



# International Conference on Finance, Economics, Management, Accounting and Informatics

"Digital Transformation and Sustainable Business: Challenges and Opportunities for Higher  
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## Factors Influencing the Independent Auditor's Reliance on Internal Audit Quality in Listed Companies in Vietnam

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### Abstract

This article examines factors influencing independent auditors' reliance on internal audit (IA) quality in Vietnamese listed companies, addressing the research question: What factors affect external auditors' trust in IA work? Using a mixed-methods approach, the study combines interviews with senior auditors and surveys from 102 independent auditors to analyze determinants such as IA independence, experience, professional qualifications, department size, cooperation, audit timing, and IA report quality. Empirical findings reveal that independence and report quality significantly enhance external auditors' trust, while department size and experience also play supporting roles. The discussion highlights that stronger IA functions improve audit efficiency and financial transparency. The study concludes that enhancing IA quality is crucial for corporate governance and investor confidence. This research contributes to the auditing literature in emerging markets and provides practical implications for regulators and firms aiming to strengthen internal controls.

*Keywords: Independent Audit, Internal Audit Quality, Auditor Reliance, Corporate Governance, Vietnam.*

### Introduction

In recent years, with the rapid growth of the global capital markets, transparency and reliability of financial reporting have become critical factors for listed companies to attract investment and strengthen market position. Vietnam is no exception; the increasing number of companies listed on the stock exchange has significantly raised the demand for high-quality audits and robust corporate governance. Internal audit (IA) serves as an essential mechanism to assess and improve risk management, control processes, and governance practices. Meanwhile, independent external auditors (EA) act as objective third parties, providing credibility to financial statements and enhancing investor confidence.

According to the Vietnam Association of Certified Public Accountants (VACPA), although awareness of IA importance among Vietnamese enterprises is improving, the actual implementation and effectiveness of IA functions remain limited and often merely formalistic. This reality results in low levels of trust from independent auditors when considering IA work, as highlighted by Argento et al. (2018) in Sweden and Quick et al. (2018) in Germany, who found that external auditors' reliance heavily depends on IA independence, competence, and objectivity.

Furthermore, studies by Al-Sukker et al. (2018) and Usman et al. (2023) reveal that the independence, experience, and report quality of IA significantly impact EA trust, thereby affecting audit efficiency and corporate transparency. In Vietnam, recent research by Phạm Huy Hùng and colleagues (2022) emphasizes that IA effectiveness is hindered by insufficient resources, weak internal controls, and management intervention. These challenges not only reduce IA quality but also increase the workload and costs for independent auditors. Given these practical and academic gaps, this study aims to explore and evaluate the key factors influencing independent auditors' reliance on internal audit quality in Vietnamese listed companies. By integrating both qualitative interviews and quantitative survey data, this research seeks to provide comprehensive insights into how elements such as independence, professional qualifications, experience, department size, cooperation level, audit timing, and IA report quality affect EA trust.



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Understanding these factors is critical for improving the effectiveness of internal audits, strengthening corporate governance, and enhancing financial reporting transparency in Vietnam. The study's findings are expected to contribute to the academic literature on audit cooperation and provide practical implications for policymakers, auditors, and corporate leaders striving to build more reliable and investor-friendly business environments.

## **Literature Review**

The relationship between internal audit (IA) and external audit (EA) has long attracted the attention of scholars and practitioners due to its critical role in enhancing corporate governance and financial reporting quality. Many studies have explored how the effectiveness of IA affects the reliance placed by EA and the overall audit quality. Al-Sukker et al. (2018), focusing on Jordanian listed companies, employed a mixed-methods approach including factorial experiments and semi-structured interviews with senior EAs and audit managers. Their findings emphasized that objectivity, competence, and performance of IA are significant determinants of EA's reliance. A strong interaction effect was also identified between IA objectivity and competence, suggesting that EAs consider these factors jointly rather than independently. Regoliosi and colleagues (2019) conducted a study in Italy to investigate the interaction and cooperation level between IA and EA. Using descriptive statistics and interviews with both IA and EA professionals, they concluded that mutual cooperation enhances control reliability and reduces work duplication. However, there was no full consensus on the usefulness of IA work for EA activities. In another relevant study, Azzam et al. (2020) surveyed 276 external auditors using questionnaires and multiple regression analysis to examine the effect of IA-EA cooperation on financial reporting quality. The research highlighted four core elements: objectivity, technical competence, professional care, and the scope and nature of IA. Among these, objectivity had the most substantial impact on financial reporting quality. Argento et al. (2018) investigated Swedish external auditors' experiences and found that reliance decisions are influenced by the degree of interaction and contact with IA, which affects independence, professional standards, and EA's assessment of IA quality. Quick and Henrizi (2018) provided experimental evidence in Germany, emphasizing the importance of specific micro-environmental factors, such as client business risk, internal control system effectiveness, and corporate governance quality, in shaping EA's reliance on IA. Their study of 204 external auditors showed that reliance decisions vary depending on these contextual factors and prior experience with IA. Additionally, Alzeban and Gwilliam (2014), through a survey in the Saudi public sector, confirmed that management support is the most influential factor in IA effectiveness. Cular, Slapničar, and Vuko (2020) further established the positive relationship between IA characteristics and internal control quality, emphasizing the importance of IA department capabilities and audit committee involvement. In Vietnam, studies by Vu Thuy Ha (2016), Pham Huy Hung et al. (2022), and Tang Thi Thanh Thuy (2019) identified factors affecting IA effectiveness, including independence, objectivity, professional competence, department size, and management support. Particularly, Vu Thuy Ha also highlighted the roles of training policies and quality control mechanisms. Overall, these studies consistently underline the critical role of IA's independence, competence, and objectivity in shaping EA's reliance decisions. Nonetheless, research on this topic in the context of Vietnamese listed companies remains limited, indicating a significant research gap. This study aims to address this gap by examining the key determinants influencing EA's trust in IA quality, contributing to the literature and providing practical implications for improving corporate governance and audit effectiveness in emerging markets like Vietnam



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## Methods

This study employs a mixed-methods design, integrating both qualitative and quantitative approaches to provide a comprehensive investigation of the determinants influencing independent auditors' reliance on internal audit (IA) quality in Vietnamese listed companies. The mixed-methods approach is widely used in audit and corporate governance research because it combines the strengths of quantitative rigor with qualitative depth (Creswell & Plano Clark, 2018). This design allows the study to capture nuanced professional judgments while validating empirical relationships through statistical testing.

Prior studies have consistently emphasized the significance of IA independence in determining EA reliance. Alzeban and Gwilliam (2014) showed that IA independence is a crucial factor in enhancing audit efficiency and reliability in the public sector. Similarly, Cohen and Sayag (2010) highlighted the importance of independence and objectivity for IA effectiveness, which directly affects EA trust.

Competence and experience of IA staff are also crucial. Gramling et al. (2004) and Mihret & Admassu (2011) found that well-qualified, experienced IA personnel improve audit quality, thereby encouraging EA reliance. The size of the IA department and its resource adequacy have been identified as supporting factors. Regoliosi et al. (2019) and Cular, Slapničar, & Vuko (2020) confirmed that larger, well-resourced IA departments produce higher-quality outputs, enhancing EA confidence.

Additionally, effective cooperation between IA and EA has been found to reduce audit duplication and improve overall efficiency (Azzam et al., 2020; Stewart & Subramaniam, 2010). Moreover, timely and high-quality IA reports are considered critical by EAs when forming audit plans and assessing risk (Argento et al., 2018). Based on these foundations, this study proposes the following hypotheses:

H1: IA independence positively influences EA reliance.

H2: IA staff experience positively influences EA reliance.

H3: IA professional qualifications positively influence EA reliance.

H4: IA department size positively influences EA reliance.

H5: Cooperation level between IA and EA positively influences EA reliance.

H6: Audit timing positively influences EA reliance.

H7: IA report quality positively influences EA reliance.

The qualitative phase involved semi-structured interviews with five senior auditors, providing insights into practical challenges and contextual factors influencing reliance decisions. This qualitative exploration supported the refinement of survey items and helped ensure that the variables included were contextually relevant and practically meaningful. The quantitative phase used a structured questionnaire distributed to a larger sample of 120 independent auditors, from which 102 valid responses were collected and analyzed. The substantial sample size strengthens the statistical power of the study and ensures that results are robust and generalizable to the Vietnamese audit profession.

Respondents included auditors with varying years of experience (from 3 to over 20 years), diverse professional certifications (CPA, ACCA, CIA), and from different sizes and types of audit firms (Big 4, second-tier, and local firms). This diverse and sufficiently large sample enhances the representativeness of the data and allows for more confident generalization of findings to the broader population of independent auditors in Vietnam. Seven independent variables were analyzed: independence (IN), years of experience (YE), professional qualifications (PQ), department size (SIZE), cooperation level (COO), audit time (AuT), and IA report quality (AuQ). The dependent variable is the degree of reliance on IA work (CRE).

The regression model is defined as:

$$CRE = \beta_1 IN + \beta_2 YE + \beta_3 PQ + \beta_4 SIZE + \beta_5 COO + \beta_6 AuT + \beta_7 AuQ + \varepsilon$$



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Descriptive statistics were used to summarize respondent characteristics and overall trends. Cronbach’s Alpha was applied to test the internal consistency and reliability of measurement scales. Exploratory factor analysis (EFA) was performed to validate construct structures and reduce dimensionality. Multiple linear regression analysis was used to examine the influence of independent variables on EA reliance decisions, supported by tests for multicollinearity, autocorrelation (Durbin-Watson), and overall model fit (ANOVA).

The choice of a mixed-methods approach is justified by the need to understand both the quantitative relationships among variables and the qualitative reasoning behind auditors’ decisions. This design enables the study to develop robust hypotheses, validate them empirically, and interpret findings in a contextual and practical manner. By utilizing a sufficiently large and diverse sample, rigorous analytical techniques, and triangulated qualitative insights, this study provides a solid foundation for policy recommendations and further research on enhancing IA effectiveness and EA reliance in Vietnam.

## Results and Discussion

The study analyzed 102 valid survey responses from independent auditors, representing an 85% response rate. The sample characteristics show that most respondents have substantial professional experience and qualifications, ensuring reliability.

**Table 1. Descriptive statistics of respondents**

Variable	Mean	Median	Mode	Std. Deviation
Gender	1.41	1.00	1	0.50
Academic level	2.17	2.00	1	1.00
Years of experience	2.14	2.00	2	0.91
Position	2.93	3.00	3	0.70

**Table 2. Reliability analysis of scales**

Variable	Cronbach’s Alpha	Number of items
IA independence (IN)	0.756	3
Experience (YE)	0.834	2
Qualification (PQ)	0.706	3
Department size (SIZE)	0.712	2
Cooperation (COO)	0.814	3
Audit time (AuT)	0.870	3
Report quality (AuQ)	0.780	4

**Table 3. Regression results summary**

Variable	Coefficient ( $\beta$ )	t-value	Sig.
IA independence (IN)	0.298	6.04	0.000
Experience (YE)	0.161	3.35	0.001
Qualification (PQ)	0.135	2.92	0.004
Department size (SIZE)	0.114	2.58	0.011
Cooperation (COO)	0.148	3.02	0.003
Audit time (AuT)	0.101	2.15	0.034
Report quality (AuQ)	0.262	5.71	0.000
R <sup>2</sup>	0.734	-	-
Adjusted R <sup>2</sup>	0.719	-	-



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**Table 4. Total variance explained**

Component	Eigenvalue	% of Variance	Cumulative %
1	3.634	78.34	78.34
2	1.272	3.63	81.97

The findings of this study highlight that internal audit (IA) independence and IA report quality are the two most significant determinants affecting external auditors' (EA) reliance on IA work in Vietnamese listed companies. This result is strongly consistent with prior studies, such as Alzeban and Gwilliam (2014), who confirmed that IA independence is crucial for ensuring objectivity and enhancing EA trust in Saudi Arabia's public sector. Similarly, Argento et al. (2018) and Quick et al. (2018) emphasized that when IA is perceived as independent and provides high-quality reports, EA is more willing to rely on IA work to reduce audit effort and improve audit efficiency.

In contrast, some studies conducted in Western contexts (e.g., Cohen & Sayag, 2010; Gramling et al., 2004) placed slightly higher emphasis on professional competence and department size as primary determinants. The differences may be explained by contextual variations, particularly in Vietnam where IA functions are still developing and managerial interference remains a practical concern.

Professional qualifications and experience of IA staff also significantly influence EA reliance, confirming findings from Mihret & Admassu (2011), which argued that better-qualified IA teams lead to higher audit quality and facilitate EA trust. Meanwhile, department size and cooperation level, though significant, have a relatively lower impact. This suggests that while organizational resources and collaboration matter, they cannot substitute for independence and technical quality.

Interestingly, audit time has the weakest but still significant effect. This indicates that when under time constraints, EAs might rely more on IA work, provided that independence and report quality are perceived as satisfactory. This is similar to findings by Azzam et al. (2020), who noted time pressures as a situational factor affecting audit planning decisions. These results imply that Vietnamese listed companies must pay particular attention to reinforcing IA independence and enhancing IA report quality. The relatively lower influence of department size and cooperation suggests that simply increasing resources without structural and procedural improvements may not significantly increase EA reliance.

This study confirms that structural independence (e.g., reporting directly to the audit committee rather than management) and the technical rigor of IA outputs are foundational elements. Moreover, the significant role of IA staff qualifications and experience underscores the importance of continuous professional development and international certification (e.g., CIA, ACCA). Contrasting with previous research from developed economies, where advanced corporate governance systems support IA maturity, Vietnamese firms face challenges due to evolving governance frameworks and regulatory enforcement limitations.

The study enriches the body of knowledge on IA–EA relationships in emerging markets by providing empirical evidence on specific determinants affecting EA reliance. It confirms and extends the theoretical framework established in prior literature and suggests that independence and report quality are universal determinants, while resource-related factors vary contextually. The findings highlight actionable priorities for company boards and audit committees in Vietnam. Strengthening IA independence and enhancing staff capabilities directly contribute to more efficient external audits, reduced audit fees, and improved investor confidence. Regulators can use these insights to develop guidelines that emphasize IA independence and competence standards.

Based on the empirical findings and theoretical discussion above, it is essential to propose practical solutions to improve internal audit effectiveness and foster greater reliance by external auditors. These recommendations





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are aimed at corporate leaders, audit committees, and regulatory bodies to enhance corporate governance and strengthen financial reporting quality in Vietnamese listed companies.

- Strengthen IA independence: Companies should implement governance structures that allow IA to report directly to the board of directors or the audit committee, minimizing management influence and potential conflicts of interest.
- Improve IA report quality: Invest in standardized procedures and frameworks (e.g., IPPF) to ensure that reports are thorough, timely, and evidence-based.
- Enhance qualifications and training: Encourage and support IA staff to obtain international certifications and attend continuous professional development programs to maintain technical competence.
- Optimize cooperation mechanisms: Foster formal collaboration protocols between IA and EA to facilitate effective information sharing while safeguarding independence.
- Allocate adequate resources: Increase investment in IA department size and technological tools to improve coverage and operational efficiency.

### Conclusion

This study concludes that internal audit (IA) independence and report quality are the most influential factors determining external auditors' (EA) reliance on IA work in Vietnamese listed companies. These findings highlight the essential role of governance structures and professional competence in enhancing corporate audit effectiveness. The empirical results also show that while IA staff experience, professional qualifications, department size, cooperation level, and audit time all contribute positively, their impacts are comparatively less significant than independence and reporting quality.

The study offers practical implications for managers, audit committees, and policymakers to strengthen IA functions, thus improving transparency and investor confidence. For advanced researchers and general readers, these insights underscore the necessity of examining contextual governance environments when assessing audit dynamics in emerging markets.

However, this research has certain limitations. The cross-sectional design restricts the ability to capture evolving perceptions and practices over time. The sample, although expanded to 102 auditors, is focused on listed companies in Vietnam, potentially limiting the generalizability of findings to non-listed firms or different cultural contexts. Additionally, the study relied on self-reported data, which may introduce response bias despite confidentiality assurances. Future research could employ longitudinal designs to explore how IA–EA relationships develop over time, incorporate comparative studies across different countries or sectors, and investigate the influence of emerging technologies (e.g., data analytics, AI) on IA effectiveness and EA reliance. Further examination of qualitative dimensions, such as organizational culture or ethical climate, may also provide deeper insights into the mechanisms shaping audit cooperation and trust.

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