

Title: Stepping up internal audits for businesses

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Link title: <https://www.vir.com.vn/stepping-up-internal-audits-for-businesses-82020.html>



Stepping up internal audits for businesses

According to Decree No.05/2019/ND-CP dated January 22, 2019 on internal audit (IA), target groups have until April 1, 2021 to deploy the IA function.

The decree applies to the following regulated entities - listed companies; enterprises with 50 per cent of their charter capital held by the state and state enterprises, both of which operate in a parent-subsidiary business model; organisations and individuals conducting IA activities; people’s committees of centrally-affiliated cities and provinces, ministries, ministry-level bodies, and governmental agencies; and organisations and individuals conducting IA activities.

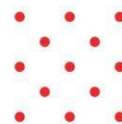
The intent of Decree 05 is to help Vietnamese businesses reach international best practices on IA, and enhance transparency of information in the marketplace as well as efficiency and effectiveness of corporate governance.

The goal of IA is to perform and provide independent reviews, assessments, and consultancy to the organisation in three key areas.

Firstly, the internal control system of the organisation is operated appropriately to address risks. Secondly, the corporate governance and risk management processes of the organisation are highly effective and efficient. And lastly, internal accomplishment of operational objectives, plans, and strategies of the organisation is assured.

Establishing an effective

Internal Audit Function



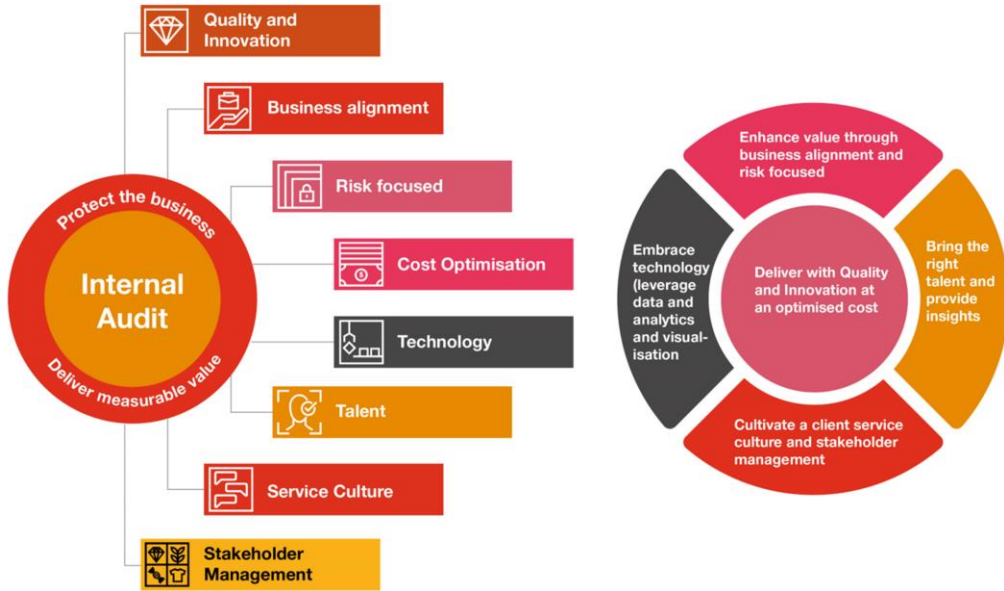
- 1** Establish Internal Audit function according to Decree 05/2019 / ND-CP and Law on Enterprises 59/2020 / QH14.
- 2** Develop regulations on internal audits (reference Circular 66/2020/TT-BTC), methodology, audit implementation process (see IPPF Standard of IIA).
- 3** Design the maturity of the Internal Audit function and the medium-term development roadmap (3 years - 5 years).
- 4** Develop policies on training and development of Internal Audit personnel.

- 5** Adopt Information Technology in Internal Audit function.
- 6** Building KPIs to measure the performance of Internal Audit according to the goals and the value of Internal Audit function.
- 7** Assess strategic risks in business operations and understand stakeholders' expectations.
- 8** Develop an annual audit plan based on the results of the risk assessment and expectations of stakeholders.

Source: PwC Vietnam

While it is important to establish and operate the IA function in accordance with Decree 05, businesses have the opportunity to make the IA function deliver value beyond regulatory compliance.

Professional Internal Audit for better Corporate Governance



Source: PwC Vietnam

By aligning the IA function with the business operational objectives, plans and strategies, it can be used to address business risks found in the organisation's internal control systems, as well as strengthen the existing corporate governance and risk management processes.

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