet it has not been the focus of research. Therefore, the research results are unlikely to be suitable and applicable to the collective economic sector, primarily cooperatives, in Vietnam. Currently, there are also no studies on the implementation of auditing for cooperatives and entities operating under the Cooperative Law in Vietnam.

Thirdly, regarding the research context: Compared to the past, the research context has changed significantly. The new context requires auditing research to be closely linked to the application of information technology in information processing and auditing practice. On the other hand, the context of globalization with newly signed trade agreements opens up more opportunities, especially for cooperatives and the collective economic sector. Therefore, in the new context, cooperatives can achieve more meaningful results than in previous studies.

However, there are still incomplete issues and areas not studied in previous research. This represents a gap in both theory and practice.

*- In terms of theory:*

Previous studies have mainly provided a theoretical framework for auditing businesses in general. To date, no studies have directly and comprehensively researched and evaluated auditing for entities operating under the Cooperative Law in Vietnam (specifically, the legal framework for cooperatives and auditing practices for cooperatives have not been comprehensively studied, such as: the auditing entity; the audited entity being cooperatives; the subject and scope of auditing; and the content and process of auditing for cooperatives).

*- In terms of practice:*

Although there have been some studies in Vietnam on auditing for businesses or those that have begun to address cooperatives, these studies have different subjects, scopes, and approaches to solutions compared to the solution proposed in this doctoral thesis. As of the time of this dissertation, there has been no comprehensive research topic on auditing of entities operating under the Cooperative Law in Vietnam. In particular, the assessment of the audit subjects, the cooperatives to be audited, the audit scope and content, and the audit process for cooperatives; as well as the factors influencing the auditing of entities operating under the Cooperative Law, have not been studied or clarified.

Based on a summary of published research and the theoretical and practical gaps, the doctoral candidate has identified the following specific gaps that need to be researched and addressed:

Firstly, through an overview of research on cooperatives, auditing, and the legal framework for auditing cooperatives, the research gap is identified as follows: studies have only focused on general theories regarding cooperatives, lacking in-depth research with practical surveys and in-depth studies on the role of auditing in governance and sustainable development of cooperatives. Factors such as audit costs, benefits, and the level of practical application have not been studied and clarified. Previous studies have not fully systematized the need for auditing for cooperatives as well as the role of auditing in cooperative governance. In addition, these studies mainly focus on auditing for enterprises in general, and due to the specifics of the collective economic sector, applying the above studies to cooperatives is very difficult to do appropriately.

Secondly, through the overview of research on auditing practice (auditing subject, audited unit, audit content, auditing standards and auditing process), the following research gaps are revealed: (1). There is not much in-depth research on supporting tools in auditing work such as the application of technology to the auditing process of cooperatives in Vietnam, especially in the cooperative sector, the application of technology in auditing has not been studied in depth, although small and medium-sized cooperatives can benefit greatly from these technologies; (2). Current studies have not focused on the audit process and content to suit the specific characteristics of these entities; (3). There is no research on auditing for units operating under the Cooperative Law in Vietnam, or comprehensive research on auditing practices for cooperatives.

Thirdly, through the overview of research on the cooperative audit model, the research gap is identified as follows: research on audit models is limited in terms of subjects and scope; it has only focused on proposing solutions for flexible audit implementation models combining financial audit and operational audit content, lacking research proposing compliance audit implementation for cooperatives, or mainly focusing on financial audit, not delving into operational audit, compliance audit, or sustainability audit. This necessitates research on how to conduct a comprehensive flexible audit for cooperatives.

On the other hand, there are currently no studies on auditing of cooperative-based entities in Vietnam that propose an auditing model suitable to the specific characteristics of the cooperative sector in Vietnam. Therefore, this is a significant gap in the research topic that needs in-depth study.

Based on the analysis of the research gap mentioned above, the author believes these are novel aspects of the thesis. This overview clarifies the theoretical foundation, current issues, and necessary research directions to effectively implement the thesis, achieving the research objectives and tasks, and meeting both theoretical and practical requirements.

### **3. RESEARCH OBJECTIVES**

The dissertation "*Auditing of Entities Operating Under the Law on Cooperative in Vietnam*" aims to achieve the following objectives:

The dissertation is conducted with the purpose of researching and proposing solutions to improve auditing of audited units, which are cooperatives operating in Vietnam.

To achieve the objectives of the dissertation, the specific tasks are:

- To clarify, systematize, and supplement the basic theory of auditing of units operating under the Cooperative Law, and to build a research model of factors affecting the implementation of audits for units operating under the law on cooperatives.
- To synthesize and analyze the current situation of auditing activities and compliance with auditing activities of units operating under the Cooperative Law in Vietnam; to test the factors affecting the implementation of audits of units operating under the Cooperative Law in Vietnam; and to evaluate the achievements, limitations, and causes of these limitations.
- Develop guidelines and perspectives for improvement, propose solutions, and recommend the implementation of these solutions to relevant agencies in order to improve auditing of entities operating under the Cooperative Law in Vietnam.

### **4. RESEARCH SUBJECTS AND SCOPE**

- The research subject of this thesis is the theoretical and practical issues of auditing for entities operating under the Cooperative Law (focusing on cooperatives). The thesis approaches the topic from the perspective of state agencies regarding auditing and the management of cooperatives, while also combining it with the perspective of the current auditing activities of auditing entities and from the internal management of the audited cooperatives.

- The research scope of the thesis:

+ In terms of content: To ensure the relevance of this thesis, the author focuses on the auditing entities; the audited entities (cooperatives); the subject and scope of

auditing; the content of auditing; the auditing process; and the compliance with auditing practices by cooperatives in Vietnam.

The thesis does not study internal auditing in cooperatives. Furthermore, the dissertation does not delve deeply into the State Audit of Cooperatives, but only proposes some solutions regarding the entity responsible for auditing cooperatives, namely the State Audit Office.

+ In terms of scope: The dissertation studies cooperatives and the implementation of audits of cooperatives in Vietnam according to the provisions of the Cooperative Law.

+ In terms of time: The dissertation is expected to conduct research from 2013 to 2025.

## **5. RESEARCH METHODOLOGY**

To serve the research objectives of the dissertation, the doctoral candidate plans to use both secondary and primary data. The data collection and analysis process will be carried out through research methods including: survey research method, data analysis method, synthesis method, statistical method, document analysis method, comparative method, inductive and deductive methods.

## **6. NEW CONTRIBUTION OF THE RESEARCH**

The new contributions of the thesis are demonstrated in both theoretical and practical aspects:

- In terms of theory: Systematizing and clarifying theoretical issues regarding auditing, the characteristics of units operating under the Cooperative Law that affect the implementation of audits; auditing of cooperatives; an overview of relevant research worldwide and domestically related to the thesis, thereby identifying gaps and areas for further in-depth research; the research results of the thesis have contributed to and supplemented the theory related to auditing of cooperatives.

- In terms of practice: exploring the characteristics of cooperatives in Vietnam and the implementation of audits in these units; synthesizing, analyzing, and evaluating the current state of auditing of cooperatives in Vietnam, thereby assessing the advantages, limitations, and causes of these limitations; proposing applicable solutions to improve auditing of cooperatives in Vietnam; This thesis proposes conditions for implementing solutions with relevant agencies to improve auditing of these entities in the future; conducts an in-depth survey of the current state of auditing of cooperatives and surveys on factors affecting the implementation of audits of these entities in Vietnam through questionnaires sent to 222 cooperatives in Vietnam; and proposes solutions to improve auditing of cooperatives in Vietnam.

The research results of this thesis will provide valuable information for improving auditing of cooperatives in Vietnam.

## **7. DISSERTATION STRUCTURE**

Chapter 1: Fundamental theories of auditing for entities operating under the Cooperative Law.

Chapter 2: Current state of auditing for entities operating under the Cooperative Law in Vietnam.

Chapter 3: Solutions for improving auditing for entities operating under the Cooperative Law in Vietnam.

## **CHAPTER 1. FUNDAMENTAL THEORY OF AUDITING ENTITIES OPERATING UNDER THE LAW ON COOPERATIVES**

### **1.1. Overview of auditing for entities operating under the law on cooperatives**

#### ***1.1.1. Concepts and Classification of Auditing***

##### *1.1.1.1. Concept of Auditing, Auditing of Units Operating Under the Law on Cooperatives*

Auditing is the process by which independent professionals objectively collect and evaluate evidence regarding quantifiable financial and operational information of a specific entity, with the aim of confirming and reporting on the degree of conformity between this information and operations and established standards (accounting standards, auditing standards, legal regulations).

##### *1.1.1.2. Classification of audits and audits of entities operating under the Law on Cooperatives*

#### ***1.1.2. Overview of entities operating under the Law on Cooperatives***

##### *1.1.2.1. Concept of entities operating under the Law on Cooperatives*

According to the law on cooperatives, operating units include various types of collective economic organizations, primarily cooperatives where members cooperate, share benefits and responsibilities in production, business, and service activities. These units operate based on the principles of voluntariness, democracy, equality, and mutual benefit.

##### *1.1.2.2. Classification of operating units according to the law on cooperatives*

- By scale: Cooperatives can be classified according to the number of employees; the number of cooperative members; the capital contributed by members; total annual revenue; total assets of the cooperative, etc.
- By economic sector or economic field: divided into fields such as agriculture, forestry, and fisheries; industry and construction; trade and services; finance, banking, and insurance, etc.
- By economic region or locality such as plains, midland and mountainous regions, plateaus, etc.

##### *1.1.2.3. Characteristics of the operations of units operating under the law on cooperatives and their influence on auditing activities*

The operational characteristics of cooperatives include: dual objectives, democratic ownership and management, indivisible common assets, internal transactions, scale and financial capacity, and voluntariness.

#### ***1.1.3. Objectives and role of auditing for units operating under the law on cooperatives***

### *1.1.3.1. Objectives of auditing for units operating under the law on cooperatives*

Confirming the accuracy and fairness of financial statements; Assessing compliance with laws and internal regulations; Protecting the rights of members; Enhancing the reliability of economic information; Detecting errors and weaknesses.

### *1.1.3.2. The Role of Auditing for Units Operating Under the Law on Cooperatives*

An effective governance tool; Enhances transparency and accountability; Builds trust; Facilitates access to capital; Supports state supervision; and improves the control system.

## **1.2. Auditing of Units Operating Under the Law on Cooperatives**

### ***1.2.1. Auditing Entities***

Auditing of cooperatives worldwide is carried out by various entities, including government agencies, the Federation/Union of Cooperative Auditors, independent auditors, internal audit committees, and international organizations. The appropriate audit model depends on the legal system, size, and field of activity of the cooperative.

### ***1.2.2. Audited Units in the Collective Economic Sector***

Audited units in the collective economic sector include: cooperatives and other units (such as cooperative groups, cooperative unions).

### ***1.2.3. Subject and Scope of Audit***

*1.2.3.1. For financial statement audit: the subject and scope of the audit is the financial statements.*

*1.2.3.2. For compliance audit: the subject and scope of the audit is compliance with regulations, laws, policies, and internal procedures.*

*1.2.3.3. For operational audit: the subject and scope of the audit is the effectiveness, efficiency, and economy of operations.*

### ***1.2.4. Basic Content of Cooperative Auditing***

*1.2.4.1. For financial statement audit: the basic content of the audit is the examination and verification of financial statements.*

*1.2.4.2. For operational audits: the basic content of the audit is to evaluate the internal control system; assess operational efficiency and development strategy; and evaluate management and profit distribution.*

*1.2.4.3. For compliance audits: the basic content of the audit is to check compliance with laws and relevant regulations.*

### ***1.2.5. Audit Process***

*1.2.5.1. Audit Planning**1.2.5.2. Audit Execution**1.2.5.3. Audit Completion and Audit Reporting****1.2.6. Factors Affecting the Auditing of Units Operating Under the Law on Cooperatives****1.2.6.1. Cooperative Size*

- Number of Cooperative Members;
- Number of Production and Business Activities.

*1.2.6.2. Financial Characteristics of the Cooperative*

- Total Assets;
- Total Revenue;
- Debt/Total Assets Ratio (Financial Leverage Ratio).

*1.2.6.3. Characteristics of the Cooperative Management Team's Capacity*

- Percentage of Board of Directors Members Who Have Received Training;
- Percentage of Management Board Members Who Have Received Training;
- Percentage of Supervisory Board Members Who Have Received Training;
- Percentage of trained accounting staff.

*1.2.6.4. Other factors influencing audit performance:*

- Benefits and necessity of audit activities for cooperatives;
- Actual costs incurred for audit activities if audit services are used at cooperatives;
- Cooperatives' need for audit performance.

***1.3. International Experience in Auditing Cooperatives****1.3.1. Auditing Cooperatives in Several Countries*

Experiences in auditing cooperatives in several countries such as the Federal Republic of Germany, the United States, China, and Thailand focus on the following aspects: the auditing entity; the audited entity in the collective economic sector; the subject, scope, and content of the audit; the audit process; and other related issues.

*1.3.2. Lessons Learned for Vietnam*

Practical experiences in implementing audits of cooperatives conducted by audit federations in various countries will provide valuable lessons for countries,

including Vietnam, to learn from and apply to their respective conditions. Specifically, lessons learned should be applied to the following areas:

*1.3.2.1. Regarding the entity performing the audit:*

It is necessary to consider whether the entity performing the audit for cooperatives should be an auditing firm or a unit under the Vietnam Cooperative Union established with the same standards and conditions as other auditing firms, such as the Cooperative Auditing Center.

*1.3.2.2. Regarding the audited entity:*

Cooperative laws in other countries stipulate mandatory audits for cooperatives annually or periodically (every 2-3 years) based on criteria, scale, and the degree of impact on the number of members, in order to detect and promptly address risks related to operations, finance, and legal compliance. It is necessary to consider and learn from experience to define criteria for total assets and revenue that are considered "large" to suit the general scale of cooperatives, which in Vietnam are currently mainly small and medium-sized.

*1.3.2.3. Regarding the subject, scope, and content of the audit:*

Auditing cooperatives is considered a public service; the State issues mechanisms or entrusts the Cooperative Union to carry out the audit; audit reports are used by cooperatives, state agencies, the Cooperative Union, enterprises, and credit institutions for purposes consistent with the functions and tasks of each agency and organization. For cooperatives that are required to be audited, initially, only the annual financial statements may be required to be audited at least once every three years, then annually or periodically, and specific criteria for the content to be audited comprehensively may be stipulated, including: financial statement audit, operational audit, and compliance audit; for cooperatives that only audit certain aspects, the main focus will be on financial statements.

*1.3.2.4. Regarding the audit process:*

Based on international audit experience and audit procedures in other countries, several important lessons can be drawn for Vietnam in improving its audit process, especially the audit of financial statements. These lessons can help improve the quality, efficiency, and transparency of auditing in Vietnam.

*1.3.2.5. Other content:*

- Regarding the legal framework for the cooperative sector;
- Regarding the licensing authority for organizations conducting audits for cooperatives;
- Regarding audit reports and their legal value;
- Regarding quality control of audit services for cooperative audits.

## CONCLUSION OF CHAPTER 1

Chapter 1 of this thesis has analyzed and clarified the basic issues of independent auditing, from the concept and classification of audits, audit content, to factors affecting the implementation of audits for cooperatives and the role of auditing in enhancing transparency, management efficiency, and sustainable development of cooperative organizations.

Auditing not only plays a crucial role in verifying the accuracy of financial statements but also helps cooperatives comply with legal regulations, evaluate operational efficiency, and ensure transparency in financial management. This auditing process helps cooperatives identify errors or potential risks in financial management, and provides recommendations for improving the internal control system, thereby helping cooperatives enhance operational efficiency and sustainable development.

Furthermore, factors such as the legal framework, the level of transparency of cooperatives, the quality of the internal control system, the capacity of the management team, and macroeconomic factors significantly influence the auditing process and results. Identifying and effectively controlling these factors will facilitate the auditing process, while simultaneously enhancing trust and protecting the rights of cooperative members.

In short, auditing of entities operating under the Cooperative Law in general, and cooperatives in particular, is an important tool in promoting the sustainable, transparent, and efficient development of cooperatives, thereby creating a solid foundation for the development of the cooperative economy and contributing to the overall development of the national economy. Therefore, raising awareness of the role of auditing and improving the quality of auditing work is necessary, not only for cooperative organizations but also for the socio-economic development in general. This chapter provides the theoretical foundation for the subsequent sections of the thesis.

## **CHAPTER 2**

### **CURRENT SITUATION OF AUDITING FOR ENTITIES OPERATING UNDER THE COOPERATIVE LAW IN VIETNAM**

#### **2.1. Overview of Units Operating Under the Cooperative Law in Vietnam**

##### ***2.1.1. General Overview of Units Operating Under the Cooperative Law in Vietnam***

##### ***2.1.2. Classification of Units Operating Under the Cooperative Law in Vietnam***

###### *2.1.2.1. Classification of Cooperatives by Economic Sector*

###### *2.1.2.2. Classification of Cooperatives by Size*

- By Labor Force Size;
- By Number of Cooperative Members.

###### *2.1.2.3. Classification of Cooperatives by Economic Region and Locality*

- By Economic Region;
- By Locality.

##### ***2.1.3. Characteristics of Operations of Units Operating Under the Cooperative Law in Vietnam and Their Influence on Auditing Activities***

###### *2.1.3.1. Characteristics of Operations of Units Operating Under the Cooperative Law in Vietnam*

Like most cooperatives worldwide, cooperatives operating in Vietnam share the following main characteristics: Dual objectives; Democracy and equality in organization and management; Undivided common assets; Internal transactions; Scale and financial capacity; Voluntary participation and membership expansion.

In addition to the above characteristics and principles, cooperatives in Vietnam also differ from cooperatives in some other countries, such as: Member responsibility in economic activities; Autonomy and self-responsibility; Emphasis on education, training, and information; Enhanced cooperation and linkages; Concern for community development.

###### *2.1.3.2. Factors influencing auditing activities*

Requirements for transparency; Specific legal framework and standards; Higher audit risks include: accounting errors, misvaluation of common assets, internal fraud, the need for auditors with specialized expertise, costs and affordability, difficulties in accounting and control, review of internal transactions, requirements for specialized auditors, and audit focus.

## 2.2. Current Legal Framework for Auditing Units Operating Under the Cooperative Law

\* Cooperative Law No. 17/2023/QH15 dated June 20, 2023, and guiding documents.

\* Law on Independent Auditing No. 67/2011/QH12

\* System of Auditing Standards and Professional Standards for Independent Auditing issued in Circulars of the Ministry of Finance.

\* Law on State Auditing No. 81/2015/QH13 and Law amending and supplementing a number of articles of the Law on State Auditing No. 55/2019/QH14:

\* Contents related to conducting audits of cooperatives according to current legal regulations

a) Regarding the entities conducting audits: Currently, the Cooperative Law, the Law on State Auditing, and the Law on Independent Auditing stipulate that the entities conducting audits include: independent auditing organizations conducting audits of cooperatives' annual financial statements; a) Regarding the audited entities: The State Audit Office audits cooperatives that manage and utilize public finances and public assets; according to the Law on Independent Auditing, the entities performing audits of cooperatives are auditing firms and practicing auditors.

b) Regarding the audited entities, audit subjects, and scope of audit:

According to the 2023 Law on Cooperatives, large-scale cooperatives and cooperatives applying to benefit from state policies are subject to mandatory audits of their annual financial statements.

According to the Law on the State Audit Office, the audited entity is the management and utilization of public finances and public assets, and activities related to the management and utilization of public finances and public assets of the audited entity.

However, according to the Law on Independent Auditing, the audited entity is all organizations and units that require audits of their financial statements or other audit work based on an audit contract.

Accordingly, the scope of auditing for cooperatives may include annual financial statements, the management and use of public finances and public assets of the audited entity, or other audit work based on an audit contract.

c) Regarding audit content

Both the Law on Cooperatives and the Law on Independent Auditing stipulate that the mandatory audit content is the audit of annual financial statements. However,

there are no clear and comprehensive regulations on compliance audits and operational audits for cooperatives.

d) Regarding audit procedures

The Law on Cooperatives and its guiding documents do not stipulate specific audit procedures for entities auditing groups of cooperatives. Therefore, currently, to conduct audits for cooperatives, auditing firms follow the procedures stipulated in the Vietnamese auditing standards system.

### **2.3. Current Status of Auditing Activities of Units Operating Under the Cooperative Law in Vietnam**

#### ***2.3.1. Regarding the Auditing Entities***

In Vietnam, auditing organizations are authorized to provide auditing services to units in general and cooperatives in particular when they fully meet the requirements stipulated in the Law on Independent Auditing and its guiding documents. These authorized auditing organizations include auditing firms and practicing auditors. In addition, there are other specialized auditing organizations such as the State Audit Office, auditing organizations belonging to the German Cooperative Auditing Federation (DGRV), and the Vietnam Cooperative Alliance.

#### ***2.3.2. Regarding the Cooperatives Subject to Auditing***

According to the Law on Cooperatives, the units subject to mandatory auditing are large-scale cooperatives; and cooperatives applying to benefit from State policies as stipulated in those policies.

#### ***2.3.3. Regarding the Subject and Scope of Audits***

The subject and scope of audits for cooperatives include annual financial statements, compliance audits, or operational audits as requested by the General Meeting of Members or by competent state agencies.

#### ***2.3.4. Regarding the Content of Audits***

- Auditing items of financial statements, auditing economic transactions, etc.; auditing the organization, management, and operation of the cooperative; auditing the cooperative's compliance with legal regulations;
- Providing advice and support to cooperatives in rectifying errors and shortcomings discovered during the audit process and other advisory services.

#### ***2.3.5. Regarding the Audit Process***

The audit process for cooperatives, whether for financial statement audits, compliance audits, or operational audits, and whether conducted by auditing firms or other organizations, generally ensures the comprehensiveness and accuracy of the audit work. This process not only helps verify the legality and accuracy of financial statements but also helps cooperative organizations improve the efficiency of their financial and operational management.

### ***2.3.6. Factors Affecting the Performance of Audits of Units Operating Under the Law on Cooperatives in Vietnam***

(1). Scale of the Cooperative: expressed through the criteria: (1.1). Number of Cooperative members; and (1.2). Number of production and business activities of the Cooperative.

(2). Financial characteristics of the Cooperative, expressed through the criteria: (2.1). Total assets; (2.2). Total revenue; and (2.3). Debt-to-total assets ratio.

(3). Characteristics of the capacity of the Cooperative's management team, expressed through the criteria: (3.1). Percentage of Board of Directors members who have received training; (3.2). Percentage of Management Board members who have received training; (3.3). Percentage of Supervisory Board members who have received training; and (3.4). Percentage of accounting staff who have received training.

(4). Other factors

## **2.4. Assessment of the Current State of Auditing Activities of Units Operating Under the Cooperative Law**

### ***2.4.1. General Assessment***

Currently, the issue of auditing in the cooperative sector is largely neglected. Most cooperatives have small economic resources and therefore lack the ability to pay service fees to auditing firms. Furthermore, the auditors of these firms themselves often lack a deep understanding of the nature, organizational principles, and operations of cooperatives to provide the most appropriate advice. So, given this situation, what model will meet the needs of cooperative auditing in Vietnam?

In this context, for development, cooperatives need to ensure voluntariness and transparency in accordance with their nature, principles, and values, as well as increase members' trust in the management mechanism. The most effective way to achieve this goal is through cooperative auditing activities.

### ***2.4.2. Achieved Results***

- Helps to enhance financial transparency;
- Helps improve management efficiency for cooperatives;
- Ensures compliance with legal regulations;
- Supports sustainable development;
- Other results.

In short, conducting audits of cooperatives in Vietnam not only brings clear benefits in enhancing financial transparency, improving management efficiency and legal compliance, but also contributes significantly to the sustainable development of these organizations. Cooperatives can utilize audit results to

improve management, build long-term development strategies, and increase their reputation in the economic community, thereby contributing positively to the overall development of the Vietnamese economy.

### ***2.4.3. Limitations***

Although conducting audits of cooperatives in Vietnam has brought many clear benefits and advantages, some limitations still exist in the process of implementing and achieving effective audit results. These limitations not only affect the quality of auditing but also impact the sustainable development of cooperatives and affect financial transparency in the entire cooperative economy, such as some limitations:

#### *2.4.3.1. Regarding the entities performing audits*

In reality, under the Cooperative Law, the group of entities that are auditing firms rarely perform auditing services for the cooperative sector. Furthermore, current legal documents lack regulations allowing entities other than auditing firms to perform audits for cooperatives. Meanwhile, in reality, there are other entities with in-depth expertise and understanding of the cooperative sector, and sufficient capacity to perform audits for cooperatives, such as: the Vietnam Cooperative Union and its affiliated provinces and units, or organizations like DRGV, JICA, etc.

#### *2.4.3.2. Regarding audited entities, subjects, and scope of audit:*

Firstly, entities operating under the Cooperative Law are limited in number and scope compared to many other entities operating under the Cooperative Law.

Secondly, cooperatives with official members contributed by foreign investors or with non-contributing foreign associate members are not yet required to have their annual financial statements audited as stipulated in the Law on Independent Auditing.

Thirdly, the current regulation only requires cooperatives and cooperative unions applying for state budget support of 3 billion VND or more to have audited financial statements from the immediately preceding year by an independent auditing organization at the time of application for support.

Fourthly, the regulation requiring cooperatives that meet the criteria of being large-scale cooperatives to have their annual financial statements audited at least once every two years is unclear and causes difficulties in implementation.

#### *2.4.3.3. Regarding the content of the audit*

The 2023 Cooperative Law and its guiding documents do not clearly specify the content of audits for cooperatives. Therefore, for cooperatives, clearer regulations are needed regarding which aspects should be audited to avoid difficulties in the implementation process.

#### *2.4.3.4. Regarding the audit process*

Similar to the content of the audit, the current Cooperative Law and its guiding documents also lack specific regulations and guidance on the audit process for units operating under the Cooperative Law.

#### *2.4.3.5. Other limitations*

In addition to the limitations related to the above-mentioned contents (auditing entity; audited entity; subject, scope; content; audit process), there are also limitations regarding the lack of legal regulations on specific audit standards applicable to the cooperative model and inadequacies in the management mechanism.

### ***2.4.4. Causes of Limitations***

#### *2.4.4.1. Objective Causes*

- Regarding the entity performing the audit;
- Regarding the audited entity, the subject and scope of the audit;
- Regarding the content and procedures of the audit;
- Other causes.

#### *2.4.4.2. Subjective Causes*

- Regarding the entity performing the audit;
- Regarding the audited entity, the subject and scope of the audit;
- Regarding the content and procedures of the audit;
- Other causes.

## CONCLUSION OF CHAPTER 2

In this chapter, the author conducted a comprehensive analysis of the current state of auditing activities for cooperatives in Vietnam. Through research and practical surveys, the author has pointed out the clear advantages that auditing brings to these organizations, including enhancing financial transparency, improving management efficiency, complying with legal regulations, and supporting sustainable development. Auditing not only helps cooperatives improve their financial management but also strengthens the trust of members and partners in the organization's operations.

However, in addition to the benefits mentioned above, the current state of auditing activities for cooperatives in Vietnam still faces many significant difficulties and limitations. Specifically, awareness of the role of auditing in these organizations is still low; many cooperatives consider auditing as a legal obligation rather than a tool to improve management efficiency. Furthermore, the auditing team lacks expertise in these organizational models, and the financial information systems of many cooperatives are not sufficiently transparent and compliant with accounting standards. The current legal framework for auditing is also incomplete, creating confusion in the implementation process. These difficulties and limitations have been thoroughly analyzed by the author, thereby clarifying the underlying causes of the poor performance of audits in cooperatives. This is an important basis for the author to propose solutions to overcome existing shortcomings and improve auditing work in Chapter 3.

In addition, the research results have shown several characteristics that significantly influence the ability to conduct audits in Vietnamese cooperatives, including membership size; total revenue and the professional qualifications of the management team; awareness of the benefits and necessity of auditing activities; the need for auditing and the affordability of audit fees by cooperatives. These findings not only clarify the nature of cooperatives' decision-making regarding auditing, but also offer many practical policy implications proposed in Chapter 3, aimed at promoting the application of auditing tools as part of the governance capacity building process.

Raising awareness of auditing, improving the capacity of cooperative leaders, perfecting the financial information system, and building a more robust legal framework with regulations on relevant aspects, especially regarding the auditing entity, subjects, scope, content, and procedures, will be decisive factors in promoting the sustainable development of collective economic organizations in Vietnam in the future.

## **CHAPTER 3**

### **SOLUTIONS FOR IMPROVING AUDITS OF ENTITIES OPERATING UNDER THE COOPERATIVE LAW IN VIETNAM**

#### **3.1. Development Orientation of Collective Economy in Vietnam from Now to 2030**

##### ***3.1.1. General Orientation***

Encourage the development of the collective economy in all sectors, fields, and regions of the country, prioritizing the construction of cooperative models linked to value chains, national and local key products, OCOP programs, etc.; expanding the scale of membership. Cooperatives should focus on developing and providing services to members, forming value chains from production to processing and consumption; ensuring the legitimate interests of members.

##### ***3.1.2. Development Orientation of the Collective Economy by Major Sectors and Fields***

- Strategic orientation for the development of cooperatives in agriculture, forestry, fisheries, and salt production;
- Strategic orientation for the development of cooperatives in industry, handicrafts, trade, and services;
- Strategic orientation for the development of cooperatives in the construction sector;
- Strategic orientation for the development of cooperatives in the transportation sector;
- Strategic orientation for the development of cooperatives in the credit sector;
- Strategic orientation for the development of cooperatives in other sectors.

##### ***3.1.3. Development orientation of cooperatives by region and territory:***

- Northern Midlands and Mountains region;
- Red River Delta region;
- North Central and Central Coastal region;
- Southeastern region;
- Mekong Delta region.

#### **3.2. Perspectives on improving auditing for units operating under the Cooperative Law:**

- Enhancing transparency and financial accountability;
- Ensuring fairness and protecting the rights of members;

- Complying with legal regulations;
- Improving management capacity and sustainable development.

### **3.3. Solutions for Improving Auditing of Units Operating Under the Cooperative Law in Vietnam**

#### ***3.3.1. Solutions for Improving the Legal Framework and Policy Mechanisms***

- Regulations on Financial Risk Management and Internal Control for Cooperatives
- Handling violations by cooperatives and auditing organizations in complying with legal regulations on auditing
- Applying the Cooperative Auditing Standard and designing a separate Cooperative Auditing Standard
- Creating mechanisms to encourage and facilitate the implementation of independent auditing by cooperatives

#### ***3.3.2. Solutions for Auditing Practices***

##### *3.3.2.1. Regarding the Auditing Entity*

##### a) Establishing a Cooperative Auditing Center under the Vietnam Cooperative Union

- Operating model;
- Functions and tasks of the Center;
- Personnel requirements of the Center;
- Operating budget of the Center;
- Reasons for choosing the Center to conduct audits for cooperatives;
- Benefits of the solution.

##### b) State Audit

For units that manage and use public finances, public assets, and activities related to the management and use of public finances and public assets, the State Audit Office will conduct audits in accordance with the Law on State Audit.

##### c) Independent Auditing Firms

For units that are subject to mandatory annual financial statement audits, compliance audits, or operational audits as stipulated in the Law on Cooperatives, they may choose independent auditing firms to perform the audits.

Currently, independent auditing firms must comply with the Law on Independent Auditing, Vietnamese auditing standards, and guiding documents to provide auditing services.

d) Establishing a team of experts and auditors to provide consulting support to cooperatives

*3.3.2.2. Regarding audited units, subjects, and scope of audit*

- General solutions
- Specific solutions:
  - + Adding mandatory audit units
  - + Implementation roadmap

*3.3.2.3. Regarding the content of the audit:*

The following regulations should be added to the Cooperative Law and its guiding documents to provide more specific regulations on the contents to be audited according to the Audit Standards and related regulations.

*3.3.2.4. Regarding the audit process:*

Similar to the content of the audit, the audit process also needs to be studied and supplemented in the Cooperative Law and its guiding documents. The audit process should closely adhere to the specific realities of cooperatives to provide appropriate guidance and facilitate implementation in practice.

*3.3.2.5. Strengthening supervision and inspection of audit service quality:*

- Establish independent inspection and supervision agencies;
- Develop a mechanism for periodic reporting;
- Establish a system of rewards and penalties;
- Strengthen the inspection and inspection of audit service quality;
- Create a close cooperative relationship between management agencies, audit organizations, and cooperatives.

**3.4. Recommendations for implementing solutions**

*3.4.1. Recommendations to state management agencies*

*3.4.2. Recommendations to the Vietnam Cooperative Alliance and the Provinces*

- For the Vietnam Cooperative Alliance
- For provincial and city cooperative alliances

*3.4.3. Recommendations to cooperatives*

*3.4.4. Recommendations to auditing organizations*

*3.4.5. Recommendations to training organizations*

### CONCLUSION OF CHAPTER 3

Improving auditing practices for units and cooperatives in Vietnam is a crucial and urgent task in the current context. However, for cooperatives to maximize their potential, it is necessary to ensure that their financial and management activities are conducted transparently, accurately, and in compliance with legal regulations. The proposed solutions range from improving the legal framework, addressing issues related to the auditing entity, the audited entity, the content and procedures of auditing, and strengthening the supervision and quality control of auditing services. Simultaneously, recommendations are proposed to implement solutions that are significant for improving the effectiveness of auditing activities for cooperatives. Implementing these solutions in a coordinated manner will not only improve the quality of auditing but also create a transparent and efficient management information system for the units, contributing positively to the development of collective economic organizations, enhancing financial management capacity, and protecting the rights of members. In particular, when cooperatives can conduct periodic audits and meet legal auditing requirements, they will become transparent organizations, accountable to the community and partners. However, for these solutions to be successfully implemented, close coordination is needed between state agencies, independent auditing organizations, experts in finance and accounting, along with the proactive commitment of the cooperatives themselves. Specifically, state agencies need to continue improving policies and creating favorable conditions for cooperatives to conduct audits, thereby contributing to creating a stable and transparent operating environment for these organizations. Overall, improving auditing practices for collective economic organizations is not only an urgent requirement but also a crucial factor in enhancing their quality and efficiency. These efforts will help cooperatives develop sustainably, contributing to the overall development of the national economy.

## CONCLUSION

The collective economy is an important component among the five economic components identified by the Party and State in the Resolutions of the National Congresses of the Communist Party of Vietnam. In particular, the 9th National Congress of the Communist Party of Vietnam was the first to have a specialized resolution of the Central Committee on the collective economy (Resolution No. 13/NQ-TW dated March 18, 2002), and the 10th, 11th, and 12th National Congresses of the Communist Party of Vietnam continued to affirm the Party and State's major policy on developing the collective economy. Throughout its development, the collective economic sector and cooperatives have been regulated by the Cooperative Laws of 1996, 2003, 2012, and 2023. Based on international experience and in line with the new trends in cooperative development in Vietnam, the Cooperative Laws have created a suitable basic legal framework to encourage and facilitate the development of cooperatives.

The 12th National Congress of the Communist Party of Vietnam set the goal of perfecting the socialist-oriented market economy, focusing on improving the elements of land, credit, capital, and markets. This is the operating environment for various entities: enterprises, cooperatives, and cooperative groups. Resolution No. 56-KT/TW of the Politburo on the collective economy, the National Assembly Resolution, the National Assembly's Supreme Supervision Resolution on cooperatives; specialized laws and Prime Minister's Directive No. 19/CT-TTg on continuing to innovate, develop, and improve the efficiency of the collective economy and promoting the implementation of the 2012 Cooperative Law also address the issue of cooperative development. Our state legal system is being perfected according to the 2013 Constitution, while the Cooperative Law was enacted earlier, so it needs to be reviewed and reconsidered in accordance with the spirit of the Constitution and other relevant laws.

Over the years, along with businesses in general, cooperatives have been an important entity, considered a crucial economic component in providing services and connecting production for tens of millions of households, creating high-productivity and high-quality products, and linking with businesses in consumption and processing. After many years of implementing the Cooperative Law, the collective economic sector, with cooperatives as its core, despite many difficulties, has initially shown qualitative and effective improvements, demonstrating an increasingly clear and comprehensive role in the economic, political, and social spheres. There have been new signs in the development of the national cooperative movement. To date, 30% of cooperatives nationwide are operating effectively, improving the revenue and income of cooperative workers, positively impacting the household economy, contributing to the country's GDP growth, and helping to alleviate poverty and stabilize security and politics in the community.

However, despite the achievements mentioned above, the collective economic sector and cooperatives still face many difficulties and their development has not been commensurate with their potential. Policies and mechanisms have been issued but have not been effectively implemented; the attention of Party committees, government agencies, and local authorities to this sector remains limited; and most importantly, cooperatives themselves still suffer from persistent weaknesses, both in terms of infrastructure and management capacity. Cooperatives also exhibit inconsistencies between their goals and the content of their socio-economic activities; the level of organization and management capacity within cooperatives is generally weak; and the activities of cooperatives lack cohesion with each other and with the business community, lacking a strong systemic linkage in economic, social, and organizational aspects.

Therefore, in this context, the doctoral candidate wishes to focus their research on auditing activities for cooperatives in Vietnam so that these entities can easily implement auditing regulations in practice. This is a necessary and urgent requirement for the following reasons:

Firstly, the thesis has clarified and systematized the theoretical basis of auditing and independent auditing for entities operating under the law on cooperatives. The thesis has delved into researching and understanding the entities performing the audit, the audited subjects, the content, and the auditing process. In addition, the thesis has studied the experiences of auditing cooperatives in countries around the world, especially those similar to Vietnam.

Secondly, through analysis and evaluation of the current state of auditing activities for entities operating under the Law on Cooperatives in Vietnam, the thesis examines the operational situation of the entities, the characteristics of the entities affecting the auditing process; and the legal framework for auditing; The thesis examines the current state of auditing in various entities, emphasizing aspects such as audit costs, auditing entities, audit subjects and scope, and audit content and procedures. It also assesses the current state of compliance with auditing practices to identify achievements, limitations, and subjective/objective causes.

Thirdly, the thesis proposes solutions to improve the auditing activities of entities operating under the Cooperative Law in Vietnam, focusing on: the legal framework and policy mechanisms; auditing entities (including a proposal to establish a specialized auditing organization with expertise in cooperative operations to provide auditing services to these entities); audited subjects and scope; audit content and procedures; and enhanced supervision and quality control of auditing services. Based on this, recommendations are made to relevant parties to ensure the feasibility of the proposed solutions.

The doctoral candidate hopes that the proposals in this dissertation will provide practical suggestions for improving the quality and effectiveness of auditing activities in cooperatives operating under the Cooperative Law in Vietnam, and

will also serve as a reference for studying and researching auditing activities for cooperatives.

Despite many efforts, the dissertation inevitably has certain limitations. The doctoral candidate sincerely hopes to receive feedback from professors, researchers, and scientists to improve the dissertation and enhance its theoretical and practical value.

## **LIST OF AUTHOR'S PUBLISHED RESEARCH WORKS RELATED TO THE THESIS TOPIC**

### **Scientific articles:**

1. The Current State of Internal Control Systems and the Demand for Cooperative Auditing in Vietnam, (ICFAA 2024 – ICAEW and NEU))
2. Coopertative Mathemactics – International Experience and Lessons for Vietnam, (International Conference Sustainable Economic Development: Opportunities and Challenges – Hai Phong University)