

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: MKOC

| | | | | | | | | | | | | | | | | | | | |
|--|----------------|--------------------------------------|------------------------------------|--------------------------------|--------------|--|--|----------|---------|-------------------------|----------|--------|----------------|----------------|------------------|------------------|--------------------------------|--|--|
| TA No. and Name TA 3060-VIE: Capacity Building at the State Auditor-General's Office (Phase II) | | | Amount Approved: \$787,000.00 | | | | | | | | | | | | | | | | |
| Executing Agency: State Auditor-General's Office | | | Revised Amount: Not applicable | | | | | | | | | | | | | | | | |
| Source of Funding: TASF | | TA Amount Undisbursed \$86,115.12 | TA Amount Utilized \$700,884.98 | | | | | | | | | | | | | | | | |
| <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; text-align: center;">Date</td> <td style="width: 33%;"></td> <td style="width: 33%; text-align: center;">Closing Date</td> <td colspan="2"></td> </tr> <tr> <td style="text-align: center;">Approval</td> <td style="text-align: center;">Signing</td> <td style="text-align: center;">Fielding of Consultants</td> <td style="text-align: center;">Original</td> <td style="text-align: center;">Actual</td> </tr> <tr> <td style="text-align: center;">20 August 1998</td> <td style="text-align: center;">9 October 1998</td> <td style="text-align: center;">10 December 1998</td> <td style="text-align: center;">31 December 2000</td> <td style="text-align: center;">To be determined.¹</td> </tr> </table> | | | Date | | Closing Date | | | Approval | Signing | Fielding of Consultants | Original | Actual | 20 August 1998 | 9 October 1998 | 10 December 1998 | 31 December 2000 | To be determined. ¹ | | |
| Date | | Closing Date | | | | | | | | | | | | | | | | | |
| Approval | Signing | Fielding of Consultants | Original | Actual | | | | | | | | | | | | | | | |
| 20 August 1998 | 9 October 1998 | 10 December 1998 | 31 December 2000 | To be determined. ¹ | | | | | | | | | | | | | | | |
| <p>Description</p> <p>In July 1994, the Government of Viet Nam established State Auditor-General's Office (SAGO) with mandates to audit national budget expenditures, Government's investment programs and state-owned enterprises (SOEs). To assist the Government in developing an effective audit system, ADB provided TA 2460-VIE: Capacity Building at the State Auditor-General's Office (Phase I), mainly aimed at: (i) redefining SAGO's functional mandate; (ii) preparing audit standards and procedures; and (iii) designing and carrying out training programs to improve the audit skills of SAGO staff. This Phase I TA was implemented satisfactory in terms of its objectives to strengthen SAGO's legal and institutional frameworks, and to prepare general audit manuals. In completion of the Phase I TA, there was a recognized necessity to operationalize the new financial manuals as a next step of capacity building. Also, in 1998, the Government instructed SAGO to take external audit functions, particularly for SOEs, and the new law on the State Bank of Viet Nam (SBV), requiring annual audit by SAGO, came into effect in 1997. Reflecting these new developments, the Government requested ADB to provide a follow-up TA in auditing. In response, TA 3060-VIE: Capacity Building at the State Auditor-General's Office (Phase II) was processed, and approved at ADB in August 2000.</p> <p>Objectives and Scope</p> <p>The overall objective of the Phase II TA was to continue initiatives followed from the Phase I to strengthen country's public audit functions through capacity building at SAGO. The TA specifically aimed at assisting the Government in upgrading SAGO's capacity to undertake external audits of SOEs, SBV and projects funded through official development assistance (ODA) on the basis of modern audit methodologies, systems and procedures.</p> <p>The TA comprised the four components of: (i) implementation of audit manuals for SOEs and ODA-funded projects, to promote full implementation of the Phase I audit materials; (ii) design of financial audit procedures for SBV, including development of a financial audit manual and conduct of an actual financial audit; (iii) development of training capabilities, including those for domestic and overseas audit training as well as English language training; and (iv) training on the use of computer-based audit software, to acquaint SAGO staff with the computer audit techniques for future needs.</p> <p>Evaluation of Inputs</p> <p>Terms of reference (TORs) for consultants had adequately addressed necessary human resources for effective TA implementation. As per contract provision, the total inputs from consultants amounted to works of 19.13 person-months. The consultant team was composed of an auditing expert (13.90 person-months for service in the field and 0.10 person-months for service at the home office), who also acted as the team leader, and an expert in auditing central banks (5.13 person-months for service in the field). Desktop and laptop personal computers, printers, a CD-ROM, software and a photocopy machine were purchased with TA financing. In the course of TA implementation, the inception mission was fielded on 31 March 1999, and a review mission was conducted on 15-19 November 1999. Apart from these visits, a country consultation mission to Viet Nam fielded on 24-25 September 1999 also took the opportunity to discuss progress in TA administration with SAGO.</p> <p>Evaluation of Outputs</p> <p>During the TA implementation period, the inception tripartite meeting, the mid-term tripartite meeting, and the final tripartite meeting were organized, respectively in March 1999, November 1999 and December 2000; and an inception report, three interim reports, the draft final and final reports reflecting feedbacks at these meetings were completed, in accordance with the consultant contract. The consultant submitted the final report in December 2000, but is yet to accomplish a certificate of final payment.</p> <p>Achievements by project component designated in the TA paper and its log frame are summarized below.</p> <ul style="list-style-type: none"> ◆ <i>Implementation of SOEs and ODA audit manuals.</i> The objective to promote full implementation of the Phase I financial audit manuals was achieved satisfactorily. A specialized SOE audit manual was issued, reflecting Auditor General's decision dated 22 October 1999, and was applied for ten large SOEs in 1999-2000. The audit manual for ODA-funded projects was drafted to complement the new auditing manual for the Basic Construction and Investment Audit Department issued with Auditor-General's Decision dated 28 December 1999. The draft was discussed at training courses organized during the mid-term work visit and was field-tested with an ADB-funded | | | | | | | | | | | | | | | | | | | |

¹ The TA account is yet to be closed upon submission of a certificate of final payment by the consultant.

project, while the manual itself is yet to be approved for formal implementation, also with non-ADB projects. Upon approval, this 'audit' manual for ODA-funded projects should be able to demonstrate synergy impacts by complementing a separate project 'accounting' manual developed for ADB-funded projects under TA 5689-REG: Capacity Building in Project Accounting in Viet Nam, Lao PDR, and Cambodia approved earlier on 26 June 1996.

- ◆ *Design of financial audit procedures for SBV.* The TA provided support to SAGO in its preparation of an audit manual for SBV's financial statement. The first draft SBV audit manual was completed and was turned over for translation on 15 November 1999. A one-day SBV audit manual seminar, a five-day SBV audit training and one-day training on currency note printing operations were conducted. The scope of the financial audit of SBV encompassed review of 39 branches and 7 head office departments, accounting for 80% of SBV operations. To this end, training and advice were provided through the TA. However, due to State secrecy laws, TA consultants were unable to provide specific 'on-the-job' services and training in the conduct of audit.

- ◆ *Design of training capability.* The TA enhanced capacity of the Vietnamese Audit Research and Training Center through two-day training of trainers, designing of the overall and individual training programs for SAGO staff, developing training materials based on new audit manuals, 6-month English language training, and provision of training equipment. Under this component, 14 SAGO staffs attended an overseas audit training course in Thailand from 5-31 July 1999, and SAGO's delegations visited Korea and Japan in 1999, and Australia and Indonesia in 2000 to study experience in these countries.

- ◆ *Training on the use of computer-based audit software.* Foundations for the computer skills that SAGO will require was established through computer training in basic hardware and software support services, and training in the Interactive Data Extraction and Analysis (IDEA) for windows, whose version 3.03 was acquired with TA financing.

Before completion of TA implementation, SAGO fully implemented appropriate audit standards and procedures for the financial statements of SOEs and SBV. In fact, through auditing nine large SOEs and SBV, SAGO demonstrated its capacity to undertake financial statement attest audits and compliance with authorities audits, both of which are principal audit services required for modern supreme audit institutions. SAGO had also adopted audit standards and procedures for financial statements of ODA-funded projects. On the other hand, these ODA audit standards and procedures are yet to be fully implemented on actual audits, to be reported to both donor and Vietnamese authorities. Capacity building activities were fully implemented, while further development would be favorable for effective use of information technology (IT) in audit, for SAGO to keep up with any progress in this area.

Overall Assessment and Rating

The TA is rated as successful as its objectives were substantially met.

Major Lessons Learned

Overlap in TA activities between ADB and the German Agency for Technical Cooperation (GTZ), which emerged as a critical issue in the initial stage of the Phase I TA, was fully overcome in the Phase II TA. For the latter TA, both institutions had agreed that ADB's support would not involve efforts to assist SAGO in drafting its audit legislation and in building related consensus within the Government. As a result of this prior arrangement, there was no duplication between operations by ADB and GTZ. The latter provided support exclusively to SAGO's Budget and Special Audit Department. Thus, the donor coordination at the TA designing stage proved to be an effective tool for efficient TA administration.

Recommendations and Follow-Up Actions

As of September 2002, the audit ordinance for had not been tabled at the National Assembly. Another issue yet to be solved is the status of SAGO, which presently reports to the Government, while there have been suggestions that it should report to the National Assembly to secure its functional independence. Also, the fact that the audits are considered "state secrets" has been a major hindrance to overall effectiveness and full assessment of the TA. Thus, greater transparency is another area where further improvement should be explored. Developments over these pending issues should be monitored and addressed through policy dialogues with the Government, continually beyond the TA closure, so as to formalize and institutionalize positive impacts of the TA.

As stated above, the audit standards and procedures for ODA-funded projects were yet to be implemented for non-ADB projects, and ADB should continuously encourage Government's prompt actions. Capacity building needs emerged to develop and implement an IT-based audit strategy, which could be addressed by the Government's public administration reform. Implementation of the Public Administration Reform Master Program is expected to be financed partly by ADB through its program loan expected to be approved in 2002 or 2003.

Other ADB operations which followed in this field include TA 5877-REG: Strengthening Financial Management and Governance in Selected Developing Member Countries, which was approved on 18 December 2001 to carry out a diagnostic review of existing accounting and auditing support and standards in selected countries, including Viet Nam. Under this RETA, the Country Financial Accountability Assessment was published.