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	<b>Appendix 1.</b>	<b>Interviewees</b>
Bui Van Mai	Director	Accounting Policy Department, MOF
Pham Xuan Luc	Manager	Accounting Policy Department, MOF
Nguyen Lan Huong	Deputy Chief	International Financial Relations Div. Dept. of External Finance, MOF
Andrew Weekes	Partner	KPMG
Erick Vega	Audit Manager	Arthur Andersen Viet Nam Ltd.
Paul Coleman	Senior Manager	PriceWaterhouseCoopers (Viet Nam) Ltd.
Tran Dinh Cuong	Audit Manager	Ernst & Young
Mdm. Dr. Phung Thi Doan	Deputy Director	Accounting Policy Dept., MOF
Le Tuyet Nhung	Expert	Accounting Policy Dept., MOF
Dan Thai Hung	Deputy Director	Accounting Policy Department, MOF
Phan Van Dang	Deputy Director	Accounting Policy Department, MOF
John Samy	Resident Representative	ADB
Le Dinh Thang	Project Officer	ADB
Mdm. Ha Thu Thanh	General Director	Viet Nam Auditing Co.
Rowell Tan	Senior Manager	Deloitte Touche Tohmatsu VACO
Nguyen Van Minh	Economist	World Bank

## **Appendix 2. RETA-5877 (Regional Study) Information**

### **1. Study Phases**

The study had four broad phases as follows:

Phase I – Viet Nam Case Study on Accounting and Auditing Support and Structures

Phase II – Hanoi Workshop (10-11 August 2000)

Phase III – Development of Reference Materials

Phase IV – Formulation of Action Plan

### **2. Phase I: Case Study On Accounting and Auditing**

This phase involved the examination of Viet Nam's current accounting and auditing structure and systems. It also (i) analyzed Viet Nam's political, institutional, and regulatory and legal framework on accounting and auditing practice and the level of enforcement of existing laws, rules, and regulations; (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards; and (iii) identified alternative options to remedy the identified weaknesses, with the objective of eventually doing away with these.

A structured questionnaire, that covered the following areas, was used to collect descriptive information:

- (i) Legal and regulatory framework (public and private sector)
- (ii) Accounting infrastructure (professional bodies and accounting standards)
- (iii) Institutional issues (public and private sector)
- (iv) Government and administrative arrangements
- (v) Financial reporting (public and private sector)
- (vi) Accounting and computerization (public and private sector)
- (vii) Accountancy education and training
- (viii) Budgeting (public sector)
- (ix) External audit (public and private sector)
- (x) Previous studies and initiatives on financial management and governance

Ted Godden conducted the fieldwork for the study, with the assistance of Ms Le Tuyet Nhung from 11 July to 18 August 2000. Financial management and governance arrangements were discussed with representatives from: the Ministry of Finance, other government organizations, professional accounting and auditing bodies, private-

sector businesses, tertiary institutions, and multilateral financing institutions.

### 3. Phase II: Hanoi Workshop

Issues arising from the study were discussed and debated at a workshop held in Hanoi on 10-11 August 2000. Bui Van Mai, Director, Accounting Policy Department, chaired the workshop. Francis B. Narayan, Lead Financial Specialist, ADB, participated in the workshop as a resource person and provided overall guidance with respect to the objectives of the Study. Sixty-seven participants, representing the following organizations, attended the workshop:

- ADB Resident Mission
- Ministry of Finance – Accounting Policy Department
- State Audit
- Viet Nam Accounting Association
- Saigon Auditing and Consulting Company
- Viet Nam Auditing Company
- European Union
- World Bank
- Financial Research Institute
- Ernst & Young
- Ministry of Finance - State Treasury
- Ministry of Finance – Department of Finance for Enterprises
- PriceWaterhouseCoopers
- KPMG
- Ministry of Finance – Financial Inspection Department
- Ministry Of Finance – External Finance Department
- Arthur Andersen
- Ministry of Finance – Ministerial Office
- Ministry of Finance – International Relations Department
- Ministry of Finance – Board of Informatics Management
- Hanoi University of Finance and Accountancy
- Ministry of Finance – Personnel and Training Department

### 4. Phase III: Development of Reference Materials

In phase III, reference materials on IAAS were developed. In developing these materials, consideration was given to; (i) alternative transition systems and associated benchmarks as well as underlying institutional prerequisites, and (ii) production of these materials in local languages.

## **5. Phase IV: Formulation of Action Plan**

Phase IV assessed the roles that ADB and other funding agencies played in improving the current situation in the selected DMCs. The roles included policy intervention, projects and program assistance, and mobilization of cofinancing resources to address the identified problems and weaknesses. This activity was undertaken in close consultation with the Government, regulatory authorities, representatives of the accounting and auditing professions, and other local interest groups and funding agencies. At this stage of the RETA, the commitment in principle of each selected country to implement the findings and recommendations of the study was agreed. The findings of the RETA were disseminated and debated at a conference in Manila on 16-18 October 2000 and the developed action plan was finalized for implementation.

## **Appendix 3. Regulatory and Legal Framework**

### **1. Introduction**

The source of all government and legislative authority in Viet Nam is the Constitution. The National Assembly passed a new Constitution on 15 April 1992, to reflect Viet Nam's shift to a market-based economy.

Subordinate to the Constitution and to the laws enacted by the National Assembly are decrees enacted by the Government and regulations enacted by the appropriate ministries that provide detailed guidelines to implement these laws and ordinances.

After many years operating under a centrally planned, socialist economy, the new economic focus adopted by the government of Viet Nam, following calls for reform at the Sixth Communist Party Congress in late 1986, has resulted in a steady flow of legislation and reforms designed to reinforce Viet Nam's shift to a market-based economy

Viet Nam is developing its own legal system that is influenced by aspects of the common law system, the civil law, and the communist system.

Vietnamese laws and regulations are constantly being revised and amended, and it is the case that local practice may not necessarily be in strict accord with the law.

A brief examination of the Constitution and its laws and regulations, which pertain to financial management and governance, is covered in this chapter.

### **2. Process of Law Making**

The country's President, the Standing Committee of the National Assembly, the National Council and Committees of the National Assembly, the Government, the Supreme People's Court, the Supreme People's Office of Supervision and Control, the Viet Nam Fatherland Front and its member organizations, may present draft laws to the National Assembly.

Members of the National Assembly may present motions concerning laws and draft laws to the National Assembly. The order of authority of the laws of Viet Nam is as follows:

1. Laws Passed by National Assembly
2. Ordinances Approved and issued by Standing Committee
3. Decrees Issued by Prime Minister
4. Circulars, Decisions Issued by Minister

### **3. The Ordinance on Anti-Corruption**

The Ordinance on Anti-corruption dated February 26 1998 defines the corruptive activities, and prescribes rights and responsibilities of the Standing Committee of the National Assembly, State Management Agencies and other organizations in detecting corruption. Solutions for preventing and detecting corruption, and penalties for corruption, are also included.

### **4. Foreign Investment Law**

Foreign investment in Viet Nam is regulated principally by the Law on Foreign Investment in Viet Nam passed by the National Assembly on 29 December 1987 and subsequently amended by the National Assembly on 30 June 1990 and 23 December 1992 (the "Implementing Regulations") contained in Decree No.18 of the Government of Viet Nam dated 16 April 1993.

In addition, a number of circulars and regulations have been issued by ministries, People's Committees and other Vietnamese government agencies to give effect to, and provide interpretation of the Foreign Investment Law, and the Implementing Regulations.

The Foreign Investment Law permits foreigners to invest in any sector of the Vietnamese economy. The Foreign Investment Law expressly guarantees that the invested capital and assets of foreign investors will not be requisitioned or expropriated, and that an enterprise with foreign-invested capital will not be nationalized.

### **5. The Land Law**

The Land Law was passed by the National Assembly on 14 July 1993.

The Law restates that land in Viet Nam is public property, subject to exclusive administration by the State. There is an expressed statement that foreign organizations and individuals will be permitted to rent land in certain circumstances.

Whilst the National Assembly has ultimate powers of supervision and administration over land in Viet Nam, the day-to-day administration of land is delegated to the People's Committee for the city (in the case of cities under Central Government) or province in which the land lies. Any land use should be evidenced by a certificate of right to use land. The certificate will state the use to which the land is

to be put, and any change of use requires the prior approval of the relevant authorities.

Land is categorized, with different regulations (including rental) applicable to each category. The six categories are agricultural land, forestry land, land for rural residential areas, urban land, specialized land, and unused land. Separate chapters of the Land Law detail specific provisions relating to each category of land.

Ownership of buildings is permitted under Vietnamese law for Vietnamese individuals and organizations, in contrast to the position regarding the land on which the buildings are constructed. The rights of foreign individuals and organizations to own buildings remain to be clarified.

## **Appendix 4. Constitution of Socialist Republic of Viet Nam**

The current Constitution was approved at the 11<sup>th</sup> session of the Eighth National Assembly and took effect as from 18 April 1992. The Constitution comprises 147 articles grouped in 12 Chapters:

Chapter I	The Socialist Republic of Viet Nam
Chapter II	Economic System
Chapter III	Culture, Education, Science, Technology
Chapter IV	Defence of the Socialist Vietnamese Motherland
Chapter V	Fundamental Rights and Duties of the Citizen
Chapter VI	The National Assembly
Chapter VII	The Country's President
Chapter VII	The Government
Chapter IX	The People's Councils and the People's Committees
Chapter X	The People's Court and the People's Office of Supervision and Control
Chapter XI	The Flag, Emblem, National Anthem, National Capital, National Day
Chapter XII	Effect of the Constitution and Amendments to the Constitution

Individual Articles contained in the Constitution are covered in various parts of this report as they relate to each individual topic.

### **1. Introduction**

The National Assembly is the highest representative and legislative body and is comprised of elected members. The National Assembly meets twice a year. The Standing Committee of the National Assembly is a continuously functioning executive body appointed by the National Assembly and has law-making powers when the National Assembly is in recess. The Standing Committee will generally pass regulations relating to the implementation of existing laws passed by the National Assembly.

In addition to the various ministries, certain other bodies have effective ministry status, such as the State Bank, State Committee for Inspection, etc.

The Government is administered at four levels, central (national), provincial and cities (61), districts and towns (500) and communes (10,000).

At the local government level, the current constitutional system provides for local government by People's Councils within the various administration areas. The People's Committees are appointed by the People's Council for their administrative areas. For this purpose, Hanoi, Ho Chi Minh City, Haiphong and Can Tho are under central control and therefore have their own People's Committee. In other cases, the People's Committee covers the province concerned.

## **2. Political Climate**

On 2 September 1945, President Ho Chi Minh read the Declaration of Independence and the Democratic Republic of Viet Nam came into existence.

On 2 July 1976, the National Assembly of reunified Viet Nam decided to change the country's name to the Socialist Republic of Viet Nam and the country entered a period of transition to socialism. In successive periods of resistance, war and national reconstruction, Viet Nam adopted the 1946, 1959, and 1980 Constitutions.

Starting in 1986, a comprehensive national renewal advocated by the Sixth Congress of the Communist Party of Viet Nam, decided to revise the 1980 Constitution in response to the requirements of the new situation and tasks. In 1986 the Sixth Congress of the Communist Party of Viet Nam put forward a proposal for the comprehensive renewal of the country. Certain provisions of the 1980 Constitution were deemed unsuited to the new situation in spite of the amendments made to its Preamble and some articles on two occasions, in 1988 and 1989. In order to build the necessary legal foundation on which to boost the country's construction and defense in accordance with the new proposal of renewal, the Eighth national assembly of the Socialist Republic of Viet Nam, at its Fifth session (June 1989), decided to set up a Committee for the Amendment of the 1980 Constitution. This Committee successively proposed a four-draft project for the people's examination. The last project, before being put before the National Assembly for review and adoption, was the object of debate by 9 million people. Many of the discussions were widely publicized in the mass media, and a large number of opinions put forward on such occasions were adopted for integration into the draft amended text.

On 15 April 1992 the amended Constitution was officially approved at the 11th session of the Eighth National Assembly and took effect as from 18 April 1992.

### **3. The National Assembly**

Chapter VI of the Constitution refers to the National Assembly. The more relevant Articles are as follows:

- The National Assembly is the highest representative organ of the people and the highest organ of State power of the Socialist Republic of Viet Nam. (Article 83).

The following are the main obligations and powers of the National Assembly (Article 84)

- To make and amend the Constitution and laws;
- To decide the national financial and monetary policies; to decide the draft State budget and budgetary appropriations; to approve the accounts of the State budget; and to establish, change, or abolish taxes;
- To decide the country's plan for socio-economic development;
- To regulate the organization and activity of the National Assembly, the country's President, the Government, the People's Courts, the People's Office of Supervision and Control and the local administrations; and
- To elect, release from duty, and remove from office the country's President and Vice-President, the Chairman of the National Assembly, the Vice-Chairman and members of the Standing Committees of the National Assembly, the Prime Minister, etc.

The duration of each National Assembly is five years. Laws will establish the electoral procedure and the number of members of the National Assembly. In special cases, with the approval of at least two-thirds of its members, the National Assembly can either reduce or prolong its period of tenure (Article 85). The National Assembly will hold two sessions each year, to be convened by its Standing Committee (Article 86).

### **4. Standing Committee of the National Assembly**

Under Article 90, the Standing Committee of the National Assembly is its permanent Committee and is composed of:

- the Chairman of the National Assembly;
- the Vice-Chairmen of the National Assembly; and
- the members.

The National Assembly determines the membership of the Standing Committee. A member of the Standing Committee of the National

Assembly cannot be at the same time a member of the Government. The following are the main duties and powers the Standing Committee of the National Assembly:

- To call and preside over the election of the National Assembly;
- To prepare for, to convene, and preside over the sessions of the National Assembly;
- To interpret the Constitution, the law, and decree-laws;
- To enact decrees and laws on matters entrusted to it by the National Assembly;
- To exercise supervision and control over the implementation of the Constitution, the law, the resolutions of the National Assembly, decree-laws, the resolutions of the Standing Committee of the National Assembly, over the activities of the Government, the Supreme People's Court, the Supreme People's Office of Supervision and Control.
- To exercise supervision and control over, and to give guidance to, the activities of the People's Council's; to annul wrong resolutions by the People's Councils of provinces and cities under direct central control.

## **5. The President**

Chapter VII of the Constitution refers to the Country's President. The more relevant articles are as follows:

- Article 101. The President is the Head of State and internally and externally represents the Socialist Republic of Viet Nam.
- Article 102. The country's President is elected by the National Assembly from among its members. He is responsible to the National Assembly. His term of office follows that of the National Assembly.
- Article 103. The following are the main duties and powers of the country's President:
  - To promulgate the Constitution, laws and decree-laws;
  - To propose to the National Assembly to elect, release from duty, remove from office, the Vice-President of the country, the Prime Minister, the President of the Supreme People's Office of Supervision and Control;
  - On the basis of resolutions of the National Assembly or its Standing Committee to appoint, release from duty, or dismiss

the Deputy Prime Ministers, Cabinet Ministers and other members of the Government.

## **6. The Government**

Chapter VIII of the Constitution refers to the Government. The more relevant Articles are as follows:

- Article 109. The Government is the executive organ of the National Assembly, the highest organ of state administration of the Socialist Republic of Viet Nam. The Government is accountable to the National Assembly and makes its reports to the National Assembly, the Standing Committee, and the country's President.
- Article 110. The Government is composed of the Prime Minister, the Deputy Prime Ministers, the Cabinet Ministers, and other members. With the exception of the Prime Minister, its members are not necessarily members of the Assembly. The Prime Minister is accountable to the National Assembly and makes his reports to the National Assembly, its Standing Committee, and the country's President.
- Article 112. The following are the main duties and powers of the Government:
  - To direct the work for the ministries, the organs of ministerial rank and the organs of the Committees at all levels;
  - To ensure the implementation of the Constitution and the law;
  - To present draft laws, decree-laws and other projects to the National Assembly and its Standing Committee; and
  - To ensure the overall management of the building and development of the national economy; to carry into effect national financial and monetary policies; to manage and ensure the effective use of property in the ownership of the entire people; to promote the development of culture, education, healthcare, science and technology, to carry out the plan for socio-economic development and to give effect to the State budget.
- Article 113. The tenure of the Government is the same as that of the National Assembly. When the latter's tenure ends the Government continues in office until the new legislature establishes a new government.

## **7. The Prime Minister**

Under Article 114, the following are the main duties and powers of the Prime Minister:

- To direct the work of the Government, the Government members, the People's Councils at all levels; and to chair Cabinet meetings;
- To propose to the National Assembly to set up or disband ministries and organs of ministerial rank; to present to the National Assembly or, when the latter is not in session, to its Standing Committee, for approval, proposals on the appointment, release from duty, or dismissal of Deputy Prime Minister, Cabinet Ministers, and other members of the government;

## **8. People's Councils and People's Committees**

Chapter IX of the Constitution refers to the Peoples Councils and the Peoples Committees. The more relevant Articles are as follows:

- Article 118. The administrative units of the Socialist Republic of Viet Nam are distributed as follows:
  - The country is divided into provinces and cities under direct central rule;
  - The provinces are divided into districts, provincial cities, and towns;
  - The city under direct central rule is divided into urban districts, rural districts, and towns;
  - The district is divided into communes and townlets, the provincial cities and towns are divided into wards and communes; the urban district is divided into wards.
  - The establishment of People's Councils and People's Committees in administrative units is determined by law.
- Article 119. The People's Council is the local organ of State power; it is elected by the local people and is accountable to them and to the Superior State organs.
- Article 123. The People's Committee is elected by the People's Council and is the latter's executive organ of the Local State administration. Its responsibility is to implement the Constitution, the law, and the formal resolutions of the People's Council.

The People's Committee of the city (in the case of cities which are under the central government) or province also plays a role in foreign private

sector investment. The People's Committees will have input in particular, on issues such as the compatibility of projects with the development plan for the city or province, evaluation of assets, evaluation of the financial status of both parties, the supply of utilities for projects, issues relating to the lease of land, and the right to use land required for the project.

## **9. People's Office of Supervision and Control**

Chapter X of the Constitution refers to the Peoples Court and the People's Office of Supervision and Control. The more relevant Articles referring to the latter are as follows:

- Article 137. The Supreme People's Office of Supervision and Control supervises and controls obedience to the law by ministries, organs of ministerial rank, other organs under the Government, local organs of power, economic bodies, social organizations, people's armed units, and citizens. It exercises the right to initiate public prosecution, and ensures a serious and uniform implementation of the law.
- Article 139. The Head of the Supreme People's Office to Supervision and Control is responsible to the National Assembly and, when the latter is not in session, to its Standing Committee and to the country's President.

## **Appendix 5. Government Ministries**

### **1. Government Ministries**

There are 17 Ministries in the Government:

- Ministry of Industry
- Ministry of Transport & Communications
- Ministry of Training & Education
- Ministry of Fisheries
- Ministry of Labor, Invalids & Social Affairs
- Ministry of Planning & Investment
- Ministry of Foreign Affairs
- Ministry of the Interior
- Ministry of Trade
- Ministry of Agriculture & Rural Development
- Ministry of Defense
- Ministry of Culture & Information
- Ministry of Construction
- Ministry of Public Health
- Ministry of Justice
- Ministry of Finance
- Ministry of Science, Technology & Environment

### **2. Ministerial Equivalent Bodies**

- State Bank
- Central Committee for Nationalities and Mountainous Region
- Government Personnel Department
- State Committee for Inspection
- Office of the Government
- Viet Nam Committee for the Protection and Take Care of Children
- Committee for Population

## **Appendix 6. Government Bodies**

### **1. Government Bodies**

- General Department of Hydrometeorology
- General Department of Statistics
- National Center of Social Science and Humanities
- National Committee for Religion
- Viet Nam News Agency
- Museum of President Ho Chi Minh
- State Price Committee
- Viet Nam Atomic Energy Institute
- Institute of Applying National Technology
- Management Board of Ho Chi Minh President's Tomb
- Viet Nam Petrol Corporation
- Institute of National Administration
- General Department of Land
- General Department for National Reserve
- General Department of State Standard Measurement
- General Department for Customs
- Voice of Viet Nam
- Viet Nam Television
- Committee of Reward
- National Council for Border
- Central Council of Non-State-owned Enterprises
- General Department of Tourism
- General Department of Post-Telecommunication
- General Department of Sport
- National Center of Natural Science and Technology
- State Audit
- Viet Nam Social Insurance Department
- Governmental Cipher Department
- Committee 10-80
- Unit Assisting Development Fund.

**2. National Assembly Unit**

- National Assembly Office
- People's Supreme Organ of Control
- People's Supreme Court
- President Office

## **Appendix 7. State-owned Enterprises**

SOEs were established in previous regimes when Viet Nam was a centrally controlled, socialist economy. During the late 1980s and early 1990s, the move to an economy based on democratic principles of unrestricted private ownership and management of business entities, gathered momentum, and this culminated in the promulgation of the 1992 Constitution. The existence of some 5,000-plus SOEs is a legacy of the past and the Government is attempting to divest itself of the ownership of these enterprises through equitization. However the process is slow and complicated.

SOEs represent approximately 60 percent of State revenues, 21 percent of national assets and 25-30 percent of State capital investments.

Under the Law on State-owned Enterprises, SOEs are required to make public certain information in accordance with Circular 65. There are three levels for recipients of information; information for State Management Agencies, Employee Information and Information for Outsiders. The third category requires that enterprises should make public certain information concerning the financial statements in order that readers may assess a true and fair view about the operations of the enterprise and its financial position. This involves statements regarding capital, debt, loan repayments, maturity of loans, structure of assets, and profit and loss information.

Under Circular 65, issued by Ministry of Finance (MOF) on Public Financial Statements, SOEs should send the financial statements to the management agencies, taxation department, financial agencies, statistics department, and the agency responsible for the establishment and management of that enterprise.

The Board of Directors or Director is responsible for the financial accountability of the enterprise and must respond to any questions asked by management authorities.

State Audit may carry out the audit of financial statements of some State-owned enterprises following the decision of the Prime Minister. This audit could extend to performance audit and compliance audit. These audits are normally carried out on a random selection basis. However, they may be ordered by the Prime Minister if questionable circumstances arise with regard to the operations of particular SOEs involved.

The Government's Annual Equitization Plan sets the criteria for equitization. The target for 1999 was 400 SOEs to be equitized and this was not achieved. MOF decides how many SOEs each line ministry will equitize.

The Department of Finance for Enterprises is responsible for the valuation of SOEs after discussions with all interested parties and taking into account the different levels of ownership, Directors of enterprises are responsible for the analysis of financial results.

The Department of Financial Management has a monitoring function over SOE debt and is responsible for providing an opinion on the adequacy of the amount of debt. MOF has a direct responsibility for Government debt. In cases where SOE assets are insufficient to cover the required debt, MOF will guarantee the shortfall.

The Government does not provide subsidies to cover losses. Direct subsidies are made only for purposes of the public good. Loss-making SOEs are considered to be subsidized by a reduction in tax contributions. An SOE that cannot continue to operate is either liquidated or merged with another enterprise.

In summary, the equitization process consists of the following:

- SOE Planning Committee starts the sequence
- Inventory of assets is compiled
- Identification of potential buyer, business plan and a profitability assessment is made.
- MOF values the SOE
- Valuation sent to the line ministry/People's Committee for approval
- Sale of shares is organized.

### **Appendix 8. Institute of Finance Research**

The Institute was established in 1961 and its main functions and tasks include the following:

- Researching domestic, international, economic, financial, and monetary issues;
- Collaboration in research and information exchanging with other institutes from various countries and international organizations;
- Organizing financial, and monetary conferences;
- Conducting surveys, compiling statistics, analyzing, estimating and forecasting on economic, financial and monetary situations;
- Maintaining a data system on economic and financial information; and
- Conducting postgraduate training in accounting and financial fields.

The Institute issues five accounting publications per month amounting to approximately 500 pages.

A sub-institute was founded three years ago in Ho Chi Minh City. There will be a continued need for an Institute presence in the south as HCMC will become a leading financial center as a result of the opening of the first stock exchange. The Institute has a staff of 55, comprising 35 research staff, and 20 administrative support staff.

## **Appendix 9. Ministry of Planning and Investment**

The Ministry of Planning and Investment (MPI) was established by Decree No. 75/CP of the Government issued on 1 November 1995.

The MPI is a government agency which has the overall advisory function of development of strategy and for planning the socio-economic development of Viet Nam. The Ministry assists the Government to co-ordinate, administer, and implement primary objectives and to balance the national economy. The MPI works in close collaboration with the MOF.

The MPI is the State body principally responsible for managing and administering all matters relating to foreign investment. All foreign investment projects in Viet Nam must have an investment license issued by MPI.

In cases where the approval of a higher government agency is required for a project, the MPI issues an investment license for the project on the basis of the approval given by that agency. Examples include projects of national importance, oil and gas investment projects, and build-operate-transfer contracts which would require the approval of the office of the Prime Minister.

## **Appendix 10. The Stock Exchange**

The Stock Exchange has been in the planning stages for approximately eight years. The Ho Chi Minh City Securities Trading Center (the Stock Exchange) was officially opened on the 20 July 2000 and started share trading one week later, with only two local companies listed for trading. All necessary legal documentation for the Stock Exchange was promulgated in 1996 and laws allowed for a second Securities Trading Center to be opened in Hanoi. At this stage only local companies can be listed and up to 20 percent of these companies may be owned by foreigners. Foreign-owned business entities are not permitted to be listed. As of 18 August 2000 there were six local companies listed on the Stock Exchange and one of the major early problems is that demand for shares far outweighs supply, and this is already starting to deter potential investors.

The controlling authority for the Stock Exchange, State Securities Commission, was established in 1996 by Decree No. 75/CP dated 28 November 1996.

Decision No. 127/1998/QĐ-TTg dated 11 July 1998 of the Prime Minister, established the Securities Trading Centers.

Decree No. 48/1998/ND-CP dated 11 July 1998 of the Government, outlined procedures on securities and securities markets.

## **Appendix 11. Private Sector Enterprises**

### **1. Joint Venture Companies**

A Joint Venture Company is required to be in the form of a limited liability company established under, and subject to, the law of Viet Nam. As such, a joint venture company has separate legal identity under Vietnamese law. The liability to third parties of each party who owns capital in a joint venture company is limited to the amount, which it is obliged to contribute to the legal capital of the joint venture company. The Foreign Investment Law envisages that a joint venture company may be established between one or more foreign parties and one or more Vietnamese parties. There is therefore no obstacle in principle to multiparty joint ventures.

### **2. Build-Operate-Transfer Contracts**

The Build-Operate-Transfer (BOT) contract was introduced as a separate investment category in the amendment to the Foreign Investment Law passed on 23 December 1992. Implementing regulations to cover BOT contracts are contained in Decree No.87 of the Government of Viet Nam dated 22 November 1993 ("Decree 87").

The BOT contract regime is intended to cover approved projects for the renovation and /or construction and subsequent operation of infrastructure facilities in Viet Nam. BOT contracts are made between foreign investors and authorized state bodies. Under the BOT contract, a Vietnamese limited liability company is established as a BOT company. The BOT company executes the renovation and / or construction of the project facilities, owns the project facilities and assets and operates the project for the duration specified in the BOT contract. Upon expiry of the duration of the BOT contract, the foreign investors' interests in the BOT company and the project are transferred to the Government of Viet Nam free of charge.

### **3. Export Processing Zones**

To encourage and facilitate export-oriented production, the Government has initiated the development of a number of export processing zones (EPZs) within Viet Nam which provide simplified foreign investment approval procedures, tax incentives and preferential treatment and modern infrastructure for the foreign investors.

## **Appendix 12. The Banking Sector**

### **1. The State Bank of Viet Nam**

The State Bank of Viet Nam regulates the operation of commercial banks in Viet Nam, as well as credit cooperatives and financial companies, and plays a central bank role. A State Bank license is required for operating any form of commercial banking business in Viet Nam. It is primarily the State Bank, which issues circulars and notifications setting out day-to-day regulations for the conduct of banking business in Viet Nam.

The State Bank's Annual Financial Statements are audited and certified by the State Audit Office. The State Bank is required to submit the necessary financial reports as required by law. There is no reference to banking financial reports in the Vietnamese Accounting System and the State Bank is responsible for setting the reporting requirement of other banks. This situation should be overcome when the new Vietnamese Accounting Standards are issued. The State Bank also has its own internal "banking inspection body" which is established by law and is responsible for the inspection of the operations of credit unions and other banks.

The main types of commercial banks at present operating within Viet Nam are as follows:

- Wholly State-owned banks, such as the Bank for Foreign Trade in Viet Nam (Vietcombank), Industrial and Commercial Bank (Incombank) and Viet Nam Bank for Agriculture (Agribank);
- Equity commercial banks, such as Viet Nam Export-Import Bank (Eximbank), which are owned by private and public sector shareholders;
- Branches of foreign banks; and
- Representative offices of foreign banks.

### **2. Functions of the State Bank of Viet Nam**

The main functions of the State Bank of Viet Nam are as follows:

1. The State Bank of Viet Nam is a Government body and is also the central bank.
2. The State Bank has the function of state management of monetary and banking operations, and is the bank providing the Government with monetary services.

3. The State Bank is responsible for stabilizing the value of money, ensuring the safety of banking activities and of credit organizations, and facilitating the development of a socialist-oriented economy.
4. The State Bank is a legal entity, having prescribed capital owned by the State, with its principal office located in Hanoi.

### **3. National Monetary Policy**

The national monetary policy is an integral part of the financial economic policies of the State formulated for the purposes of stabilizing the value of money, controlling inflation, facilitating socio-economic development, ensuring national defense and security, and improving the living standards of the population.

### **4. Duties and Powers of the State Bank.**

The State Bank has the following powers and duties:

- In relation to its functions of State management:
  1. To participate in the development of strategies and plans for social and economic development of the State;
  2. To formulate the national monetary policy project for consideration by the Government for submission to the National Assembly for approval and organization of implementation; formulating strategies for development of the system of banks and credit organizations in Viet Nam; and
  3. To formulate draft laws, ordinances and other projects in relation to currency and banking operations; to issue legal instruments under its authority.
- In relation to currency and banking operations:
  1. To issue to or withdraw from credit organizations establishment and operating licenses in respect of other banks; to make decisions on dissolution, division or merger of credit organizations in accordance with provisions of law;
  2. To carry out examination and inspection of banking operations; to control credit operations; and to deal with offences in relation to currency and banking operations under its authority;

authority, representative offices within and outside the country, and other subsidiary units.

## **6. State Bank Leadership and Administration**

The Government of the State Bank (the Governor), being a member of the Government, is responsible for leading and administering the State Bank. The Government has the following duties and powers:

1. To direct and organize the performance of duties and exercise of power of the State Bank as stipulated in article 5 of this Law and provisions of the Law on the Organization of the Government;
2. To be responsible to the Prime Minister of the Government and the National Assembly for the scope of work under his authority; and
3. To be the legal representative of the State Bank.

## **7. Information Activities**

- Collection and provision of information
  1. The State Bank shall carry out the collection, analysis, and forecast of information in relation to economic, financial, monetary, and banking operations within and outside the country for the purposes of formulation and implementation of the national monetary policy. Relevant organizations and bodies shall be responsible for providing the State Bank with necessary information as requested in accordance with provisions of the Government.
  2. The State Bank shall exchange information with and act as an agency providing information in relation to monetary and banking operations for credit organizations and other organizations and individuals.
- Public Availability of information. The State shall make public information in relation to monetary and banking operations. The Government shall provide for the scope, forms, and time of publication of such information.
- Maintenance of confidential information. The State Bank shall formulate and submit to the Government for decision a list of confidential documents in relation to monetary and banking operations; and shall maintain secrets of the State, of the State Bank, and of clients in accordance with provisions of the law.

- Accounting operations of the State Bank. The State Bank shall carry out accounting operation in accordance with the account and voucher system provided for in the laws on accounting and statistics.
- Auditing. Annual financial reports prepared by the State Bank shall be audited and certified by the State auditing body.
- Fiscal year and financial reports. Fiscal year of the State Bank shall commence on 1st January and finish on 31 December of the calendar year. The State Bank complies with the reporting regimes stipulated by law.
- Banking inspection. The banking inspection body shall be the inspection body, being a part of the organization of the State Bank. The relations between the banking inspection body and the State inspection body shall be specified in the laws on inspection. The organizational structure, duties, and powers of the banking inspection body shall be stipulated by the Government.
- Objects of the banking inspection. The banking inspection body shall be established for the purposes of ensuring the safe operations of credit organizations, protecting the legitimate rights and interests of depositors, and implementing the national monetary policy.
- Operations of the banking inspection body. The banking inspection body shall carry out the following operations:
  - To inspect the observance of the laws on monetary and banking operations and the implementation of provisions provided for in the licenses for conducting banking transactions;
  - To identify, prevent, and deal with, within its authority, or make proposals for relevant competent bodies to deal with, breaches of the laws on monetary and banking operations; and
  - To make recommendations on measures to ensure the implementation of the laws on monetary and banking operations.
- Powers of the banking inspection body. The banking inspection body shall, in carrying out inspections, have the following powers:
  - To request the objects of inspection and concerned parties to provide any documents and evidence, or to answer questions in relation to the contents of inspection;

- To make records of inspection and recommendations on solutions to deal with offences; and
- To apply measures to prevent or deal with offences in accordance with provisions of the law.
- Responsibilities of banking inspectors. Banking inspectors shall, in performing their duties, have the following responsibilities:
  - To present the decision on inspection and inspector card;
  - To follow the stipulated process of and procedures for inspection; to avoid causing troubles of obstructions to the ordinary operations of inspected credit organizations and other organizations conducting banking operations and thereby damaging legitimate rights and interests;
  - To prepare and submit to the Governor reports on results of inspection and proposed measures to deal with offences; and
  - To abide by provisions of the law and be responsible.

## **8. Foreign Banks**

Foreign banks may be represented in Viet Nam as follows:

- A representative office;
- A branch of the foreign bank;
- A joint venture bank established by the foreign bank and a Vietnamese bank.

In addition, foreign banks are permitted to purchase up to 30 percent of the shares of commercial banks in accordance with relevant regulations.

### **A. Representative offices**

A number of foreign banks have registered representative offices in Hanoi and/or Ho Chi Minh City.

A representative office cannot be used to carry out banking business in Viet Nam. In addition to representative and market research functions, the foreign representative offices have largely been involved in supporting their foreign offices, particularly in connection with trade finance.

### **B. Branches**

The State Bank issues a banking license for the branch of the foreign bank which will specify the capital of the branch and the banking activities which it is permitted to engage in. the minimum required

capital for a branch of a foreign bank is US\$15 million. The Vietnamese authorities are treating foreign bank branches in the same way as wholly foreign-owned companies.

### C. Joint Venture Banks

Subject to specific regulations and obtaining a license from the State Bank, joint venture banks are established as joint venture enterprises under the Foreign Investment Law. The local party must be an existing Vietnamese commercial bank. The minimum required capital for a joint venture bank is US\$10 million.

### Taxation on Foreign Banks

Branches of foreign banks are, for taxation purposes, treated in the same way as wholly foreign-owned companies under the Foreign Investment Law and joint venture banks are treated in the same way as wholly foreign-owned companies under the Foreign Investment Law and joint venture banks are treated in the same way as other joint venture enterprises under the Foreign Investment Law.

The following specific taxation treatment applies to branches of foreign banks and joint venture banks:

- A profits tax rate of 25 percent – the exemptions available to joint venture enterprises and wholly foreign-owned companies under the Foreign Investment Law are not applicable to banks; and
- A turnover tax rate ranging from 4 percent to 8 percent on income generated from banking services, including interest and income from foreign exchange transactions.

## 9. Rates of Exchange

The Foreign Exchange Regulations provide that the exchange rates which will apply to foreign currency conversions permitted under the Regulations will be the exchange rate of the authorized bank effecting the conversion, which will be based on the rates published by the State Bank at the time of the transaction.

## 10. Banking System Statistics in Viet Nam

- State Bank of Viet Nam
- 6 State-run commercial banks
- 48 Commercial joint-stock banks

- 26 branches of foreign banks
- 4 joint-stock banks
- 9 finance leasing companies
- 6 financial companies
- 980 credit organizations

The six State-run commercial banks:

- Bank for Investment and Development of Viet Nam
- Agriculture and Rural Development Bank
- Industrial and Commercial Bank (Incombank)
- Bank for Foreign Trade of Viet Nam (Vietcombank)
- Bank for the Poor
- Bank for the Development House of Cuu Long River Area

The 26 branches of Foreign Banks:

ABN-Amro Bank, ANZ, Credit Lyonnais, Asian International Bank, Banque Indosuez, Bank of America, Bangkok Bank, Banque Nationale de Paris, Banque Francaise du Commerce Exterieur, Citibank, United Overseas Bank, the Hong Kong and Shanghai Bank, Standard Chartered Bank, ING Bank, the Thai Military Bank, United Overseas Bank.

The four joint stock banks:

- Indovina Bank
- VID Public Bank
- Fist Vina Bank
- Vinasiam

**Appendix 13. Hanoi University of Finance and Accountancy**

The Bachelor of Accounting degree course is structured as follows:

**Part I: (Compulsory)**

1. Marxist- Leninist Political Economics
2. Micro Economics
3. Macro Economics
4. Basic of Laws
5. Theory of Economics
6. History of Viet Nam Communist Party
7. Socialism Science
8. Sociology
9. Economic Geography I
10. History of Economics of Viet Nam and other countries.
11. Marxist- Leninist Philosophy
12. Foreign Language B1 + B2 + B3
13. Higher Mathematics C1 + C2
14. Basic of Informatics
15. Probability and Statistic Mathematics
16. Thesis

**Part II: Compulsory**

1. Economics of Industries
2. Economic Mathematics
3. Foreign Language
4. Applied Informatics
5. Theory of Finance
6. Theory of Currency
7. Theory of Statistics
8. Basic of Accounting
9. Management of Money and Credit
10. Business Management
11. Economic Laws
12. Enterprise Statistics
13. State Taxation
14. Thesis
15. Exercise
16. Substance Education
17. Defence Education

18. Science of Management
19. Economics of Environment
20. Marketing
21. Stock Exchange

**For Selection:**

1. International Economics
2. Economic of Investment
3. Insurance

**Part III: (Compulsory)**

1. Financial Accounting
2. Management Accounting
3. Application of Accounting in Computer
4. Auditing (I + II)
5. Financial Management of Enterprises
6. Analysis of Financial Enterprise
7. Three months in practice
8. Essay
9. Dissertation or Final Examinations

The following is a list of subjects included in the Masters Degree courses:

<b>Order</b>	<b>Subject</b>	<b>Number of Hours</b>
1	Philosophy	120
2	English – Level C	240
3	Informatics	60
4	Methods for Teaching	45
5	Methods for Science Research	30
6	History of Economics	60
7	Science Basic of Management	30
8	Macro Economics	45
9	Micro Economics	30
10	Management	30
11	Marketing	30
12	Economic Laws	30
13	Financial Resources	45
14	Financial Mathematics	30
15	Basics of Accounting	45
16	Theory of Money – Credit	45
17	Management of Investment Project	45

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18	Stock Exchange	30
19	Auditing	30
20	Enterprise Finance	45
21	International Finance	45
22	Accounting for Enterprises	45
23	Economic Analysis	45
24	Dissertation	

## **Appendix 14. Financial Government Departments**

### **1. Seniority Order Within Departments**

The order of authority in financial Government departments is:

1. Minister
2. Vice-Minister
3. Director (Senior Expert)
4. Deputy Director (Senior Expert)
5. Manager or Chief (Key Expert)
6. Deputy Manager or Deputy Chief (Key Expert)
7. Expert

### **2. Ministry of Finance**

The role and responsibilities of the Ministry of Finance are contained in Government Decree No. 178 dated October 20 1994. The primary function of the Ministry of Finance is to manage the State's financial, accounting and budgetary procedures. The departments, agencies and units under the control of the Ministry of Finance are as follows:

#### **Departments**

- Ministerial Office
- Department of Banking and Financial Institutions
- Department of National Budget
- Department of External Finance
- Department of Accounting Policy
- Department of Finance for Enterprises
- Department of Financial Policy
- Department of Public Assets Management
- Department of International Relations
- Department of Investment
- Department of Finance for Administrative Bodies
- Department of Finance for National Defence and Security
- Department of Personnel and Training
- Department of Financial Administration
- State Treasury

### **Agencies**

- General Department for Taxation
- Financial Research Institute
- Board of Financial Inspectors
- Financial Times
- Board of Informatics Management and Application
- Board of Foreign Aids Receipt and Management
- Guest House

### **Units**

- Viet Nam Auditing Company
- Accounting and Auditing Consultancy Services Company
- Da Nang Auditing Company
- Viet Nam Insurance Corporation
- Auditing and Consulting Company
- Saigon Auditing and Accounting Financial Consulting Company
- Viet Nam Reinsurance Company
- Insurance Company of Ho Chi Minh
- Financial Printing Company
- City Finance Publishing House

### **3. Role and Responsibilities**

The following is a summary of the Role and Responsibilities of Ministry of Finance (MOF) in accordance with Government Decree No.178 Dated 20 October 1994

- Manage the State's financial, accounting, and budgeting processes
- Provide guidance to ministries and agencies, government agencies and People's Committees at the provincial level and cities directly under the central government in drawing up the state budget
- Lead in the drawing up of the Draft State Budget, undertaken together with the State Planning Committee (SPC); make projections of allocations to ministries and other government agencies for submission to the National Assembly; implement the budget approved by the National Assembly
- Monitor budgetary spending by ministries and government agencies etc.

- Draw up of the Government's final annual budget statement (financial report) for presentation to the National Assembly
- Together with SPC, draw up short mid-and long-term plans for socio-economic development, capital construction, etc.
- Provide advice to ministries and other government agencies with regard to development plans, financial investment policies, wages, prices, etc.
- Draft laws, ordinances and other legal documents in relation to taxes, fees and other revenues
- Administer the collection of taxes, fees, etc
- Manage the State Budget Fund, State Financial Reserve, Central Foreign Exchange Fund and temporarily seized or confiscated properties
- Make allocations from the State Budget; capital construction allocations in accordance with government regulations
- Provide preferential loans (guarantees) for projects and programs in accordance with government regulations
- Undertake measures of financial support (guarantees) for the implementation of socio-cultural targets
- Manage the capital, value of assets and natural resources owned by the State
- Manage capital and property invested by the State in enterprises and businesses
- Exercise the rights of the State as owner of capital and property invested in enterprises and businesses
- Monitor the financial accounts of State-owned Enterprises
- Suspend and recover budget allocations spent not in accordance with the approved budget or contrary to financial management regulations
- Manage loans and debt payments, providing financial management of foreign aid, evaluating projects requiring foreign capital
- Prepare documents relating to participating in international financial conventions
- Manage the insurance business and services; issuing shares and bonds; manage social funds, lottery operations
- Provide audit and accounting services, and other financial services
- Assist in the development of the capital market

- Conduct financial control and inspection of all administrative and self-managed organizations, SOEs and other organizations funded through the State budget
- Represent the Government in dealings with international financial institutions as directed by the Government
- Exercise functional direction over financial, accounting, and auditing officers and employees
- In addition there are five specialized State management agencies attached to MOF, whose roles and responsibilities are set out in separate Decrees
- Aimed at MOF employees and financial officers in the provinces
- Management of Financial Sector Research

#### **4. Offices and Staff**

MOF has 14 departments and four general departments, many of which have offices down to the district level. The General Department for Tax and State Treasury has offices at the central, provincial and district levels. The General Department for Development and Investment and the Department for State Enterprises have offices at the central and provincial levels. MOF has 60,000 staff with approximately 5,000 at the local level.

#### **5. The State Treasury**

The operations of the State treasury are governed by Decree No. 25, 1997, which established the State treasury under MOF to manage State Budget funds under the system of central and local governments.

The State Treasury has 607 offices, six offices at the central level, 61 provincial offices and the rest at the district level. State Treasury is responsible for managing the Government Budget Funds, mobilizing capital for the Government Budget and for the development of investment. The main activities consist of:

- Centrally managing budget revenues (including revenues from aid, domestic and foreign borrowings); and allocating budget revenues to different budget levels according to law;
- Making payments and controlling budget expenditure by spending agencies according to approved budget projections;
- Controlling and making payments for the Government Budget's capital expenditure.

- Mobilizing funds for the Government's Budget and for development investment; and the issuing Government bonds;
- Conducting the accounting and final accounts of the Government Budget Funds.
- Making payments and lending in the targeted program and socio-economic development projects; and
- Keeping custody of cash, assets, and transferable documents of the State.

State Treasury Departments:

- Planning – sets policy
- Accounting – accounting for the whole country
- Funds mobilization – mobilizing funds to state budget
- Funds Storage – Cash Reserve Fund – including confiscated assets
- Inspection – internal audit
- Personnel – Data collection
- Cabinet – Assistance to the General Director, Administrative Services

## **6. Accounting Policy Department**

The Accounting Policy Department is mainly responsible for the setting up of the Vietnamese Accounting and Auditing Standards and detailed regulations on accounting and auditing. Accounting Policy Department has 35 Staff. The main functions and responsibilities of this Department are as follows:

- The drafting of Vietnamese Accounting Standards using IAS as the base;
- The drafting of Vietnamese Auditing Standards using ISA as the base;
- The drafting of accounting and auditing laws for presentation to the National Assembly;
- Assist in the drafting of Government Tax Policy and Financial Policy; and
- Assist MOF to take responsibility in the State management of accounting and auditing.

## 7. Computerization

Mainly State-owned Enterprises (SOEs) have developed, purchased, or hired accounting software packages. It is intended that in 2003, after the issue of the Vietnamese Accounting Standards, the Informatics Department of MOF will develop accounting software for use by all enterprises.

The main computer hardware used is IBM, HP, Compaq, Olivetti, Switch, Router, Hubs, and Modem. The main software operating packages used are Windows NT, Unix and Novell. The following applications are intended to be computerized in the future:

- Debt Management DataMart;
- Consolidation of information on receipts and expenditure included in the State Budget and Taxation and Treasury Systems;
- Managing human resources;
- Managing Government bonds; and
- Assisting in budget inspection.

Computerization of various sections of the Ministry of Finance has received donor assistance from:

- ADB, UNDP, Swedish Government: Managing Foreign Debt Program.
- Germany and UNDP: Managing State Budget.
- French Government: Computerization of State Treasury system.
- SIDA Switzerland: Computerization of Taxation system.
- EU: Accounting and Auditing field.

Departments are responsible for developing individual departmental systems. The Informatics Board has the overall responsibility of coordinating program procedures. Computerization of the State Treasury is strong and there is a network link between Central Treasury and the treasury offices in 61 districts.

## **Appendix 15. Ordinance on Accounting and Statistics**

The following is an extract of the main articles on the Ordinance on Accounting and Statistics relevant to this Study. Promulgated by order 06 LCT/HDBT-8 of the President of the State Council of Socialist Republic of Viet Nam, dated 20 August 1988.

- In order to enhance economic and finance management at all levels in branches, provide for audit and control by the State of production and business operation within the various economic sectors; and to exploit the potential of the country;
- in order to meet the need for updating economic management, to ensure that information is obtained from each level of each economic sector of the country in a timely, uniform and accurate manner;

This ordinance provides regulations for the accounting and statistics standards to be applied in the national economy.

### **Chapter I General Provisions**

**Article 1** – All State-owned enterprises, State-private joint enterprises, collective and private units engaged in production and business activities, mass organizations, and agencies and organizations using the funds of the State ( hereafter referred to as units) shall observe the standards of accounting and statistics stipulated in this Ordinance.

Enterprises with foreign owned capital may use an international standard of accounting and statistics approved by Ministry of Finance and the General Department of Statistics of the Socialist Republic of Viet Nam, and shall be subject to audit.

**Article 2** – All accountings and statistics work undertaken shall be uniformly implemented throughout the national economy and shall comprise:

- A primary records system;
- An accounts and book-keeping system;
- A system of forms and report;
- A system and method of calculating economic and financial targets;

- A classifications of national economic sectors, economic forms and schedules of classifications, codifications and contents of the State budget;
- Units of weight and measures; and
- The accountings and statistics year.

The system of documents, the standard forms for accounting, and statistics statements shall be clear, simple, practical, and not repetitive.

**Article 3** – Each State-owned enterprises and State-private joint enterprises shall appoint a chief accountant.

The chief accountant shall assist the director of the enterprise in organizing and supervising the uniform implementation of accounting and statistics work, and shall be responsible for examining and controlling the financial and economic aspects of the enterprise.

The Council of Ministers shall enact regulations in the relation to the chief accountants which shall be uniformly applied in the State-owned and State-private joint enterprises.

**Article 4**

All accountants and statisticians shall, subject to supervision of the higher accountings and statistics agencies, be entitled to enjoy total independence in their profession.

**Article 6**

- The accounting and statistical data and information are those which are legal value and are used to assess production and business results, and to fulfill the plans and duties of the units concerned.
- All accounting and statistical data which is subject to State confidentiality shall be managed and used in accordance with the appropriate confidentiality regulations.
- The authorities and formalities for publication of accounting and statistical data shall be stipulated by the Council of Ministers.

**Chapter II      Specific Provisions on Standards of Accounting and Statistics**

**Article 8** – The initial record:

- All economic and financial activities of each section of each unit shall be documented in original standard form documents each provided by the Ministry of Finance and General Department of statistics.
- All such original documents shall be made once only and in sufficient time, to truly and accurately to record all economic and financial activities and shall, in accordance with the nature of the particular documents concerned, bear the signatures of the persons and the seal of each unit involved.

**Article 9** – Methods of accounting and recording of statistics:

All accounting and recording of statistics shall take place in accordance with the professional standards prescribed by the Ministry of Finance and General Department of Statistics.

**Article 10** – Accounts and books of account:

Each unit shall have one system only of keeping books of account. In order to conform with the special operations of the branch and following the grant of approve veal in writing by the Ministry of Finance, these books of account shall be in accordance with the system provided by the Ministry of Finance or by the ministries and general department concerned.

Entries in the books of account shall be supported by the accounting documents which must be clearly, continuously, and permanently recorded. The opening and closing of each book shall take place in accordance with the provisions of the Ministry of Finance.

**Article 11** – inventory:

At the end of each accounting year. All unit shall prepare and inventory and record the results in the book of account prior to making a financial report on the year end accounting. In addition, all units share prepare further inventories which may be required by decision of the Council of Ministers and by other regulations concerning inventories.

**Article 12** – The accounting and statistics report:

- All units shall make complete accounting and statistics report, and submit it within the time stipulated by authorized bodies.
- All accountings and statistics report must be precise. All calculations shall be carried out in the method and have the

content as stipulated by the Ministry of Finance and the General Department of Statistics.

- The accounting and statistics reports of each unit shall be made on the basis of the data contained within the accounting books, statistics books and documents. Accounting and statistics reports of senior management bodies shall be compiled from reports prepared by the units under its control.
- All persons responsible for preparing and signing accounting and statistics reports shall also be responsible for the accuracy of the data collected within their respective functions.

**Article 14** – Auditing and statistics:

- All financial and statistics bodies and the bodies in charge, shall, on a frequent and systematic basis, examine the implementation of the accounting and statistics auditing systems of the units within their functions and powers.
- The auditing of the units concerned shall take place at least once a year. It is imperative that it takes place prior to the grant of approval of the accounting work.
- The head of the unit, and the chief accountant or person in charge of the accounting work, shall observe the periodical and extraordinary auditing order made by the financial and statistics body, while the body in charge shall, at the same time, be responsible for the organization of the auditing of the accounting and statistics work within the units concerned.

**Chapter III**      **Responsibilities and powers of all branches and units at all levels for organizing the implementation of the accounting and statistics**

**Article 15** – The Ministry of Finance and General Department of Statistics shall assist the Council of Ministers in its management of the accounting and statistics work undertaken in the national economy in accordance with this Ordinance.

**Article 16** - Ministries, the State Committees and other bodies of the Council of Ministers and People's Committees at all levels, shall be responsible for the management of the accounting and statistics work undertaken within their branches and localities, and for ensuring that the necessary material, technical conditions, and professional personnel are available for the proper carrying out of all accounting and statistics work, which takes place within their branches and localities

**Article 17**- The heads of the units and the chief accountants or persons in charge of the accounting work shall be responsible for organizing the conduct of the accounting and statistics work, and for the truthfulness of the data collated in respect of their units.

Foreign invested business entity:

- A foreign-invested business entity is obliged to comply with the accounting and statistical policy specified in the Ordinance on Accounting and Statistics, the Charter of Organization of State Accounting, current legal documents on accounting and auditing, Article 37 of the Law on Foreign Investment, Articles 65, 66, 67,68, 69 in Chapter VIII of Decree 12/CP, Article 223 in Chapter III of the Regulations on consulting services, as well as, all provisions stipulated in this Circular.
- A foreign-invested business entity is subject to the supervision and control of the financial authorities and the functional management authorities in respect of accounting work.
- All foreign-invested business entities should register the accounting system to be applied by them, and obtain the Ministry of Finance's approval before its application.
- A foreign-invested business entity should execute its accounting work in accordance with the Vietnamese Accounting System for business entities. In cases where a foreign-invested business entity has a valid reason for the application of another commonly recognized accounting system, this should be approved in writing by the Ministry of Finance.
- A foreign-invested business entity should comply with the accounting system which has been registered and approved by the Ministry of Finance (including the approved amendments or changes to the accounting system).
- Where amendments or change are required to be made to the already registered and approved accounting system, a foreign-invested business entity should explain the reason for amendments and obtain written approval from the Ministry of Finance before such amendments are applied.

C – Application of the Vietnamese accounting system:

Business entities applying the Vietnamese Accounting System should follow and comply with all current statutory regulations related to

supporting accounting documents, chart of accounts, accounting records, financial statistics, and accounting documents filing.

Should any amendment, shortening or adjustment of the accounting procedures and methods be required for meeting the specific production and business conditions, business entities should submit the to the Ministry of Finance for consideration and approval. These amendments, shortening or adjustments must comply with and respect the general principles of the Vietnamese Accounting System for business entities. These amendments, shortening or adjustments may only be applied by foreign invested business entities upon a written approval obtained from the Ministry of Finance.

The application dossier submitted to the Ministry of Finance on the amendments, shortening or adjustments of the Vietnamese accounting System should comply with Paragraph 3.1.1 of section B, part III.

Foreign-invested business entities applying the Vietnamese Accounting System shall be provided with favorable conditions and guidance during its registration and application.

**D – Application Of Another Commonly Recognized Accounting System:** Application of another commonly recognized accounting system (other than the Vietnamese Accounting System for Business entities) will be considered and approved by the Ministry of Finance only in the following cases:

- Wholly foreign-owned business entities which are able to prove that the application of the Vietnamese Accounting System for Business entities by them is impossible and inconvenient for their business operations, and they have to choose another commonly recognized accounting system.
- Foreign-invested business entities operating in specific fields for which no accounting regulations and guidelines exist in Viet Nam.

Foreign-invested business entities requesting for application of another recognized accounting system should comply with the following principles:

- Another commonly recognized accounting system may be applied only in relation to four areas, comprising: supporting accounting document forms; format, content and accounting method related to the chart of accounts; accounting forms and the accounts recording methods; format, disclosure items and method of preparation of financial statistics.

- General principles related to the policy of supporting accounting documents and accounting records other Vietnamese Accounting System for business entities should be complied with and followed.
- The documentation related to the Accounting system applied for (which should be attached to the registration dossier for the accounting system required in Paragraph 3.1.5 – B - Section part III should include:
  - Accounting policies, principles and standards to be applied by the foreign-invested business entity.
  - List of supporting documents to be used, being classified in six categories: labor and salaries, inventory, sales, cash, fixed assets, and production and business, accompanied by samples of the supporting forms applied for.

Self-printed sales invoices should be included not only in the application dossier, but also submitted for registration and approval by the General Department of Taxes.

The list of the Chart of Accounts (code, title, and description) should be classified in accordance with the principle of classification of accounts accompanied by a description of the accounting method of the accounts, the relationship between the accounts and the general flow chart for the accounts (related to accounts reflecting main financial transactions of assets, operating capital and profit & loss accounts).

List of accounting books used (with classification of general ledgers and sub-ledgers) accompanied by official accounting book format to be applied, flow chart describing the recording process from original supporting documents to general ledger, sub-ledger and preparation of financial statements; explanation of the recording method and relationship between the system of general ledgers and sub-ledgers.

With respect to the form of accounting book applied for, only one of the four current commonly used accounting forms in Viet Nam may be chosen (Journal Ledger, Journal Voucher, General Journal and General Journal Voucher).

A listing of the financial statements accompanied by forms and explanation of the calculation method and disclosure items in the financial statements.

Financial statements include balance sheet, profit and loss account, cash flow statement and notes to the financial statements.

E – Audit work related to foreign-invested business entities:

- With respect to foreign-invested business entities:
  - All foreign-invested business entities shall be audited in view of compliance with both the accounting procedures and the financial statements.
  - Before being submitted to the relevant functional authorities and before their open presentation, financial statements of a foreign-invested business entity should be audited by a Vietnamese independent auditing firm or another independent auditing firm licensed to operate legally in Viet Nam in compliance with the law on auditing.
  - An auditors' report should be attached to a foreign-invested business entity's financial statements for their submission to the relevant functional authorities and for presentation purposes.
  - An auditors' report should include the following main contents:
    - Confirmation of the objectiveness, truth and fairness of the financial statements and accounting records.
    - Opinion and assessment of the accounting work, compliance with the accounting system registered and approved by the Ministry of Finance, compliance with the accounting law, system and procedures.
    - Recommendations.
  - An auditors' report should be signed by the auditor with indication of his (her) first name and surname and his (her) audit certificate (diploma) number, with the signature of the director and sealed by the independent auditing firm's chop.

## **Appendix 16. The State Budget Law**

The State Budget Law was approved by the National Assembly on the 26 March 1996. The following are the main articles of this Law relevant to this Study.

### **Article 2.**

1. The State Budget revenues include: revenues from taxes, fees and charges; revenues from economic activities of the State; contributions by organizations and individuals; aid; other revenues as stipulated by law; and borrowings by the State to make up for the overspending that are included in the State Budget Balance.
2. The State Budget expenditures include: spendings on socio-economic development, on ensuring national defense, security, operations of the State apparatus; spending on the payment of the State debts; on aid and other spendings as stipulated by law.

**Article 3.** The State Budget shall be put under unified management on principle of democratic centralism, transparency, assignment of responsibilities in association with assignment of powers, division of management between branches and levels.

The National Assembly shall decide the Draft State Budget and the allocations of the State Budget; approve the State Budget accounts.

**Article 4.** The State Budget shall comprise the central budget and the budgets of the local administration at various levels (local budgets). The relations between the budget of various levels shall be established on the following principles:

1. The central budget and the budget of each level of local administration shall be determined according to the concrete sources of revenue and concrete of spending tasks;
2. Additional allocation from the higher-level budget to the lower-level budget shall be made to ensure equality, balanced development among the regions and localities. This additional allocation shall be the revenue of the lower-level budget;
3. In case the higher-level State management agency authorizes the lower-level State management agency to carry out an expenditure that comes under the former's responsibility, funds must be transferred from the higher-

level budget to the lower-level budget for performing such task; and

4. Except for the supplementary allocations to the revenue source and the authorized spending as stipulated in Clauses 2 and 3 of this Article, the budget of one level shall not be used to pay for the spending that belongs to the task of another level.

#### **Article 5**

The State Budget revenue shall be collected in accordance with provisions of this Law and other provisions of law.

1. State Budget expenditure shall be made only under the following conditions:
  - a) It has been included in the approved draft budget except for cases stipulated in Articles 56 and 62 of this law;
  - b) In conformity with the regulations, criteria, and norms set by the competent State agency; and
  - c) It has been approved by the heads of the budget-using units and others that are authorized to approve the spending.

In addition to the conditions specified in Points a, b and c of Clause 2 of this Article, if the expenditure is made for a work that requires bidding, bidding must be organized in accordance with prescriptions of the Government.

1. No branch, level of unit is allowed to institute any revenue or expenditure contrary to the provisions of law.
2. The financial agencies at various levels shall have to ensure the timely allocation of fund for expenditures; are entitled to refuse to pay for any spending that fails to meet the conditions stipulated in Clause 2 of this Article and take responsibility for their decisions.

**Article 6** All State Budget revenues and expenditures must be fully accounted for in the State Budget.

#### **Article 7**

1. The State Budget Fund shall comprise all amounts of money of the State, including borrowed money, which have been entered into the accounts of the State Budget of all levels.
2. The State Budget Fund shall be kept at the State Treasury.

**Article 8**

1. The State Budget shall be balanced in accordance with the principle that the total revenue from taxes, fees and charges must be bigger than the total regular spending and help to accumulate more and more for spending on development investment; in case of overspending, the over-spent amount must be smaller than the amount spent on development investment and eventually to achieve balance between revenue and expenditure of the budget.
2. The borrowings to make up for the State Budget deficit must abide by the following principle: they must not be used for consumption; but only for development purposes; there must be a plan to recover the borrowed capital and ensure budget balance in order to pay the debt when it is due.
3. The local budgets shall be balanced in accordance with the principle that the total expenditure shall not exceed the total revenue; in case a province or city directly under the Central Government (hereafter referred to as province) needs an investment in infrastructure construction which comes under the scope of the provincial budget but which is beyond its ability to balance, such a province shall be allowed to mobilize domestic investment capital as provided for by the Prime Minister, but it must balance its own budget in order to be able to pay all debts when they are due.

**Article 9**

1. The draft expenditure of the central budget and of the local budget at various levels shall be entitled to include 3 percent to 5 percent of the total estimated spending to meet the requirements of unexpected spending arising during the budget year.
2. The government and the Provincial People's committees shall be entitled to the financial reserve fund from sources such as revenue increases, budget remainder, and to include it in the annual budget expenditure estimate. The financial reserve fund shall be used to meet the requirements of spending when the revenues have not been collected in time, but such spending must be immediately reimbursed within the budget year, except for special cases stipulated by the Prime Minister,

The maximum of the financial reserve fund at each level shall be stipulated by the Government.

**Article 10.** The issuance and implementation of new legal documents that increase budgetary spending or decrease budgetary revenue during the year must be assured by the financial sources.

**Article 11.** The State Budget shall ensure enough funds for the activities of the communist Party of Viet Nam and the socio-political organizations. The funds for the activities of social organizations and socio-professional organizations shall be implemented in accordance with the principle of self-procurement, the State Budget shall render support only in a number of specific case provided for by the Government.

**Article 12.** All properties to be invested purchased with the State Budget sources and other properties of the State must be strictly managed in conformity with the prescribed regimes.

**Article 13.**

1. The State Budget revenue and expenditure shall be accounted for in the Viet Nam Dong (VND).
2. The accounting and account statement of the State Budget shall be uniformly carried out in accordance with the accountancy regime of the State and the list of the State Budget.
3. All forms for State Budget revenues and expenditures shall be issued and managed by the Ministry of Finance.

**Article 14.** The budget year begins on 1 January and terminates on 31 December on the calendar year.

***Accountancy and Final State Budget Accounts***

**Article 64.** The organizations and individuals responsible for the State Budget revenue and expenditure shall have to organize the accounting, reporting and making budget accounts in accordance with the state regime of accountancy.

**Article 65.**

1. At the end of the budget year, the Minister for Finance shall provide guidance on closing the books of accounts and making the final budget accounts in conformity with the contents specified in the approved estimates of the year and the State Budget.
2. All revenues of the proceeding year's budgets paid in the following year must be entered in the following year's budget. Expenditures from the preceding year's budget, which are not yet carried out, shall be included in the following year's draft budgets only when a competent agency so decides.

**Article 66.** Fifty percent of the allocation from the central budget shall be transferred to the financial reserve fund, the other fifty percent shall be transferred to the following year's budget; if the financial reserve fund has reached the required limit, the remaining amount shall be transferred to the following year's budget. The balance of the district, commune, township or ward budget shall be carried over to the following year's budget.

**Article 67.**

1. On the basis of the guidance of the Minister for Finance, the heads of the units tasked with budget revenue and expenditure shall establish their respective units' accounts of revenue and expenditures to be submitted to the immediate higher managerial body.
2. The data of the accounts shall be compared and certified by the State Treasury at the place of transaction.
3. The heads of the higher-level budget drafting units shall have to examine and approve the budget revenue and expenditure accounts of the units directly under their management, to establish the balance sheet of the budget revenues and expenditures under their management and send them to the financial agencies of the same level.

**Article 68.**

1. The local financial agencies at various levels shall consider and approve budget revenue and expenditure accounts of agencies of the same levels, examine the budget accounts of lower-level, to consolidate and establish and account of the local budget to be submitted to the People's Committee of the same level for consideration and the People's Council of the same level for ratification, and report to the immediate higher State administrative agencies and financial agencies.
2. The Ministry of Finance shall consider and approve budget revenue and expenditure accounts of central agencies, examine the accounts of the local budgets; consolidate and establish the accounts of the State Budget to be submitted to the Government for ratification.

**Article 69.** The Prime Minister shall direct the organization of auditing of the accounts of the State Budget before it is submitted to the competent state agency for ratification.

**Article 70.**

1. The National Assembly shall consider and ratify the State Budget accounts; the People's council shall consider and ratify the accounts of the local budget.
2. In case the budget accounts are not yet ratified by the National Assembly or the people's Council, the Government or the People's Committee shall, within their tasks and powers, and the State Auditing agencies which have audited, continue to clarify issues raised by the National assembly or the people's Council so as to submit them to the National Assembly or the People's Council at a date to be decided by the National Assembly or the People's Council.

**Article 71.** During the process of examination, consideration and approval of the budget revenue and expenditure accounts, the following requirements must be met:

1. The revenues collected not in accordance with provisions of law shall be returned to the organizations or individuals that have paid them; all the compulsory revenues that have not been collected shall be fully collected for the State Budget;
2. Expenditures made not in accordance with provisions of law shall be recorded for the State Budget.

**Appendix 17. List of Workshop Participants****1. Day One: 10 August 2000**

Name	Title	Organization
Bui Van Mai	Director	Accounting Policy Department
Md. Phung Thi Doan	Deputy Director	Accounting Policy Department
Do Manh Han	Deputy Chief	State Audit
Vu Huy Cam	Office Manager	Viet Nam Accounting Association
Md. Vu Thi Tho	Deputy Director	Saigon Auditing and Consulting Company
Nguyen Quoc Huy	Deputy Director	Viet Nam Auditing Company
Thai Thanh Hai	Deputy Manager	Viet Nam Auditing Company
Le Anh Quan	Manager	PriceWaterhouseCoopers
Vu Thi Tuan Anh		European Union
Nguyen Van Minh		World Bank
Le Thi Hoa	Chief	Accounting Policy Department
Ghiskine Doval	Manager	KPMG
Dang Ngoc Tuyen	Chief	Financial Inspection Department
Pham Van Dang	Deputy Director	Accounting Policy Department
Phan Van Hien	Chief	External Finance Department
Au Duong Khanh	Expert	External Finance Department
Erick Vega	Manager	Arthur Andersen
Nguyen Chi Trung	Senior	Arthur Andersen
Nguyen Ngoc Anh	Expert	Ministerial Office
Nguyen Trong Lieu	Chief	International Relation Department
Vu Anh Hong	Chief	Board of Informatics Management
Dau Ngoc Chau	Professor	Hanoi University of Finance and Accountancy
Doan Xuan Tien	Head	Hanoi University of Finance and Accountancy
Pham Ngoc Dinh	Manager	State Treasury
Do Minh Tuan	Deputy Chief	Financial Research Institute

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Name	Title	Organization
Ha Tuong Vy	Deputy Chief	Accounting Policy Department
Cao Manh Dam	Expert	Financial Policy Department
Tran Dinh Cuong	Manager	Ernst & Young
Vu Thi Hong Loan	Deputy Manager	Department of Finance for Enterprises
Nguyen Dinh Can	Expert	Personnel and Training Department
Dang Thai Hung	Deputy Director	Accounting Policy Department
Pham Xuan Luc	Chief	Accounting Policy Department
Ha Thi Ngoc Ha	Deputy Chief	Accounting Policy Department
Nguyen Hong Anh	VRM	Asian Development Bank
Le Tuyet Nhung	Research Assistant	
Dao Thai Hoa	Chief	
Vu Van Hung	Expert	Accounting Policy Department
Thinh Van Vinh	Expert	Accounting Policy Department
Pham Minh Hang	Expert	Accounting Policy Department
Trinh Duc Vinh	Expert	
Nguyen Thi Van	Expert	
Nguyen Thanh Nga	Expert	
Toan Thi Ngoan	Expert	

**2. Day Two: 11 August 2000**

Name	Title	Organization
Bui Van Mai	Director	Accounting Policy Department
Phung Thi Doan	Deputy Director	Accounting Policy Department
Do Manh Han	Deputy Chief	State Audit
Vu Huy Cam	Office Manager	Viet Nam Accounting Association
Vu Thi Tho	Deputy Director	Saigon Auditing and Consulting Company
Tran Thi Hanh	Auditor	Viet Nam Auditing Company

FINANCIAL MANAGEMENT AND GOVERNANCE ISSUES IN VIET NAM

Name	Title	Organization
Hoang Thanh Loan	Auditor	Viet Nam Auditing Company
Dam Trung Kien	Auditor	Viet Nam Auditing Company
Phan Huy Thang	Auditor	Viet Nam Auditing Company
Le Thi Hoa	Chief	Accounting Policy Department
Dang Ngoc Tuyen	Chief	Financial Inspection Department
Pham Van Dang	Deputy Director	Accounting Policy Department
Phan Van Hien	Chief	External Finance Department
Au Duong Khanh	Expert	External Finance Department
Vu Duc Chinh	Expert	Accounting Policy Department
Ngo Viet Trung	Expert	Accounting Policy Department
Hoang Duc Hung	Supervisor	Ernst & Young
Nguyen Ngoc Anh	Expert	Ministerial Office
Nguyen Trong Lieu	Chief	International Relation Department
Vu Anh Hong	Chief	Board of Informatics Management
Dau Ngoc Chau	Professor	Hanoi University of Finance and Accountancy
Nguyen Viet Loi	Deputy Dean	Hanoi University of Finance and Accountancy
Ngo Duc Chin	Chief	Accounting Policy Department
Hoang Trung Luong	Expert	State Treasury
Do Minh Tuan	Deputy Chief	Financial Research Institute
Ha Tuong Vy	Deputy Chief	Accounting Policy Department
Cao Manh Dam	Expert	Financial Policy Department
Vu Thi Hong Loan	Deputy Manager	Department of Finance for Enterprises
Nguyen Dinh Can	Expert	Personnel and Training Department
Dang Thai Hung	Deputy Director	Accounting Policy Department
Ha Thi Ngoc Ha	Deputy Chief	Accounting Policy Department
Pham Xuan Luc	Chief	Accounting Policy Department
Pham Minh Hang	Expert	Accounting Policy Department

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Name	Title	Organization
Tran Tuyet Lan		Accounting Policy Department
Nguyen Thi Van		Accounting Policy Department
Toan Thi Ngoan		Accounting Policy Department
Nguyen Thanh Nga		Accounting Policy Department
Le Thi Bich Lan		Accounting Policy Department
Nguyen Hong Anh	VRM	Asian Development Bank
Le Tuyet Nhung	Research Assistant	

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