PUBLIC FINANCIAL MANAGEMENT SYSTEMS—VIET NAM

KEY ELEMENTS FROM A FINANCIAL
MANAGEMENT PERSPECTIVE

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MANAGEMENT PERSPECTIVE**

November 2016

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Abbreviations

ADB	–	Asian Development Bank
CIRR	–	commercial interest reference rate
CTLA	–	Loan Administration Division of the Controllers' Department
DMEFD	–	Department for Debt Management and External Finance
ECA	–	expenditure control agency
IAS	–	International Accounting Standards
MOF	–	Ministry of Finance
MPI	–	Ministry of Planning and Investment
ODA	–	official development assistance
PMU	–	project management unit
PPC	–	provincial people's committee
RFP	–	request for payment
SAV	–	State Audit Agency of Viet Nam
SBV	–	State Bank of Viet Nam
SWIFT	–	Society for Worldwide Interbank Financial Telecommunication
TABMIS	–	Treasury and Bank Management Information System
VAS	–	Vietnamese Accounting Standards

I. Introduction

This paper is designed to support fiduciary risk assessments of projects financed by the Asian Development Bank (ADB). It provides information on Viet Nam's public financial management systems in the areas of funds flow, accounting, audit, and related matters, and will be particularly useful to project officers who process and implement ADB-funded projects. The information contained in this paper may be leveraged when conducting financial management assessments of executing and implementing agencies, as well as when designing financial management arrangements such as disbursements and reporting and auditing.

This paper addresses all loans and grants that finance clearly defined investment or public service programs and projects where the Government of Viet Nam has a financing agreement with ADB. The government may subgrant or onlend foreign aid depending on a project's capacity to generate revenues (Figure 1). In subgranting, a project is financed by the State Budget without obliging the project owner (e.g., Ministry of Transport, Ministry of Health, or any state entity) to repay. In onlending, funds are borrowed from the State Budget to finance specific investments under subloan agreements ("onlending agreements"). Project owners or provincial governments ("subborrowers") are responsible for repayment of the loan (both principal and interest) to the State Budget in accordance with conditions and provisions of subloan agreements.¹ Foreign funds that are provided as subgrants or onlent to projects of provincial governments are recorded in the State Budget, while foreign funds that are onlent to enterprises² are considered off-budget items or contingent liabilities of the State Budget.

Figure 1: Subgranting versus Onlending

Source: Asian Development Bank.

¹ Examples of subborrowers are Vietnam Electric Corporation, state-owned water treatment companies, and provincial governments.

² According to the 2014 Law on Enterprise, an enterprise is an entity that has its own name, assets, and operating location registered for business purposes.

II. Key Players

A. Ministry of Planning and Investment

The roles and responsibilities of the Ministry of Planning and Investment (MPI) include the following:

- (i) Prepare 5-year socioeconomic development plans.
- (ii) Prepare norms, principles, and criteria for capital expenditure allocations from the State Budget.
- (iii) Plan capital expenditure for the Central Budget including a list of capital projects for financing to be presented to the National Assembly.
- (iv) Act as focal point in mobilization, coordination, management, and utilization of official development assistance (ODA) and concessional loans; draft strategies and policies on development cooperation with donors, and master plans on mobilization; manage ODA and concessional loans; and assess effectiveness of use of funds.
- (v) Prepare and submit list of programs and projects to be financed by ODA and less concessional funds³ for the Prime Minister's approval.
- (vi) Act as the focal agency in resolving program and project implementation issues to ensure implementation is on schedule; promote disbursement of ODA and concessional loans; and propose to the Prime Minister any matter relating to ODA and concessional loans that requires special handling.
- (vii) In special cases, establish intersector work delegation with line agencies, project owners, project management units (PMUs), and donors to assess and timely resolve issues within its authority.
- (viii) Coordinate with the Ministry of Finance (MOF) in submitting domestic financial mechanisms of ODA projects including ADB-funded projects for the Prime Minister's approval.
- (ix) Lead annual budget plan updates including requests for supplemental financing for programs and projects.

³ Because Viet Nam has attained middle-income country status, ODA flows will decrease and become less concessional in nature. United Nations agencies in Viet Nam, Delegation of the European Union to Viet Nam, and the Ministry of Planning and Investment of Viet Nam. 2014. *Development Finance for Sustainable Development Goals in Middle-Income Viet Nam*. Ha Noi.

B. Ministry of Finance

The roles and responsibilities of MOF include the following:

- (i) Coordinate with MPI and relevant agencies in formulating development cooperation strategies, policies, and master plans; mobilize and manage ADB funds; and assess effectiveness of using these funds.
- (ii) Provide guidance on the use and management of funds for programs and projects.
- (iii) Provide guidance on the financial management of ADB-financed programs and projects.

1. Department for Debt Management and External Finance

The Department for Debt Management and External Finance (DMEFD) is responsible for the financial management of ADB-financed programs and projects and to

- (i) Provide guidance (in coordination with relevant agencies) on financial management of ADB-financed programs and projects.
- (ii) Prepare and submit proposals on domestic financing mechanism of programs and projects financed by ADB (in coordination with MPI, line agencies, and other relevant agencies) for the Prime Minister's approval.
- (iii) Provide advice to MOF on withdrawal procedures and management of funds for ADB-financed programs and projects in compliance with existing laws and regulations and provisions of financing agreements signed with ADB.
- (iv) Allocate funds from the State Budget and other funding sources to repay foreign loans in accordance with financing agreements.
- (v) Monitor and supervise use of foreign loans, and stipulate proper recording in State Budget accounts.
- (vi) Consolidate data on disbursements, fund withdrawals, financial settlements, and repayments of foreign loans on a periodic basis (biannual and annual), and report to the Prime Minister and relevant government agencies.
- (vii) Coordinate with MPI on consolidation and preparation of disbursement plans for ADB, and timely allocation of sufficient counterpart funds, as approved in the annual State Budget, for program and project preparation and implementation; and coordinate with MPI on ad hoc requirements for counterpart funds including advances from such funds. For off-budget items, the executing or implementing agencies are responsible for arranging counterpart funds and providing proposals evidencing capacity to provide sufficient funds before signing onlending agreements.
- (viii) Onlend foreign funds to project owners or provincial people's committees (PPCs), and ensure timely repayment of onlent funds by subborrowers.⁴

⁴ As defined in the 2013 Constitution, PPCs are executive and administrative bodies in provinces supervised by the people's councils. The PPC is responsible for submitting to the people's councils the annual subnational budget estimates including revenues, expenditures, borrowings, and debt repayments; and for reporting to the people's councils on execution of subnational budgets including implementation of projects and works and other important socioeconomic development programs.

a. Multilateral Division

The Multilateral Division of DMEFD is in charge of preparing proposals for domestic financing mechanisms of ADB-funded programs and projects, and processing withdrawal applications of ADB funds. This division is the primary counterpart of ADB, participates in negotiations of loans and grants, and maintains the overall relationship with ADB.

b. Debt Payment and Statistics Division

The Debt Payment and Statistics Division of DMEFD is responsible for loan servicing (e.g., payment of interest, commitment charges, and principal), recording inflows of foreign funds to the State Budget, and overseeing repayment of onlent funds by subborrowers. This division is also in charge of maintaining and monitoring debt statistics of the government.

c. Division for Domestic Debt Management

The Division for Domestic Debt Management of DMEFD is responsible for monitoring onlending to provincial governments and sources of domestic debts. Onlending to provincial governments is initiated and managed by the front offices in charge of the loan sources.

2. State Treasury

The State Treasury is an agency under MOF. MOF authorizes the State Treasury at both central and provincial levels to disburse counterpart funds, and to control expenditures of subgrant projects and projects that are wholly or partly financed by the State Budget. For onlending projects, MOF authorizes credit institutions, usually state-owned commercial banks, to undertake project expenditure control. These credit institutions are responsible for ensuring that subloans are repaid in accordance with the provisions of onlending agreements.

The State Treasury is also responsible for accounting and recording State Budget transactions including revenues, expenditures, borrowings, grants, commitments, and off-budget items. Disbursements from ADB funds for State Budget projects are recorded in expenditure accounts, while disbursements from ADB funds for onlending projects are recorded in off-budget items accounts. Onlending agencies⁵ record these funds in their books and collect repayments from subborrowers.

3. Department for Accounting and Auditing Regime

The Department for Accounting and Auditing Regime creates the laws and regulations on accounting and auditing in Viet Nam. This department grants operating licenses to private audit firms. Audits of ADB-funded projects are performed by independent auditors. The list of qualified independent audit firms for ADB-funded projects is endorsed by the ADB Viet Nam Resident Mission in cooperation with this department.⁶

⁵ Onlending agencies include financial and credit institutions authorized by MOF to onlend external funds to subborrowers, such as Vietnam Development Bank and Bank for Agriculture and Rural Development.

⁶ See Appendix 3.

4. Department for Public Asset Management

The Department for Public Asset Management creates laws and regulations on use and management of public assets by PMUs. Upon project completion, this department works jointly with line ministries to transfer or dispose of PMU assets.

5. Department for General Taxation

The Department for General Taxation creates laws and regulations on taxation of ODA and less concessional-funded projects, and oversees implementation and resolution of related issues.

C. State Bank of Viet Nam

The roles and responsibilities of the State Bank of Viet Nam (SBV) include the following:

- (i) Under the authority granted by the Prime Minister, and in coordination with MOF and other relevant agencies, prepare and conclude loan and grant arrangements with ADB, the World Bank, and the International Monetary Fund.
- (ii) Represent the government as “Borrower” in loan agreements with ADB, the World Bank, and the International Monetary Fund. SBV is responsible for modifications or adjustments to financing agreements with ADB.
- (iii) Responsible for (in coordination with MOF) preparing and issuing the list of commercial banks authorized to undertake external transactions for ODA and other concessional loans; and selecting commercial banks to serve the projects (“service banks”).⁷
- (iv) Maintain State Budget funds. State Budget funds are maintained in SBV and four other state-owned commercial banks: Joint-Stock Commercial Bank for Trade and Industry of Vietnam (Vietinbank), Joint-Stock Commercial Bank for Investment and Development of Vietnam (BIDV), Joint-Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank), and Bank for Agriculture and Rural Development of Vietnam (Agribank).
- (v) Control the country’s foreign currency activities.

D. State Audit Agency of Viet Nam

The State Audit Agency of Viet Nam (SAV) is an independent agency created under the 2005 State Audit Law, and operates under the 2015 Revised State Audit Law. SAV reports to the National Assembly,⁸ which elects the State Auditor General. SAV audits all units of the government and state-owned enterprises and focuses on audit of annual budget execution statements and financial and compliance audits of ministries, provinces, and

⁷ Imprest accounts of ADB-funded projects are maintained with the service banks. To avoid delays in selecting a service bank, the ADB Viet Nam Resident Mission should impose a deadline.

⁸ The National Assembly is the highest legislative and state agency. It promulgates the constitution and laws, decides on important issues of the country, and supervises state activities.

districts. SAV auditing standards⁹ are issued by the State Auditor General under the Revised State Audit Law. The government's auditing standards are issued separately by MOF under the 2011 Law on Independent Audit. This is different from SAV's auditing standards: (i) government auditing standards comprise 46 standards that focus on the business sector compared to SAV's 21 standards; (ii) government auditing standards are used by independent auditors; and (iii) government auditing standards were developed based on International Standards on Auditing, while SAV's standards are based on the International Standards of Supreme Audit Institutions. Because of resource limitations, SAV audits only 50%–60% of government units each year. SAV's annual auditing plan is approved by the National Assembly.

E. Independent Audit Firms

Independent audit firms perform annual audits of ADB-funded projects.

F. ADB Controller's Department, Loan Administration Division

The Loan Administration Division (CTLA) is responsible for processing disbursements of all loans, grants, and technical assistance, including accounting, billing, and collection of loan service payments.

G. ADB Viet Nam Resident Mission

CTLA delegated disbursement functions for approximately 30 projects to the ADB Viet Nam Resident Mission beginning in 2015. Acting under this delegated authority, the ADB Viet Nam Resident Mission processes and reviews all disbursement procedures, except for the issuance of commitment letters and payment of commitment claims, which are handled by CTLA. Authorization for all withdrawal applications rests with CTLA.

⁹ SAV. SAV Decision 6/2010/QĐ-KTNN dated 9 November 2010.

III. Budgeting

A. Public Finance System

The country's public finance system is divided into two: the State Budget (including the Central Budget and local budgets), and budgets of economically and/or financially independent institutions or enterprises. The objective of the public finance system is to segregate projects by funding source. The financial mechanism for external funds is governed by a government decree¹⁰ and MOF Circular,¹¹ which includes (i) subgranting from the Central Budget, (ii) onlending from the Central Budget to enterprises or provincial governments, and (iii) partial subgranting and partial onlending from the Central Budget.

Infrastructure investment and social welfare projects may be classified as subgranting from the Central Budget. Projects in other sectors where the investment capital cannot be recovered and are classified as expenditures of the Central Budget per the State Budget Law may also be classified as subgranting.

Onlending projects, and partial subgranting and partial onlending projects from the Central Budget, are projects where investment capital can be fully or partially recovered, including credit programs that are fully onlent to credit institutions. The Central Budget also onlends external funds to provincial governments for projects owned by local government entities.

Specific conditions on onlending of external funds (full or partial) including currency, amount, maturity, interest rates, and fees or charges are determined during project preparation and appraisal. Approval is based on government onlending regulations and agreements with lenders or donors. MOF Circular 218/2013 requires that a project's financial mechanism be approved by the Prime Minister before the project's loan agreement is signed. However, in practice, MOF and project owners may not agree on project financial mechanisms, which can delay project implementation. To avoid this, the project financial mechanism should be agreed on and finalized during project preparation.

¹⁰ Government of Viet Nam. Management and Utilization of ODA and Concessional Loans Provided by Development Partners. Decree 16/2016/ND-CP.

¹¹ Government of Viet Nam. Implementing Guidelines of Decree 16/2016/ND-CP. MOF Circular 218/2013/TT-BTC.

B. Budget Process

The budget process is specified in the 2002 Budget Law (or the 2015 Budget Law applicable from fiscal year 2017 onward) and Implementing Decree 60/2003, which prescribes the procedures and calendar to be followed when preparing the budget for submission to the National Assembly. The process concludes with the approval by the National Assembly of the outline budget no later than 15 November, which serves as the basis for the Prime Minister's apportionment of the revenue and expenditure mandates for each ministry and the overall allocations to each province by 20 November. Thereafter, the provinces and lower-level governments (i.e., districts and communes) finalize their detailed budgets, and ministries determine the detailed breakdown of their allocations (except capital expenditures for projects allocated by MPI) and notify MOF by the end of the year.

1. State Budget

Viet Nam has a hierarchical administrative structure. There are 63 provinces and cities under the central government. The provinces comprise districts, and districts comprise communes.¹² Local administrations operate under dual subordination (i.e., upper-level administration and people-elected organ). People's councils of the province, district, or commune elect the respective people's committees, an executive organ of the council responsible for managing services as local representatives of the central government. Provincial, district, or commune people's councils are under the supervision and guidance of the National Assembly (Figure 2). This administrative structure reflects fiscal decentralization. The budget system is a nested (or *matrjoska*) model with local budgets (i.e., provincial, district, and commune-level budgets) subordinate to the upper-tier budgets (i.e., commune budgets are included in district budgets, district budgets are included in provincial budgets, and provincial budgets are included in the State Budget). The State Budget comprises the central government budget and the consolidated provincial–district–commune budgets. The National Assembly approves the State Budget including the Central Budget (with details by ministry) and the aggregate revenue and expenditure for each provincial budget. The local budget (district and commune) at each level are approved by the relevant people's councils and by the upper-tier provincial people's committees.

All inflows (i.e., taxes, fees, charges, and other revenues) are paid directly to the State Treasury. Authorized collections (e.g., tuition fees collected by public schools, hospital fees collected by public hospitals, traffic fines collected by the police, and visa fees collected by the immigration agency) must be fully and promptly deposited with the State Treasury in accordance with MOF regulations. MOF and provincial departments of finance are responsible for the regular monitoring and control of revenue collection and deposits in State Treasury accounts. The MOF Inspection Department, at the request of the finance minister, may inspect financial transactions of these state agencies to ensure compliance with financial disciplines. The central Treasury keeps its accounts with SBV; the provincial treasuries keep their accounts with local branches of SBV; while district treasury accounts are kept in commercial banks where State Budget revenues are consolidated.

¹² "Commune," "township," and "ward" are the first-tier units of the three-tier Viet Nam subnational administrative units. The second-tier units are districts, provincial cities, and towns. The third-tier units are provinces and cities under direct central rule.

All budget spending shall be made only when the budget has been approved by the relevant authorities (i.e., National Assembly, Prime Minister, ministries, people's councils, and people's committees).

Consolidated State Budget final accounts statements are audited by SAV and submitted for review and approval by the National Assembly and its committees (e.g., Standing Committee and Ethnic Council). Audit reports are also submitted to the President and government. Local budget final accounts statements are also audited by SAV and submitted to the PPCs for review and approval.

Budgetary support loan and grant proceeds go directly to the State Budget account with the State Treasury. Proceeds of project loans and grants are credited to the project's bank accounts or directly to the accounts of contractors, suppliers, and consultants. Disbursements of counterpart funds for all projects require budget appropriations from the State Budget, while disbursements of external funds require financial plans to be approved by the relevant state agencies in parallel with the counterpart fund budget approval.

For decentralized projects where activities are carried out by different government agencies in different provinces, project financial management is also decentralized. However, the implementing agency at the central level is responsible for the inclusion of subproject budgets in their respective annual budgets, implementing national project components, supporting the PPCs and local implementing agencies of projects or subprojects, ensuring social and environmental safety, providing guidance, coordinating with relevant bodies, and monitoring and reporting project developments. In practice, if the project design does not clearly define the budget components for different implementing agencies, preparation and approval of the project budgets may be delayed eventually affecting disbursements.

2. Central Budget

The Central Budget includes State Budget revenues allocated to central agencies, and State Budget expenditures that are within the mandate of the central agencies. The National Assembly approves aggregate appropriations of the Central Budget by ministries and sectors. The Prime Minister approves budget allocations to ministries and ministerial agencies, and each ministry, in turn, allocates budgets to its subordinate agencies and projects (except capital investment projects allocated by MPI). A project is only declared effective after the announcement of the annual budget plan. However, advance allocations from the following year's budget are allowed under the 2015 State Budget Law provided that such project is considered of national importance or deemed urgent. The advance should not exceed 20% of total capital expenditures of the current year's budget for the ministry. Executing agencies should prepare the budgets for confirmed projects before their effectiveness to ensure availability of funds and to avoid delays.

For externally aided projects, if the executing agency is a central agency, the project or subproject budget should be included in the budget appropriations for the ministry that controls the project or subproject. If the disbursement of external funds exceeds the approved budget, a report to authorized agencies for amendment of the budget may be submitted for consideration in accordance with MOF Circular 218/2013. However, a recent 2015 National Assembly Resolution¹³ has restricted approval for disbursements exceeding the approved budget. Thus, it is important to accurately forecast the external funds budget based on disbursement demand of projects for the year.

The disbursements of counterpart funds for projects or subprojects are strictly based on the approved budget. If the executing agency is a local agency and the government subgrants to the project, the budget is included in the planned transfers from the Central Budget, and project expenditures are included in local budgets. If the executing agency is an enterprise or financial institution, the project budget is an off-budget item for the government but is included in the executing agency's budget. Because of these budgeting regulations, the project design should distinguish activities or components carried out by central or local agencies or independent entities. In general, the State Budget does not provide financial support to enterprises or financial institutions. In special cases, however, financial support may be provided subject to approval by the Prime Minister or PPCs, and should be budgeted as central or local budget expenditures.

The receipt portion of the Central Budget includes nonrefundable aid from foreign governments, international organizations, and individuals from overseas. Borrowings from foreign governments and international organizations, excluding borrowings for onlending purposes, are recognized as financing sources for the Central Budget deficit. The National Assembly approves the Central Budget deficit and its financing sources, and the total borrowings of the Central Budget. PPCs approve local budgets including budget revenues, expenditures, and financing sources for budget deficits. Onlending external funds from the Central Budget to local governments are considered financing sources of local budgets. Enterprise budgets are approved by their respective board of directors.

¹³ Resolution on 2015 State Budget. Resolution 78/2014/QH13. 10 November 2014.

The expenditures portion of the Central Budget relating to ADB funds is based on information received from executing agencies at central and local levels. These expenditures include (i) expenditures of line ministries or central agencies,¹⁴ (ii) targeted transfers to provincial budgets, and (iii) onlending to economic or financial entities.¹⁵ Items (i) and (ii) are on-budget items approved by the National Assembly, and if expenditures overshoot the budget, a revised budget has to be submitted and approved by the National Assembly.

The Central Budget cycle is as follows:

- (i) May – the Prime Minister issues an instruction on preparation of the State Budget for the following year.
- (ii) July – ministries and central state agencies prepare budget proposals for the following year and submit these to the Prime Minister through MOF (for recurrent expenditures) and MPI (for capital expenditures).
- (iii) August – budget discussions between MOF and ministries take place.
- (iv) September – the central government submits central and local budget proposals to the National Assembly.
- (v) Prior to 15 November – the National Assembly approves the aggregate numbers of the State Budget and the Central Budget apportionment plan.
- (vi) Prior to 20 November – the Prime Minister assigns budget revenues and expenditures to each ministry, ministerial agency, various government agencies, and other central government agencies.
- (vii) Prior to 31 December – ministries, ministerial agencies, government agencies, and other central government agencies assign budgets to respective subordinate agencies and units.

3. Local Budgets

Local budgets include State Budget revenue decentralized to local governments, transfers from the Central Budget to local budgets, and State Budget expenditures within the mandates of local governments. Transfers from the Central Budget to enterprises are classified as Central Budget expenditures. Transfers from local budgets to enterprises are recorded as local budget expenditures. Each local government (provincial, district, and commune) prepares its own budget comprising receipt and expenditure sections. All receipts of loans and grants through the central government are included in the receipt budget, in case the central government subgrants to local governments; or in the financing sources of local budget deficits, in case the central government onlends to local governments. Estimated expenditures of all externally financed projects (comprising external funds from external agencies and counterpart funds from local budgets) are included in the expenditure budget of local governments. As with the Central Budget, any expenditure exceeding the approved budget requires authorization of the local government's legislature.

¹⁴ Line ministries or central agencies are government agencies performing state management functions in one or more sectors or areas, or providing a public service to the whole country (e.g., Ministry of Education and Training and Ministry of Construction).

¹⁵ Economic or financial entities include state-owned enterprises, joint-stock enterprises, private enterprises, and banks (commercial banks and policy banks).

The local budget cycle is as follows:

- (i) May – the Prime Minister issues an instruction on the preparation of the State Budget for the following year.
- (ii) July – provincial departments, districts, and communes prepare budget proposals for the following year and submit these to the PPCs through the Department of Finance (for recurrent expenditures) and the Department of Planning and Investment (for capital expenditures).
- (iii) August – budget discussions between MOF and PPCs take place.
- (iv) September – the central government submits central and local budget proposals to the National Assembly.
- (v) Prior to 15 November – the National Assembly approves the aggregate numbers for the State Budget (i.e., central and local budgets).
- (vi) Prior to 20 November – the Prime Minister assigns aggregate budget revenues and expenditures to each province and centrally managed cities.
- (vii) Prior to 10 December – PPCs vote for the enactment of subnational budgets (i.e., provincial-level and district budgets) and provincial-level budget apportionment plan for the following year.
- (viii) Prior to 20 December – subprovincial people’s councils vote for the enactment of subprovincial budgets (i.e., district-level and commune budgets) and district-level budget apportionment plan.
- (ix) Prior to 31 December – provincial or district people’s committees assign budgets to respective subordinate agencies and units.

4. Budgetary Channel

(i) Central Budget

Figure 3 illustrates the structure of the Central Budget according to budget spending agencies and units. As of fiscal year 2013, there were 41 ministries and ministerial-level agencies and 3 financial institutions (i.e., Viet Nam Development Bank, Bank for Social Policy, and Social Insurance) to which the Prime Minister assigned budgets for management and use. These ministries and agencies assign budgets to subordinate departments or units. The enterprises and other entities use the funds for implementation of certain tasks assigned or ordered by the government.

If the executing and implementing agencies (“project owners”) of externally financed projects are central agencies or units, external funds are included in the Central Budget as the budget of the respective departments of the ministry, either as capital investment or public service expenditure.

For onlending projects, project owners are responsible for preparation and approval of annual financial plans of the project. The financial plans include external funds and counterpart funds (by components and expenditure categories). The formats of financial plans are provided in MPI guidelines. These plans are sent to MPI, MOF, Expenditure Control Agency,¹⁶ and relevant external financing partners.

¹⁶ “Expenditure Control Agency” refers to the State Treasury for subgrant projects and to the banks or financial institutions for onlending projects. Vietnamese regulations require the application of expenditure control to all project expenditures. Expenditure controls are based on the approved annual financial plans.

Figure 3: Structure of the Central Budget

Source: Asian Development Bank.

For accounting of external funds in the Central Budget, project external sources must be fully and promptly accounted for in the State Budget. MOF is in charge of accounting for the Central Budget. If external sources go directly to enterprises or financial institutions, the funds are recorded as off-budget items (i.e., an onlending account). A unit in MOF is responsible for monitoring and supervising onlending funds and repayments from enterprises or financial institutions. The government maintains an off-budget public fund called Accumulation Fund for Debt Payment with the State Treasury. This fund is under the control of DMEFD and is used for payments and repayments of onlending loans from subborrowers and repayment of original loans to external lenders.

The simultaneous recording of revenues from loans and grants, and project expenditures in the budget, is made based on the value of the disbursements of external funds that have been transferred to agencies, organizations, and spending units,¹⁷ with the amounts converted to dong for accounting purposes.¹⁸

¹⁷ Spending units are agencies or units assigned with budget appropriations by relevant authorities. These could be ministries, departments, or PMUs at central and local levels.

¹⁸ Based on 2003, 2015 Laws on Accounting and 2015 Law on State Budget; MOF Circular 195/2012 on accounting regime for investment project owners; and MOF Decision 19/2006 on accounting regime for administrative and public service entities.

(ii) **Local budget**

Figure 4 illustrates the structure of local budgets according to budget spending agencies and units. PPCs assign budgets to provincial departments or units or to enterprises or financial institutions for implementation of certain tasks assigned or ordered by the provincial administration. Similarly, the district or communal people's committees assign budgets to district or communal divisions and units, or enterprises for implementation of certain tasks assigned or ordered by administrations.

If the executing or implementing agencies of externally financed projects are local agencies or units, external funds are budgeted at the local level as budgets of the respective departments or divisions of the province or district either as capital investment or public service expenditure.

For accounting of external funds in the local budget, project external sources must be fully and immediately accounted for in local budgets. The provincial department of finance is in charge of accounting for external funds transferred by the Central Budget to local budget accounts.

The simultaneous recording of revenues of loans or grants transferred from the Central Budget, and expenditures of the project, is made based on the value of the disbursements of the external funds that have been transferred to recipient agencies, organizations, and spending units, with the amounts converted to dong for accounting purposes.

Figure 4: Structure of Local Budgets

Source: Asian Development Bank.

C. Budget System

The Treasury and Budget Management Information System (TABMIS) was developed and put into operation in all treasury offices and financial agencies in all provinces and districts and some ministries in October 2012. TABMIS aimed to replace the multiple-distributed treasury systems located throughout the country. The implementation, however, is not expected to be completed in the short run. TABMIS is operated by a team located in the State Treasury office providing real-time support. Large commitments from the State Budget are controlled and monitored through TABMIS. Aggregate data on government receipts and expenditures and cash and fund balances are available in TABMIS, enabling all treasury offices to reconcile accounting data with bank accounts daily, and reconcile payments with the spending units quarterly. TABMIS supports treasury offices and financial agencies in producing quarterly and annual budget execution reports and annual financial reports for management purposes.

TABMIS issues payment instructions for State Budget expenditures of agencies, institutions, and individuals with accounts maintained at the State Treasury (i.e., intertreasury payment system). Where no accounts are maintained with the State Treasury, local finance agencies enter approved appropriations and payment instructions in TABMIS before treasury offices can process payments using TABMIS through SBV or the four state-owned banks. There is no single treasury account. The central and provincial treasury offices use the accounts at SBV, and the district treasury offices use the accounts at four state-owned banks for payments outside of the State Treasury system.

D. Budget Recording and Reporting

Both the central and local governments use modified cash-based accounting. The accounting system recognizes transactions and events occurring on or before year-end (31 December). Cash payments can be made up to the “State Budget account adjustment period” ending 31 January of the following year, which is part of the accounting year. The State Budget account adjustment period is applicable to units and agencies using the State Budget where the works or activities have been completed before 31 December, and liquidation is made the following year. All budgeted expenditures including in-year supplementary items that are not paid by the end of the State Budget account adjustment period shall be annulled, with the exception of some expenditure that can be carried over to the following year under the Law on State Budget. The most common exceptions are development capital expenditures in accordance with the Law on Public Investment, procurement of equipment contracted before 31 December, allocated budget for salary reform, appropriations in the form of fixed block grants for public service units and state agencies, supplementary budgets approved after 30 September, and budget for science and research. The finance minister approves the carry-over of unspent allocations of the Central Budget while PPC chairs approve the carry-over of unspent allocations of local budgets. The carry-over budget will be executed and accounted for in the next year’s budget.

E. Expenditure Approval

1. Policy

Sector ministries periodically update sector development strategies and plans that provide resource requirements for implementation of development targets for the next 5–10 years. The total resources required often exceed what can be provided by the State Budget. MOF (for recurrent expenditures of budget) and MPI (for capital expenditures of budget) have not set any medium-term budget ceilings for sectors. As a consequence, sector policies are not fully incorporated in annual budget preparation.

Expenditures of ADB-financed projects (except onlending to financial institutions and enterprises) have to be included in the budgets. However, sector ministries and MPI occasionally underestimate annual disbursements of ADB funds that can cause disbursement delays, as project expenditures exceed budget appropriations. Where ADB funds go directly to projects, the recording of ADB funds in the government accounts takes place after project expenditures have been paid.

2. Expenditure Control

For externally financed projects, expenditure control is mandatory. The main objective of expenditure control is to ensure that such funds are used properly and effectively. To achieve this, the withdrawal, spending, and payment of external funds must follow the same procedures for control and supervision as those of the State Budget. Expenditure control also aims to ensure that project spending is in line with the underlying financing agreement, and complies with applicable national laws and regulations on public financial management.

For State Budget projects, the State Treasury at all levels, depending on decentralization of a project, are the control agencies. For onlending projects, the control agencies are the Viet Nam Development Bank and other onlending agencies such as commercial banks or financial institutions appointed by MOF. Payments requested by spending units must be cleared and endorsed by local branches of the State Treasury. The payments are assigned to budget lines. The State Treasury checks whether sufficient free balance exists under the budget lines before approving and recording the payments.

3. Segregation of Duties

Sector ministries and provincial departments monitor expenditure flow, prepare in-year budget revisions, consolidate accounts and prepare progress reports, review progress of policies, and propose revisions where appropriate. Spending units make commitments, purchase and procure goods and services, verify the goods and services acquired, prepare requests for payment, prepare progress reports, and maintain books. The State Treasury conducts expenditure control and records the transactions. SAV audits the State Budget year-end final reports, and independent auditors audit financial reports of externally funded projects.

4. Approval and Authorization

All spending units that use State Budget funds must open an account at the local branch of the State Treasury. Only the head of the spending unit or the authorized representative(s) (maximum of three) can approve and sign the request for disbursement. The chief accountant or the authorized representative(s) should sign the request for disbursement from State Budget funds as the secondary signatory. The specimen signatures and stamp of the spending unit are kept at the respective State Treasury offices.

For ADB-financed projects, the project imprest accounts for external funds are maintained in the service bank selected by SBV. The head of the project or an authorized representative approves the project expenditures using ADB funds with ex ante expenditure controls by the State Treasury offices (except for payments from the imprest account wherein ex post expenditure controls apply).

5. Reporting and Monitoring

All spending units have to prepare financial reports and submit them to upper-level agencies¹⁹ and the General Statistics Office of Viet Nam quarterly and annually. These financial reports should follow the Vietnamese format, which includes a detailed expenditures report for the period. The upper-level agencies will consolidate the financial reports of their subordinate agencies and submit these to the respective finance ministry or department annually prior to 1 October of the following year. The respective finance ministry or department will consolidate final budget execution reports and have them audited by SAV within 14 months from fiscal year-end before submission to the people's councils and National Assembly for approval. TABMIS is intended to facilitate the up-to-date reporting including functional and economic breakdown of expenditures. All participating TABMIS agencies, including sector ministries or departments, and finance ministries or departments, can access TABMIS for monitoring expenditure flows under their control and take appropriate measures for budget revisions, if necessary.

The implementing agencies of externally funded projects can use commercially available accounting software for accounting and recording of project transactions. The type of accounting software to be used depends on the nature, size, scope, scale and complexity of accounting transactions. The software should follow the Vietnamese accounting regime and requirements of the Department of Finance, Department of Planning and Investment, and external partners.

¹⁹ The upper-level agency of a spending unit is the agency that assigns the budget for that unit and supervises its execution, e.g., ministries are upper-level agencies of departments, and provincial authorities are upper-level agencies of district authorities.

IV. Onlending Arrangements

For onlending projects owned by enterprises or credit programs received by financial institutions, project owners have to provide counterpart funds. They are entitled to withdraw funds from accounts opened for ADB funds in compliance with project financial plans approved by the head of onlending agencies or authorized representatives. Onlending agencies (i.e., commercial or policy banks) perform expenditure control of project disbursements; monitor disbursement flows from ADB funds; and collect payments for principal, interest, and other charges from subborrowers. Onlending terms vary from project to project. During project preparation, line ministries or PPCs and project owners propose the project financial mechanism including onlending terms to MOF and MPI. The discussion on onlending terms between MOF and project owner usually takes time until it is finally approved by the Prime Minister. In addition, the onlending agencies (the Viet Nam Development Bank or commercial banks) assess the financial performance of subborrowers, and the results of assessment will also be submitted to the Prime Minister for a final decision. Processing missions should document these terms clearly so that the financial mechanism for the project captures the approved arrangements.

For projects and programs owned by the PPCs or local entities, funding can occur through two mechanisms. One, the central government subgrants to provincial governments in local currency. Project owners are entitled to withdraw funds from accounts opened for ADB funds and counterpart funds from local budget accounts against budget appropriations. Two, the central government onlends to provincial governments in foreign currency. In this case, local governments have to arrange counterpart funds for projects as well as funds for repayment of external loans. According to the 2009 Public Debt Law, the central government onlends to provincial governments at the same terms and conditions of the original external loan(s) without charging any additional fee. MOF assesses the creditworthiness of local governments before the onlending scheme is approved by the Prime Minister.

V. Foreign Exchange and Interest Rate Risks

For subgrant projects, the central government bears the foreign exchange and interest rate risks. DMEFD is responsible for monitoring and proposing appropriate measures to mitigate these risks in the government's debt portfolios.

For onlending projects, there are three scenarios:

- (i) **The government onlends to subborrowers at the same currency and interest rate of the external loans.** This scheme is applicable to onlending to provincial governments, or where the government uses fewer concessional or commercial loans to onlend to domestic borrowers. In these cases, subborrowers bear the foreign exchange and interest rate risks.
- (ii) **The government onlends to the subborrowers in dong and at different interest rates compared to the interest rate of external loans.** This scheme is applicable to onlending of ODA funds. In this case, the government bears the foreign exchange and interest rate risks of external loans.
- (iii) **The government onlends to subborrowers in the currency of original external loans but at a special concessional interest rate.** The interest will be equal to or higher than the original interest rate, but lower than the commercial interest reference rate (CIRR).²⁰ This is applicable to ODA-funded projects in selected sectors (e.g., infrastructure and clean energy). The subborrower bears the foreign exchange rate risks.

According to the 2009 Law on Public Debt Management and the Government's Decree 78/2010 dated 14 July 2010 on onlending of the government's foreign borrowings, all subborrowers have to sign subagreements with onlending agencies. Subborrowers are responsible for paying the principal, interest, fees, and charges on due dates specified in onlending agreements to the accumulation fund or for paying principal and interest directly to lender's accounts. The currency of debt payment by subborrowers is specified in onlending agreements. In case subborrowers cannot pay in foreign currency, they will pay the equivalent amount in dong using the exchange rate announced by MOF for ODA projects, or the exchange rate quoted by service banks for other projects. On the due dates of external loans, DMEFD instructs the State Treasury to use the State Budget to pay the principal, interest, fees, and charges to ADB in foreign currency, and then DMEFD recovers

²⁰ CIRRs are a set of currency-specific interest rates for major countries of the Organisation for Economic Co-operation and Development. CIRRs have been established for 15 currencies, the majority of which are based on 3-, 5-, and 7-year bond yields, plus a margin according to the length of the repayment period. They are adjusted monthly. In particular, CIRRs represent the minimum interest rates that shall apply to official financing support under the Arrangement on Officially Supported Export Credits and its Sector Understandings.

the equivalent dong from the accumulation fund. Project processing missions should ensure that the specific terms on which provincial governments will transfer funds to project owners are documented and captured in the project financial model and project administration manual to aid in proper accounting of financial flows.

In practice, most subborrowers including those in power sector utilities, water and wastewater companies, and provincial governments have no foreign exchange revenues. This leads to a mismatch between foreign currency payment obligations and dong revenues. As government agencies and local governments use modified cash-based accounting, accrued obligations are not captured and reported. Subborrowers such as enterprises and credit institutions that follow accrual-based accounting record foreign currency obligations in their books at the end of each fiscal year at the current value, with the foreign exchange differences reflected in the profit-and-loss statement. For direct payments and commitment letter transactions, subborrowers need to reconcile the dong equivalent with DMEFD records from time to time.

VI. Funds Flow Arrangements

Project funds flow arrangements must comply with ADB disbursement procedures and government regulations for disbursement of funds for ODA or concessional-funded projects.²¹

A. Direct Payment Procedure

ADB pays a contractor, supplier, or consultant at the request of the executing agency by withdrawing from the loan²² account to the extent of ADB's share of the expenditures, and directly deposits to the bank account of the contractor, supplier, or consultant (Figure 5).

²¹ In case of conflict between ADB procedures described in this report and procedures in ADB guidelines (*Loan Disbursement Handbook, 2015*, as amended from time to time), the procedures in ADB guidelines will prevail.

²² "Loan" refers to both loan(s) and grant(s) for investment projects that are managed by executing agencies, except that the disbursements from grant accounts are not subject to expenditure controls in accordance with MOF Circular 225/2010 on external grant management.

The procedure consists of the following steps:

- STEP 1 Review request for payment (RFP) and prepare withdrawal application.** The contractor, supplier, or consultant submits an RFP to the executing agency.²³ The executing agency reviews the RFP and prepares the withdrawal application.
- STEP 2 Verify RFP.** Once the executing agency approves the RFP, it forwards the request to the relevant expenditure control agency (ECA). The ex ante expenditure control is applicable to direct payments of on-grant projects. The ex post expenditure control is applicable to direct payments of onlending projects except for single-payment contracts, or for final payment of a multiple-payment contract for which the ex ante control is applicable.
- STEP 3 Submit the withdrawal application.** After the ECA has verified the RFP, it returns verified results to the executing agency. Assuming the expenditures are deemed in order by the ECA, the executing agency signs and submits the withdrawal application to DMEFD.
- STEP 4 Review and cosign the withdrawal application.** DMEFD reviews and cosigns the withdrawal application within 5 working days from receipt of the completed withdrawal application from the executing agency. DMEFD sends the RFP and signed withdrawal application to the ADB Viet Nam Resident Mission following the format prescribed by ADB, including detailed payment instructions (e.g., payee, amount, and account number).
- STEP 5 Review the withdrawal application.** The ADB Viet Nam Resident Mission processes and reviews the withdrawal application and supporting documents.
- STEP 6 Disbursement approval.** CTLA prepares a disbursement voucher, and authorizes the withdrawal.
- STEP 7 Pay contractor, supplier, or consultant.** ADB Treasury remits the payment to the bank account of the contractor, supplier, or consultant.

After the notification of fund disbursement from ADB, the transaction is recorded in government accounts. DMEFD issues instructions to the State Treasury to record the receipt of ADB funds as State Budget revenues, and to record the expenditure as (i) subgrant to the investment projects and/or administrative and public service delivery projects of the central ministries and/or central agencies in line with the budget classification system (for subgranting projects to central agencies); (ii) targeted transfer from the central government to the local government(s) through the provincial departments of finance or centrally managed municipalities as expenditures (for subgrant projects to local agencies); or (iii) onlending to institutions (for onlending projects). DMEFD records the government debt to ADB in the Debt Management Information System.

The executing agency needs to send documentary requirements to and obtain approval from the ECA and DMEFD.

²³ “Executing agency” also refers to “implementing agency.”

1. Documents Required by the Expenditure Control Agency

Table 1 provides documents required for expenditure control by type of project.

Table 1: Documents Required for Expenditure Control

Type of Project	Documentation Requirements
Subgrant capital investment project	List of required documents stated in MOF Circular 08/2016 promulgating regulations on the management and payment of capital expenditure financed by the State Budget. ^a
Subgrant public service expenditure project	<p>Required documents stated in MOF Circular 161/2012 and Circular 39/2016 specifying the regimes of control and payment of State Budget expenditures through the State Treasury, which includes</p> <ul style="list-style-type: none"> ■ for advance payment: Request for advance; decision of selection of contractor (if any); contract (if any); ■ for liquidation of advance: Request for liquidation of advance; statement of expenditures for payments less than VND5 million; liquidation of contracts (if any); invoices; and ■ for direct payments: Request for payment; list of salaried staff for salary payments; contracts; liquidation of contracts (for final payment); invoices. <p>For regular contracts of goods purchased amounting to less than VND20 million, contracts and invoices are not required. Only the statement of expenditures needs to be submitted.</p>
Onlending project	Same requirements for subgrant capital investment projects. Onlending agreements.

^a See Box 1 and Table 2.

Source: Asian Development Bank.

(a) Initial fund request

Box 1 provides documents required for the initial disbursement.

(b) All fund requests

All documents per Box 1.

2. Documents Required by the Department for Debt Management and External Finance

Table 2 provides all documents required for expenditure control by type of payment.

(a) Initial fund requests

All documents per Box 1.

**Box 1: Documents to Be Submitted to Both the
Department for Debt Management and External Finance
and Expenditure Control Agency**

- Project document approved by the relevant authorities attached to the project investment decision issued by the relevant authorities
- Investment project document such as the feasibility study report (if any)
- Decision for the approval of the total cost estimates (if any)
- All contracts entered into between the project owner and its contractors and other attached documents relating to payment conditions, with the exception of the design drawing, other design and technical documents (for contracts made in a foreign language, the provisions relating to contractual payments in Vietnamese, with signatures and seals of the project owners should be attached)
- Agreements with or no-objection letters from ADB
- Agreements with the contractors on project implementation (including the list of eligible expenditures or costs, project contracts, and bid performance security); approved budgets for each item, bid packages, and project as approved by relevant authorities (in the case of sole source selection and noncontractual works); and any other relevant project documents
- An original copy of the annual financial plan already approved by the relevant authorities (an “original copy” is a copy signed and stamped by the project owner)
- The financing agreement signed between the government and ADB (the translated Vietnamese version with the signature and seal of the project owner should be sent only to the ECA)

Document to Be Sent to the Department for Debt Management and External Finance only

- Onlending agreement(s) entered into between the project owner and the onlending agencies

Note: The project owner shall be legally responsible for the authenticity of the copies supplied to external parties.

Source: MOF Circular 218/2013/TT-BTC.

(b) All fund requests

All documents per Box 1 and the following additional documents are required.

- (i) An official letter of request for direct payment sent to ADB with the following attachments (all in formats prescribed by ADB): signed withdrawal application form, summary sheet, and full supporting documents required by ADB.
- (ii) Copies of invoices and/or requests for payment of contractors or suppliers.
- (iii) Original payment instruction as verified by the ECA.

Table 2: Documents to Be Submitted to the Expenditure Control Agency

Type of Payment	Required Supporting Documents
A. Capital Investment Projects	
Advance payment	<ul style="list-style-type: none"> ■ Request for capital investment payment (format in Circular 08/2016/TT-BTC) ■ Payment instruction ■ Request for disbursement (format C3-01/NS in MOF Decision 759/2013/QD-BTC in case of advance from budget funds) ■ Bank guarantee for advance payment per contract (copy with project owner seal)
Progress payment	<ul style="list-style-type: none"> ■ Certification of work completion signed by project management unit, contractor, and consultant (format prescribed in Circular 08/2016/TT-BTC) ■ Request for capital investment payment (format prescribed in Circular 08/2016/TT-BTC) ■ Payment instruction
Payment of force account works	<ul style="list-style-type: none"> ■ List of completed works (including approved estimation for each work) ■ Request for capital investment payment (format prescribed in Circular 08/2016) ■ Payment instruction
Payment of resettlement expenditures	<ul style="list-style-type: none"> ■ List of completed works of resettlement and land acquisition (format prescribed in Circular 08/2016/TT-BTC) ■ Contracts of purchasing houses and turnover minutes of houses for resettlements ■ Approved estimation of expenditure for resettlement committee ■ Request for capital investment payment ■ Payment instruction (format prescribed in MOF Decision 19/2006/QD-BTC)
B. Public Service Projects	
	<ul style="list-style-type: none"> ■ Request for advance, clearly stating estimate of expenditures ■ Payroll expenditures ■ Contract, invoices, liquidation of contract for expenditures by contracts ■ Statement of expenditures for other recurrent expenses without contracts, or for small contracts amounting to less than VND20 million

Source: Asian Development Bank.

B. Commitment Procedure

ADB issues an irrevocable commitment letter to a commercial bank for payments to be made to a supplier against a letter of credit, at the request of the executing agency (Figure 6). The procedure consists of the following steps:

- STEP 1 Open a letter of credit.** The executing agency opens a letter of credit in favor of its supplier.
- STEP 2 Letter of credit advice.** The letter of credit issuing bank (normally the service bank) issues an advice to the letter of credit negotiating bank about the availability of the letter of credit. The letter of credit becomes operative when ADB issues its commitment letter to the letter of credit negotiating bank.
- STEP 3 Submit commitment letter request.** The executing agency forwards the commitment letter request to DMEFD for transmission to ADB.

- STEP 4 Review and sign the withdrawal application.** Within 5 working days, DMEFD reviews and signs the withdrawal application and commitment letter request and sends them to ADB.
- STEP 5 Issue commitment letter to the letter of credit negotiating bank.** ADB issues a commitment letter to the letter of credit negotiating bank indicating that all eligible claims may be directly submitted to ADB through the Society for Worldwide Interbank Financial Telecommunication messaging system (SWIFT).
- STEP 6 Advise supplier.** The letter of credit negotiating bank advises supplier that the letter of credit is operative.
- STEP 7 Delivery.** Supplier delivers goods.
- STEP 8 Documentation.** Supplier sends documents to the letter of credit negotiating bank.
- STEP 9 Pay supplier.** The letter of credit negotiating bank pays the supplier in compliance with the letter of credit provisions.
- STEP 10–11 Submit payment claim.** The letter of credit negotiating bank sends a claim for payment through SWIFT to ADB. Documents go to the letter of credit issuing bank.
- STEP 12 Pay letter of credit negotiating bank.** ADB withdraws funds from the loan account and remits them to the letter of credit negotiating bank through SWIFT.

Figure 6: Commitment Procedure

ADB = Asian Development Bank, DMEFD = Department for Debt Management and External Finance, EA = executing agency, LC = letter of credit.

Source: Asian Development Bank.

(a) **Record in the government accounts**

Based on the notification of fund disbursement from ADB, DMEFD issues instructions to the State Treasury to record the receipt of ADB funds as State Budget revenues, and to record the expenditures as (i) subgrants to the investment projects and/or administrative and public service delivery projects of the central ministries and/or central agencies in line with the budget classification system (for subgranting projects to central agencies); (ii) targeted transfers from the central government to the local government(s) through the provincial departments of finance or centrally managed municipalities as expenditures (for subgrant projects to local agencies); or (iii) onlending to institutions (for onlending projects). DMEFD records the government debt to ADB in the Debt Management Information System.

(b) **Documentary requirements and approval system**

The executing agency needs to get approval from DMEFD and have the commitment letter request signed and sent to ADB. The letter of credit issuing bank is responsible for checking documents received from the letter of credit negotiating bank to ensure compliance with the letter of credit provisions.

The executing agency needs to submit to DMEFD:

- (i) Documents required for the initial fund withdrawal request (Box 1).
- (ii) Documents to be submitted with commitment letter requests: an official letter requesting ADB to issue the commitment letter (based on the templates and forms of ADB), and a copy of the opened letter of credit.

C. Reimbursement Procedure

ADB uses loan or grant proceeds to reimburse eligible expenditures already incurred and paid for by the executing agency (or State Treasury) from its own resources (Figure 7).

The procedure consists of the following steps:

- STEP 1 Payment.** Executing agency pays contractor, supplier, or consultant from its own resources.
- STEP 2 Verify RFP.** The executing agency approves the RFP and forwards the request to the relevant ECA for expenditure control.
- STEP 3 Submit request for reimbursement.** The executing agency submits a request for reimbursement of prepaid project expenditures; required supporting documents (i.e., full documentation with evidence of receipt of payment or statement of expenditure and/or force account works); and signed withdrawal application to DMEFD.
- STEP 4 Review request and cosign the withdrawal application.** DMEFD reviews the request and cosigns the withdrawal application within 5 working days from receipt of the request from the executing agency. DMEFD sends the signed withdrawal application and required supporting documents to the ADB Viet Nam Resident Mission (in ADB format).

- STEP 5 Review the withdrawal application.** The ADB Viet Nam Resident Mission processes and reviews the withdrawal application and supporting documents.
- STEP 6 Disbursement approval.** CTLA prepares a disbursement voucher and authorizes the withdrawal.
- STEP 7 Reimburse the executing agency.** ADB Treasury remits payment to the executing agency's account with a commercial bank or State Treasury account with SBV.

(a) **Record in the government accounts**

Based on the notification of fund disbursement from ADB, DMEFD issues instructions to the State Treasury to record receipt of ADB funds as State Budget revenues, and to record the expenditures as (i) subgrants to investment projects and/or administrative and public service delivery projects of the central ministries and/or central agencies in line with the budget classification system (for subgranting projects to central agencies); (ii) targeted transfers from the central government to the subnational government(s) through the provincial departments of finance or centrally managed municipalities as expenditures (for subgrant projects to local agencies); or (iii) onlending to institutions (for onlending projects). DMEFD records the government debt to ADB in the Debt Management Information System.

This procedure imposes a burden on the executing agency to use its own resources for bridge financing ADB's share of project expenditures. Normally, the executing agency and State Treasury do not have funds available to prefinance the ADB portion, and this reimbursement procedure is, therefore, not commonly used for ADB-funded projects in Viet Nam.

(b) **Documentary requirements and approval system**

The executing agency needs to get approval from the ECA and DMEFD.

1. Documents Required by the Expenditure Control Agency

All documents per Table 1 and Box 1.

2. Documents Required by the Department for Debt Management and External Finance

(a) Initial fund request

See direct payment procedure.

(b) All fund requests

All documents per Box 1 and the following additional documents are required.

- (i) An official letter requesting reimbursement from ADB with the following attachments (all in formats prescribed by ADB): signed withdrawal application form, summary sheet, and full supporting documents (same as for direct payment) or, if applicable, documents needed for statement of expenditures procedures.²⁴
- (ii) Copies of bank statements evidencing payments made to contractors, suppliers, or consultants.
- (iii) Copies of statements of receipt of payments by contractors, suppliers, or consultants.
- (iv) Copies of the invoices and/or requests for payment of contractors or suppliers.
- (v) Original payment instructions as verified by the ECA.

The request for fund withdrawal must clearly state the name and account number of the fund recipient. For items prefinanced by the State Budget, the names and account numbers of the budget items that funded these expenditures must be specified and certified by the ECA.

D. Imprest Fund Procedure

ADB advances an amount to the account of the executing agency opened in a commercial bank (“the service bank”). This account is referred to as the “imprest account” (Figure 8). The imprest account is used to pay ADB’s share of all eligible project expenditures in domestic and foreign currencies. The use of an imprest account gives the borrower control over payments contrary to direct payment, commitment letter, or reimbursement procedures. The procedure consists of the following steps:

STEP 1 Request for initial advance. The executing agency submits a request for an initial advance to DMEFD, which is based on the estimate of the expenditures for the forthcoming 6 months.

STEP 2 Review request and sign the withdrawal application. Within 5 working days, DMEFD reviews and signs the withdrawal application to request ADB to transfer funds to the imprest account.

²⁴ ADB. 2015. *Loan Disbursement Handbook*. Manila. Section 9.9.

- STEP 3 Transfer funds to the imprest account.** DMEFD submits the withdrawal application to the ADB Viet Nam Resident Mission. The ADB Viet Nam Resident Mission processes and reviews the withdrawal application. CTLA authorizes the disbursement per withdrawal application. ADB Treasury transfers the funds to the imprest account.
- STEP 4 Transfer funds to the subaccount(s), where applicable.** The executing agency transfers an advance amount to the subaccount (if any). The contractor, supplier, or consultant submits an RFP to the executing agency, supported by documents specified in the contract. The executing agency reviews the RFP and pays the supplier, contractor, or consultant using the imprest account or subaccount, as applicable, through the Online Inter-Banking Payment System. In case of payments from the imprest account, the ex post expenditure control is applicable, while for payments from the subaccounts, the ex ante expenditure control is applicable. The subaccount is separately liquidated by the implementing agency and replenished by the executing agency using funds from the imprest account using the same procedures (steps 5–7).
- STEP 5 Replenishment of imprest account.** The executing agency prepares a withdrawal application and requests for liquidation and replenishment of the imprest account submitted to DMEFD.
- STEP 6 Review request for liquidation and replenishment and sign the withdrawal application.** Within 5 working days, DMEFD reviews and signs the withdrawal application and request for liquidation and replenishment from ADB.
- STEP 7 Transfer funds to the imprest account.** DMEFD submits the withdrawal application to the ADB Viet Nam Resident Mission. The ADB Viet Nam Resident Mission processes and reviews the withdrawal application. CTLA authorizes the disbursement per withdrawal application. ADB Treasury transfers the funds to the imprest account.

Figure 8: Imprest Fund Procedure

ADB = Asian Development Bank, DMEFD = Department for Debt Management and External Finance, EA = executing agency, ECA = expenditure control agency.

Source: Asian Development Bank.

(a) **Record in the government accounts**

Based on the executing agency's information of fund disbursement from the imprest account provided every time the withdrawal application is submitted for replenishment, DMEFD issues instructions to the State Treasury to record the receipt of ADB funds as State Budget revenues, and to record expenditures as (i) subgranting to the investment projects and/or administrative and public service delivery projects of the central ministries and/or central agencies in line with the budget classification system (for subgranting projects to central agencies); (ii) targeted transfers from the central government to the subnational government(s) through the provincial departments of finance or centrally managed municipalities (for subgrant projects to local agencies); or (iii) onlending to institutions (for onlending projects). DMEFD records the government debt to ADB in the Debt Management Information System. All payments from the imprest and subaccounts are subject to expenditure control by the respective ECA (ex ante control is applicable to payments from subaccounts and final payments for each contract and one-time payment contracts; ex post control is applicable to all other payments). The use of time deposit accounts for imprest funds is not in accordance with ADB's *Loan Disbursement Handbook*.

(b) **Documentary requirements and approval system**

The executing agency needs to get approval from the ECA and DMEFD.

1. Documents Required by the Expenditure Control Agency

All documents per Table 1 and Box 1.

2. Documents Required by the Department for Debt Management and External Finance

(a) **Initial fund request**

See direct payment procedure.

(b) **Initial advance request**

Upon loan effectiveness, the following documents are required:

- (i) official letter requesting fund withdrawal;
- (ii) fund withdrawal request form accompanied by required statements in accordance with templates and forms issued by ADB; and
- (iii) expenditure plan for the next 3–6 months (3-month estimation for DMEFD and 6-month estimation for ADB).

(c) **All fund requests**

For replenishment of imprest accounts and subaccounts, the following documents are required:

- (i) An official letter to ADB requesting replenishment of the imprest account with the following attachments (in formats prescribed by ADB): signed withdrawal application form for imprest account; imprest account reconciliation statement; and statement of expenditures or summary sheet, if applicable. The letter should include a statement that specifies each project expenditure paid from the imprest account indicating date of payment, amount of payment in original currency, amount converted to foreign currency, amount in dong, exchange rate used for conversion, description of item, and name of recipient for recording in government accounts.
- (ii) Expenditure plan for the next 3–6 months (3-month estimation for DMEFD and 6-month estimation for ADB).
- (iii) Original payment instruction as verified by the ECA.
- (iv) Statement of the imprest account (and any subaccounts) issued by the service bank.

VII. Accounting and Reporting

A. Accounting Standards

Viet Nam's Law on Accounting was adopted in 2003 to regulate public and private sector accounting. The law assigns MOF with oversight of state management accounting. Under the Law on Accounting, MOF is tasked to develop accounting standards. The 2015 Revised Law on Accounting further emphasizes the role of MOF in issuing Vietnamese Accounting Standards (VAS). During 2001–2005, MOF issued 26 VAS that were formulated based on International Accounting Standards (IAS) considering the specific conditions of Viet Nam. There is still a gap between VAS and IAS (e.g., VAS uses the historical value principle, i.e., the value of assets is based on the original price;²⁵ VAS uses Last In First Out method for recording inventories). The 36 key differences between the VAS and International Financial Reporting Standards are detailed in a paper prepared by PricewaterhouseCoopers in 2008.²⁶ In 2014, MOF issued Circular 200/2014/TT-BTC on the accounting regime of business entities and Circular 202/2014/TT-BTC on Consolidated Financial Statements, which narrow the gap between VAS and IAS. MOF is expected in the next few years to issue new VAS that are closer to IAS. Given these gaps, the audited project financial statements should include at a minimum the following:

- (i) All sources of funds and expenditures using the government classification system that are responsive to the project's objectives, presented for the current fiscal year and cumulative to date. Each fund source must be presented separately.
- (ii) A summary of expenditures by project components and by category of expenditure for the current fiscal year and cumulative to date.
- (iii) A statement showing accumulated funds of the project, bank balances, other assets of the project, and liabilities, if any.
- (iv) Supporting schedules to the financial statements such as a reconciliation of the amounts shown as "received by the project from the ADB" with those shown as being disbursed by ADB, and statement of expenditures (if applicable) listing withdrawal applications by reference number and amount.

The VAS are used for corporate accounting but not public accounting. Separate standards on public accounting have not yet been issued. If the executing agency is a business establishment, such agency will follow VAS. In cases where the executing agencies are

²⁵ Refer to Appendix 1 for detailed explanation of the accounting principles, and Appendix 2 for Viet Nam laws, regulations, circulars, and reports.

²⁶ PricewaterhouseCoopers. 2008. *Similarities and Differences, A Comparison of IFRS and Thai GAAP, Vietnamese GAAP, Cambodian GAAP and Laos GAAP*.

PMUs, PMUs will follow accounting guidelines prescribed by their direct government management and that consider the nature of the projects. PMUs will apply either the accounting guidelines for PMUs (stipulated in MOF Circular 195/2012/TT-BTC on accounting regime for investment project owners) involving investment projects (mostly infrastructure projects); or the accounting guidelines for administrative units stipulated in MOF Decision 19/2006/QD-BTC on accounting regime for administrative and public service entities. Under these guidelines, PMUs will use cash or modified cash basis of accounting. These guidelines provide detailed instructions on accounting entries but lack significant guidance on conditions and timely recognition of fund receipt and project expenses. These issues are usually addressed by the management of the executing agencies and form part of the project's accounting policies, leading to inconsistent accounting treatment across projects. For example, a project may record an expense upon payment approval by the management of the executing agency while another project may record an expense when payment request is accepted by the State Treasury, or when payment is made to the supplier.

The following are the major differences between the accounting guidelines for administrative units²⁷ and Cash Basis International Public Sector Accounting Standards:

- (i) Receipt of funds is recognized as revenue.
- (ii) The government requires five reports: balance sheet, sources of funds, investment expenditures, notes to the financial statements, and disbursement report on external funds and counterpart funds. Also required are five annexes: details of source of funds; investment expenditures by subprojects, components, and categories; final accounts of completed subprojects and components put into operation; other expenses, and PMU expenses.
- (iii) Expenditures are recorded at the time inventories are procured, whether used or in stock.
- (iv) Expenditures are recorded at the time the fixed asset is procured and paid.
- (v) MOF exchange rates are used to record budget revenues and expenditures in foreign currency.
- (vi) No specific guidelines exist on recording real estate investment, contingent liabilities, and financial instruments.

B. Accounting Systems

1. Basis of Accounting

Projects follow the accounting systems of the executing or implementing agencies, which is cash or modified cash basis for administrative agencies, or accrual basis for business enterprises. Normally, PMUs recognize accounting income when received, and expenditure when incurred.

²⁷ Based on MOF Decision 19/2006/QD-BTC (accounting regime for administrative and public service entities) and MOF Circular 195/2012/TT-BTC (accounting regime for investment project owners).

2. Accounting Documents

All accounting documents shall be prepared clearly, adequately, and accurately in accordance with samples specified in government guidelines.²⁸ If there is no specified sample, the accounting document should contain, at a minimum, the name and number of the document, purpose of the document, date of preparation, description of the transaction, transaction amount, and signature. Accounting documents (such as value-added tax invoices, sales invoices, or banking documents) for transactions with external entities should be sealed by the executing agency. Those who prepare, approve, and sign an accounting document shall be responsible for its content.

3. Chart of Accounts

The executing agency shall use the accounts provided in the respective MOF circulars (Circular 195/2012/TT-BTC dated 15 November 2012 [accounting guidelines for investment project owners], or Decision 19/2006/QĐ-BTC dated 30 March 2006 [accounting guidelines for public services entities], or Circular 200/2014/TT-BTC dated 22 December 2014 [accounting guidelines for business entities]). If additional first-level accounts or a change in names and number of second-level accounts are needed to meet specific project management requirements, the executing agency shall ask MOF for approval. The executing agency can add other second-level accounts and third-level accounts that are not specified in the MOF circulars in its accounting system for reporting and management purposes.

4. Accounting Methods

The executing agency must use double-entry accounting with a regularly updated trial balance. All transactions should be supported by original documentations (photocopies are not allowed) for bookkeeping and accounting purposes. All transactions are accounted for in the right accounts and periodically summarized and reported following government regulations and ADB requirements.

5. Internal Control

The establishment of an overall internal control system by the executing agency is not specifically required in government regulations. However, government accounting regulations require that controls are in place for specific areas such as petty cash, bank accounts, advances to staff, fixed assets, and inventory.

²⁸ Based on Decree 128/2004/ND-CP (law on accounting applicable to state sector), MOF Decision 19/2006/QĐ-BTC (accounting regime for administrative and public service entities), and MOF Circular 195/2012/TT-BTC (accounting regime for investment project owners).

6. Computerized Accounting System

Project executing and implementing agencies must use computerized accounting systems that comply with MOF Circular 103/2005/TT-BTC dated 24 November 2005 on standards and specifications of accounting software:

- (i) The computerized system must support users' compliance with state regulations on accounting, such as accounting principles and accounting methods.
- (ii) Accounting documents produced by computerized systems should contain information required by the Law on Accounting.
- (iii) Chart of accounts should comply with the applicable accounting regimes of the projects.
- (iv) Accounting books should be printed at the end of each accounting period and filed properly.
- (v) Financial reports produced by the computerized system should have the formats prescribed in government regulations.
- (vi) The software program can be updated with any government revisions of accounting regulations but not impact the data previously input in the system.

C. Responsible Units

1. Department for Accounting and Auditing Regime of the Ministry of Finance

Key responsibilities include (i) drafting the VAS and detailed accounting guidelines, (ii) performing audits on the application of the VAS and accounting guidelines at state-owned and private accounting units, and (iii) managing the professional practice of independent accountants and auditors. The department is also responsible for providing accounting guidelines for ADB-funded projects.

2. Accounting Units in Executing Agencies

The interministerial circular of MOF and the Ministry of Home Affairs²⁹ require that an accounting unit must have a chief accountant or an accountant in charge of accounting. The accounting apparatus as well as the number of accountants is determined depending on the project size and type of project management:³⁰

- (i) In the absence of a PMU, or in cases where the PMU is established without a dedicated accounting unit, the project owner is allowed to use its own accounting systems including recording entries in the accounting books of the organization. The organization's accountant is the project's accountant in this regard. The accountant must maintain separate accounts for the project including identifying sources of funds, revenues, and expenditures of the project.

²⁹ Interministerial Circular 163/2013 of MOF and Ministry of Home Affairs (qualifications of chief accountant and accountant in state sector).

³⁰ MOF Circular 218/2013 (implementing guideline to Decree 38/2013/ND-CP on the financial management of ODA/LC-funded projects and programs), article 25.

- (ii) In cases of large-scale projects, or where a PMU is established as an independent legal entity (with a separate stamp), an accounting division in the executing agency is usually established for very large projects managed by central or provincial authorities. If the project is of smaller scale with a limited number of transactions and small volume of accounting work, an accountant and a cashier are employed. The chief accountant is responsible for the accounting division.

3. Accounting Staff

The minimum qualification requirements for accounting staff are set in the 2003 and 2015 Laws on Accounting. Accounting staff must hold degrees in accounting, have relevant work experience in finance and accounting, and be legally permitted to do accounting work independently and professionally. The chief accountant must have a degree in accounting and extensive work experience in accounting—at least 2 years for persons with a university degree and 3 years for persons with an accounting degree from a college.

4. Accounting in Decentralized Projects

A decentralized project covers two or more provinces. A central PMU is tasked with the accounting of subprojects that are directly managed by central authorities. Subprojects that are decentralized to the provincial, district, or commune level are managed by PMUs at those levels. The central PMU and all PMUs have separate accounting units. The central PMU is responsible for consolidation of annual financial plans, financial reports of all subsidiary PMUs in the project, and also plays a central role in disbursement. The central PMU often acts as a focal point for communications with ADB and relevant government agencies, and provides lower-level PMUs with guidance on policies and procedures, organizes training activities, and procures accounting software.

D. Fiscal Year

The State Budget Law prescribes a fiscal year that begins on 1 January and ends on 31 December. The accounting year of an ADB-financed project is in line with existing accounting regulations of Viet Nam. However, the 2003 and 2015 Laws on Accounting allow an accounting unit to choose a 12-month period other than the prescribed fiscal year if necessary for their activities, in which case they have to inform the relevant authorities. The accounting period of a project in the first year of implementation starts from the date of the establishment of the accounting unit to the end of the accounting period of that year. If the first or the last accounting period of the project is less than 90 days, it could be combined with the subsequent accounting or previous accounting periods, respectively. The accounting period must be less than 15 months at any point in time.

E. Project Financial Statements Preparation

During project implementation, executing agencies are required to prepare and to submit audited project financial statements to ADB and relevant government agencies.

The government accounting guidelines provide templates for financial statements, but these templates do not usually contain all information requested by ADB. Most projects have to prepare financial statements in a format generally acceptable to ADB. Project financial statements are prepared on an annual or biannual basis following provisions of the loan agreements. It is most common that a single financial statement will be prepared for the whole project by the central PMU that is responsible for collecting, verifying, and consolidating accounting data prepared by local PMUs. However, in case the fund is disbursed directly to local PMUs, each PMU is responsible for preparing their own financial statements. A project's financial statements must be signed by the head of the executing agency.

1. Principles for Preparation and Presentation of Financial Statements

- (i) Financial statements shall be prepared in conformity with applicable accounting standards and the provisions of relevant financing agreements between the government and development partners.
- (ii) Before preparing financial statements, executing agencies should determine the type of financial statements to be submitted to relevant government agencies, ADB, and internal management (for the executing agency and its upper or lower units).
- (iii) Data shown in financial statements shall be derived from general and detailed accounting books and presented in an orderly manner. Data on the financial statements should be consistent with and truly reflect the financial situation of the project.
- (iv) Financial statements must provide adequate, accurate, and timely information related to the financial situation of the project. All financial statements should be prepared on the basis of the same accounting systems and books, which are adequately, accurately, and consistently updated. Financial statements should be prepared using data at the time of closing of accounting books.
- (v) Financial statements for different accounting periods must be prepared and presented in a consistent manner.
- (vi) The financial statements must be signed by the responsible accountant, the chief accountant, and an authorized person of the executing agency. The persons who sign the statements shall be fully responsible for its content.

2. Format for Financial Statements for Submission to Government Agencies

There are two types of project financial statements to be submitted to government agencies: quarterly and annual financial statements. MOF stipulates the formats and guidelines for the preparation of these financial statements by investment owners and public service entities under the respective accounting regulations. These formats differ with the formats required by ADB and are provided in Appendixes 4 and 5.

3. Submission of Financial Statements

Project financial statements prepared using the government formats shall be sent to MOF and the General Statistics Organization. Lower-level state agencies shall submit their financial statements directly to the upper-level state agencies for consolidation.

Audited project financial statements under formats agreed with ADB together with the audit report shall be sent to ADB and SAV per MOF Circular 218/2013/TT-BTC. These reports should also be sent to PPCs within 30 business days from the date of issuance.

4. Deadline for Submission

Audited project financial statements shall be submitted to government agencies no later than 90 days after the end of the reporting year.

The deadline for submitting audited project financial statements to ADB is set in the loan agreement.

VIII. Auditing Arrangements

SAV is responsible for performing audits of the management and use of public funds and public property and other activities related thereto, and submits these reports to the National Assembly. SAV audits all units of the government and state-owned enterprises. In addition to audits of annual budget execution statements and general (financial and compliance) audits of ministries, provinces, and districts, SAV conducts performance and value-for-money audits. Its audit work meets the requirements of the International Standards of Supreme Audit Institutions framework according to the report on Viet Nam Public Expenditure and Financial Accountability, July 2013.³¹ As ADB's funds form part of ODA, the project financial statements are subject to audit by SAV, or by independent auditors for those projects not audited by SAV per MOF Circular 218/2013/TT-BTC dated 31 December 2013.

A. Auditing Requirements

The financial statements of ADB-funded projects and executing agencies are subject to audit by SAV. At the end of each year, SAV finalizes and submits its audit scope and audit plan for the following year to the National Assembly for its approval. The audit plan lists the names of projects to be audited by SAV. These audit reports are for the use of the National Assembly and of the government and are not available to the public or provided to international sponsors. In practice, only a few ODA- and ADB-funded projects have been included in SAV's annual audit plan due to limited resources.

In addition, project financial statements are required to be audited by an independent auditor following the provisions of the loan agreements with ADB. The selection of an independent audit firm is conducted through the normal tender process. MOF, in conjunction with the ADB Viet Nam Resident Mission, issued a list of 12 independent audit firms (out of 200 firms) that are qualified to perform audit of financial statements of ADB-funded projects. No specific templates or terms of reference for selection of independent auditors for ADB-funded projects are prescribed under Vietnamese laws and regulations. In this regard, the ADB Viet Nam Resident Mission uses its own terms of reference for auditor recruitment that are acceptable to MOF.

³¹ Government of Viet Nam. 2013. *Vietnam Public Expenditure and Financial Accountability (PEFA), Public Financial Management Performance Assessment*.

All independent audit firms and certified public auditors practicing in Viet Nam must follow the Vietnamese Standards on Auditing,³² which were prepared broadly based on the International Standards on Auditing. The standards acceptable to ADB for the audit of the project financial statements are the International Standards on Auditing, which are issued by the International Auditing Assurance Standards Board; and the International Standards of Supreme Audit Institutions. ADB also accepts national standards that are deemed equivalent to these international auditing standards. The Vietnamese Standards on Auditing are not acceptable to ADB, thus ADB requires executing agencies to clearly indicate in the auditor terms of reference that “the audit will be carried out in accordance with International Standards on Auditing.”

The common audit cycle for ADB-funded project financial statements is (i) studying the project documents and executing agency’s systems of internal control; (ii) planning and designing the appropriate audit program; (iii) conducting audit fieldwork at the central and provincial PMUs; (iv) drafting an audit report and management letter; (v) meeting with the executing agency’s management to discuss findings and agree on action plans; and (vi) officially issuing the audit report including the management letter.

B. Resolution of Problems Raised in External Audit Reports

ADB requires the executing agency to work with the external auditor to resolve issues identified in the audit report. If the executing agency disagrees with the findings of the external auditor, the executing agency should explain the reasons for its disagreement in writing to ADB. Relevant government agencies may also review the project audit report to assess whether or how recommendations of the independent audit firm will be implemented. If a state agency has any concern about using the published accounting data and audited financial statements of the project, the agency is permitted to request that the audit firm provide explanations either orally or in writing. If there is a disagreement or dispute about external audit results, the executing agency should report this to MOF and request the finance minister to resolve the dispute. If necessary, the finance minister may set up a professional committee to support MOF in resolving disputes before these are brought to juristic organs.³³

³² Vietnamese Standards on Auditing are provided under Circular 214/2012/TT-BTC dated 6 December 2012 of MOF, which came into effect on 1 January 2014. All audit firms and certified public accountants must follow the 37 auditing standards when rendering audit services in Viet Nam.

³³ Based on selected articles of Law 67/2011/QH12 on Independent Audit.

IX. Summary of Risks and Issues and Proposed Mitigating Actions and Improvements

Table 3 is a summary of risks and issues in country financial management systems that may impact project implementation. These risks and issues should be considered by project officers and mission leaders as a guide when designing financial management arrangements and conducting financial management and risk assessments.

Some useful references and suggested readings are provided in Appendix 2.

Table 3: Common Issues, Problems, and Suggestions to Mitigate and/or Avoid Risks

Issues		Recommended Solutions
Coordination among Agencies		
1.1	The government's 2013 Constitution and Law on Signing of International Treaties have required lengthy processes leading to time-consuming interagency coordination during loan or grant negotiations or signing. Lengthy government processes could delay project processing.	The ADB team should coordinate with SBV who is assigned by the government to act as the lead agency during negotiation and signing processes.
Project Finance Mechanism		
2.1	Project financing is not clarified during preparation, i.e., whether a project is onlending or ongranting, which could impact reporting and auditing arrangements. Project owners typically do not know if (and under what circumstances) a proposed project qualifies for ongranting, onlending, or a combination of both. Current onlending projects require a series of negotiations between MOF and PPCs, which could delay negotiations.	MOF proposes onlending terms for projects in the pipeline in advance. The ADB team should discuss and confirm with executing agencies the project financing mechanism and onlending terms proposed by MOF, and clearly indicate this in the project documentation. Further, the government is currently reviewing the revised onlending regulation proposed by MOF. Upon approval and formal issuance, the regulation will provide clear guidance on onlending ratio and appraisal of borrowing capacity of PPCs.
2.2	For all onlending arrangements not covered by Decree 78/2010/ND-CP, such as projects with credit risk-sharing mechanisms for which a margin is to be applied on top of ADB loan terms, the onlending terms are usually set on a case-to-case basis.	For this type of onlending arrangement, ADB should discuss and agree financing terms with MOF during fact-finding missions, and evaluate impact on project costs and financing plan, and other aspects of due diligence. A proposal to define a framework for this onlending arrangement has already been submitted to the Prime Minister. When approved, the framework will provide guidance on specific financing terms to be applied to all external loans including ADB's. ADB should closely monitor the approval of the proposed framework.

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Table 3: *Continued*

Issues	Recommended Solutions
2.3 Lack of guidance on assessing borrowing capacity of PPCs	<p>The government has requested the ADB team to perform borrowing capacity assessments before fact-finding missions. In this regard, the ADB team should provide guidance and discuss appraisal method and results with MOF before fact-finding missions.</p> <p>Further, the government is currently reviewing the revised onlending regulation proposed by MOF. Upon approval and formal issuance, the regulation will provide clear guidance on onlending ratio and appraisal of borrowing capacity of PPCs.</p>
Planning and Budgeting	
3.1 Lack of or delayed provision of funds to facilitate project processing.	The ADB team should discuss the financing structure and disbursement schedules of the project and any financing assistance from the government for project processing and implementation of advance actions, e.g., technical assistance.
3.2 For decentralized projects, late approval of annual financial plans lead to delays in disbursements, as typically the financial plan is provided to lower-level PMUs only in late February or early March. As a result, implementation of subprojects cannot start before late March, and there is often no disbursement in the first quarter of the year.	<p>Close monitoring and coordination between the ADB project team and the executing and implementing agencies to ensure timely approval of annual financial plans.</p> <p>ADB and the executing and implementing agencies should consider requesting delegation of approving authority to a lower-level agency to expedite processing.</p>
3.3 Inaccurate disbursement plans for ADB funds require revisions by line agencies, which result in suspension of expenditure control until revisions are approved.	Close monitoring and coordination between the ADB project team and executing and implementing agencies to ensure that appropriate projected official development assistance and letter of credit amounts are reflected in the annual financial plans before submission to appropriate authorities.
3.4 ADB-funded projects are classified as “mixed projects.” The financial management of such projects is more complicated and time-consuming than the financial management of a typical capital investment or public service project.	Close monitoring and coordination between the ADB project team and executing and implementing agencies to ensure appropriate classification, whether as a capital investment project or public service project.
3.5 Shortage of counterpart funds in approved budgets result in delays in payments for resettlement and land acquisition and to contractors.	Close monitoring and coordination between the ADB project team and executing and implementing agencies to ensure adequate allocation of counterpart funds, including counterpart funds for tax payments (in case these are not covered by ADB funds) in the medium-term public investment plan.

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Table 3: *Continued*

Issues		Recommended Solutions
Auditing Arrangement		
4.1	Audits are not compliant with the International Standards on Auditing or International Standards of Supreme Audit Institutions due to limited State Audit Agency of Viet Nam staff capacity.	ADB should discuss with executing and implementing agencies during fact-finding missions the need to appoint qualified independent audit firms to perform audits of ADB-funded projects.
4.2	ADB-funded projects have not been included in the State Audit Agency of Viet Nam's audit scope due to limited resources, thus, these projects are to be audited by independent auditors.	ADB should discuss, agree, and include the terms of reference for auditor selection in project documents.
Foreign Exchange Risks		
5.1	ADB Controller's Department processes withdrawal applications in US dollars (or applicable foreign currency). However, the subaccounts maintained by executing and implementing agencies are in dong. For this reason, MOF presents each expenditure and payment in the withdrawal applications in both US dollars and dong (or applicable foreign currency), using the prevailing exchange rate at the time of payment. This requirement has led to protracted process of reviewing payments and invoices.	MOF has included this requirement in the revised FM Circular to address the issue. The ADB team should discuss this new approach with the executing and implementing agencies and Controller's Department to arrive at a common understanding of procedures.
5.2	When the disbursement type is direct payment and the currency is dong, ADB usually "buys" dong from SBV based on a given exchange rate, which is often much lower than the market exchange rate, causing a loss to the government. MOF suggests that ADB change this mechanism and buy dong from commercial banks.	The ADB team should discuss this arrangement and the MOF proposal with executing and implementing agencies and ADB Treasury and Controller's Departments to source dong from commercial banks instead of from SBV.
Funds Flow Arrangements		
6.1	Noncompliance with ADB requirements on disbursements, particularly required documentations, due to PMU's limited capacity.	The ADB team should require executing and implementing agencies to develop job descriptions to be used when recruiting PMU staff. This task should be part of the financial management action plan.
6.2	Incorrect use of imprest accounts or subaccounts because PMU staff do not understand ADB guidelines.	The terms of reference for financial officers or accountants should be specified in project documents at the project preparation stage.
6.3	ADB agrees to remove the approved ceiling of the imprest account (e.g., 10% of the loan amount), and initial, or additional advances to the imprest account are determined based on the 6-month projection of expenditures only. The government or MOF, however, only agrees with an imprest account ceiling of 3 months' projection of expenditures. This negatively impacts project disbursements due to differences in ADB and government regulations.	The ADB team should clarify and discuss with executing and implementing agencies and ADB Controller's Department during project preparation that the government requirement of 3 months' projection of expenditures shall apply in cases where the imprest fund procedure is used. In this regard, it is necessary for the executing and implementing agencies to replenish the imprest account as often as required to avoid issues. Further, the government requests that the ADB team discuss with executing and implementing agencies the use of alternative disbursement methods.

continued next page

Table 3: *Continued*

Issues		Recommended Solutions
6.4	In multilevel projects, central PMUs often do not provide financial guidelines on project implementation to provincial PMUs, and lack supervision over the use of subaccounts in the provinces, resulting in inconsistent implementation across provinces.	ADB should discuss and arrive at agreed project financial management arrangements during fact-finding missions.
6.5	Delays in expenditure control.	In cases of delayed disbursements or internal controls issues identified during audit, ADB should discuss with MOF potential remedies and enforcement mechanisms applicable to expenditure control agencies that do not comply with defined service standards (review and approval timelines).
Accounting and Reporting		
7.1	Incorrect accounting for project expenses because qualifications and experiences of accounting staff do not meet minimum or standard requirements.	The ADB team should require executing and implementing agencies to develop job descriptions to be used when recruiting PMU staff. This task should be part of the financial management action plan. A good practice is to include recruitment of key PMU staff as a condition for effectiveness.
7.2	High turnover of financial staff or frequent changes in accounting staff during project processing and implementation.	ADB should discuss and agree with executing and implementing agencies on the use of permanent PMUs to minimize staff turnover. This should be included as part of the financial management action plan.
7.3	Because the timing for recording transactions differs between executing agencies and MOF and further because of differences in exchange rates used (MOF uses notified monthly rates that are normally lower than those quoted by commercial banks), the reconciliation of disbursement records between State Treasury and PMU becomes difficult and too burdensome.	ADB should require a definitive action plan from MOF to resolve this issue prior to approval of future loans. This should be noted in the financial management assessment and included in the financial management action plan for projects currently being processed.
7.4	Government financial reporting adheres to various standardized formats not necessarily consistent with International Financial Reporting Standards.	The ADB project team should discuss and agree with executing and implementing agencies on the financial reporting and auditing requirements including required format and data.

ADB = Asian Development Bank, MOF = Ministry of Finance, PMU = project management unit, PPC = provincial people's committee, SBV = State Bank of Viet Nam.

Source: Asian Development Bank.

Appendix 1

Accounting Principles

The 2003 and 2015 Laws on Accounting stipulate the following accounting principles:

- (i) **Historical value.** The value of assets is normally based on the original price, including costs for purchase, installation, processing, and other directly related costs (e.g., taxes and fees, if any). The executing agency shall not adjust the value of assets recorded in the accounting book. In exceptional cases (e.g., the sale of unused assets or the privatization of a state-owned enterprise), revaluation of assets may be allowed by the relevant state agency.
- (ii) **Consistency.** Accounting policies and methods shall be applied consistently throughout the accounting year. If the accounting policies and methods change during the accounting year, such changes should be applied consistently for the whole year and elaborated in explanatory notes to the financial statement.
- (iii) **Objectivity.** The executing agency shall collect and record economic and financial transactions in an objective, adequate, accurate, and timely manner.
- (iv) **Transparency.** Information and data in annual financial statements shall be publicly made available in conformity with existing regulations.
- (v) **Prudence.** The executing agency shall record the value of assets and revenue and expenditures of projects properly and prudently to reflect real economic and financial activities.

Appendix 2

Viet Nam Laws, Regulations, Circulars, and Reports

1. Law 1/2002/QH11 on the State Budget and its revised Law 83/2015/QH13
2. Law 03/2003/QH11 on Accounting and its revised Law 88/2015/QH13
3. Law 29/2009/QH12 on Public Debt Management
4. Law 67/2011/QH12 on Independent Audit
5. Law 43/2013/QH13 on Procurement
6. Law 81/2015/QH13 on State Audit
7. Resolution 78/2014/QH13 on State Budget 2015 dated 10 November 2014
8. Decree 60/2003/ND-CP on Implementing Guideline to Law 1/2002/QH11 on the State Budget
9. Decree 128/2004/ND-CP (stipulates details and guidelines for some articles of the Accounting Law applied to public sector accounting)
10. Decree 129/2004/ND-CP (stipulates details and guidelines for some articles of the Accounting Law applied to accounting by business entities)
11. Decree 37/2015/ND-CP (stipulates details of construction contracts)
12. Ministry of Finance Decision 19/2006/QD-BTC (accounting regime for administrative and public service entities)
13. Decree 78/2010/ND-CP (relending of external borrowings by the Government of Viet Nam)
14. Decree 79/2010/ND-CP (public debt management operations)
15. Decree 17/2012/ND-CP (implementing guideline to Law 67/2011 on Independent Audit)
16. Decree 16/2016/ND-CP (management and utilization of official development assistance and concessional loans funds provided by development partners)
17. Decree 63/2014/ND-CP (implementing guideline to Law 43/2013/QH13 on Procurement)
18. Decree 59/2015/ND-CP (management of construction projects)
19. Decree 32/2015/ND-CP (management of expenditures of construction projects)
20. Inter-ministerial Circular 163/2013 of the Ministry of Finance and Ministry of Home Affairs (qualifications of Chief Accountant and Accountant in state sector)
21. Ministry of Finance Decision 19/2006/QD-BTC (accounting regime for administrative and public service entities)
22. Ministry of Finance Circular 218/2013/TT-BTC (implementing guideline to Decree 38/2013/ND-CP on the financial management of projects and programs funded by official development assistance and letters of credit)
23. Ministry of Planning and Investment Circular 1/2014/TT-BKHDT (implementing guideline to Decree 38/2013/ND-CP on the financial management of projects and programs funded by official development assistance and letters of credit)

24. Ministry of Finance Circular 219/2009/TT-BTC, revised by Ministry of Finance Circular 192/2011/TT-BTC (stipulating cost norms applied to official development assistance projects)
25. Ministry of Finance Circular 225/2010/TT-BTC (state financial management of external grants recorded as State Budget revenues)
26. Ministry of Finance Circular 185/2010/TT-BTC (amendment to Ministry of Finance Decision 19/2006/QĐ-BTC)
27. Ministry of Finance Circular 195/2012/TT-BTC (accounting regime for investment project owners)
28. Ministry of Finance Circular 08/2016/TT-BTC (management and payment of investment from State Budget funds)
29. Ministry of Finance Circular 161/2012/TT-BTC and Circular 39/2016/TT-BTC (stipulating control and payment of State Budget expenditures by State Treasury)
30. Ministry of Finance Circular 5/2014/TT-BTC (use of revenues from project management activities of project owners or project management units for construction projects funded from the State Budget or government bond proceeds)
31. PricewaterhouseCoopers. 2008. *Similarities and Differences: A Comparison of IFRS and Thai GAAP, Vietnamese GAAP, Cambodian GAAP and Laos GAAP*
32. Vietnam Public Expenditure and Financial Accountability (PEFA) Public Financial Management Performance Assessment. 2013
33. World Bank. 2013. Vietnam Fiscal Transparency Review: Analysis and Stakeholder Feedback on State Budget Information in the Public Domain

Appendix 3

Vietnamese Audit Firms Qualified to Provide Audit Services to ADB-Funded Projects

This list is from the Vietnam Association of Certified Public Accountants. The original list contained 12 audit firms but Nexia ACPA Auditing and Consulting merged with Grant Thornton (Viet Nam) on 1 July 2014.

1. AASC Auditing Firm Company
2. A&C Auditing and Consulting
3. Deloitte Vietnam
4. Nexia STT Auditing and Consulting
5. Ernst & Young Vietnam
6. Grant Thornton (Viet Nam)
7. Mazars Vietnam
8. PricewaterhouseCoopers (Viet Nam)
9. UHY ACA Auditing and Consulting
10. Vietnam Auditing and Evaluation
11. KPMG Vietnam

Appendix 4

Templates of Financial Statements for Public Service Projects

Chapter Code:

Form No. B01-H

Reporting Unit:

(issued according to decision No. 19/2006/QD/BTC
dated 30 March 2006 of the Minister of Finance)

Code of a Unit Using the State Budget:

ACCOUNTS BALANCE SHEET

Quarter..... Year.....

In unit

Account Code	Name	Opening Balance		Additional Transactions				Closing Balance (*)	
		Debit	Credit	Current period		Cumulative amount from the beginning of the year			
				Debit	Credit	Debit	Credit	Debit	Credit
A	B	1	2	3	4	5	6	7	8
	A – Accounts in the balance sheet								
	–								
	–								
	–								
	–								
									
	total								
	A – Off-balance accounts								
	–								
	–								

(*) If it is a financial statement of 4th quarter (in a year), write “year-end closing balance.”

Date.....

Reporter
(Full name and signature)Chief Accountant
(Full name and signature)Head
(Full name, signature, and seal)

Chapter Code:

Form No. B02-H

Reporting Unit:

(issued according to decision No. 19/2006/QD/BTC
dated 30 March 2006 of the Minister of Finance)

Code of a Unit Using the State Budget:

GENERAL REPORT OF EXPENDITURES
FINAL ACCOUNTS FOR USED EXPENDITURES

Quarter..... Fiscal Year.....

PART I – GENERAL REPORT OF EXPENDITURES

No.	CRITERIA	Code	Total Amount	State Budget				Others
				Subtotal	Allocated State Budget	Retained fees and charges	Grants	
A	B	C	1	2	3	4	5	6
I	EXPENDITURES FOR THE OPERATION							
	Type..... Item							
A	Regular expenditures							
1	Expenditures brought forward from previous period	01						
2	Received expenditures of this period	02						
3	Cumulative amount from the beginning of the year	03						
4	Total amount of expenditures used in this period (04 = 01 + 02)	04						
5	Cumulative amount from the beginning of the year	05						
6	Used expenditures accounted for this period	06						
7	Cumulative amount from the beginning of the year	07						
8	Decreased expenditures of this period	08						
9	Cumulative amount from the beginning of the year	09						
10	Expenditures brought forward to the successive period	10						
B	Irregular expenditures							
1	Expenditures brought forward from previous period	11						
2	Real received expenditures of this period	12						
3	Cumulative amount from the beginning of the year	13						
4	Total amount of expenditures used in this period (14 = 11 + 12)	14						
5	Cumulative amount from the beginning of the year	15						

PART I – GENERAL REPORT OF EXPENDITURES

No.	EXPENDITURES CRITERIA	Code	Total Amount	State Budget				Others
				Subtotal	Allocated State Budget	Retained fees and charges	Grants	
6	Used expenditures accounted for this period	16						
7	Cumulative amount from the beginning of the year	17						
8	Decreased expenditures of this period	18						
9	Cumulative amount from the beginning of the year	19						
10	Expenditures brought forward to the successive period (20 = 14 – 16 – 18)	20						
	Type..... Item							
II	EXPENDITURES UNDER THE GOVERNMENT’S ORDER							
	Type..... Item							
1	Expenditures brought forward from the previous period	21						
2	Real received expenditures of this period	22						
3	Cumulative amount from the beginning of the year	23						
4	Total amount of expenditures used in this period (24 = 21 + 22)	24						
5	Cumulative amount from the beginning of the year	25						
6	Used expenditures accounted for this period	26						
7	Cumulative amount from the beginning of the year	27						
8	Decreased expenditures of this period	28						
9	Cumulative amount from the beginning of the year	29						
10	Expenditures brought forward to the successive period (30 = 24 – 26 – 28)	30						
	Type..... Item							
III	EXPENDITURES FOR THE PROJECT							
	Type..... Item							
1	Expenditures brought forward from the previous period	31						
2	Real received expenditures of this period	32						

PART I – GENERAL REPORT OF EXPENDITURES

No.	EXPENDITURES CRITERIA	Code	Total Amount	State Budget				Others
				Subtotal	Allocated State Budget	Retained fees and charges	Grants	
3	Cumulative amount from the beginning of the year	33						
4	Total amount of expenditures used in this period (34 = 31 + 32)	34						
5	Cumulative amount from the beginning of the year	35						
6	Used expenditures accounted for this period	36						
7	Cumulative amount from the beginning of the year	37						
8	Decreased expenditures of this period	38						
9	Cumulative amount from the beginning of the year	39						
10	Expenditures brought forward to the successive period (40 = 34 – 36 – 38)	40						
	Type..... Item							
IV	EXPENDITURES FOR THE CAPITAL CONSTRUCTION							
	Type..... Item							
1	Expenditures brought forward from the previous period	41						
2	Real received expenditures of this period	42						
3	Cumulative amount from the beginning of the year	43						
4	Total amount of expenditures used in this period (44 = 41 + 42)	44						
5	Cumulative amount from the beginning of the year	45						
6	Used expenditures accounted for this period	46						
7	Cumulative amount from the beginning of the year	47						
8	Decreased expenditures of this period	48						
9	Cumulative amount from the beginning of the year	49						
10	Expenditures brought forward to the successive period (50 = 44 – 46 – 48)							
	Type..... Item							

PART II – USED EXPENDITURES REQUESTED TO MAKE FINAL ACCOUNTS FOR THIS PERIOD

Type	Class	Group of Accounts Payable	Item	Sub- item	Description	Code	Total	State Budget				Others
								Subtotal	Allocated State Budget	Retained fees and charges	Grants	
A	B	C	D	E	G	H	1	2	3	4	5	6
					I – Payables for the operation	100						
					1 – Regular payables	101						
					2 – Irregular payables	102						
					ACCOUNTS PAYABLE UNDER GOVERNMENT ORDER	200						
												
					III – Payables for project	300						
					1 – Payables for project management	301						
					2 – Payables for project execution	302						
					IV – Payables for investment	400						
					1 – Payables for civil works	401						
					2 – Payables for devices and machinery	402						
					3 – Other expenses	403						
					Total							

Date.....

Reporter
(Signature and full name)

Chief Accountant
(Signature and full name)

Head
(Signature, full name, and seal)

Appendix 5

Templates of Financial Statements for Capital Investment Projects

Upper Agency:.....

Project Owner:

Project Management Unit:

Form No. B01-CDT

(Attached with MOF Circular 195/2012/TT-BTC

Dated 15 November 2012)

BALANCE SHEET

Date: (1)

In unit

ASSETS	Code No.	Closing Balance	Opening Balance
1	2	3	4
A. CURRENT ASSETS (100 = 110 + 120 + 130 + 140)	100		
I. Cash	110		
1. Petty cash	111		
2. Cash at bank, State Treasury	112		
3. Cash in transit	113		
II. Receivable	120		
1. Receivable from clients	121		
2. Advance to suppliers	122		
3. Receivable internally	123		
Of which: Investment to subordinate agencies	124		
4. Other receivable	125		
III. Inventories	130		
1. Procured goods in transit	131		
2. Materials	132		
3. Instruments, tools	133		
4. Uncompleted products	134		
5. Completed products	135		
IV. Other current assets	140		
1. Advance	141		
2. VAT to be discounted	142		
3. Other current assets	143		
B. LONG-TERM ASSETS (200 = 210 + 220)	200		
I. Fixed assets	210		
1. Tangible fixed assets	211		
– At original price	212		
– Accrual depreciation (*)	213	(...)	(...)

ASSETS	Code No.	Closing Balance	Opening Balance
1	2	3	4
2. Intangible fixed assets	214		
– At original price	215		
– Accrual depreciation (*)	216	(...)	(...)
II. Ongoing capital expenditures	220		
1. Ongoing capital expenditures	221		
2. Completed subprojects, components put into operation and waiting for final account approval	222		
TOTAL ASSETS (230 = 100 + 200)	230		
SOURCES OF FUNDS			
A. LIABILITIES (300 = 310 + 320)	300		
I. Short-term liabilities	310		
1. Short-term debt	311		
2. Payables to suppliers	312		
3. Advance from buyers	313		
4. Taxes and other liabilities payable to State Budget	314		
5. Payable to employees	315		
6. Payables internally	316		
7. Other payables	317		
8. Fund for bonus, mutual beneficiaries	318		
II. Long-term debt	320		
1. Long-term debt to suppliers	321		
2. Long-term debt, internal	322		
3. Other long-term debt	323		
4. Long-term loans	324		
B. Sources of funds	400		
1. Difference due to revaluation assets	411		
2. Difference due to foreign exchange	412		
3. Unsettled difference between receipts and payments	413		
4. Fund sources for project	414		
5. Fund for completed fixed assets	415		
TOTAL SOURCES OF FUNDS (430 = 300 + 400)	430		

OFF-BALANCE SHEET ACCOUNT

Accounts	Note	Closing Balance (3)	Opening Balance (3)
1. Assets leased from outside			
2. Assets owned by others			
3. Long-term instruments and tools			
4. Foreign currencies			
5. Estimate budget for program, projects			

Date.....

Reporter
(Signature and full name)

Chief Accountant
(Signature and full name)

Director of Project Management Unit
(Signature, full name, and seal)

Upper Agency:.....

Project Owner:

Project Management Unit:

Form No. B03-CDT

(Attached with MOF Circular 195/2012/TT-BTC

Dated 15 November 2012)

PROJECT EXPENDITURES

Quarter..... Year.....

In unit

No.	Structure of Expenditures	Approved Plan	Actual Amount at Beginning of Quarter	Expenditure			Completed Subprojects Put into Operation, Final Accounts Approved			Actual Amount at Beginning of Quarter
				In quarter	Cumulative from beginning of year	Cumulative from beginning of year	In quarter	Cumulative from beginning of year	Cumulative from beginning of year	
A	B	1	2	3	4	5	6	7	8	9
1	Civil works									
2	Equipment: ■ Equipment installed ■ Equipment not yet installed ■ Instruments, tools									
3	Land acquisition and resettlement									
4	Project management expenses									
5	Consultancy									
6	Other expenses									
	Total (1 + 2 + 3 + 4 + 5 + 6)									

Date.....

Reporter
(Full name and signature)Chief Accountant
(Full name and signature)Director of Project Management Unit
(Full name and signature)

Upper Agency:.....

Form No. B04-CDT

Project Owner:

(Attached with MOF Circular 195/2012/TT-BTC

Dated 15 November 2012)

Project Management Unit:

NOTES TO FINANCIAL STATEMENTS

Quarter..... Year.....

1. Activities of the Project Management Unit (PMU)

1.1 Main activities of PMU

1.2 Main contents of the project

- + Total cost approved:
- + Approved budget allocation for the project:
- + Total disbursed:
- + Implementation progress:

2. Accounting regime applicable in PMU

2.1 Fiscal year

2.2 Currency used in accounting, principles and methods of converting other currencies

2.3 Accounting books applicable

2.4 Method of calculation of depreciation of fixed assets

2.5 Method of accounting inventories in warehouses

3. Details of some indicators in the financial statements

3.1 Income, expenditure

In unit

No.	Items	In Quarter	Cumulative from Beginning of the Year
1	A	2	3
I	Income		
	Of which: – from service provision – other income		
II	Expenditures Of which: – cost of services – other expenses		
III	Difference between income and expenditures		
IV	Use of difference between income and expenditures		

1.2 Trial production

No.	Contents	In Quarter	Cumulative from Beginning of the Year
I	Produced goods or services		
II	Sale		
III	Products in warehouse		

3.3 Revenues and expenditures from sale of bidding documents

No.	Contents	In Current Quarter	Cumulative from Beginning of the Year
I	Revenue		
II	Expenditure		
III	Difference		
IV	Paid to State Budget		

1.1 Increase, decrease of fixed assets

Items	Building, Houses	Machinery, Equipment	Transport, Communication Facilities	...	Other Fixed Assets	Total
A	1	2	3	4	5	6
Fixed assets at original price						
Opening balance						
Increase in the period						
Decrease in the period						
Closing balance						
Depreciation						
Opening balance						
Increase in the period						
Decrease in the period						
Closing balance						

4. Explanation, assessments by project owners.....

5. Unexpected works occurred in the year.....

6. Recommendations of the project owners.....

Date.....

Reporter
(Full name and signature)

Chief Accountant
(Full name and signature)

Director of Project Management Unit
(Full name and signature)

Public Financial Management Systems—Viet Nam

Key Elements from a Financial Management Perspective

This report documents Viet Nam's financial management systems covering the areas of budgeting, funds flow, accounting and reporting, and auditing systems. It also provides insights into the quality of the country's internal control systems, staffing resource capacity, and information technology structure. The publication aims to enhance the understanding of project teams and consultants on public financial management systems with the objective of improving the quality of financial management assessments during project preparation. High-quality financial management assessments support project implementation through the identification and mitigation of key fiduciary risks and the implementation of appropriate mitigating actions and reforms.

About the Asian Development Bank

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