



# Factors affecting the independence of independent auditors: An empirical study in Vietnam

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## Abstract

This study was conducted to assess the influence of factors on the independence of independent auditors in Vietnam. Data was collected from questionnaires sent to 160 subjects, including auditors; accountants of audited entities; bank employees and financial and credit institutions; securities investors. By quantitative research method, the results indicate that there are 6 main factors that affect the independence of independent auditors in descending order, including: Market competition and size of auditing company; Audit tenure; Publicity of financial relations; Non-audit services; Cost of auditing; and Risk of auditing practice. At the same time, the study also tested the difference in the perception of the survey subjects about the independence of independent auditors. Based on the research results, a number of recommendations are made to stakeholders to improve the independence of independent auditors in Vietnam.

**Keywords:** Non-audit services, auditors, audit term, Vietnam.

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## 1. Introduction

The truthfulness and reasonableness of information presented in the financial statements of enterprises is governed by many factors, such as data quality, data processing process, factors of managers, legal system... Therefore, in order to perform their functions, auditors must be fully capable and meet the basic requirements to conduct an effective audit to increase the reliability of information, serving the users. One of the requirements and also the expectations of the large public is to improve the independence of auditors, this not only helps the audit process and the auditor's opinion without bias but also helps improve the quality of auditing. Because, auditor independence is an important factor constituting audit quality (Mautz&Sharaf, 1961; John & Merino, 1997; IAASB, 2014) and lack of

independence is the cause of failure in most audits.

The independence of auditing has become increasingly important, especially after the scandals and financial frauds of leading companies in the world, such as Satyam Computer Services Ltd in India in 2009, this company audited by PwC India, the auditor in this case was found not to comply with the code of professional ethics and auditing standards (including independence) in the responsibility of auditing the financial statements. Or the bankruptcy of Enron Energy Group in the United States in 2001, which led to the collapse of Arthur Andersen's audit firm in 2002 due to loss of credibility... According to Roy & Saha (2018), the cause of this collapse is not only due to misdeeds related to professional skepticism, audit term... but also due to the failure to ensure the independence



of auditing enterprises, thereby leading to the decline in public confidence in the information on the financial statements and the independence of auditors. Therefore, the study on the independence of auditors in general and the identification of factors as well as quantification of the influence of each factor on the independence of auditors has been receiving a lot of attention from academics and practical activities.

Through the literature review, the author found that although there have been some published works in both the world and Vietnam highlighting the impact of factors on the independence of auditors, such as: Research of Miller (1992) confirmed the need to consider the nature of auditors participating in the audit. Accordingly, the managers are responsible for hiring, terminating the audit contract... in their competence, which may cause the auditor to be affected by the conflict of interest issue and the risk of breaking the principle of independence when auditing the financial statements. In addition, the dependence on economic benefits from non-audit services provided by the auditing company to customers; the relationship between the auditing company and customers, the personal relationship between auditors and members of the audit entity due to the long audit term... can greatly affect the independence of auditors when performing the audit. Research of Bakar& Ahmad (2009) conducted in Malaysia explored the determinants of auditor independence perceived by accountants. The study found that, factors affecting the independence of auditors, such as: High level of competition of audit firms; Size of small audit firms; Auditing firms for clients for a long time; Auditing firms providing non-audit services; The non-existence of audit committees; and Management consulting services. The above six factors are considered to have a high risk of affecting the auditor's independence. Similarly, the study by Le Doan Minh Duc (2019) identified factors affecting the independence of auditors, including 13 factors: including 5 factors threatening to reduce the independence of

auditors, including: profitability, ethics and selfishness; Longevity, position; Audit fees and economic dependence of auditing enterprises on customers; Competitive environment; Risk of auditing practice. There are 8 factors that enhance the independence of auditors, including: Learning, training and in-depth skills; Non-audit services; Priority and potential labor recruitment relationship; The tenure of auditors; Corporate governance at auditing enterprises; The size and reputation of auditing enterprises; The change of legal regulations; Supervision and control by professional associations and the State Securities Commission; Integration and economic development.

The above studies have used different approaches to investigate and measure factors affecting the independence of auditors. However, so far, there is no consensus on the most appropriate framework for the independence of auditors. On the other hand, in Vietnam, in the context of the transition economy, the international integration in the field of accounting and auditing is deepening. Recognizing the importance of independence in auditing, on May 8/2015, the Ministry of Finance issued Circular No. 70/2015/TT-BTC promulgating professional ethical standards on accounting and auditing. Accordingly, independence is the first and most important principle for the professional ethics of auditors. Independence requires auditors to express their opinions in a formally independent and ideologically independent manner. The requirement of independence is considered a necessary condition for achieving the objective of the audit. Although, the importance of independence in auditing has been affirmed. However, studies on factors affecting the independence of independent auditors in Vietnam are mainly carried out from the perspective of the auditors alone, so the uniformity and generalization are not high. Meanwhile, there are few studies conducted from the perspective of stakeholders (auditors, accountants, bankers, and investors in the stock market).

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Therefore, this study was carried out to provide empirical evidence in Vietnam on this issue. At the same time, the study also tested the difference in the perception of the survey subjects about the independence of independent auditors. The research results contribute to increasing the understanding of the factors and the influence of each factor on the independence of independent auditors in Vietnam. From there, make a number of recommendations to stakeholders to improve the performance of the audit industry in general and improve the reliability of users of financial statements in particular.

## **2. Theoretical background and literature review**

### **2.2. Theoretical basis**

The independence of auditors is seen in two ways: ideological and formal independence.

According to the International Council of Ethical Standards for Professional Accountants (IESBA) (2016), "Ideological independence is the state of mind that allows conclusions to be reached without being influenced by factors that affect professional judgment, allowing an individual to act in an accurate manner and apply objectivity as well as his or her professional skepticism". Also according to IESBA (2016), formally independent is: "Formally independent is the need to avoid serious events and situations to the extent that a suitable third party with sufficient information after evaluating facts and real situations, it can be concluded that the integrity, objectivity and professional skepticism of the audit firm or audit team members have been affected".

When discussing the foundation of the concept of auditor independence, Pany&Reckers (1983) emphasized that the concept of auditor independence is very closely derived from the reason for the existence of the audit. Accordingly, the reason for the independent audit work (i.e., independent audit) - indeed - is the main proof of the existence of the notarial accounting profession and arises from the necessity of reliable financial information. The concept of

independence is the founding concept of audit theory (Moore et al., 2010). Independence in both the auditor's form and ideology is an important factor in maintaining public trust in the audit profession (Pany&Reckers, 1983).

Gay &Simnett (2012) identified auditor independence as "the ability to withstand pressure from the influence of the company's managers when conducting an audit or providing audit-related services so that the auditor's integrity is not affected".

Wallage et al., (2014) describe the independent concept of auditors having an unbiased view in the implementation of audits, analysis of results, approval and validation in audit reports. While Soltani (2007), Alfa Tahir &ZainolAriffin (2014) clarify that the auditor's independence refers to the auditor's ability to safeguard an objective, integrity and unbiased attitude throughout the audit.

### **2.2. Factors affecting the independence of auditors**

Domestic and foreign researches have confirmed the direct or indirect influence of factors on the independence of auditors, including: non-audit services; Audit fees; Audit term; details as follows:

#### **2.2.1. Non-audit services**

Non-audit services are services other than audit services that the independent audit firm provides to the same audit client. Non-audit services include: management consulting services, system design services, tax consulting services... Non-audit services may affect the independence of auditors.

According to research by Beattie et al., (1999) in the UK, Teoh& Lim (1996) in Malaysia, Law (2008) in Hong Kong, Al-Ajmi&Saudagaran (2011) in Bahrain, the fee for providing audit services is greater than or equal to 100% of the fee from audit services that are rated as one of the most threatening factors on the list of factors that threaten independence. When this fee is at a lower level, it is also rated as an independent threat. Research by Gul et al., (2007) indicates that the relationship between non-audit fees and audit independence will depend on the audit term, and non-audit fees have an opposite effect on



audit independence when the audit term is short and the size of the client company is small. Robinson (2008) by focusing on the auditor's concerns in a sample of companies announcing bankruptcy, said that the tax advisory services provided by the auditor impaired the independence of the auditor. Geiger & Blay (2011) demonstrated the relationship between declining independence and non-audit service fees in the US. An empirical study of US company directors, Pany & Reekers (1983), looked at the reasonableness of allowing auditors in a company to perform various service engagements. Research results show that the service of designing the internal control system also reduces the independence of auditing.

However, there are also studies showing that non-audit services do not reduce the independence of auditors. Defond et al., (2002) found no significant association between non-audit service fees and impairment of auditor independence. Beaulieu & Reinstein (2010) point out that practitioners at large firms will be less confident that non-audit services undermine auditor independence than auditors at small firms.

In addition, many research results suggest that non-audit services create a diffusion of knowledge, thereby bringing many benefits. Research by Parkash & Venable (1993) indicates that customers tend to buy non-audit services because there is a diffusion of knowledge when there is simultaneous use of audit and non-audit services from an audit firm. Research by Knechel & Sharma (2012) shows that non-audit services provided by auditors bring many benefits to customers without leading to loss of audit effectiveness. From the above analysis, the author considers that:

*H1: There is an inverse relationship between non-audit services and the independence of auditors.*

### 2.2.2. Price of audit fees

The cost of an audit is understood as the level of costs on the basis of ensuring time, personnel, performing the audit based on the workload and complexity of the work. To reduce the risk of fees from a contract, auditors

can fulfill customer requests and even cooperate in fraudulent activities (Gavious, 2007). Research by Douglas (2010) suggests that some audit firms make cutbacks in audit fees in order to retain customers, maintain revenue growth or expand market share, and this may impair the independence of auditors. As a result of Beattie et al., (1999), Alleyne et al., (2006), economic dependence is considered to be one of the strongest factors threatening independence, namely when fees from a client account for up to 10% of the total revenue of the audit firm.

However, studies by Craswell et al., (2002) in Australia, DeFond et al., (2002), Callaghan et al., (2009) showed no evidence of a link between audit fee revenues and auditor opinion generation.

Therefore, audit fees will threaten the independence or impact on audit quality is the opinion supported by many economists more than the opinion that there is no link between audit fees and audit independence. Therefore, the second hypothesis is given as follows:

*H2: There is an inverse relationship between audit fees and auditor independence.*

### 2.2.3. Audit term

The tenure of an audit firm is the length of time the audit firm spends on a given client. Previous researchers refer to the risk of losing auditor independence as the authors Alleyne et al., (2006); Bakar et al., (2005) support this view. Research by Teoh & Lim (1996) and Beattie et al., (1999) concluded that the rotation of audit topics was rated as one of the factors that increased the independence of auditors. Therefore, a mandatory auditor adhering to the rotation regime improves audit quality by reducing the likelihood of conditional clients causing adverse effects on the auditor's assessments (Brody & Moscovice, 1998) and minimizing threats to their independent attitudes. In an experimental environment, Dopuch et al., (2001) found that auditors are less likely to impose an audit result that benefits the client if the audit term is short, creating a basis for the client to improve the quality of financial reporting.



However, some studies suggest that maintaining the same audit firm for a long time is considered more economic for large-scale client audits due to the high cost of initial research on audit clients. With regard to customer acquisition, Geiger & Raghunandan (2002) argue that audit firms tend to discount audit fees in the first year of the audit to attract customers, therefore, it is inevitable that the audit firm needs to maintain customers as long as possible to be able to recover its losses from the first year. As they have demonstrated, the long-term association between the audit firm and its clients does not actually reduce the independence of the auditor, that independence is only impaired in the first year of the audit but not for the entire long-term audit commitment. In agreement with this view, Chia-Ah & Karlsson (2010) affirmed that there was no threat to the independence of auditors when the audit term was extended. Also with the results of experimental research Ouyang & Wan (2013) found evidence of the effect of extending the audit term for small-scale customers on independence, which in turn affects the quality of the audit. The authors also believe that the audit term for a period of 10 years is no longer suitable to date. Based on the above analysis, the author considers that:

*H3: There is an inverse relationship between the audit term and the auditor's independence.*

#### *2.2.4. Competition of audit market and size of audit firm*

Businesses operating in intensely competitive environments can experience difficulties, as they may lose customers by their competitors. Some empirical studies have demonstrated that high levels of competition by audit firms lead to less independence in auditing (1981); Alleyne et al., (2006); Bakar et al., (2005). However, Gul (1989) has argued the opposite that the existence of competition makes the auditor more independent, and creates a more favorable image to maintain his clients.

The size of the audit firm is assessed by the number of audit clients or revenue of the audit firm. Large auditing firms, members of

international firms are often judged to be more independent than small auditing firms or local firms (Alleyne et al., 2006; Al-Ajmi&Saudagaran, 2011). Auditors working in small audit firms are at a higher risk of impaired independence than auditors working in large firms (Shockley, 1981). Similarly, Yamani (1991), Carren (2013) concluded that the size of representative offices or branches of auditing enterprises also has an impact on the independence of auditors. However, the study by Canning & Gwilliam (1999) on the size of small audit firms and the proximity of the Irish audit market enhances independence. Therefore, the fourth hypothesis is given as follows:

*H4: There is an inverse relationship between the competition of the audit market and the size of the audit company with the independence of the auditor.*

#### *2.2.5. Risk of practicing auditing*

The risk of practicing auditing is the ability that auditors or auditing enterprises compensate customers or be sanctioned for legal liability or fall within the scope of civil law. And it can also be: the risk of litigation against auditors, the risk of disciplinary actions against auditors from professional organizations or legal agencies, the risk of damaging the auditor's reputation in the public, the risk of losing the auditor's practice certificate.

Research by Beattie et al., (1999), Teoh & Lim (1996), Alleyne et al., (2006) and by Al-Ajmi & Saudagaran (2011) assessed the risk factors that occur to auditors when independence cannot be ensured without affecting the quality of audit will increase independence.

The study by Beattie et al., (1999) assessed the risk factors of litigation against auditors, risks affecting the reputation of auditors and the publicity of fees for non-audit services with clients as the factors that increase the lowest independence on the list. From the above analysis, the author proposes the fifth hypothesis, as follows:

*H5: There is a favorable relationship between the risk of practicing auditing and the independence of auditors.*

#### *2.2.6. Publicity of financial relations*



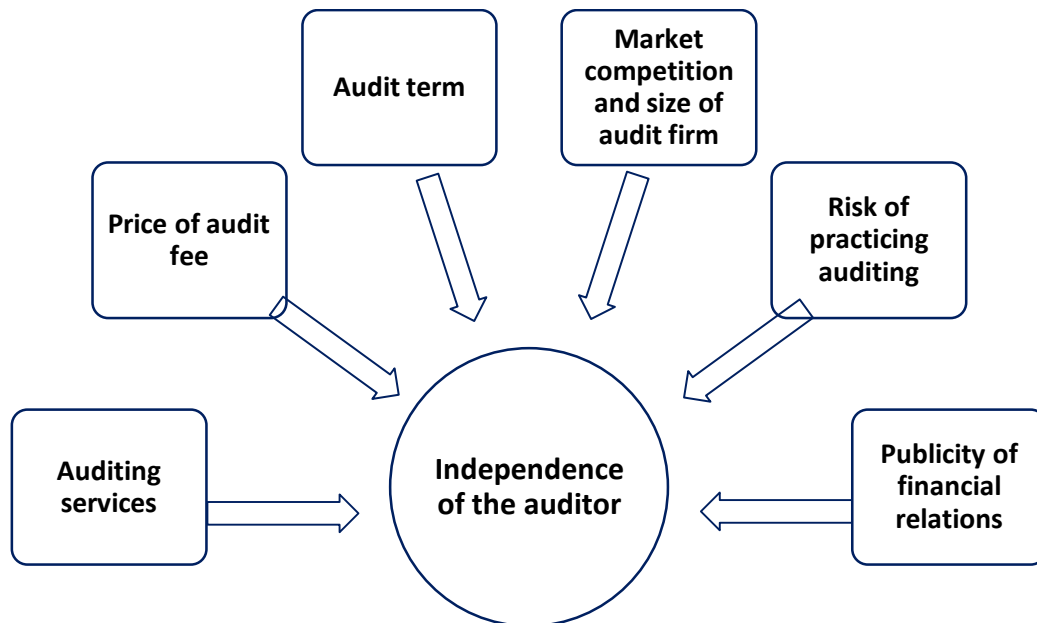
When surveying the views of auditors, bank loan officers, financial analysts, research by Beattie et al., (1999) in the UK, Alleyne et al., (2006) in Barbados, Al-Ajmi&Saudagaran (2011) in Bahrain showed that public disclosure of information about services provided to clients and fees helps improve the independence of auditors. Therefore, the author proposes the sixth hypothesis, as follows:

*H6: There is a favorable relationship between the disclosure of financial relationships and the independence of auditors.*

### 3. Research Method

#### 3.1. Research models and hypotheses

Based on the theoretical basis and the research overview, on the basis of succession of predecessor research models, the theoretical model is proposed as follows:



**Figure 1.** Research model on factors affecting the independence of auditors

(Source: Author's suggestions)

With multiple regression model as follows:

$$DLKT = \beta_0 + \beta_1 * PKT + \beta_2 * GP + \beta_3 * NK + \beta_4 * QM + \beta_5 * RR + \beta_6 * CK + \epsilon$$

In which:

$\beta_1, \beta_2, \dots$  is the regression coefficient,  $\beta_0$  is the blocking coefficient,  $\epsilon$  is the residual

DLKT: Auditor's independence (dependent variable)

Independent variables, including:

PKT: Non-Audit Services

GP: Price of audit fee

NK: Audit term

QM: Market competition and size of audit firm

RR: Risk of practicing auditing

CK: Publicity of financial relations

#### 3.2. Data collection and processing

The author collects data through the questionnaire in order to collect the opinions of auditors; accountants of audited entities; bank

employees and financial and credit institutions; securities investors on the influence of factors on the independence of independent auditors in Vietnam.

Through the review of previous studies, to assess the independence of independent auditors (dependent variable), the author uses the Likert scale of 5 levels of agreement, from: (1) Strongly disagree to (5) Strongly agree. Evaluating independent variable factors, the author uses the Likert scale with 5 levels of influence, from: (1). Very low to (5). Very high.

The number of scales measuring variables inherited from the predecessor studies, specifically as follows: Variable "Non-Audit Services" – PKT, including 3 observations (Beattie et al., 1999); Variable "Audit Fee Price" – GP, including 3 observations (Beattie et al., 1999; Alleyne et al., 2006); Variable "Audit Tenure" – NK, including 3 observations (Alleyne



et al., 2006); Variable “Competitiveness of Audit Market and Auditor Company Size” – QM, including 6 observations (Alleyne et al., 2006); Variable “Audit Practice Risk” – RR, including 4 observations (Beattie et al., 1999; Alleyne et al., 2006); Variable “Publicity of Financial Relationships” – CK, including 3 observations (Akpom&Dimkpah 2013). The dependent variable "Independence of auditors" - ĐLKT, consists of 3 observation variables (Beattie et al., 1999; Alfa Tahir &ZainolAriffin, 2014).

The questionnaire was checked and calibrated by sending to 02 people (01 person is a senior lecturer, Institute of Accounting - Auditing, National Economics University; 01 person is the director of the commercial bank branch) to assess the relevance to the research objectives. In addition, to ensure the study sample size, based on the minimum sample size requirements for EFA analysis and regression, Bollen(1989), the sample size is calculated according to the formula  $n = 5 * i$  (i is the number of variables observed in the model), corresponding to this study, the minimum sample size is  $5 * 25 = 125$  samples.

The author uses a convenient sampling method and 160 valid samples obtained through sending and receiving questionnaires through Google Forms and Email tools to independent auditors, accountants of audited entities; bank employees and financial and credit institutions; securities investors, from February 2022 to May 2022. Based on the collected data, the author uses quantitative techniques such as testing the reliability of the scale, exploratory factor analysis... with the use of SPSS software.22 to summarize and present the basic results of the study.

**4. Results and discussion**

Of the 160 eligible samples, 72 were independent auditors, accounting for 45.0%; 24

were accountants of audited entities, accounting for 15.0%; 35 were from bank employees, accounting for 21.25%; the remaining 29 were investors in the stock market, accounting for 18.5%.

Working experience: from 1-5 years, 72 people, accounting for 45%; from 6-10 years, 54 people, accounting for 33.75%; from over 10 years, 34 people, accounting for 21.25%.

Regarding the frequency of using audited financial statements: never used financial statements, 13 people, accounting for 8.125%; rarely used financial statements, 25 people, accounting for 15.625%; occasionally used financial statements, 48 people, accounting for 30%; frequently used financial statements, 74 people, accounting for 46.25%.

The sample surveyed belongs to many different subjects in terms of work experience, frequency of using financial statements, and the distribution is quite uniform. Thus, it is possible to ensure that the answers are reliable and of quality.

Statistical results describing the scale show that most of the observed variables have an average value around the expected average value (3.0) and there is no significant difference between the observed variables in the same group. This shows that the surveyed subjects have similar opinions and all agree with the scale of variables.

**4.1. Results of testing the quality of the scale**

The results of the first Cronbach's Alpha test for the auditor's independence scale (7 scales with 25 observation variables), the results showed that all Cronbach's Alpha coefficients were greater than 0.6; Corrected Item Total Correlation of the observation variables was greater than 0.3, as shown in Table 1.

**Table 1. Results of testing the reliability of the scale of factors in the model**

No.	Factor	Cronbach’s Alpha	N
1	Auditing services	0.772	3
2	Price of audit fee	0.795	3
3	Audit term	0.799	3
4	Market competition and size of audit firm	0.862	6
5	Risk of practicing auditing	0.775	4
6	Publicity of financial relations	0.826	3



7	<i>Independence of the auditor</i>	0.689	3
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(Source: Analysis results from SPSS 22.0)

Thus, the model retains 7 factors to ensure good quality, with 25 characteristic variables (Cronbach's Alpha coefficient) of the whole greater than 0.6; The coefficient of correlation of variables - the sum of the observed variables is greater than 0.3.

**4.2. Explore factor analysis EFA**

The EFA exploratory factor analysis was performed separately for 02 groups of

independent variables and dependent variables by the full-angle rotation method (Varimax). The results obtained are as follows:

**EFA analysis results for the independent variable:**

The results of the EFA analysis for the independent variables are shown in Table 2.

**Table 2. Table of KMO and Bartlett test results for independent variables**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.726
Bartlett's Test of Sphericity	Approx. Chi-Square	1525.626
	df	242
	Sig.	0.000

(Source: Results of data analysis on SPSS 22)

Looking at the results of EFA analysis for independent variables, it can be seen that the results are divided into 6 groups, the criteria are evaluated as follows:

- KMO coefficient = 0.726 and Bartlett test with Sig.= .< 000.05 shows that an EFA analysis is appropriate.
- Sig. (Bartlett's Test) = 0.000 < 0.05 shows that the observed variables in the whole are correlated with each other and the data used in the EFA analysis are appropriate.
- There are 6 factors quoted in Eigenvalues = 1.609 > 1 representing the variation explained by each factor.

- Total variance explained by factor analysis is 66.840% > 50% satisfactory. This means that these 6 factors explain 66.84% of the data change.

The post-rotation factor matrix table will be reviewed to see what the 6 factor groups include, and whether the order of the observed variables is disturbed compared to the scale constructed at the beginning.

The analysis results show that the observed variables have been assembled into 06 groups of variables with the order of the observed variables kept the same compared to the original independent variables.

**Table 3: Rotation matrix of factors Rotated Component Matrix<sup>a</sup>**

Factor	Components					
	1	2	3	4	5	6
QM5	0.829					
QM2	0.809					
QM6	0.765					



QM3	0.760					
QM4	0.729					
QM1	0.691					
RR3		0.858				
RR4		0.766				
RR1		0.764				
RR2		0.674				
CK2			0.861			
CK1			0.860			
CK3			0.846			
NK3				0.849		
NK2				0.840		
NK1				0.819		
GP1					0.883	
GP2					0.839	
GP3					0.805	
PKT2						0.827
PKT3						0.823
PKT1						0.810

(Source: Analysis results from SPSS 22.0)

**EFA analysis results for dependent variables:**

- KMO coefficient = 0.672 and Barlett test with Sig.= .< 000.05) showed that EFA analysis was appropriate.
- Sig. = 0.000 satisfies Sig condition. ≤ 0.05 so this test is statistically significant and the variables observed are correlated with each other in the overall analysis, demonstrating that the data used in the analysis are appropriate.
- The analysis of the total variance extracted for the dependent variable shows that the percentage of variance of the whole percentage of variance = 61.009% > 50%, the value of Eigenvalue = 1.927 > 1, so the model qualifies for exploratory factor analysis and the load

factor of the observation variables is greater than 0.5 so the observation variables have practical significance. So the dependent variable is kept between the original independent variable and the observed variable.

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**4.3. Results of regression analysis**

**Pearson Correlation Analysis**

Correlation analysis was performed prior to regression analysis to check the correlation between the independent variable and the dependent variable, when independent variables not correlated with the dependent variable would be excluded from the model (if Sig. > 0.05).

**Table 4. Pearson Correlation Analysis Results**

Correlations		ĐLKT	QM	PKT	GP	NK	RR	CK
ĐLKT	Pearson Correlation	1						
	Sig.(2-tailed)							
	N	160						
QM	Pearson Correlation	-.523**	1					
	Sig.(2-tailed)	.000						
	N	160	160					



PKT	Pearson Correlation	-.302**	-.123	1				
	Sig.(2-tailed)	.000	.180					
	N	160	160	160				
GP	Pearson Correlation	-.244**	-.064	.252**	1			
	Sig.(2-tailed)	.004	.509	.003				
	N	160	160	160	160			
NK	Pearson Correlation	-.379**	.091	.026	-.068	1		
	Sig.(2-tailed)	.000	.326	.842	.477			
	N	160	160	160	160	160		
RR	Pearson Correlation	.247**	-.169	-.021	-.095	.167	1	
	Sig.(2-tailed)	.004	.053	.896	.301	.055		
	N	160	160	160	160	160	160	
CK	Pearson Correlation	.227**	.055	-.060	.079	.168	.085	1
	Sig.(2-tailed)	.008	.582	.546	.401	.053	.363	
	N	160	160	160	160	160	160	160

\*\* . Correlation is significant at the 0.01 level (2-tailed)

\* . Correlation is significant at the 0.05 level (2-tailed)

(Source: Analysis results from SPSS 22.0)

Pearson correlation analysis results in Table 4 show that there is a close correlation between dependent and independent variables in the model.

#### Regression analysis

Based on the results of EFA analysis, we have an unchanged multiple regression model, the independent and dependent variables remain the same as at the beginning. The following tables show the regression results, in particular:

**Table 5: Summary table of model<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Durbin-Watson
1	.816 <sup>a</sup>	.660	.645	2.001

a. Predictors: (Constant), QM, PKT, GP, NK, RR, CK.

b. Dependent Variable: ĐLKT

(Source: Analysis results from SPSS 22.0)

**Table 6: ANOVA<sup>a</sup> model analysis table**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.024	6	2.337	45.585	0.000 <sup>b</sup>
	Residual	7.595	153	0.049		
	Total	21.619	159			

a. Dependent Variable: ĐLKT

b. Predictors: (Constant), QM, PKT, GP, NK, RR, CK.

(Source: Analysis results from SPSS 22.0)

**Table 7: Linear regression results**

#### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF



1	Constant	4.898	.236		21.283	.000		
	QM	-.321	.041	<b>-.519</b>	-9.988	.000	.947	<b>1.066</b>
	PKT	-.149	.036	<b>-.283</b>	-5.285	.000	.925	<b>1.091</b>
	GP	-.145	.041	<b>-.237</b>	-4.378	.000	.922	<b>1.095</b>
	NK	-.261	.041	<b>-.422</b>	-8.056	.000	.939	<b>1.075</b>
	RR	.129	.044	<b>.188</b>	3.453	.000	.935	<b>1.080</b>
	CK	.176	.039	<b>.305</b>	5.815	.000	.958	<b>1.053</b>

a. Dependent Variable: ĐLKT

(Source: Analysis results from SPSS 22.0)

**Test the relevance of the model**

Multicollinearity test: The error magnification factor (VIF) of all independent variables is less than 10, so the multicollinearity in the model is assessed as not serious.

The Durbin - Watson coefficient used to test the correlation of the residuals shows that the model does not violate when using multiple regression, since the Durbin - Watson value obtained is 2,001 (range 1 to 3). In other words, the model has no correlation of the residuals.

The assessment of model suitability is based on the Analysis of Variance (ANOVA) table. ANOVA test results with a significance level of Sig. = 0.000 shows that the multiple linear regression model has been constructed in accordance with the data set and used, or in other words that this model is significant to derive broadly for the whole.

**Evaluate the level of interpretation by the independent variables in the model**

The coefficient of R<sup>2</sup> correction = 0.645 > 0.5 means that the independent variable explains 64.5% of the change of the dependent variable "Independent auditor", also 35.5% is due to random error or other factors outside the model.

Independent variables QM, PKT, GP, NK, RR, CK. all had statistically significant effects (due to Sig.<0.05) to "Independence of auditors".

The independent variables QM, PKT, GP, NK have a coefficient β<0 which proves to have an opposite effect to the dependent variable "ĐLKT". The variables RR and CK with β coefficients >0 prove to have a reversible influence on the dependent variable "Economic conditions". Therefore, accepting the initial hypothesis (H1, H2, H3, H4, H5 and H6), are independent variables that are linearly related

to the dependent variable and perfectly fit the model. From there, we have the regression equation with normalized beta coefficient as follows:

$$\text{ĐLKT} = -0.283 * \text{PKT} - 0.237 * \text{GP} - 0.422 * \text{NK} - 0.519 * \text{QM} + 0.188 * \text{RR} + 0.305 * \text{CK}$$

From the results of testing the research model, there are 6 factors that significantly affect the "independence of auditors". This result is similar to the results verified by the predecessor studies, in particular:

"**Non-audit services**" have an inverse relationship with the independence of auditors. This result is similar to the authors' assertions, such as Beattie et al., (1999), Teoh& Lim (1996), Al-Ajmi&Saudagaran (2011). In fact, the provision of non-audit services makes the relationship between the auditing company and the audit object increasingly close, the auditor's objectivity and independence will be compromised.

"**Audit fee price**" has an inverse relationship with the independence of the auditor. This result is similar to the authors' comments, such as: Beattie et al., (1999), Alleyne et al., (2006). Economic dependence is considered to be the factor that threatens the most independence, when the cost amounts to 10% of the total revenue of the auditing company.

"**Audit term**" has an opposite relationship to the independence of the auditor. This result is similar to the authors' assertions, such as: Alleyne et al., (2006), Mautz&Sharaf (1961). The longer the term, the more complacency, lack of creativity, less stringent audit procedures, increasing the repeatability of the customer in the long-term relationship with the auditor.

"**Market competition and size of audit firm**" have an inverse relationship with the



independence of auditors. Research results, although contrary to Gul's research (1989), are similar to the authors' comments, such as: Shockley (1981), Alleyne et al., (2006). Large audit firms often improve the credibility and quality of their audit, the larger audit firms have more customers, less subject to economic dependence on a few separate customers, customers come to them mainly due to the prestige they have created for customers. While the small audit firm suffers from high economic dependence on customers, the loss of customers will make it difficult for the firm, so they do not have the resolve or neglect to ask customers for information. This detracts from the independence of the auditor.

"**Risk of practicing auditing**" has a similar relationship with the independence of auditors. The research results are similar to the research results of Beattie et al., (1999), Teoh& Lim (1996). Auditors as well as auditing companies face the risk of litigation, liability that will discredit the auditing company and reputational

losses, which forces them in the audit to always raise their self-awareness to be really independent to bring about a quality audit.

"**Publicity of financial relations**" has the same relationship with the independence of the auditor. As with the studies of Beattie et al., (1999), Alleyne et al., (2006), improving the publicity of financial relations: publicizing audit fees and non-audit service fees, publicizing the relationship will help users of audited financial statements more peace of mind, in addition to creating transparency in the audit process, improving the independence of auditors.

To answer the question whether there is a difference in the perception of independent auditors (audit subjects) and the remaining survey subjects, including: accountants, bank employees, securities investors (users of audit reports) on the independence of auditors. The author uses ANOVA variance analysis technique and T-Test independent sample averaging used by the author to find the difference.

**Bảng 8. Results of the audit of differences in the auditor's independent assessment**

Independent	Job position	N	Means	Std. Deviation	Std. Error
	Auditor	72	3.75264	0.88026	0.08764
	Accountants, bank employees, securities investors (users of financial statements)	88	3.73216	0.90231	0.07089
Independent Samples Testing	Levene's accreditation		Test t-test		
	F	Sig.	t	df	Sig(2-tailed)
Equal variances assumed	1.083	0.401	0.088	216.000	0.923
Equal variances not assumed			0.089	201.231	0.922

(Source: Analysis results from SPSS 22.0)

The results in Table 8 show that the Levene test for the variance between the two groups "Auditor" and "Accountant, banker, securities investor" (subject of financial statements) has a Sig.= 0.401 > 0.05, so the variance between the two groups is uniform. Independent test results with homogeneous variance for Sig.(2-tailed) value is 0.923 > 0.05 so it can be concluded that the auditor's independence between the two groups is not statistically different. Specifically, based on the

average column of Table 8, it can be seen that the average of the factors between the two groups of "Auditors" and "Accountants, bankers, securities investors" differ quite little and can be considered as no difference.

**5. Conclusion and Recommendation**

Through the analysis of 160 survey samples from auditors; accountants of audited entities; employees of banks and financial and credit institutions; securities investors on the influence of factors on the independence of



independent auditors in Vietnam. The regression results show that the factors that have a significant influence on the "independence of auditors" in descending order are: Market competition and audit firm size; Audit term; Publicity of financial relations; Non-audit services; Audit fees; and Risk of auditing practice.

The findings from the experimental study are the basis for the author to make a number of recommendations to stakeholders, specifically as follows:

Research shows that "*non-audit services*" have the opposite impact on the independence of auditors. This implies that limiting the provision of non-audit services will help improve the auditor's independence. Therefore, the following measures should be implemented: *First*, the Ministry of Finance should issue specific regulations on the list of non-audit services that are limited or not provided by the community. At the same time, there should be clear and specific mechanisms for monitoring. *Secondly*, audit firms should have transparent policies and procedures for accepting and providing services to clients, especially in the case of service contracts. For long-time customers and service providers, it is necessary to have more necessary quality control measures that are specified into regulations, processes and widely issued. Every year, audit firms should summarize reports on customers, indicating the risks that may arise in the process of co-providing services and the defense measures applied.

As a result of the study, the "*audit fee*" has the opposite impact on the independence of auditors. Therefore, the author proposes the following solutions: *Firstly*, the Ministry of Finance should provide for the mandatory disclosure of information on financial statement audit fees, which extends to the total fees paid by audit clients to the unit conducting the audit. This is a basis for those who use the information on the financial statements of the enterprise to be able to consider the reliability on the financial statements of the enterprise; the reliability on the audit report, from which to make a preliminary assessment of the audit

quality. *Secondly*, x develop a framework for auditing fees, consulting fees and methods of determining fees in a scientific and rigorous manner. The control of extraordinary price increases and reductions and the introduction of fee price brackets will be one of the useful factors for the audit firm, the basis for agreement, determining the fees for the following years. *Thirdly*, Do not lower the price of fees to affect the quality of audit products and services.

Research also shows that "*Audit term*" has the opposite impact on the independence of auditors. This implies that independence is impaired when the audit term lasts. Combine the results of the author's research with the findings of previous studies. The author argues that, in order to improve the independence in auditing, *firstly*, the state management agency should consider the audit term within 5 years, and at the same time have strong and timely penalties for violations of independence. *Secondly*, audit firms when assigning work to auditors and audit teams need to ensure their independence and be shown in writing, and should be inspected by independent individuals for the authenticity of the information on this working paper. The auditing company can focus on quality review of audit records with factors that threaten the independence, the audit time of the company for that customer, close customers or have good relations with the audit company's human resources team.

The study also points out, "*Market competition and the size of audit firms*" have an adverse impact on the independence of auditing. Therefore, the following measures should be implemented to improve the independence in auditing. *Firstly*, the government needs to have macro policies to reduce small auditing firms, increase large firms through increasing the number of staff to ensure sufficient manpower to carry out the rotation of positions and ensure the auditor's tenure. *Secondly*, professional associations need to have regulations, requiring audit firms to have a sufficient number of auditors, and capital in the audit firm.



Research shows that "Audit practice risk" has a favorable impact on the independence of auditing. Therefore, there is a need for directional solutions to improve the independence of auditors as follows: *First*, the audit firm needs to organize an independent department with the function of supervising the auditor's observance of professional ethics in the process of conducting the audit, identifying situations of risk of impaired independence of auditors, violation of professional ethics to advise the Board of Directors of the enterprise to promptly prevent these risks. *Secondly*, it is necessary to establish information channels to monitor the ethics of auditing in general and the independence of auditors in particular. Users of financial information respond to opinions when they encounter problems related to the auditor's independence and audit quality that affect their legitimate rights. Auditors and customers report disputes in audit contracts and audit results to the Vietnam Association of Practice Auditors and the State's supervisory department. Publicly disclose the violations of auditors and auditing enterprises so that enterprises and stakeholders can consider and select reputable auditing enterprises.

Research also shows that "Publicity of financial relations" has a favorable impact on the independence of auditing. This implies that, actively publicizing the financial relationship with customers will increase the independence of the audit. To achieve this, the following measures should be taken: *first*, Regulators may require the audit firm to publicize non-audit services and fees collected from significant customers so that regulators and users are made aware when necessary or set specific circumstances that require publicity. This can put pressure on audit firms to ensure greater independence when performing audits. *Secondly*, to improve the inspection and supervision of the quality of auditing activities of the Ministry of Finance, professional associations and the State Securities Commission.

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