



# Regulatory Updates to the Law on Independent Auditing and Related Implications for Audited Entities

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Regulatory updates to the law on independent auditing



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# Regulatory updates to the law on independent auditing

Resolution No. 68-NQ/TW of the Politburo, dated May 4, 2025, is a significant document aimed at promoting the development of the private economic sector in Vietnam. This is a strategic move to make the private sector a major driving force of the economy.

In alignment with Resolution 68, on November 29, 2024, the National Assembly passed Law No. 56/2024/QH15 — “Law amending and supplementing a number of articles of the Law on Securities, the Law on Accounting, the Law on Independent Auditing, the Law on Tax Administration, the Law on Personal Income Tax, the Law on National Reserves, and the Law on Handling of Administrative Violations.” Subsequently, on April 14, 2025, the Government issued Decree No. 90/2025/NĐ-CP (“Decree 90”) amending and supplementing several provisions of Decree 17/2022/NĐ-CP, which provides detailed regulations and guidelines for the Law on Independent Auditing.

These legal documents significantly impact the operations of private enterprises, progressively creating a more favorable business environment and enhancing transparency and compliance in corporate activities.





# Regulatory updates to the law on independent auditing (cont')

Among the amendments to the Law on Independent Auditing, we highlight the expansion of entities subject to mandatory audits. Accordingly, large-scale enterprises with high employee counts, significant revenues, and large total assets are now required to undergo annual financial statement audits. Specifically, enterprises considered "large-scale" as defined in point (đ), Clause 1, Article 37 of the Law on Independent Auditing must meet at least 2 out of the following 3 criteria:

- 1 Average annual number of employees participating in social insurance exceeds 200;
- 2 Annual total revenue exceeds VND 300 billion;
- 3 Total assets exceed VND 100 billion.



These criteria are determined based on data from the previous year's annual financial statements.

With the new regulations coming into effect in 2025, assessing the impact of Law 56 and Decree 90 becomes urgent, so that enterprises can properly and timely prepare for audit selection and implementation.





# Key implications for first-time auditees

1

## **Improved Financial Transparency and Credibility**

Mandatory auditing aims to enhance the quality and reliability of financial information disclosed in financial statements, ensuring compliance with prevailing laws on accounting and taxation. This, in turn, bolsters investor, partner, and lender confidence in the audited entity.

2

## **Enhanced Corporate Governance**

Independent audits support stronger governance practices by enabling early identification of errors, fraud risks, or control deficiencies. Auditors, leveraging their expertise, may also provide constructive feedback on accounting processes, internal controls, and operational workflows, thereby mitigating legal risks and improving business performance.

3

## **Facilitated Access to Capital and Market Participation**

Audited financial statements are increasingly a prerequisite for credit access, initial public offerings (IPOs), and participation in major procurement projects or public tenders. Timely audit compliance enhances the enterprise's readiness for such opportunities.





# Recommendations for effective audit preparation

- 1 Businesses should proactively assess their eligibility for mandatory audits using the specified criteria, thereby ensuring compliance and avoiding regulatory penalties.
- 2 Enterprises should review and enhance their accounting practices, financial reporting processes, and documentation systems to ensure completeness, accuracy, and audit readiness. This includes reconciling bank accounts, verifying cash balances, conducting inventory counts, reconciling receivables and payables, and ensuring audit trail integrity.



This preparation allows the organization to promptly provide auditors with supporting documents related to transactions, balances, and financial data, thereby facilitating a smooth audit process that complies with regulatory timelines.





## Recommendations for effective audit preparation (cont')

3

In first-year audits, auditors are required to obtain evidence supporting the opening balances on the balance sheet, which may relate to prior periods. Companies should ensure that sufficient historical documentation is available to support these balances and avoid receiving a qualified audit opinion.

Since financial statements usually include prior-year comparisons, organizations are encouraged to audit the financial year immediately before the mandatory audit takes effect. This ensures greater consistency and credibility in financial reporting for investors and stakeholders.



Grant Thornton is a leading Audit and Advisory firm in Vietnam. We are well-positioned to support enterprises in assessing the regulatory implications of Decree 90, achieving compliance, and improving the overall quality of their accounting and financial reporting systems.



# Contact Grant Thornton Vietnam's audit experts



**Nguyen Tuan Nam**  
Senior Partner  
Audit and Assurance Services  
E TuanNam.Nguyen@vn.gt.com



**Nguyen Manh Tuan**  
Senior Partner  
Audit and Assurance Services  
E ManhTuan.Nguyen@vn.gt.com







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