

MARKETING AUDIT - A NEW INTERNAL AUDIT CONCERN IN COMMERCIAL BANKS OF VIETNAM

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ABSTRACT:

Despite the fact that marketing audit is not new in the world, it has never been widely used in Vietnam, particularly among commercial banks. Independent auditors will audit commercial banks' financial reporting systems and provide opinions on the truthfulness and reasonableness of the information in material aspects, whereas internal audits will typically focus on regulations, processes, policies in credit, fund mobilization, payment, cards and IT of the bank, meanwhile, marketing internal audit is rarely conducted at Vietnamese banks. Regarding to benefits brought by marketing audit, it is necessary for Vietnamese commercial banks to implement marketing internal audit in the coming time.

Keywords: marketing audit, internal audit, audit.

1. Literature review of audit and marketing audit

1.1. What is audit?

Auditing is often used to verify financial records of a corporation. Its goal is to make sure that financial information is presented honestly and fairly. According to the American Accounting Association, auditing is a methodical procedure for collecting and objectively assessing evidence.

The American Accounting Association defines auditing as a systematic process of objectively gathering and assessing evidence regarding claims about economic actions and events in order to determine the degree to which these claims correspond with predetermined criteria and communicating the findings to interested users. It includes the reporting and investigating processes.

Additionally, audits are performed to ensure

that financial statements are prepared in accordance with accounting standards. The three fundamental financial statements are an income statement, a balance sheet, and a cash flow statement. Through different recorded transactions, financial statements capture a company's operating, investing, and financing operations. Because the financial statements are prepared internally, there is a considerable danger of the preparers of the statements engaging in fraudulent activities. Without proper regulations and standards, preparers can easily misrepresent their financial positioning to make the company appear more profitable or successful than they actually are. Therefore, auditing is crucial to ensure that companies represent their financial positioning fairly and accurately and in accordance with accounting standards.

1.2. The types of audit

There are three main types of audits:

Internal audits: Internal audits are performed by the employees of a company or organization. These audits are not distributed outside the company. Instead, they are prepared for the use of management and other internal stakeholders. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes [7].

Internal audits are used to improve decision-making within a company by providing managers with actionable items to improve internal controls. They also ensure compliance with laws and regulations and maintain timely, fair, and accurate financial reporting. Management teams can also utilize internal audits to identify flaws or inefficiencies within the company before allowing external auditors to review the financial statements.

External audits: External audits, carried out by independent organisations to find any significant inaccuracies or flaws in a company's financial statements, external financial audits are used.

When an auditor offers an unqualified opinion, also known as a clean opinion, it shows that the auditor has faith that the financial statements are accurately and completely presented.

External audits are crucial for giving diverse stakeholders the confidence to make choices about the organisation that is being audited. An external auditor is independent, which is the main distinction between one and an internal auditor. It means that they are able to provide a more unbiased opinion rather than an internal auditor, whose independence may be compromised due to the employer-employee relationship.

Government audits: Government audits are performed to ensure that financial statements have been prepared accurately to not misrepresent the amount of taxable income of a company. Government auditing is essential in providing

accountability to legislators, oversight bodies, charged with governance, and the public [17].

1.3. What is marketing audit's position?

We utilize the following classification to better understand marketing audit:

By audit object: Marketing audit can be undertaken by both internal and external auditors, as long as these audit units are able to perform independent audits and making unbiased, objective, and fair judgements.

A marketing audit also requires an in-depth understanding of the current promotional environment. It's no wonder that so many companies choose to work with auditing professionals, rather than attempting to conduct an audit on their own. Indeed, third-party marketing audits can be more informative and objective than internal audit. Typically, it's best for a marketing audit to be conducted by a third party that is not a member of the organization. This eliminates any inherent biases and often results in the most constructive analysis of the organization.

By audit type: A marketing audit is defined as an operational audit that examines the entire marketing process, policy, organization, and implementation process of an unit in order to identify flaws and defects, and then makes recommendations to improve the marketing system in a more systematic manner, bringing more value to the business. This is a third-party audit service if the marketing audit is performed by an independent auditor, and this is an audit performed by the entity itself if it is performed by an internal audit. For the recommendations to be truly beneficial, whoever it is, it must be done on an unbiased and objective basis.

1.4. What is marketing audit?

Every year, businesses are subjected to impartial financial audits. Most businesses, on the other hand, rarely perform marketing audits. Many businesses fall into the execution trap when it comes to reactive marketing. To get and stay ahead of the competition, you must be proactive. A marketing audit is the first step in gaining a new perspective on your current marketing while also identifying opportunities for growth and improvement.

In 1959, the marketing audit was discussed for the first time in marketing literature [15]. The marketing audit, according to Kotler and Keller (2007), is a comprehensive, systematic, independent, and periodic examination of a company's marketing environment, objectives, strategies, and activities with the goal of identifying problem areas and opportunities and recommending a course of action to improve the company's marketing performance.

A marketing audit is an examination of your entire promotional environment, from direct mail newsletters to social media initiatives. A marketing audit's goal is to go through the company's resources and determine which initiatives are effective and which are a waste of money. Hence, the marketing audit is a process aimed at evaluating the performance of marketing functions by establishing the efficiency and effectiveness of the process and all those activities related to executing a marketing plan [2]. They help the companies understand what their target audience wants and how the company can meet those needs.

A marketing audit also necessitates a thorough awareness of the existing advertising landscape. It's no surprise that many businesses choose to hire auditing professionals rather than try an audit on their own. Third-party marketing audits might be more objective and instructive than anything your team can do in-house. A marketing audit is usually carried out by a third party that is not a member of the organization. The following points should be kept in mind by the company conducting the marketing audit:

First and foremost, the marketing audit needs to be thorough, covering all the marketing-related areas where the issue still exists and not overlooking any of them.

Second, the marketing audit should also be systematic, which means it should include an organized investigation and assessment of the organization's micro- and macroenvironment, marketing principles, objectives, and strategies, as well as any other activities that may have an impact on how well the firm markets itself.

Third, the marketing audit should be impartial. There are six different ways to perform a

marketing audit: by yourself, by others, by a business task force, by an outsider, and from above. The best audit is the outsider audit; wherein the auditor is the external party to an organization who works independently and is not partial to anyone.

The audit should be conducted on a regular basis; often, businesses undertake marketing audits when an issue occurs in their marketing operations. However, it is essential that a marketing audit be conducted on a regular basis so that the problem can be addressed at its source. As a result, the marketing audit aids in determining how well a company's marketing department executes marketing efforts [1].

1.5. Importance of Marketing Audit

Marketing is under increasing pressure to create and apply business-oriented approaches and measures in order to improve not only marketing but also entire business effectiveness. Many businesses believe that their marketing activities need to be reviewed and overhauled on a regular basis, but they are unsure how to commence. Some businesses make a lot of little improvements that are both economically and politically doable, but they don't get to the root of the problem. True, the corporation creates an annual marketing plan, but management rarely examines marketing strategies, policies, organizations, or operations in depth and objectively. However, there must be more systematic approaches to reorienting marketing processes in response to changing circumstances and opportunities [9].

In today's business world, there are various technologies that may help organizations enhance their marketing management, handle difficulties, overcome negative effects during times of crisis, and take advantage of all market chances. Their execution is a must for the company's long-term survival and continued leadership in the industry. One of these methods is a marketing audit, which acts as a "marketing mirror" for the company being inspected. This marketing tool is still becoming more popular, particularly in Western countries.

The marketing audit is a thorough examination of all aspects of a company's marketing operations. It entails a thorough examination of plans,

objectives, strategies, activities, organizational structure, and marketing personnel [11]. The audit marketing activity is becoming a new trend in business management because it can assist various types of businesses in reviewing their marketing structures, thereby contributing to the streamlining of the overall business and improving not only marketing but also overall performance. Every company has its own marketing strategy, which implies that each marketing audit is unique. However, this does not negate the importance of examining your advertising activities. A marketing audit is a technique for you to assess your marketing efforts.

A marketing audit is an extremely important tool that marketers can use to completely comprehend the present marketing ecosystem at their disposal, establish a distinct marketing plan, and address any underlying difficulties that the audit process may disclose. A marketing audit offers management with an in-depth look at the company's marketing activities, allowing them to assess the department's overall performance, budget, and resources. Any areas that are doing effectively, as well as those that aren't, will be highlighted in a well-conducted marketing audit. Finally, a marketing audit allows decision-makers within a company to make key decisions based on facts, analysis, and statistics that support the firm's overall objectives [12]. According to Cano (2014), a systematic and routine marketing audit can find flaws and shortcomings in the marketing procedures [3]. The significance of this tool for risk identification focuses on the future through the control of the past events and processes to confirm the goals' scope [4]; the marketing audit also assesses the suitability of the marketing practises, making sure they are in line with the

established marketing plans and strategies and that they are efficient [20].

2. Marketing audit in Vietnamese commercial banks

The main purpose of this article is to explore the marketing audit in internal auditing of Vietnamese commercial banks. In order to have the deep understanding about the situation of marketing audit in commercial banks of Vietnam, 25 internal auditors in the Big4 Banks were selected to answer the questions about the marketing audit in May 2022. The participants are selected to ensure the diversity and their involvement with the internal audit. The specialists were asked to give comments about the types of internal audit in their banks as well as give their opinions about the audited activities. Since the information on internal audit is a sensitive and secret topic, all the information provided by the participants in the interviews was noted in handwriting and only used for research purpose.

According to a survey of internal auditors from Vietnam's main four commercial banks (Big 4) including Vietcombank (VCB), Vietinbank (VTB), Bank for Investment and Development (BIDV) and Agribank, the following are the outcomes:

The fact that normally, internal auditors understand their major responsibility is to audit financial accounts and statements, which entails evaluating and confirming the accuracy and appropriateness of the information in the report, according to 48 percent of respondents. The compliance audit (44 percent) is in second place, i.e., verifying for conformity with the law as well as the bank's internal policies. The third area is operational audit (36 percent), despite the fact that it is, in essence, the core content and focus of internal audit theoretically. Unfortunately, the

Table 1. Types of internal audit in Big4 commercial banks in Vietnam

Types	Performance level (%)			
	Never	Rarely	Sometimes	Regularly
1. Auditing of financial statements	0	20	32	48
2. Operational audit	12	24	28	36
3. Compliance audit	8	12	36	44

marketing audit belongs to operational audit, so it can be forecasted that the marketing audit is in limited consideration compared to the other audit. In order to find more evidences to assist the opinion, the participants were asked about the audit activities in their banks.

In terms of audit scope, Credit has always been the primary focus of all Bank audits (72 percent), followed by mobilization (60 percent). The accounting portion is the third draw (44 percent). The remaining sectors, such as asset purchases audits and human resource audits, are rarely conducted; in particular, the Banks has never audited the Marketing segments.

Furthermore, focusing on some banks' audit process, it is clear to be seen that the marketing audit is not covered yet. For example in Agribank, the internal audit coverage is as follow:

Therefore, it can be seen the banks have not included marketing audit in its audit plan, execution as well as in the reporting. This is also common issue for many other banks in Vietnam so far.

3. Discussion and recommendations

According to Wu, Chen, Huang (2015), the marketing audit may change management's viewpoint toward a broader understanding of the environment, a more dispassionate and less intuitive approach to decision-making, and the expression and use of independent opinions to achieve organisational goals. Moreover, according to Taghian (2008), the audit helps the company comprehend its sales and marketing strategy [16].

Table 3. The activites audited internally

<i>In Agribank:</i>				
1. Audit on supervision of senior management				
2. Auditing of bad debt settlement				
3. Auditing the management and use of state secret documents, business secrets, archives, and information technology security in the Agribank system				
4. Anti-Money Laundering Audit				
5. Treasury audit				
6. Auditing at Agribank branches				
<i>In Vietcombank:</i>				
"Auditing at head office departments and subsidiaries; risk management framework/model audit; Audit of credit, accounting, anti-money laundering, payment, capital business, information technology".				

Source: [18-19]

Imran (2012) also indicates that marketing audit will be worth by many advantages, such as the company can get a bird's eye of the marketing efforts, allows to see what's bringing the most success to better allocate the budget to invest more in the strategies that are working. Mylonakis (2003), Lipnická & Dádo (2013) both argue that a marketing audit will contribute to a company's expansion and long-term success. The marketing activity that has been stated is evolving into a new business management trend. It may assist a variety of business kinds in reviewing their marketing strategies, which can help to revitalise the industry

Table 2. The activites to be audited internally in Big 4 commercial banks in Vietnam

The areas	Performance level (%)			
	Never	Rarely	Sometimes	Regularity
1. Credit	0	12	16	72
2. Fund mobilizing	0	8	32	60
3. IT	0	48	12	40
4. Accounting	0	36	20	44
5. Asset purchases	0	48	40	12
6. Human resource	0	52	48	0
7. Fund trading	0	32	56	12
8. Marketing Audit	0	0	0	0

as a whole and enhance not just marketing but also overall performance.

Unfortunately, the issue of Marketing Audit is not a concern in commercial banks of Vietnam so far, especially in the Big4 Banks. It means that they will not own a very simple way to make sure their practices are lining up with their goals and key performance indicators.

As a result, it is critical for businesses as well as the commercial banks of Vietnam to pay close attention to the budget structure in order to hire independent auditors to complete the audit in a systematic manner. Independent auditors are able

to retain a high level of independence in order to provide an unbiased and objective conclusion. Furthermore, if employing an independent auditor is not currently an option, Vietnamese commercial banks should include marketing audit as part of their internal audit program. Internal audit is always a valuable consulting partner, giving value to business units and taking place within the banks. The most importance is the awareness of the banks about the cruciality of marketing audit. Otherwise, the marketing audit is always the outsider of the internal audit's consideration in Vietnamese commercial banks ■

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KIỂM TOÁN MARKETING - VẤN ĐỀ KIỂM TOÁN NỘI BỘ MỚI ĐỐI VỚI CÁC NGÂN HÀNG THƯƠNG MẠI TẠI VIỆT NAM

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TÓM TẮT:

Mặc dù kiểm toán marketing không phải là vấn đề mới trên thế giới, nhưng hoạt động này vẫn chưa được thực sự quan tâm tại Việt Nam, đặc biệt là trong các ngân hàng thương mại. Nếu như kiểm toán viên độc lập sẽ kiểm toán hệ thống báo cáo tài chính để đưa ra ý kiến về tính trung thực và hợp lý của thông tin trên các khía cạnh trọng yếu, thì kiểm toán nội bộ thường tập trung vào kiểm toán các quy định, quy trình, chính sách của hoạt động tín dụng, huy động vốn, thanh toán, thẻ, công nghệ thông tin... Kiểm toán nội bộ với hoạt động marketing thực sự mới mẻ và hiếm khi được kiểm toán nội bộ ngân hàng thương mại thực hiện. Với những lợi ích mà kiểm toán marketing đem lại, tác giả khuyến nghị các ngân hàng thương mại tại Việt Nam cần quan tâm và tiến hành kiểm toán hoạt động này trong thời gian tới.

Từ khoá: kiểm toán marketing, kiểm toán nội bộ, kiểm toán.