

News release

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Listed companies need to be prepared to implement Decree 05 on internal audit

Hanoi, 15 March 2019 - "How to set up, enhance and standardise the internal audit function? This is the key question that listed companies have to ask themselves before the Decree 05 on internal audit takes effect," said Hoang Hung - Partner, Vietnam Markets Leaders of PwC Vietnam at a workshop held in HCMC and Hanoi on 14 and 15 March 2019.



Themed "The updated regulatory requirements for internal audit & establishing an effective internal audit function for listed companies", the workshop was organised by Smart Train in collaboration with the Asian Confederation of Institutes of Internal Auditors (ACIIA) and the Hanoi and HCMC stock exchanges.

According to experts at the event, the role and responsibility of internal audit (IA) in many Vietnamese organisations are currently misinterpreted or overlapping with internal controls or compliance functions, as a support to the senior management. Meanwhile, as per international practices, IA is an independent supervising function and a third line of defense for businesses. This function regularly reviews and evaluates the internal controls, risk management and governance within the organisation in an objective and independent manner. Thus, IA can bring many practical values, effectively helping the Board of Directors in governance and strategic decisions.

As an international expert in the project to develop Decree 05/2019/ND-CP on IA and a consultant with many years of experience advising domestic and foreign enterprises, Mr. Hoang Hung said that the contents of the decree are in line with international practices on IA and aimed at enhancing information transparency and corporate governance. This is the first comprehensive legal framework that lays out how to organise and implement IA, as well as the roles and responsibilities of IA and related stakeholders.

Decree 05 will take effect on 1 April 2019. Target groups (including listed companies) will have 24 months from this date to complete necessary preparations to implement IA in accordance with the decree. This is not considered a long period of time, especially for organisations that have never had an IA function before. This is because the establishment of a new internal audit function requires a detailed strategy and plan with complex steps. Therefore, the target groups of the decree will need to step up their efforts right now.

“In the process of preparation, businesses will need to focus on some decisive attributes,” Mr. Hung said. “These include the services and roles of IA, its people management, professional practices, performance management, organisational relationships, and governance structure, etc.”

Mr. Hung also advised that companies set up a detailed plan for the implementation of the IA function. With this in hand, the Board of Directors will be able to know whether they should hire external audit professional, partner with a professional service providers, or choose something in between depending on the current situation of the business.

Experts at the workshop also shared an expectation that in the coming time, the authorities will soon issue more specific guidelines for the implementation of Decree 05, helping IA to really become a part of many businesses.

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Note to editors:

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