Financial Management and Governance Issues in Viet Nam

Volume One

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Jointly Developed by Asian Development Bank and World Bank

Prepared Under Regional Technical Assistance (RETA) 5877: Strengthening Financial Management and Governance in Selected Developing Member Countries.
Foreword

This Study was undertaken jointly by the Asian Development Bank and World Bank. Volume One (this report) presents the findings of the Asian Development Bank and describes financial management and governance arrangements in Viet Nam, identifies deficiencies in those arrangements, and presents recommendations to address those deficiencies. For the purposes of this report, financial management and governance arrangements are narrowly defined as being accounting and auditing arrangements and practices. Volume Two presents the findings of the World Bank and covers mainly the budgeting and accounting system and state enterprises in Viet Nam.

This report was prepared for ADB by Ted Godden, (International Consultant) with overall guidance from Francis B. Narayan (Lead Financial Specialist, ADB) under Regional Technical Assistance (RETA) 5877 – Strengthening Financial Management and Governance in Selected Developing Member Countries. Research assistance was provided by Le Tuyet Nhung, between July and August 2000. The contents of the draft report were discussed and debated with representatives from the Government, the private sector, and international organizations at a workshop that was held in Hanoi on 10-11 August 2000. The issues and recommendations were further discussed at an international conference at ADB headquarters in Manila on 16-18 October 2000.

This report should be read in conjunction with the Summary Report, which identifies and examines selected issues in relation to financial management and governance.¹

The authors would like to offer their appreciation to the numerous officials, researchers, and agencies that gave up their valuable time and made materials available during the course of the research. In particular, we would like to thank: John Samy (Resident Representative), and the staff at ADB Viet Nam Resident Mission for their support; Bui Van Mai (Director, Accounting Policy Department, Ministry of Finance), for chairing the Hanoi workshop; Kathleen Moktan (Senior Financial Analyst, Energy Division West ADB), for moderating the Manila conference session at which this report was discussed; and Nguyen Lan Huong (Deputy Chief, International Financial Relations Division, Department of External Finance) and, again, Mr. Bui Van Mai for their involvement in the study and their representation at the Manila conference.

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Currency Equivalents
(As of 5 November 2000)

Currency Unit | Dong (D) |
--------------|----------|
D 100        | $0.0000692|
$100         | D14,452   |

The value of the Dong is determined using a floating exchange rate.

Abbreviations

ADB | Asian Development Bank
AFA | ASEAN Federation of Accountants
ASOSAI | Asian Organization of Supreme Audit Institutions
AusAID | Australian Agency for International Development
CAPA | Confederation of Asian and Pacific Accountants
CPA | Certified Public Accountant
CPE | Continuing Professional Education
GDP | Gross Domestic Product
IAAS | International Accounting and Auditing Standards
IAS | International Accounting Standards
IFAC | International Federation of Accountants
IMF | International Monetary Fund
INTOSAI | International Organization of Supreme Audit Institutions
IPSAS | International Public Sector Accounting Standard
ISA | International Standards on Auditing
MPI | Ministry of Planning and Investment
RETA | Regional Technical Assistance
SAI | Supreme Audit Institution
SOE | State-owned Enterprise
TA | Technical Assistance
UNDP | United Nations Development Program
VAA | Vietnamese Accounting Association
VAS | Vietnamese Accounting Standards

Notes

(i) The financial year of all organizations, including the Government, ends on 31 December.

(ii) In this report, $ refers to US dollars.
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Executive Summary

Background

Viet Nam is approximately 1,750 kilometers long and has a land area of approximately 330,000 square kilometers. The east coast and southern tip of Viet Nam border the South China Sea, and the People's Republic of China, the Lao Democratic Republic and Cambodia lie to the north, west and southwest respectively. Two large river systems dominate the north and south of the country. In the north, the Red River flows through Hanoi and the port of Haiphong into the Gulf of Tongkin. In the south, the Mekong River flows through the Mekong delta south of Ho Chi Minh City into the South China Sea.

Viet Nam's population of 80 million comprises a number of ethnic groups, each with its own culture and language, and the national language is Vietnamese. English is emerging as the most readily used and understood language between foreign businesspersons and Vietnamese citizens. French is still widely spoken, and many Vietnamese speak and understand Russian or German. Viet Nam has a well-educated population, with a literacy rate of around 90 percent.

With the loss of reform momentum and the economic slowdown over the last two years, the sustainability of past gains on poverty reduction is at stake. Carrying the process of poverty reduction forward in the coming years will require embarking on a second set of reform measures focused on diversifying rural livelihoods.²

Developments and Challenges

The early stages of accounting development in Viet Nam were influenced by countries that had an association with Viet Nam either by military, social or trade links.

1960 – 69 Accounting practices were influenced by China
1969 – 89 The former Soviet Union played a catalytic role in accounting procedures
1989 – 95 French and the United States of America had an important influence on financial reporting
1995 – 98 European Union Project (EUROTAPVIET) introduced International Accounting Standards to the Vietnamese Government.

The current accounting problems are focused on the following:

- The need for more qualified Vietnamese accountants;
- The introduction of International Accounting and Auditing Standards;
- The strengthening of the accounting profession and the Viet Nam Accounting Association; and
- The reduction of Government control in accounting and financial reporting matters.

**Accounting and Auditing in Viet Nam**

The accounting system in Viet Nam is governed by the Ordinance on Accounting and Statistics 1988 and the Vietnamese Accounting System, which was introduced in 1995. The Ordinance gives details of accounting records and reports required to be compiled to suit the needs of taxation and statistics. The system is completely regulated and all forms are standardized and controlled by the Ministry of Finance (MOF). The Vietnamese Accounting System is a reporting system intended to be used by both public and private sector enterprises in Viet Nam.

The State Audit of Viet Nam was established by Government decree in 1994 and the department is a member of INTOSAI and ASOSAI. There are 18 audit firms in Viet Nam; six owned by the State, six owned by local interests, five owned by foreign interests and one partly State-owned joint venture firm.

**Professional Infrastructure**

The Chief Accountants Club, which was the first organized accounting association in Viet Nam, was formed by the MOF in 1989 and started with 200 members. This club grew to 600 members and, in 1994, with the assistance of MOF; the Club formed the Viet Nam Accounting Association (VAA).

VAA is a member of the International Federation of Accountants (IFAC) and the ASEAN Federation of Accountants. It is not a member of the Confederation of Asian and Pacific Accountants (CAPA). The membership is approximately 5,000 and the members are categorized as primary members, honorary members and sponsor members. The financial health of VAA is weak and the annual subscription is the equivalent of US$3.55. The structure of the VAA consists of an assembly, a central committee, a standing committee and various
subcommittees. Elections for the executive and the central committee are held every five years.

**Accounting and Auditing Standards**

The Accounting Standards Board was established by the MOF in 1999 and this Board is responsible for the establishment and monitoring of accounting standards in Viet Nam. Vietnamese Accounting Standards are currently being formulated and the plan is to complete a full set by the end of 2003. These Standards will be based on International Accounting Standards (IAS). Four Standards have been completed but not issued. A further six standards have been drafted for comment. Deviations between the present Vietnamese Accounting System and International Accounting Standards have been comprehensively explained in the Report. Public Sector Accounting Standards have not yet been considered.

Four Vietnamese Standards on Auditing have been issued and a further six have been completed but not issued. The plan is to complete a full set of auditing standards by the end of 2002. The Vietnamese Auditing Standards are based on International Standards on Auditing (ISA).

**Education and Training**

There are 11 State-owned universities providing full-time accounting training in Viet Nam. There are a further six privately owned universities covering accounting and there are six universities covering postgraduate studies.

To obtain a degree requires a high school certificate plus the successful completion of four years university study; or a high school certificate plus three years successful completion of a college course, plus two years practical experience, plus the successful completion of a qualifying exam, plus one final year at university. The Vietnamese Accounting System is taught at universities. The term “Professional Accountant” is soon to be recognized as a status category for accountants with high qualifications and professional experience.

The Public Sector caters for limited training in government procedures and requires Continuous Professional Education (CPE) training for advancement. The levels of advancement in the public service are Expert, Key Expert, and then Senior Expert.
Government Budgeting and Accounting

The MOF is responsible for the management of financial, accounting and budgeting procedures of the State. The MOF operates under the Vietnamese Accounting System, which is geared at central control. The move towards a free market economy is creating problems that will be overcome when the Vietnamese Accounting Standards are established.

The State Budget System is a unified system consisting of the central state budget and budgets at grassroots levels. Budget preparation is the responsibility of the Department of National Budget in accordance with the State Budget Law 1996. A Capital Investment Plan is produced as part of the Budget process.

No Central Assets Register is kept and each department maintains its own register.

Donor Assistance

In recent years, the major assistance provided for accounting and auditing improvement was from the European Union. The European Union Assistance Project (EUROTAPVIET) commenced in September 1995 and was completed in June 1998. The general objective of the Project was to develop skills and competencies for the Vietnamese Accounting and Auditing profession in a market economy. Achievements included:

- Provided knowledge of IAS and ISA through workshops and studies overseas
- Assisted Viet Nam in forming relationships with international accounting bodies
- Improved the quality of audit and accounting training in Viet Nam, and
- Assisted in technical matters relating to computer hardware and software.
I. Introduction

1. Study Background

The 1997 financial crisis in Asia exposed structural weaknesses in the banking and corporate sectors of affected countries owing largely to poor governance, lack of transparency, and weak supervision and regulation.3

The Asian Development Bank (ADB) has been taking a number of initiatives to assist Developing Member Countries (DMCs) in overcoming these structural problems. The focus on improved governance includes enhancing the effectiveness of public administration and development management at the sector level and in national institutions in the DMCs. Where appropriate, institutional development of the local and provincial agencies and the private sector is also covered. A sound regulatory financial framework and its enforcement, capable institutions, skilled human resources, and effective monitoring and supervision are important prerequisites to an efficient financial structure.

Regional Technical Assistance (RETA) No. 5877 – Strengthening Financial Management and Governance in selected DMCs – was approved by ADB for the purpose of carrying out initial studies to identify gaps and weaknesses in financial management and governance and to recommend courses of action to overcome these problems.

2. Objectives

ADB has demonstrated its stand on the importance of good governance, through effective financial management, for sustained economic development. This RETA involved a diagnostic review of the existing accounting and auditing support and standards available in the selected DMCs. After carrying out this diagnostic analysis, the RETA assessed the need for assistance to improve the current situation. The RETA objectives were to:

(i) assess the capability and capacity within each country to provide efficient and effective accounting and auditing support to meet

international standards and best practices; and address the issue of training and capacity enhancement

(ii) determine the existing accounting and auditing standards of each country

(iii) assess the degree of deviation from International Accounting and Auditing Standards (IAAS) while identifying weaknesses and possible corrective options

(iv) discuss the fieldwork findings and introduce the concepts of the international standards through workshops

(v) develop reference materials for potential users of the IAAS, and

(vi) determine the level and type of assistance needed by each country in order to provide acceptable accounting and auditing support to the private and public sectors.

3. Scope

The RETA involved an in-depth study of the key issues relating to accounting and auditing support in the selected DMCs, identified gaps and weaknesses that need to be addressed to improve accounting and auditing support, and developed assistance programs in collaboration with other donors to rectify the identified weaknesses. Viet Nam was one of seven countries participating in the RETA.

4. Country Case Studies and Workshops

The first part of this study examined the current accounting and auditing structure and systems adopted in Viet Nam. It also (i) analyzed the political, institutional, and regulatory and legal framework on accounting and auditing practice in Viet Nam and the level of enforcement of existing laws, rules, and regulations, (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards, and (iii) identified alternative options to remedy the identified weaknesses, with the objective of eventually doing away with these.

The second part of this study disseminated the findings of the country research through in-country workshops. Each workshop provided a cross-section of views on the findings of the research and established ways to move forward to improve financial management and governance in the country. After carrying out the assessment of accounting and auditing support in Viet Nam, the study findings and recommendations were discussed at a workshop in Hanoi on 10-11
August 2000, and an international conference at ADB Headquarters in Manila on 16-18 October 2000. This report incorporates feedback from the Workshop and the Conference.

5. **ADB Focus on Financial Governance in Viet Nam**

The main focus of ADB’s operational strategy in Viet Nam is the significance and urgency of reforms. Policy dialogue, good governance and capacity building are being given a high priority. Good governance is a core part of this strategy. This RETA complements other ADB initiatives, which will lead to improved financial management and governance.

6. **Viet Nam**

Viet Nam is approximately 1,750 kilometers long and has a land area of approximately 330,000 square kilometers. The east coast and southern tip of Viet Nam border the South China Sea, and the People’s Republic of China, the Lao Democratic Republic and Cambodia lie to the north, west and southwest respectively. Two large river systems dominate the north and south of the country. In the north, the Red River flows through Hanoi and the port of Haiphong into the Gulf of Tongkin. In the south, the Mekong River flows through the Mekong delta south of Ho Chi Minh City into the South China Sea.

The capital of Viet Nam is Hanoi, which lies in the north of Viet Nam. Principal cities include Ho Chi Minh City (formerly Saigon) in the south, Haiphong on the northeast coast and Da Nang, Hue and Nha Trang, all on the east coast. The vast majority of Viet Nam’s population of around 80 million people lives in rural areas. Official estimates of the population in the two major cities of Hanoi are 3 million and Ho Chi Minh City 4 million.

Although the population of Viet Nam comprises a number of ethnic groups, each with its own culture and language, the national language is Vietnamese. English is emerging as the most readily used and understood language between foreign businesspersons and Vietnamese parties. French is still widely spoken, and many Vietnamese speak and understand Russian or German. Viet Nam has a well-educated population, with a literacy rate of around 90 percent.
II. Accounting and Auditing in Viet Nam

This chapter presents an overview of accounting and auditing arrangements in Viet Nam. It provides context for the following chapters on professional infrastructure, accounting and auditing standards, accounting and auditing training, and government budgeting and accounting arrangements. The chapter comprises twenty sections, in two parts, as follows:

Part One: Accounting
1 - Introduction
2 - Ordinance on Accounting and Statistics
3 - The Viet Nam Accounting System
4 - Benchmarks, Ratios and Covenants
5 - Accounting Bases
6 - Foreign-invested Business Entities
7 - Role of the Chief Accountant

Part Two: Auditing
8 - Introduction
9 - Organization of the State Audit of Viet Nam
10 - Employment of Auditors
11 - Functions and Duties of the State Audit
12 - Objectives of the State Audit
13 - Audit Regulations
14 - Internal Audit
15 - Private Sector Auditing Firms
16 - Licensing of Auditing Firms
17 - Quality Control of Auditing Firms
18 - Financial Auditor Licenses
19 - Audit of Foreign-invested Business Entities
20 - Qualifications of Auditors

Part One. Accounting

1. Introduction

The history of the development of accounting in Viet Nam correlates with the accounting practices of the countries, which, over the years, have formed strong military, social or trade links with Viet Nam. In the period 1960 to 1969, the Vietnamese accounting system was strongly
influenced by China. During the period 1969 to 1989 the former Soviet Union played a catalytic role and from 1989 to 1995 the French and United States of America had some influence. However a move to International Accounting Standards commenced from the early 1990s. From 1995 to 1998 the European Union Project (EUROTAPVIET) resulted in the Vietnamese students of accounting gaining a comprehensive knowledge of IAS. This Project alerted the government to the international benefits of applying IAS and the EU played a catalytic role in assisting the Viet Nam Accounting Association to join the International Federation of Accountants and thus become a member of the international accounting community. Importantly, it is now planned that a complete set of Vietnamese Accounting Standards, based on IAS, will be issued by the end of 2003.

The Vietnamese Accounting System is the current system required by law to be used by all enterprises in Viet Nam. This System was originally established in 1995 to suit the requirements of the State-owned enterprises. At the time the foreign-owned (or invested) business enterprises and the nongovernment private sector enterprises were a minor part of the economy. Certain foreign businesses were granted exemption from applying the Vietnamese Accounting System in 1998 and were permitted to use the recognized Generally Accepted Accounting Principles of a relevant foreign country. The exemption period terminates at the end of the year 2000 and foreign-invested businesses are expected to commence applying the accounting principles of the Vietnamese Accounting System from the beginning of the year 2001.

2. **Ordinance on Accounting and Statistics**

In 1986, the Sixth Congress of the Communist Party of Viet Nam put forward a proposal to the National Assembly for the comprehensive renewal of the Socialist Republic of Viet Nam. This reform process gave rise to the promulgation of the 1992 Constitution, which was based on a free market economy, and the introduction of the Ordinance on Accounting and Statistics.

This Ordinance was promulgated by order of the President of the State Council of the Socialist Republic of Viet Nam, dated 20/08/1988. (The official English version of the Ordinance has many mistakes in it, one of the most prevalent being that it was issued in 1998 instead of 1988). This Ordinance was drafted on the basis that accounting records
and reports should be done in such a way as to suit two needs, taxation requirements and statistical needs of the Government.

This Ordinance provides regulations for the accounting and statistics standards to be applied in the national economy. This Ordinance applies to all State-owned enterprises, State private joint enterprises, collective and private units engaged in production and business activities, mass organizations, and agencies and organizations using the funds of the State.

The Ordinance requires that all accounting and statistics work undertaken is uniformly implemented throughout the national economy. The system is completely regulated and all accounting and statistical forms are standardized and issued by the Ministry of Finance and General Department of Statistics. The system involves the following components:

- A primary records system;
- An accounts and book-keeping system;
- A system of forms and reports;
- A system and method of calculating economic and financial targets;
- A classification of national economic sectors, economic forms and schedules of classifications, codifications and contents of the State budget;
- Units of weights and measures; and
- The accounting and statistics year.

The system was mainly introduced for the benefit of the State-owned enterprises and State-private joint enterprises. The Ordinance also requires that each of these enterprises must appoint a chief accountant who is responsible for assisting the director of the enterprise in organizing and supervising the uniform implementation of accounting and statistics work. The Council of Ministers enacts regulations in relation to the chief accountants and these are uniformly applied in the State-owned and State-private joint enterprises.

At the end of each accounting year, all enterprises should prepare an inventory and record the results in the books of account before making a financial report on the year-end accounting.

3. The Viet Nam Accounting System

The Vietnamese Accounting System (VAS) was promulgated in 1995 and is intended to be used by all enterprises in Viet Nam. The main
reporting focus of VAS is directed at Government enterprises and related agencies. The VAS is a system of accounting and not a set of standards and its main purpose is to outline in detail the following accounting guidelines and functions:

- Systems of Accounting and Standard Documentation including Books of Account and Standard Chart of Accounts and
- Accounting Recording Methods for:
  - Current Assets
  - Fixed Assets
  - Liabilities
  - Owners Equity
  - Revenues
  - Business Production Cost
  - Other Income
  - Other Expenses
  - Off Balance Sheet
- Financial Statements Preparation and Forms
- General Regulations
- Guidance Flow Charts

Legal References

The main legal references for the VAS are:

- Decision 1141/ TC / QD / CDKT issued by the Ministry of Finance on November 1, 1995 entitled Promulgating the New Vietnamese Accounting System (NVAS) effective January 1, 1996.
- Circular 10TC/ CDKT issued by the Ministry of Finance on March 20, 1997 on the guiding amendment and revision of the NVAS.

Application of the Vietnamese Accounting System

Business entities applying the VAS should follow and comply with current statutory regulations, referred to above, in relation to supporting accounting documents, chart of accounts, accounting records, financial statistics, and filing of accounting documents.

Should any amendment, or adjustment of the accounting procedures and methods be required for meeting specific production or business conditions, business entities must first obtain the written approval of the Ministry of Finance.
There are various systems within the VAS that can be adopted by enterprises and these depend on the size of the entity. There are different systems included in VAS for large businesses, small and medium-size enterprises, and household businesses.

Financial Reporting Requirements of the VAS

Under the VAS, the following financial statements are legally required to be submitted:

- Balance sheet;
- Table of “Off-Balance Sheet” items (includes loan or hire of equipment);
- Profit and Loss statement;
- A table entitled “Obligation to Government” – this is a table detailing all taxes and other duties payable to the State;
- Notes to the financial statements, which include details such as:
  - Summary of operations (structure, activities, number of employees);
  - Accounting policies applied during the period;
  - Details of certain accounts balances such as:
    - Details of operating expenses and cost of sales;
    - Fixed assets movements during the period;
    - Details of the compensation paid to employees. This disclosure should include the “budgeted” salary costs;
    - Movement in equity; and
    - Details of current receivables and current payables.
  - Comments on the business results for the period (report of management);
  - Financial ratios (section 4 refers); and
  - Future business prospects (report of management);

The cash flow statement is optional for inclusion in the annual statutory financial statements. Additional disclosures internally required in the annual financial statements of foreign investment enterprises can be inserted without the permission of the Ministry of Finance.

The Minister of Finance has responsibility for the following reports:

- Annual State Budget Draft, State Budget Accounts and Compensation Fund for Overspending that is approved by the National Assembly
• Spending on development investment, and spending on nonbusiness activities in the fields of Education, Training, Health Care, Culture, Information, Sport and National Programs
• The Annual Budget draft of ministries, and other central agencies
• The Annual Budget draft of provinces

4. Benchmarks, Ratios and Covenants

There are certain financial ratios required to be included as notes to the financial statements under the Vietnamese Accounting System. These ratios include:
• Labor and remuneration indicators
• Inventory indicators
• Sales indicators
• Cash indicators
• Fixed asset indicators

They do not include the standard financial performance indicators, which are universally required as covenants in loan agreements by international finance institutions.

5. Accounting Bases

For Nonprofit organizations and Government, the accounting basis is modified cash. State-owned enterprises (SOEs) and the non-government private sector use the accrual accounting basis.

All donor-financed expenditure and receipts in kind must be fully accounted for in the accounts. The valuation is based on details of acquisition or purchase cost supplied by the donor.

6. Foreign-invested Business Entities

Although the current accounting laws were mainly promulgated for application to SOEs and State-owned joint enterprises, foreign-invested business entities are also obliged to comply with the accounting and statistical policy specified in the Ordinance on Accounting and Statistics, the Charter of Organization of State accounting, current legal documents on accounting and auditing,

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4 The modified cash basis has no internationally accepted definition. In the case of Viet Nam, it simply refers to the closure of the cash accounts on some date after 31 December (balance date) each year.
Article 37 of the Law on Foreign Investment, Articles 65–69 in Chapter VIII of Decree 12/CP, Article 223 in Chapter III of the Regulations on consulting services, as well as all provisions stipulated in Circular No. 60 TC/CDKT issued by Ministry of Finance on 1 September 1997.

A foreign-invested business entity is subject to the supervision and control of the financial authorities and the functional management authorities in respect of accounting work. A foreign-invested business entity should execute its accounting work in accordance with the Vietnamese Accounting System (VAS) for business entities. In cases where a foreign-invested business entity has a valid reason for the application of another commonly recognized accounting system, the Ministry of Finance (MOF) should approve this in writing.

In order to create uniform statutory reporting systems, the decree, which was issued after the New Law of Foreign Investment (NLFI), was passed in November 1996 by the National Assembly of Viet Nam, states in Chapter 8 the following principles:

- VAS is to be used by all foreign-invested companies in Viet Nam – except if “valid reasons” requires the adoption of other standards, (MOF permission is required).
- Monetary unit to be used is the Vietnamese dong (VND) unless otherwise approved by MOF.
- The statutory financial statements are prepared and finalized in accordance with the regulations.
- The audit is required annually and must be done by an independent audit company duly registered, and authorized to do business, in Viet Nam.

7. Role of the Chief Accountant

Article 3 of the Ordinance on Accounting and Statistics requires that all SOEs and State-owned joint enterprises must appoint a Chief Accountant. The duties of the position are generally outlined in the Ordinance; however, the Government decrees the role of the Chief Accountant.

The role of the Chief Accountant has been defined in Decree No. 26/HDBT issued by Government on March 18, 1989 (Chief accountant’s role in State-owned Enterprises). The chief accountant is generally responsible for the safeguarding of the company’s assets for which he is personally liable. The Chief Accountant should not take responsibility
for the profitability of a company but rather with its compliance to approved budgets and plans.

The Chief Accountant must ensure that the annual financial statements are prepared as of December 31 and filed with the tax authorities, the General Statistical Office and the Ministry of Planning and Investment (MPI). These annual financial statements are to be filed with the tax authorities not later than March 31 of the following year and are to include a calculation of the company's tax liabilities. Certain adjustments are allowed to the profit before tax, although these adjustments are strictly defined by the tax legislation and traceable to specific account codes in the chart of accounts.

For enterprises having foreign direct investment and foreign parties entering into business cooperation contracts, monthly and biannually reports have to be done in accordance with Circular No.01/LB issued by General Department of Statistics and MPI dated 31 March 1997. In addition, quarterly filing with tax authorities are to be made comprising the balance sheet and profit and loss account.

Part Two. Auditing

8. Introduction

In response to the requirements of the economy in the process of moving to a market based system and international integration, external auditing activities have come into existence and substantially developed in the latter part of the 1990s. With a view to establishing a legal framework for the establishment, development and management of external auditing activities, the State promulgated the Regulation on Independent Auditing in the National Economy, the Regulation on Examination and Issue of Auditor Certificates, and the Regulation on Registration of Practising Auditing Profession.

The State Audit of Viet Nam was established under Decree No. 70/CP dated July 11, 1994. The State Audit was established as an independent body to assist the Prime Minister in implementing the functions of “verifying, confirming correctness, legality of accounting documents and figures, the consolidated financial statements of State entities, State-owned enterprises and People's Associations and social organizations which use budget grants from the State.”

The State Audit has gained affiliations and become a member of international professional auditing organizations such as the
International Organization of Supreme Audit Institutions (INTOSAI), and the Asian Organization of Supreme Audit Institutions (ASOSAI). The membership status in INTOSAI and ASOSAI enabled the State Audit of Viet Nam to integrate rapidly with the regional and international professional community and promote the cooperation, exchange of auditing knowledge and experiences between it and its counterparts.

9. Organization of the State Audit of Viet Nam

The State Audit of Viet Nam is an independent body and has the duty to report audit results to the Government, National Assembly or its Standing Committee. It also conducts audit tasks as required by the National Assembly or by the Standing Committee.

The State Audit of Viet Nam has the responsibility of ascertaining compliance with applicable laws and regulations relating to financial statements of governmental agencies, departments, ministries, other budgetary units under the management of provincial governments, State-owned enterprises and other entities as prescribed or assigned by the Central Government.

The head of the State Audit of Viet Nam is the Auditor General and his deputies are the Vice or Deputy Auditor Generals. These officials are appointed by, and may be dismissed by, the Prime Minister. The Auditor General is responsible to the Prime Minister for the State Audit of Viet Nam's activities.

The organizational system of the State Audit of Viet Nam is established under Central (specializing) Departments and Regional Departments.

The Central Departments have responsibility for conducting examinations of budgets of centrally-managed cities, ministries, central state authorities, large scale State-owned enterprises, governmental aid or loan projects and specialized entities, people's associations, social organizations and for directing the Regional Departments' activities.

The audits of provincial budgets and other entities under local management and some centrally-directed entities, which are authorized by the Auditor General, are conducted by Regional Departments. They are independent and act only under the leadership of the Auditor General.
10. Employment of Auditors

The auditors are government officials and are recruited from two sources:

- Those who possess a degree of bachelor or higher in economics, accounting, law and other subjects and have significant work experience in these fields; and
- Those who have just graduated in economics, finance or accounting, auditing and law from universities or colleges and passed the examination held for recruitment of new employees by the State Audit of Viet Nam.

The staff of the State Audit of Viet Nam is increasing annually in accordance with the requirements of the central government. At present, the organization has a staff of nearly 500 employees, and by the year 2005, the number is expected to reach 1,000 employees. A proposal was submitted to the Standing Committee of the National Assembly and Government in order to strengthen the role of the State Audit. This was done because it was considered that the State Audit was understaffed at the time.

11. Functions and Duties of the State Audit

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

- To develop annual audit plans or programs;
- To organize the implementation of such plans or programs;
- To report the results of audits to the Prime Minister, National Assembly or its Standing Committee as required;
- To make comments, assessments or judgments and certifications on compliance with applicable financial and accounting policies, systems and regulations and on correctness, probity and legality of accounting documents and figures and financial statements of audits undertaken;
- To make recommendations on remedial measures to correct weaknesses or irregularities that have been found during the course of the audit in order to strengthen the control of financial resources.
- To take part in developing and promulgating Vietnamese Auditing Standards and Approaches as well as related economic and financial policies and regulations of the Ministry of Finance;
• The State Audit of Viet Nam is empowered to make submissions of misuse of public funds, irregularities of applicable financial and accounting policies by organizations or persons who are charged with the responsibility for those funds;
• The State Audit of Viet Nam is authorized to provide the legal authorities which are specified in related regulations with audit records, documents and results; and
• The State audit of Viet Nam may employ certificated public accountants and independent audit firms to help it in conducting audit tasks but it has to bear full responsibility for the correctness of data, documents and conclusions made by the employed certificated public accountants and organizations.

The operational expenses for the State Audit of Viet Nam are funded from the National Budget. The staff are classified as civil public officials under the management of the Government.

12. Objectives of the State Audit

The following audit objectives are within the mandate of the State Audit of Viet Nam:
• The audit of financial statements of provinces or centrally managed cities. The audits are conducted before they are submitted to the provincial People’s Councils for approval;
• The audit of financial statements of the national budget accounts. This audit is also conducted before the accounts are presented to the National Assembly for approval;
• The audit of financial statements of ministries, ministerial bodies, parliamentary bodies, public services, people and social associations that receive budget grants from the Government;
• The audit of financial statements of capital constructions, funded projects either by loans, credits or assistance from the Government; and
• The audits of financial statements of State-owned enterprises.

13. Audit Regulations

The following laws relate to State Audit:
• Law on State Budget
• Law on State Bank
• Decree No. 70/CP dated July 17, 1994 of the Government
Decision No. 61/TTg dated January 24 1995 of the Prime Minister of the Government

State auditors have unrestricted access to accounts and records pertaining to public funds of all government departments and agencies. State Audit develops an annual audit program for submission to the Prime Minister for approval. The Prime Minister issues a decision assigning the audit program for the State Audit. The State Audit coordinates with the Internal audit units when performing audits of State-owned enterprises.

14. Internal Audit

There are no specific regulations existing for internal audit operations and procedures. Internal audit units have mainly been established in the large SOEs, where the activities are complex, to undertake performance and compliance audits. The SOEs involved are

- Viet Nam Airlines
- Electricity Viet Nam
- Post and Telecommunications of Viet Nam
- Viet Nam Tea Corporation
- Viet Nam Paper Corporation
- Viet Nam Petroleum Corporation

SOEs also have the internal audit units carry out an audit on the financial statements or independent auditing firms may be engaged to carry out this work. The State Audit Office places reliance on these audits when undertaking its annual audit.

The State Treasury Department also has an internal audit unit that is responsible for the examination of internal control procedures and the performance audit within the Central Department and district offices.

15. Private Sector Auditing Firms

The auditing profession has been gaining momentum in recent years and this has resulted in more and more competition among independent auditing firms. There are now 18 auditing firms in Viet Nam:

- Six state-owned audit firms
- Six private locally-owned firms
- Five foreign-owned firms, and
One joint venture firm. The ‘big five’ international accounting firms are all represented:
- Ernst & Young
- PriceWaterhouseCoopers (Viet Nam) Ltd.
- KPMG
- Deloitte Touche Tohmatsu (Viet Nam Auditing Company)
- Arthur Andersen

At least two Vietnamese citizens hold senior positions in these firms after having received approximately two years’ training in the United States. Australian, British and some Philippine citizens hold most senior positions. At the end of 1998, in relation to private sector auditing firms:
- 1,331 personnel (including support staff) were employed in 17 firms
- 1,036 of these were undertaking audit work (including qualified and graduated)
- 258 had Certified Public Accountant (CPA) qualifications (Bachelor of Accounting Degree), and
- 86 Foreigners had CPA qualifications. All these are employed in the ‘Big Five’ and the Viet Nam Auditing Company (which has four foreigners).

In addition to the basic auditing services, most independent auditing companies have rapidly developed many kinds of financial and accounting services to give clients more choices, which enhances the profession as a whole. These additional services include financial accounting supervision; assets assessment; advice on enterprise equitization proposals, financial and accounting consultancy, taxation advice, professional training on financial management, etc. Auditing firms are often required to convert financial statements prepared under the Vietnamese Accounting System to an IAS form of financial statements especially to suit the needs of foreign holding companies and international lending institutions.

The growing presence of foreign independent auditing firms is an important factor which has contributed much to the rapid and sound development of the Vietnamese auditing profession in recent years and will continue to do so in the future. This presence is not only giving the domestic independent auditing companies opportunities to learn and compete but also to have “auditing technology” transferred to Vietnamese auditors, making them increasingly professional in their work.
As a result, independent auditing companies in Viet Nam are diversifying their financial and accounting services to suit the changing needs of customers, ranging from domestic to foreign enterprises; including State agencies, public and social organizations, and international bodies and internationally funded projects.

The Vietnamese auditing profession is, however, facing many challenges among which are many obstacles that it cannot overcome by itself. The biggest difficulty is the absence of a comprehensive auditing practice legal framework, which involves mainly the establishment of a complete set of auditing standards.

Viet Nam has no comprehensive regulations on independent audits, and the national accounting and auditing standards have not been completed in line with international accounting and auditing standards. Many independent auditing companies must apply the international accounting and auditing standards though they know that there are still many difficulties in which Viet Nam finds itself in the transition period. This has led to various consequences as follows:

• Assessment of the quality of audit reports is lacking general benchmarks against which measurements may be made;
• The auditing profession has not been standardized; and
• Once disputes arise, there are no formalized processes for settling issues regarding auditors' legal liabilities.

Due to the lack of a regulated standard system, there still exists a discrepancy of views between the auditors and tax authorities, and this concerns many foreign investment enterprises. An audit report, which is not totally accepted by the tax authority, leads to questioning of the quality of the audit.

16. Licensing of Auditing Firms

In order for independent auditing firms to undertake the audit of nongovernment enterprises and foreign-invested firms, the auditing firms must meet the following requirements in order to obtain their license:

• Be legally established;
• Capital of at least D2 billion, or in the case of foreign firms, capital of at least US$300,000;
• At least 10 auditors in each firm must be CPA or have a Financial Auditor License of Viet Nam; and
• A minimum number of 50 clients per annum.
17. Quality Control of Auditing Firms

Although the quality control of auditing firms is contained in the functions of the Viet Nam Accounting Association (VAA) Charter, this task is currently being undertaken by the Accounting Policy Department of MOF.

Approximately one-third of the auditing firms are subjected to a quality check each year, this includes the “big five” international auditing firms. This check is done in the form of a questionnaire being distributed before a meeting is held between the Department and each firm. The review generally covers compliance with regulations, competence of the auditing firm, organization structure, and review of auditors' qualifications. Each review lasts for one to two days. Minutes of the Review of Compliance are done in accordance with Decree 07/CP issued by the Government on 29 January 1994.

Firms are normally selected on a random basis but may be selected if complaints from the public are lodged. Contentious issues have arisen with international auditing firms involving access to client's confidential files and signatures on audit reports. This has sometimes led to “no opinion” being expressed by the Department because of noncompliance. The international auditing firms generally disagree with the quality review being done by a government department, in their opinion this review should be done by the VAA.

18. Financial Auditor Licenses

Auditors who are required to personally sign audit reports or audit certificates must possess a Financial Auditor License of Viet Nam. As of October 1999, the Ministry of Finance had issued 256 auditor licenses to Vietnamese practitioners and 26 licenses to foreign auditors working for independent auditing firms in Viet Nam.

In order to be granted a Financial Auditor License candidates must first pass examinations that are set by the State Examination Council of Auditors and coordinated by the Accounting Policy Department. The officers of this department are required to attend these exams, which generally last for one week. It is their duty to safeguard the examination papers and answers and to supervise the exams.

Examinations for the Financial Auditor License were held in 1999 in Ho Chi Minh City and Hanoi. Ninety-four Vietnamese and 26 foreigners passed.

For the year 2000, the examinations were held at the end of August:
100 Vietnamese sat for the first time
74 Vietnamese sat for the second time
16 Foreigners sat for the first time, and
Four Foreigners sat for the second time.

For Vietnamese students, the examination subjects are as follows:
- Economics Law of Viet Nam
- Money and Credit
- Accounting
- Auditing
- Analytical Economics
- Informatics
- English

The accounting subject of the above Financial Auditor License exam covers the Vietnamese Accounting System and the current Vietnamese Accounting Standards proposals. For non-citizen students the examination is conducted on Foreign Investment and includes the following subjects:
- Independent Audit
- Accounting
- Finance of Foreign Enterprises
- Tax Policy
- Credit and Banking
- Labor Policy

Either one month or two weeks' training courses are organized for candidates to sit for these exams by the Center for Training and Consulting of Auditing and Accounting, which is a unit of the VAA

19. Audit of Foreign-invested Business Entities

All foreign-invested business entities must be audited regarding compliance with both the accounting procedures and the financial statements presentation by a Vietnamese independent auditing firm or another independent auditing firm licensed to operate legally in Viet Nam.

An Auditors Report should be attached to a foreign-invested business entity's financial statements. An Auditors' Report should include the following main contents:
- Confirmation of the objectiveness, truth and fairness of the financial statements and accounting records;
• Opinion and assessment of the accounting work, compliance with the accounting system registered and approved by the Ministry of Finance, compliance with the accounting law, system and procedures; and
• Recommendations. An Auditors’ Report should be signed by the auditor with indication of his (her) first name and surname and his (her) audit certificate (diploma) number, with the signature of the director and sealed by the independent auditing firm. This point is a contentious issue with international auditing firms because in most cases the audit manager signs in the name of the company and not in his own name, for avoidance of personal responsibility.

Another issue attracting much attention is the legal status of ownership of the independent auditing firms. The independence of many auditing companies in Viet Nam in the form of SOEs controlled by the Ministry of Finance, have become doubtful. The Government should divest itself of any form of ownership in these types of enterprises as soon as possible and the establishment of more private auditing firms should be encouraged in order to ensure the independence and integrity of the auditing profession as a whole.

There are more than 5,000 SOEs in Viet Nam, owned by the central Government and “managed” by the Ministry, which has functions, and powers that relate to that SOE. While this procedure may be suitable from an administrative point of view, it does present problems in the nature of a conflict of interest regarding the operations of State-owned accounting and auditing firms.

A typical example is the case of the Viet Nam Auditing Company (VACO), the largest and most successful State-owned auditing company in Viet Nam, which is “managed” by the Ministry of Finance. Conflicts of interest could arise in the following circumstances:
• The letting of tenders for auditing and accounting work either when the Government is awarding a tender or where the Government plays a role in recommending a certain tender;
• Representatives of the Ministry of Finance are the officials to whom the public makes complaints in connection with the competency of accounting and auditing firms. There is an obvious conflict of interest if a complaint is received involving the VACO; and
• The Ministry of Finance is responsible for the “quality control” of accounting and auditing firms. This could also give rise to a conflict of interest situation.
20. Qualifications of Auditors

A student who has the qualifications of a Bachelor in Accounting is required to have three years’ experience working in an auditing firm or five years’ experience as an accountant. After fulfilling these criteria, the student is then qualified to take an examination in order to obtain a Financial Auditor License, which is issued by the Minister of Finance.
III. Professional Infrastructure

This chapter describes the professional accountancy infrastructure in Viet Nam. This infrastructure comprises the Viet Nam Accounting Association (VAA - a professional membership body for accountants and auditors), and the recently created National Council for Accountancy (a regulatory organization). The chapter is structured as follows:

1 - Introduction
2 - The Viet Nam Accounting Association
3 - Legal Establishment
4 - Functions of the Vietnamese Accounting Association
5 - Organization
6 - Structure
7 - Membership
8 - The National Council for Accountancy

1. Introduction

Viet Nam has a regulated accounting profession and an association, which has been established by law. The Viet Nam Accounting Association (VAA) is a member of the International Federation of Accountants (IFAC) and the ASEAN Federation of Accountants (AFA).

The first accounting association in Viet Nam was the Chief Accountant’s Club that was formed by the Ministry of Finance (MOF) under the authority of the Government in 1989. As its name implies, this Club consisted of senior accountants from both Government and industry and its functions were to:

- assist the government in forming financial guidelines;
- provide a forum for practitioners and researchers to exchange views and information; and
- organize and conduct workshops and seminars for the dissemination of accounting information to the Government and the profession.

The Club rapidly grew from 200 members in 1989 to 600 members three years later. Because of Viet Nam’s economic development and its transition to a market economy, the Chief Accountant’s Club and the MOF combined to establish the VAA, which was formed in 1994. The Prime Minister issued Decision No.12TTg which established the VAA.
The first Congress of National Delegates was held on 12-13 April 1994 and officially established the Association, passed the association’s Rules, elected its central committee, and approved its operational plan. The Chief Accountant’s Club still exists today as a form of sub-committee within the VAA.

2. The Viet Nam Accounting Association

The Viet Nam Accounting Association (VAA) was formed in 1994. It is a professional organization representing those who are involved in the accounting and auditing practice in Viet Nam.

VAA became a member of IFAC in May 1998, and became a member of the ASEAN Federation of Accountants (AFA) at the same time. It is not yet a member of the Confederation of Asian Pacific Accountants (CAPA).

The financial health of the VAA is weak and the Association relies partly on sponsorship by the Ministry of Finance. The annual subscription for primary members is D50,000 (US$3.55). The financial problem relates more to the smallness of the subscriptions rather than to the amount of fees unpaid. Although Viet Nam is a poor nation, the annual subscription amount appears to be too low and consideration should be given to increasing the fees. In addition, prospective new members are apprehensive about joining unless they can see that membership would reap a real benefit for them. There would appear to be a need for a public relations campaign explaining the benefits of joining the VAA. Half of the total fees collected are allocated to the various sub-associations and half to the central committee.

3. Legal Establishment

The legal documentation that brought about the establishment and operation of VAA is as follows:

- Decision No. 12/QD-TTg dated January 10 1994 on establishment of VAA.
- Amended Charter of VAA as approved by the Government according to Decision No. 03/1999/QD-TTg dated March 19 1999.

4. Functions of the Vietnamese Accounting Association

In accordance with its Charter, the functions of the VAA are as follows:
to advance opinions to Government competent authorities in their work to formulate policies and regulations, and guide and materialize efforts to achieve national standards for the accountancy profession;

• to monitor the refreshing and upgrading of the professional qualifications for accountancy practitioners, disseminating relevant policies and regulations and providing information on latest technical achievements in terms of accountancy and finance, both inside and outside the country;

• to study in connection with theories and standards on the accountancy as well as legal basis for the profession and render counseling service on organizational, theoretical and practical matters concerning the accountancy career;

• to research for further application of information technology in the profession;

• to exercise controls over its members' professional ethics and practice, assisting competent authorities in organizing examinations and, as may be authorized by the latter from time to time, grant practicing certificates for accountants and auditors;

• to gather and refer comments, recommendations and requests from its affiliated units and members on the relevant policies and regulations to the competent regulatory authorities for consideration of revisions or changes where appropriate;

• to encourage its members to obey the legal requirements and maintain professional ethic dignity;

• to cooperate with domestic associations and societies of scientists and technicians and those accountants in the region and across the world in the matter eligible under the Vietnamese law; and

• within its capacity, to support the material and mental life of its members and to safeguard their legal rights.

The Accounting Policy Department of the Ministry of Finance plays a major role in most of these functions and is currently undertaking the direct responsibility for establishing national accounting and auditing standards, upgrading professional qualifications of accountants and auditors, research, and quality control of independent auditing firms.

5. Organization

The organizational structure of the VAA is as follows in descending order of authority:
Central Association composed of sections and grouped under industry classifications. There are seven sections: Water Resources, Construction, Energy/Electricity, Water-Products, Agriculture and Rural Development, Commerce, and Post and Communications.

Affiliated Associations in the provinces and cities of the Central Government. These include branch offices at the Provinces and Hanoi, Ho Chi Minh City, Thua Thien Hue, Hai Phong City, Dac Lac, Khanh Hoa, and Can Tho.

Grassroots Units located at the National Economic University, Hanoi University of Finance and Accountancy, and Thai Nguyen Energetic Company.

VAA is based on a structure related to seven sections of industry in order that industry specific discussions and seminars may be more easily accommodated. The VAA is a member of Viet Nam Union of Science and Technique Association. There are no professional qualified accountants employed by the VAA.

6. Structure

The Assembly

The Association’s highest authority is represented by the National Assembly of Delegates (the Assembly), which meets every five years. The Assembly may call for an extraordinary meeting if requested by at least two-thirds of the branches and at least half the members of the Central Committee. The main functions of the Assembly are to:

- review and approve the whole-term report of the Central Committee;
- work out directions and approve of the work plans for the Association as a whole;
- determine amendments and supplements to its charters where appropriate; and
- vote for members of the Central Committee of the new term.

The Central Committee

The main unit of authority is the Central Committee of VAA, which consists of 55 members. The Central Committee is the lead authority for the period between two consecutive plenary meetings of the
Assembly and meets once a year. The committee monitors the Association’s operations in conformity with the resolution passed by the current Assembly. It also determines the work plan, budget, personnel issues and elects members for its Standing Committee, including the election of the President, Vice-President and General Secretary of the Association and those members of the Inspection Board as defined by the Charter. These Committee members hold office for five years.

The Standing Committee
The Standing Committee is elected by the Central Committee and controls the day-to-day operations of the business. It has 15 members and consists of the President, Vice-President, General Secretary and other members.

The Standing Committee meets only twice a year and selects the individual sub-committees and assigns tasks by resolution to each subcommittee. The Standing Committee nominates members to the Permanent Council that is headed by the President.

VAA Committees
The Standing Committee selects the chairpersons and members of each Committee. The Committees are as follows:

- Code of Ethics Board
- International Relations Board
- Accounting and Auditing Standards Board
- Scientific Training and Development Promotion Board
- Financial Board
- Permanent Council
- Central Representative
- South Representative
- Accounting Review
- Chief Accountant Club
- Center for Training and Consulting of Auditing and Accounting

The Permanent Council is required to handle the affairs of the Association between meetings of the Standing Committee. It ensures that the resolutions of the General Assembly and Central Committee are implemented. The Code of Ethics Board has the responsibility to communicate and maintain relations with the Government. The VAA
does not develop its own Code of Ethics. The Code is based on government regulations. There is no separate division for the public sector, and members of the VAA are from both the public and private sector.

The Center for Training and Consulting of Auditing and Accounting assists in training candidates, by way of short courses of either two or four weeks’ duration, for the examinations in connection with the issue of the Financial Auditor License.

The VAA is attempting to strengthen its activities and improve its prestige. The VAA does not play an active role in researching, developing, and setting up accounting and auditing standards, and accounting systems. The Accounting Policy Department of the Ministry of Finance has currently assumed responsibility for these tasks.

7. Membership

As at 30 June 2000, VAA had 4,750 primary members and 300 sponsor members. The VAA has three types of members:

- Primary member
- Honorary member
- Sponsor member

Primary and honorary members must be Vietnamese citizens who subscribe to the Association’s mission statements, objectives and charter and the willingness to take part in its activities and with the requisite moral qualities.

Primary members must possess at least one of the following qualifications:

- Graduated from a university of finance and accounting with experience of three years or more in the profession subsequent to graduation;
- Worked as a supervisor in an accountancy practice with a working experience of three years or more; or
- Worked for a financial and accounting institute or university as a researcher or lecturer in accountancy subjects.

Honorary members are prestigious officials in the field of finance, accounting and auditing with enthusiastic assistance in the Association’s activities. The selection criteria are mainly based on a high standing in public office.

Any persons of Vietnamese nationality who are not, for personal reasons, involved in regular activities of the Association but have large
contributions to make, can be admitted as sponsor member. The contributions refer to an individual’s high degree of knowledge or expertise from which the VAA can benefit through advice or other means.

8. The National Council for Accountancy

The VAA is a professional membership organization for accountants and auditors. Up until recently, the Ministry of Finance undertook all regulatory functions. Earlier this year, the Government established the National Council for Accountancy (the Council) as the key regulatory body for accounting and auditing arrangements in Viet Nam. Its structure and functions are similar to those of Accounting Regulatory Boards in other countries.

The Council was established under Decision No. 276/QD-BTC dated 28 March 2000 of the Minister of Finance. The Council is an affiliated organization of the Ministry of Finance and its functions include the development of strategies, policies and other issues concerning auditing and accounting activities. It has no direct relationship with the Viet Nam Accounting Association. The authority and powers vested in the Council’s members are as follows:

- To be provided with materials and information relevant to strategies for economic, financial, accounting and auditing development, and those concerned with accounting and auditing consultative functions;
- To be entitled to attend accounting and auditing symposiums and seminars of the Council, including those for studying and preparing draft documents; and
- To have rights to independently express and preserve his/her own opinions.

The organizational structure of the Council is determined by the Minister of Finance and includes the following:

- Executive Committee, which comprises one chairperson and two vice-chair people.
- The Secretariat
- The Board of Accounting Consultation
- The Board of Auditing Consultation

The appointment of chiefs, deputies and members of the above Boards is decided by the Council Chairperson. The Chairperson may either assign more personnel to, or reorganize the Boards and engage accounting,
auditing and financial experts to the Boards. The obligations and powers of the Board of Accounting Consultation are as follows:

- To analyze, exchange and summarize consultative opinions in writing for submission to the Chairperson in respect of any draft Accounting Laws, Accounting Standards, and financial reporting policies to be issued by the Ministry of Finance, the National Assembly or the Government for promulgation;

- To assist the Chairperson in consulting the Minister of Finance about the orientation of preparing, formulating and publicizing Vietnamese Accounting Standards; and

- To help the Chairperson study and prepare guiding materials and manuals on the accounting profession and practice.

To participate in other activities of the Council such as: consulting the Minister of Finance on training orientations to heighten the professional level of Vietnamese accountants; advising on building a Statute on Control over Quality and Professional Ethics for accounting experts and practitioners to apply.
IV. Accounting and Auditing Standards

This chapter describes the accounting and auditing standards that govern the preparation of external financial reports and the audit of those reports. It comprises six sections, in two parts, as follows:

Part One: Accounting Standards
1. Accounting Standards Board
2. Accounting Standards
3. Deviations from International Accounting Standards
4. Public Sector Accounting Standards

Part Two: Auditing Standards
5. Auditing Standards
6. Vietnamese Standards on Auditing

Part One. Accounting Standards

1. Accounting Standards Board

Viet Nam has an Accounting Standards Board, which has the responsibility of establishing the Viet Nam Accounting Standards (VAS). The Accounting Standards Board was established by the Minister for Finance in accordance with Decision 19/1999/QD-BTC dated February 12, 1999 and the members of the Board were nominated in this Decision. The Board may be changed by a Decision of the Minister for Finance. At this stage, there is no separate Board representing accounting standards for the public sector. The Public Sector Accounting Standards were issued by the International Federation of Accountants on the 24 May 2000 and the establishment of a Public Sector Accounting Standards Board in Viet Nam is recommended.

The Board consists of 13 members and is chaired by the Vice-Minister for Finance. The Board is not independent of the Government. However, all Board Members are not government officers. The Ministry of Finance (MOF) issues VAS under the authority of the Minister for Finance. The duties of the Board are as follows:

- Develop a plan for establishing Viet Nam Accounting Standards;
- Organize researching and drafting Viet Nam Accounting Standards.
• Organize seminars in order to get comments from departments of Ministry of Finance, other ministries, government bodies, auditing firms, enterprises, Vietnamese Accounting Association (VAA), etc.; and
• Organize implementation of Accounting Standards after approval.

The Ministry of Finance has also established the Accounting Standard Drafting Group which consists of 34 members, including those who are accounting and financial specialists of the departments of MOF, VAA, State Audit, auditors in auditing firms, accountants in enterprises, accounting professors of universities, institutes, etc. The Group is under the control of the standing Vice-Chairman of the Accounting Standards Board.

2. Accounting Standards

Viet Nam has not yet issued Accounting Standards. All accounting is applied in accordance with the Vietnamese Accounting System. The MOF, through the Accounting Policy Department, is presently setting up the Vietnamese Accounting Standards, which are based on International Accounting Standards (IAS). There are currently 10 draft Accounting Standards in process of finalization. These Standards have been drafted using IAS as the base with adjustments for economic, finance and accounting using Vietnamese considerations. Generally, there has been very little change from IAS. Alternative treatments have been minimized and the benchmarks have become the norm.

Four of these Standards have received comments from other ministries, auditing firms, enterprises, VAA and other organizations in seminars and workshops. It is intended that these be issued at the end of the year 2000. The Standards are:

• VAS 2 Inventories
• VAS 16 Fixed Assets
• VAS 18 Revenue
• VAS 38 Intangible Assets

The Standards have been only slightly adjusted to suit Vietnamese conditions and mainly alternative treatments have been reduced to allow for fewer deviations from the recommended benchmarks. Seminars will be organized at the end of this year for comments on the remaining six drafts, and it is intended that they be issued at the beginning of year 2001.
Accounting and Auditing Standards

The Standards are:

- VAS 1 Framework
- VAS 7 Cash Flow Statements
- VAS 11 Construction Contracts
- VAS 17 Leases
- VAS 21 Foreign Exchange
- VAS 23 Borrowing Costs

The MOF is committed to issuing a full set of Vietnamese Accounting Standards by the end of the year 2003. The problem that MOF is having in this regard is that there is no expert on IAS located in Viet Nam for problem solving and discussing issues.

The current Vietnamese Accounting System is based on law and government regulations. The format of financial statements and accounting records are specified in government regulations. Enterprises with foreign-owned capital are required to register their accounting standards and practices with the MOF and to submit regular financial reports to the MOF as well as the Ministry of Planning and Investment.

3. Deviations from International Accounting Standards

The following paragraphs outline the deviations between the Vietnamese Accounting System and International Accounting Standards (IAS). It should be noted that the Vietnamese Accounting System consists mainly of guidelines for a recommended system of accounting whereas IAS consists of a number of standards with benchmarks and options. The English version of the System does not cover all aspects and therefore ensuring the accuracy of comparisons is quite difficult.

**IAS 1: Presentation of Financial Statements**

- Substance over form and materiality are not mentioned as governing a company's accounting policies.
- Accounting policies on fixed assets, the method of depreciation and inventory must be disclosed; none others are required whereas the IAS requires disclosure of significant policies.
- Financial statements have to be presented in a standard format - this is not required by the IAS.
Financial statements need not include a statement of changes in equity nor a cash flow statement.

- The basis for selecting accounting policies is not specified.
- There is no mention of the concepts of materiality and offsetting.
- The regulations state which assets and liabilities are current and which are long-term, rather than giving rules and guidelines to be applied by the preparer of the financial statements.

The disclosures required are listed by regulation. The disclosures required in Viet Nam differ from those in the IAS. The following disclosures are required:

- The total number of employees;
- The form of records and accounting books used;
- Revenue generated by the employees (i.e., total payroll, salaries, etc.);
- Various ratios (net profit margin, etc.);
- The company’s business plans in the next reporting period; and
- The company’s business prospects.

The following disclosures are not required:

- Leased assets and assets purchased using installment payments;
- Restrictions on cash balances;
- Terms of loans greater than one year;
- The method of providing for pensions and retirement plans; and
- Intercompany and associated company payables and receivables.

Some income and expenses are not included in the Income Statement:

- Bonuses and welfare funds for employees; and
- Annual tax charge on business profits.

IAS 1 prescribes how preparers of financial statements should distinguish between current and noncurrent assets and liabilities. In Viet Nam,

- What is current and what is not is defined by detailed regulations.
- Cash includes gold, silver, precious metals, gems and precious stones.
- Companies may make a provision against specific bad debts if the bad debtor can be identified (e.g., as having gone bankrupt). General provisions are not allowed.

**IAS 2: Inventories**
Inventory includes tools and implements (i.e., assets which are too small to qualify as fixed assets), materials and equipment for basic construction (this includes tools, etc.) and goods on consignment, which includes the value of labor and services which have been rendered to customers in accordance with orders or contracts, but which the customer has not yet accepted for settlement.

- Inventory is valued at cost. If there is proof of a permanent decline in value, then a provision is made accordingly.
- The cost of inventory may be measured using average cost, the average price of the last purchase, First In First Out (FIFO) or Last In Last Out (LIFO) or specific identification.

**IAS 7: Cash Flow Statements**

In Viet Nam, cash flow statements are encouraged but not compulsory. In practice, many companies do not prepare statements.

**IAS 8: Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies in Viet Nam**

- Changes in accounting policies must be disclosed. The method used to make the disclosure is not prescribed.
- Fundamental errors from previous years are corrected in the current period’s income statement.
- Certain types of income and expenditure are defined as extraordinary.

**IAS 10: Contingencies and Events Occurring After the Balance Sheet Date**

Viet Nam Accounting System does not address contingencies and post-balance sheet events.

**IAS 11: Construction Contracts**

In Viet Nam, the percentage of completion method is acceptable.

**IAS 12: Income Taxes**

Viet Nam does not account for deferred tax.

**IAS 14: Segment Reporting**
There is no equivalent standard in Viet Nam.

**IAS 15: Information Reflecting the Effects of Changing Prices**
Vietnamese Accounting System does not include an equivalent to this standard.

**IAS 16: Property Plant and Equipment**
In Viet Nam, the residual value and depreciable useful life of fixed assets are not defined. However, State-owned enterprises are required to depreciate their fixed assets on a straight-line basis to zero, using a useful life based on taxable allowances. Assets may be revalued as follows:
- When all owners of an enterprise agree to accept them as noncash contributions, their value is deemed to be the required value of that contribution [this is commonly used in joint venture agreements].
- When the partners, shareholders or directors of a company decide to do so unanimously.
- When approved by the Government.

**IAS 17: Accounting for Leases**
Viet Nam does have detailed rules on accounting for leases. The general guidelines are similar to IAS.

**IAS 18: Revenue**
- Viet Nam divides revenue between income from normal operations, income from financial operations, extraordinary income, e.g., the types of extraordinary income defined by law.
- Generally recognizes revenue upon receipt.
- Records revenue for installment sales based on the selling price. Imputed interest is recognized as revenue in the period in which it is received.

**IAS 19: Employee Benefits**
In Viet Nam, the Social Insurance Fund, paid for by a compulsory levy from enterprises, is the most common source of retirement benefits.
Enterprises charge their contributions against operating costs. There are no other requirements for accounting for retirement benefits.

**IAS 20: Accounting for Government Grants and the Disclosure of Government Assistance**
Provision is made for subsidies from the state budget and complies with IAS.

**IAS 21: The Effects of Changes in Foreign Exchange Rates**
- Unrealized gains are disclosed as deferred income, i.e., they appear in the Balance Sheet, not the Profit and Loss Account / Income Statement.
- There are no rules governing the translation of the financial statements of foreign entities or foreign operations.

**IAS 22: Business Combinations**
In Viet Nam, there is no definition of consolidated accounts nor any detailed rules regarding the recognition of investments in other enterprises, except for joint ventures (refer IAS 31).

**IAS 23: Borrowing Costs**
Borrowing costs are capitalized during the construction period of a project.

**IAS 24: Related Party Disclosures**
VAS does not address this Standard.

**IAS 25: Accounting for Investments**
Long term investments in stocks and bonds are separately shown in the Balance Sheet under Fixed Assets.

**IAS 26: Accounting and Reporting by Retirement Benefit Plans**
Viet Nam does not have a standard specifically addressing this area.

**IAS 27: Consolidated Financial Statements and Accounting for Investments in Subsidiaries**
Mention is not made of consolidating subsidiaries’ financial statements.

IAS 28: Accounting for Investments in Associates
There are no detailed rules regarding the recognition of investments in other enterprises, except for joint ventures (refer IAS 31).

IAS 29: Financial Reporting in Hyper-inflationary Economies
No standard or system exists.

IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions
There is no reference made to these disclosures in Vietnamese Accounting System. The State Bank of Viet Nam governs accounting systems applicable in banks and other financial institutions.

IAS 31: Financial Reporting of Interests in Joint Ventures
• A joint venture has a specific definition: it is an enterprise established in Viet Nam on the basis of a joint venture contract signed by one or more Vietnamese parties and one or more foreign parties in order to invest and carry on business in Viet Nam
• The investment is accounted for on a cost basis.

IAS 32: Financial Instruments: Disclosure and Presentation
There is no corresponding standard or system.

IAS 33: Earnings per Share
The accounting rules do consider earnings per share.

IAS 34: Interim Financial Reporting
There is no specific system for this situation. However, if a condensed form of reporting were done the same comments would be applicable as for IAS 1

IAS 35: Discontinuing Operations
The Viet Nam Accounting System does not consider the going concern convention nor does it consider such matters as impairments and discontinuing operations.

IAS 36: Impairment of Assets
There is no provision for this Standard.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets
Most Provisions, e.g., depreciation, bad debts, etc., are regulated for taxation purposes and may not necessarily conform with the measurement bases under IAS, nor with the owners’ contention of what constitutes fair value. Contingencies are not provided for under the Vietnamese system.

IAS 38: Intangible Assets
The Viet Nam Accounting System allows for the recognition of Intangible Assets under six sub-accounts:
- Land use Rights
- Start-up Costs
- Patents
- Research and Development costs
- Goodwill
- Others (copyright etc.)
The initial recognition and valuation of intangible assets is similar to IAS. However the Vietnamese System does not allow for revaluations or review of amortization periods. Research and Development costs are capitalized and amortized over their economic life in accordance with MOF’s decision 166 of 31 December 1999.

IAS 39: Financial Instruments: Recognition and Measurement
The content of this IAS is almost nonexistent under the Vietnamese Accounting System except that the VAS allows for a devaluation of short-term investments if the market value at the end of the year is less than the original purchase cost.
4. Public Sector Accounting Standards

The Public Sector Committee (PSC) of the International Federation of Accountants (IFAC) has released the first eight International Public Sector Accounting Standards (IPSASs) designed to enhance the accountability and financial management of governments worldwide. The release of these documents means that for the first time there is an authoritative set of independent financial reporting standards for governments. The Standards are based on Cash or Accrual; there are no Standards for Modified Cash or Modified Accrual. IPSASs 1-8 are the first in a set of accrual-based accounting standards applicable to the public sector and will contribute significantly to the provision by governments of comparable, relevant and understandable financial information.

The IPSASs are based on the International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC). The IASs are adapted as necessary to reflect their application to the public sector.

The PSC recognizes that many governments may not yet be in a position to adopt the accrual-based IPSASs. To assist these governments, the PSC has developed an exposure draft ED Financial Reporting under the Cash Basis of Accounting. This sets out the requirements for the presentation of the primary financial statement under the cash basis of accounting, as well as the statement’s structure and minimum content requirements. The requirements that are likely to emerge in this standard should lead to transparency where governments remain on the cash basis of reporting.

Building on the momentum of the recently released first set of final International Public Sector Accounting Standards (IPSASs), the International Federation of Accountants (IFAC) Public Sector Committee (PSC) released a further six new exposure drafts. The exposure drafts are another key step in the PSC’s efforts to develop a comprehensive body of international accounting standards for governments around the world.

In addition to the new standards and exposure drafts, the Public Sector Committee has released a study, Governmental Financial Reporting: Accounting Issues and Practices. The new study aims to assist governments in the preparation of their financial reports and contains a detailed description of the common bases of accounting used by governments: cash accounting and accrual accounting, as well as a brief discussion of
common modifications to the cash and accrual bases. The study also provides examples of actual financial statements prepared under each basis of accounting.

Summary of PSC Study 11, IPSASs 1–8 and EDs 9–15 are as follows:

- **IFAC PSC Study 11 Governmental Accounting Issues and Practices** aims to assist governments in the preparation of their financial reports and contains a detailed description of the common bases of accounting used by governments: cash accounting (including modified cash accounting) and accrual accounting (including modified accrual accounting). The Study also provides examples of actual financial statements prepared under each basis.

- **IPSAS 1 Presentation of Financial Statements** prescribes the overall considerations for the presentation of financial statements, guidance for the structure and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.

- **IPSAS 2 Cash Flow Statements** requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement, which classifies cash flows during the period from operating, investing and financing activities. Cash flow information allows users to ascertain how a public sector entity raised the cash it required to fund its activities and the manner in which that cash was used.

- **IPSAS 3 Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies** requires the classification and disclosure of extraordinary items and the separate disclosure of certain items in the financial statements. It also specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors.

- **IPSAS 4 The Effect of Changes in Foreign Exchange Rates** deals with accounting for foreign currency transactions and foreign operations. IPSAS 4 sets out the requirements for deciding which exchange rate to use and how to recognize in the financial statements the financial effect of changes in exchange rates.

- **IPSAS 5 Borrowing Costs** prescribes the accounting treatment for borrowing costs and generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the capitalization of borrowing costs that
are directly attributable to the acquisition, construction or production of a qualifying asset.

- **IPSAS 6 Consolidated Financial Statements and Accounting for Controlled Entities** requires all controlling entities to prepare consolidated financial statements that consolidate all controlled entities on a line-by-line basis. The Standard also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes.

- **IPSAS 7 Accounting for Investments in Associates** requires all investments in associates to be accounted for in the consolidated financial statements using the equity method of accounting, except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case the cost method is required.

- **IPSAS 8 Financial Reporting of Interests in Joint Ventures** specifies proportionate consolidation as the benchmark treatment for accounting for such joint ventures entered into by public sector entities. IPSAS 8 also permits - as an allowed alternative - joint ventures to be accounted for using the equity method of accounting.

- **ED 9 Financial Reporting under the Cash Basis of Accounting** sets out the overall considerations for the presentation of the financial statements under the cash basis of accounting, guidelines for their structure, and minimum requirements for their content.

- **ED 10 Revenue from Exchange Transactions** proposes requirements for the accounting treatment of revenue arising from exchange transactions and addresses the issue of revenue recognition for these transactions.

- **ED 11 Inventories** proposes the accounting treatment for inventories under the historical cost system.

- **ED 12 Construction Contracts** proposes requirements for the accounting treatment of revenue and costs associated with construction contracts.

- **ED 13 Financial Reporting in Hyperinflationary Economies** proposes requirements for financial reporting under conditions of hyperinflation.

- **ED 14 Property, Plant and Equipment** proposes the accounting treatment for property, plant and equipment, including the timing of their
initial recognition, and the determination of their ongoing carrying amounts and related depreciation.

- ED 15 Leases proposes requirements for the accounting treatment of leasing transactions.

It has been recommended that IPSAS be used as a base to establish Vietnamese Public Sector Accounting Standards and that a Public Sector Accounting Board be established.

**Part Two. Auditing Standards**

5. Auditing Standards

In response to the requirements of an economy that is in the process of moving to a market-based system and international integration, the external auditing activities have come into prominence and rapid development has occurred.

With a view to establishing a legal framework for the establishment, development and management of external auditing activities, the State has promulgated the Regulation on Independent Auditing in the National Economy, the Regulation on Examination and Issue of Auditor Certificate, and the Regulation on Registration of Practising Auditing Profession.

In connection with the further advancement of the industry, the Ministry of Finance (MOF) plans to issue a complete set of Vietnamese Standards on Auditing by the end of the year 2002. These Standards will be based on International Auditing Standards, knowledge of regional countries’ standards, experience of practising auditing services over the last eight years, and current legal provisions and requirements. When the Standards are completed by MOF they are sent for comment to all departments concerned, and they are sent to local and international firms.

6. Vietnamese Standards on Auditing

Under Decision No.120/1999/QD-BTC of Minister for Finance, the first four Standards have been issued as follows:

- Standard 210: Terms of Audit Engagements
- Standard 230: Documentation
Vietnamese Standards on Auditing issued by this Decision are used for external audits of financial statements. Audit firms and auditors legally practicing their profession in Viet Nam have the responsibility to implement these Vietnamese Standards on Auditing in their operations.

There are a further six draft Standards which have been finalised and are currently pending issue by the Minister for Finance. These Standards are:

- Standard 250: Considerations of Laws and Regulations in an Audit of Financial Statements
- Standard 310: Knowledge of the Business
- Standard 500: Audit Evidence
- Standard 510: Initial Engagements – Opening Balances
- Standard 520: Analytical Procedures
- Standard 580: Management Representations
V. Accounting and Auditing Training

This chapter describes accounting and auditing education and training. It is structured as follows:

1. Introduction
2. Institutional Training Establishments
3. Entry Requirements
4. Viet Nam Accounting Association
5. Professional Accountant
6. Public Sector Accountancy Training
7. Hanoi University of Finance and Accountancy
8. European Union Assistance

1. Introduction

There are 11 State-owned universities, which provide full-time education in accounting in Vietnam. The main accounting education authority is the Hanoi University of Finance and Accountancy, where the annual intake of accountancy students numbers between 700 to 1,000. There are six privately owned universities providing full-time education in accounting. Statistics are not available for total accountancy student enrolments nor are statistics available for total accountants required. This chapter outlines the entrance requirements, postgraduate training institutions, and provides some detail of the subjects covered.

2. Institutional Training Establishments

Generally, the Bachelor of Accounting Degree courses follow a curriculum which includes mainly accounting topics such as basics, business management, financial, management, computerization and auditing; economic subjects such as micro, macro, environment, international and political; history of Viet Nam Communist Party, commercial law, mathematics, taxation, etc.

There are 11 State-owned universities providing full-time education in accounting:
- Hanoi University of Finance and Accountancy
- National Economics University
- Commercial University
- Ho Chi Minh City Economics University
There are no statistics available on total student numbers nor annual total intake of accountancy students. However, for the Hanoi University of Finance and Accountancy, which is the largest training institute for accountants, it is estimated that the accountancy student intake per year is approximately 700 to 1,000. The head of the Accounting Policy Department advises that accounting training has been established in Viet Nam for approximately 30 years and he estimates that the total number of accounting students in training would approximate 7,000 to 8,000 each year in all universities and colleges. There are no statistics on the total number of current accountants or future requirements in Viet Nam.

There are six privately-owned universities providing full-time education in accounting:
- Dong Do University
- Phuong Dong University
- Hanoi Open University
- Hai Phong University
- Hong Duc University
- Van Lang University

The State gives some assistance to the Hanoi Open University. Most of the private universities have a shared ownership between teachers, professors and scientists doing research. There is no foreign ownership. Institutions that have postgraduate training in accounting include:
- Hanoi University of Finance and Accountancy
- National Economics University
- Financial Research Institute
- Ho Chi Minh City Economics University
- Center for Training and Researching Banking Science
- Commercial University

Specialized accountancy training is conducted for various industries, i.e., construction, commerce, banking, etc.
The language used at training institutions is Vietnamese.

3. Entry Requirements

The minimum level of general education standards required for entry in the accountancy degree courses at universities and certificate courses at colleges, after graduating from High School, are:

- Post High School (including two years mainly on accounting subjects)
- Higher School/ College (three years) or
- Bachelor in Accounting (four years) followed by
- Master in Accounting (two years + thesis)
- Doctor in Accounting (four years + thesis).

After completing high school accounting students are required to sit for entrance examinations. The students with the best results are accepted for university and the rest of the students who pass are accepted for college. Students who complete the college certificate may then continue with the final year at university provided they complete two years’ accounting work experience and pass a qualifying exam.

4. Viet Nam Accounting Association

There is no link with the VAA regarding the monitoring and quality of accountancy courses.

5. Professional Accountant

In Viet Nam there is no recognition given to accountants who attain an above average status which is attained either by undertaking additional courses of study or through a high standard of work experience. In some countries, these accountants are recognized by the society granting them “Senior” or “Fellow” status.

It is intended to submit to the Prime Minister for approval of the title “Professional Accountant” in recognition of higher qualifications and work experience. After approval of this scheme, additional training courses will be established for candidates who have graduated from accounting universities and have the necessary work experience to qualify for the status of “Professional Accountant”.

The “Professional Accountant” Certificate will be equivalent to the “Financial Auditor Certificate” and applicants will be required to have three years’ experience and pass exams. The status of “Professional
Financial Management and Governance Issues in Viet Nam

Accountant” will be available to all suitably qualified accountants in the public and private sectors. The issuance process is likely to be the responsibility of the Ministry of Finance.

6. Public Sector Accountancy Training

Continuing professional education (CPE) is encouraged in the public service and it may be necessary for promotional reasons. There are three levels for accountants and auditors in the public service:

- Senior Expert
- Key Expert
- Expert

In order to be promoted it is necessary to have completed a certain number of CPE hours. The CPE consists of attendance at conferences, seminars and workshops, which are organized by the Ministry of Finance (MOF). The MOF Training Center also organizes short training courses on accounting retraining and Government procedures where students are required to sit for exams. Individual integrity, attitude and work applications are other factors taken into account for job promotion.

Students have been sponsored on overseas courses, including tuition on market economies and foreign languages (Ireland and Singapore).

7. Hanoi University of Finance and Accountancy

The Hanoi University of Finance and Accountancy (HUFA) is the major educating authority for accounting training in Viet Nam. The Ministry of Education sets the curriculum for each course. There are three faculties in:

- Public Finance;
- Corporate Finance; and
- Accounting and Auditing.

The HUFA also organizes on-the-job training for students doing their degree courses and approximately 5,000 students have been involved in this program.

Details of the Curriculum for the Bachelor of Accounting Degree are included in Appendix 13. The Ministry of Education sets the curriculum for the HUFA Bachelor of Accounting Degree, and all other accounting degree courses. It is understood that accounting subjects
are directed at the Vietnamese Accounting System as they apply to state-owned enterprises in Viet Nam.

8. European Union Assistance

The EU under the European Union Technical Assistance Program sponsored the use and application of International Accounting Standards (IAS) for Viet Nam (EUROTAPVIET). Workshops were held at various universities and colleges throughout Viet Nam and students gained comprehensive knowledge of all IAS. On average, each workshop lasted three to four days and covered one or two IAS. This Project was done during the period 1995-1998.

Under part of the EU Project, 20 Vietnamese students were selected and received specific training at Certified Public Accountant (CPA) level. This involved two months’ training in Viet Nam and two weeks training in France. There were five components of the EU Project:

- Accounting and Auditing Legal Framework;
- Assistance to Local Accounting and Auditing Firms;
- Strengthening Capacity of VAA;
- Training; and
- Equipment Purchases.

More information on the EU Project is included in the chapter on Donor Assistance.
VI. Government Budgeting and Accounting

This chapter describes government budgeting and accounting arrangements and is structured as follows:

1 - Financial Management
2 - The State Budget System
3 - Allocation of State Revenues and Expenditures
4 - The Budget Cycle
5 - Capital Investment Plan
6 - Assets and Liabilities Management
7 - Corruption Issues in the Public Service

1. Financial Management

The Ministry of Finance (MOF) is responsible for the management of the financial, accounting and budgeting processes of the State. With regard to financial reporting and accounting, MOF operates under a version of the existing Vietnamese Accounting System that is heavily geared towards central control.

With the current move to a market economy, the present degree of State involvement in all financial sectors of the economy is creating problems for MOF, the enterprises that the State controls and the nongovernment private sector. Under the centrally directed economy, the State, through MOF, established the accounting and financial reporting rules and regulations for the Government, state-owned enterprises (SOEs), and the private sector. A market economy works under a different set of rules, and the accounting and financial reporting rules reflect operational and financial performance. Financial statements are drawn up using generally accepted accounting principles and these statements are used to provide information about the financial performance and changes in the financial position of an enterprise which is useful to a whole range of users in making economic decisions. These users include owners, investors, employees, lenders, trade creditors, customers, governments and their agencies and the public. Under the centralized Vietnamese system the financial reporting is drawn up to suit the needs of Government for statistical and taxation purposes.

The MOF has the task of establishing the Vietnamese Accounting Standards based on a free market economy, and eliminating much of the centralized control, which existed in the past and, to some degree,
exists today. This is a difficult task that will require knowledge of International Accounting Standards (IAS), and these Standards contain reference to concepts, which previously had no application in Viet Nam. MOF will need to educate its specialist staff, financial officers, accountants, and auditors in the concepts of financial accounting and reporting based on a free market economy. The professional accounting staff of SOEs and other enterprises will need to be educated in the application of the new accounting and financial reporting rules. The European Union Project (EUROTAPVIET) has been instrumental in assisting in this process.

2. The State Budget System

The State Budget of the Socialist Republic of Viet Nam is a unified system, consisting of the central state budget and the state budgets at grassroots levels.

Each level of the State Budget is classified in detail by revenue resources, and by the responsibilities of subsidies mandates. Revenue resources and scope of subsidies for different levels of the State Budget are specified under the State Budget Law, which was approved by the National Assembly on 26 March 1996 (Appendix 16 refers). Law No. 06/1998/QH 10 dated 20 May, 1998, adjusts and supplements some terms specified in the State Budget Law, and these documents are used as guidelines for the implementation of the State Budget Law.

MOF has the primary role in the formulation of the State Budget. This role is performed through the Department of State Budget. The budgetary process begins with a call letter from the Prime Minister to all ministries and agencies at the various levels of government, requesting budget expenditure projections. MOF has an advisory and guiding role with regard to other ministries and agencies, and is ultimately responsible for the consolidation of the individual projections into the proposed State Budget and its submission to the National Assembly. The expenditure projections are made within the parameters of the Government’s fiscal agenda determined by the Party as advised by its Economic Committee. There is a close working relationship between the MOF and the Ministry of Planning and Investment (MPI) with regard to budgetary expenditure levels.

The budgetary process within MOF is a divided responsibility. Compiling the State Budget is the responsibility of the Department of National Budget. Once the National Assembly has approved it, the
implementation of the budget is the responsibility of the Department of Finance, which allocates the budget and monitors expenditures and revenues. Actual disbursement of funds is made through the State Treasury Department.

The National Assembly approves the State Budget under major categories of expenditure, administration, management, training, research, etc. MOF allocates funding to other ministries and agencies in a lump sum. The appropriate minister allocates his budget, internally, to the various ministerial departments, under the same major financial headings. The objectives of the Government and the individual ministries are explained in the budget document. Expenditures are accounted for under financial categories and are not related to objectives. There is a movement towards adopting performance based budgeting and accounting.

3. Allocation of State Revenues and Expenditures

The allocation of resources between different state budget levels is regulated by the State Budget Law, and specified in detail by guidelines on the implementation of the State Budget Law, which are issued by the Government (Decree No. 87/cp dated 19 December, 1996; Decree No.51/1998/ND-CP dated 18 July, 1998) and by MOF (Circular No. 103/1998/TT-BTC dated July 18, 1998).

4. The Budget Cycle

The steps to be taken for setting up budget estimates are as follows:

April:

- Prime Minister issues instruction on setting up budget estimates for the year.
- Based on the Prime Minister’s instruction, MOF issues Circular detailing guidelines on budget preparation.

End of June:

- MOF issues Control figure (or Indicative target) to each ministry, locality, (provinces, cities, etc.)
- On receipt of the Circular and “Control figure/Indicative target” issued by the MOF, the ministries and localities prepare their
budget plan according to the formats and tables issued by the MOF and attached to the Circular.

July:
- The commune and district levels complete their budget plan, and then submit it to their provincial authority.
- The ministerial affiliates complete their budget plans and submit them to their administrative ministry.

End of July and beginning of August:
- Ministries and provinces submit their proposed budget plan to MOF. First round of budget negotiations are held between MOF and ministries and provinces. Agreements on proposed budget plans can be reached during the first round of negotiations.

Beginning of September:
- Second round of negotiations between MOF and provinces and ministries on pending issues. If agreements are not reached, MOF reports these details to the Prime Minister.

End of September:
- MOF completes consolidated budget plan and makes submission to the Prime Minister.

October:
- Government submits proposed budget plan to National Assembly for consideration and approval.

November:
- Based on the approved budget plan, the Government assigns the formal budget plan to ministries and provinces.

December:
- Ministries and provinces advise the approved budget allocations to their lower levels. These detailed allocations are sent to MOF for reconciliation with the total budget.
- Spending agencies set up their budget utilization records on a quarterly basis, according to their implementation schedule.
5. Capital Investment Plan

During the period of preparing next year’s estimated annual state budget, the Investment Manager prepares next year’s estimate on capital investment, which will be submitted to ministries or executing departments in the case of projects which are managed at the central level, and the People Committees at different levels, in the case of projects which are managed by local governments. The ministries and People Committees consolidate and prepare the Capital Investment Plan, which is sent to MOF and MPI.

The Capital Investment Plan is consolidated by MOF before the 20 August each year and included in the State Annual Budget for next year. MPI submits to the Government the list of national programs, projects, and other important capital construction projects, which will be funded from the State Budget. The Government then submits this Capital Investment Plan to the National Assembly. After approval, the MPI, in collaboration with MOF, prepares and allocates estimates of capital expenditures to ministries and local governments.

6. Assets and Liabilities Management

Under Decree No. 178, MOF is given the responsibility to manage the assets and natural resources owned by the State, to manage capital and property invested by the State in enterprises and businesses, to exercise the rights of the State as owner of capital and property invested in enterprises and business, and to manage loans and debt payments, provide financial management of foreign aid, and to evaluate projects requiring foreign capital.

In practice, MOF is primarily an executing agency responsible for the accounting for, and reporting of, State assets and liabilities. These functions are exercised through the Department of Public Assets Management, the Department Finance for Enterprises, the Department of Financial Management and the Department of External Finance.

The Department of Public Assets Management is responsible for the management of State-owned assets in all enterprises, including SOEs and agencies. The main responsibilities are as follows:

- Development of policies for financial management of public assets;
- Auditing and inspections of public assets;
- Financial analysis and projections; and
- Training management and staff.
There is no central assets register maintained by the Department and each individual ministry maintains its own Assets Register.

The Department of Finance for Enterprises is mainly responsible for the activities of SOEs and its main functions are as follows:

- Evaluating the need and approval of financial subsidies for enterprises;
- Agreeing financial allocations to enterprises;
- Performing reviews of business performance efficiency by conducting inspections and analyzing reports;
- Reporting after-tax profits of enterprises;
- Developing guidelines for enterprises, exercising control and supervision of asset in mergers, splits and dissolutions;
- Providing guarantees for loan funds; and
- Seeking permission for loans and mortgages from MOF.

Within the Department is the Equitization Committee, which develops the policies to be followed in the equitization and privatization process and with other transfers of assets.

7. Corruption Issues in the Public Service

One of the most basic structural problems in Viet Nam is the low salary rates of the public sector. This has direct implications on the efficiency, integrity and reform process of the public service. The low salary issue needs to be seriously addressed otherwise the reform process may be impeded.

The Government is making an effort to reduce corruption in the Public Service. Measures taken include the issue of the Anti-corruption Ordinance and this legislation, coupled with the determination and strictness of law enforcement agencies in recent corruption cases has restored some degree of confidence in the law and justice systems regarding anti-corruption measures.
VII. Donor Assistance

This chapter describes donor-coordination mechanisms and discusses donor activities in relation to financial management and governance arrangements. It is structured as follows:

1. Overview
2. ADB Technical Assistance to Viet Nam
3. European Union Assistance

1. Overview

Table 1: Overall External Assistance to Vietnam

<table>
<thead>
<tr>
<th>External Source (US$ million)</th>
<th>Past 3-5 Years (Ann. Average)</th>
<th>1998 Approvals</th>
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<tr>
<td></td>
<td>Loan/Credit</td>
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<tr>
<td>WFP</td>
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<td>Subtotal</td>
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Table 2. Official Development Assistance

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<tr>
<th>Country</th>
<th>Dollars per capita</th>
<th>Percentage of GNP</th>
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</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>36</td>
<td>12.1</td>
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<tr>
<td>People's Republic of China</td>
<td>2</td>
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<tr>
<td>Mongolia</td>
<td>99</td>
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<td>Pakistan</td>
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<tr>
<td>Uzbekistan</td>
<td>6</td>
<td>0.5</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>13</td>
<td>4.1</td>
</tr>
</tbody>
</table>

2. **ADB Technical Assistance to Viet Nam**

ADB has been taking a series of initiatives through technical assistance arrangements for enhancing the capacity of key central institutions and for facilitating good governance practices. Major ADB initiatives include: Capacity building at the Ministry of Planning and Investment (1995); Institutional Strengthening of National Procurement Office (1994-1996); Capacity Building at State Auditor-General’s Office (1995, 1998); Strengthening Capacity for Public Administration Reform (PAR) at the Government Committee on Organization and Personnel (1996, 1998); and Retraining of Government Legal Officers at the Ministry of Justice (1997).

3. **European Union Assistance**

The major accounting project undertaken in Viet Nam in recent years is the following EU-sponsored project that relates to the development of accounting and auditing standards.

**Name of Project:** European Commission’s technical assistance program for transition to market economy in Viet Nam (EUROTAPVIET).

**Commenced:** September 1995  
**Completed:** June 1998

**Cost:** approximately US$10 million

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**General Objectives:** Developing skills and competencies for the Vietnamese accounting and auditing profession in a market economy.

**Specific Objectives**

- To establish a legal framework and a set of regulations for accounting and auditing, based on best international practices and consistent with the Vietnamese legal and economic environment;
- To improve accounting and auditing systems by developing, adopting and enforcing standards and rules for financial reporting;
- To train Vietnamese accounting and auditing experts and establish a training system that will lead to the award of internationally recognized professional qualifications; and
- To develop and improve the quality of accounting, auditing, consulting and business advisory services in Vietnamese audit firms.

**Achievements of the Project**

- Provided knowledge of international accounting and auditing standards, organized workshops on IAS and ISA, fellowships in accounting and auditing abroad, internships, study tours;
- Assisted Viet Nam in establishing relationships between Vietnamese professional bodies with international, European and Asian professional bodies. Created a relationship between Vietnamese Accounting Association (VAA) and International Federation of Accountants (IFAC) which enabled the VAA to join IFAC, also facilitated the VAA becoming a member of Asian Federation of Accountants;
- Assisted Viet Nam in gaining a thorough understanding of modern, market-oriented accounting and auditing in order to establish a profession that is consistent with international practices;
- Supported and improved the quality of training accounting and auditing experts in Viet Nam;
- Assisted Vietnamese auditing firms in improving their operation; and
- Assisted in technical matters, including the purchase of computer hardware and software, office equipment, etc.
VIII. Issues and Recommendations

The following comments and recommendations refer to the main findings of this Study, which involve gaps or weaknesses in the accounting and auditing structure. The comments and recommendations are divided into two parts

- Part One. Where the matter referred to may be considered and, if any action is to be taken, this would be better achieved with donor assistance.
- Part Two. Where the matter referred to may be considered and, if any action is to be taken, this may be achieved without the need for donor assistance.

Part One. Matters Where Donor Assistance is Required

1. Vietnamese Accounting and Auditing Standards

The Accounting Policy Department has drafted 10 Vietnamese Accounting Standards (VAS) using International Accounting Standards (IAS) as a base with adjustments to suit Vietnamese conditions. Other government departments and private sector interests including independent auditing firms have commented on four of these standards. These Standards are:

- VAS 2 Inventories
- VAS 16 Fixed Assets
- VAS 18 Revenue
- VAS 38 Intangible Assets

The following six Standards have been drafted by the Accounting Policy Department but have not been issued for comment pending the Minister for Finance's approval:

- VAS 1 Framework
- VAS 7 Cash Flow Statements
- VAS 11 Construction Contracts
- VAS 17 Leases
- VAS 21 Foreign Exchange
- VAS 23 Borrowing Costs

The Accounting Policy Department has also drafted and finalized 10 Vietnamese Standards on Auditing. At this stage four have been issued under Decision No. 120/1999/QD-BTC of the Minister for Finance as
follows:

- Standard 200 Objective and General Principles Governing an Audit of Financial Statements
- Standard 210 Terms of Audit Engagements
- Standard 230 Documentation
- Standard 700 The Audit Report on Financial Statements

Another six Vietnamese Standards on Auditing have been finalized and are with the Minister pending approval for their issue:

- Standard 250 Considerations of Laws and Regulations in an Audit of Financial Statements
- Standard 310 Knowledge of the Business
- Standard 500 Audit Evidence
- Standard 510 Initial Engagements – Opening Balances
- Standard 520 Analytical Procedures
- Standard 580 Management Presentations

The European Union (EU) assisted Viet Nam with a financial strengthening project (EUROTAPVIET) part of which covered the introduction of International Accounting Standards. This project commenced in 1995 and concluded in 1998 (for more details refer to the chapter on Donor Assistance). The Ministry of Finance (MOF) offered a second project to EU on accounting and auditing in October 1999. The EU did not respond and a second request was made in March 2000. At this stage, there is no firm commitment by EU to continue with the Project.

The MOF suggested the following proposals to EU in connection with the procedural issues of the project:

- Send International Accounting and Auditing Standards experts, with a knowledge of Viet Nam conditions, to work in Viet Nam. These experts will attend all the discussions on accounting standards drafts, auditing standards drafts and accounting law. Their responsibility would involve explanation and answering questions arising in the discussions, and commenting on the proposals and related issues.
- Providing material on accounting standards, auditing standards and accounting law of other countries.
- Organizing study tours for Vietnamese accountants to learn experiences of other countries, that have similar conditions to Viet Nam, in the setting up of the legal framework in the accounting and auditing fields.
• Organizing international conferences on accounting and auditing to discuss the result of setting up the legal framework in accounting and auditing with the assistance of the donor. The World Bank also stated their willingness to assist Viet Nam in the accounting and auditing field in June 1999. At that time, the EU had not decided whether or not to continue with the second part of the project. The World Bank decided not to proceed with their approach until the EU had made a decision; according to MOF.

It is a long and difficult process for Viet Nam to draft all the Standards required and they have requested assistance with this task. Harmonization between the new Vietnamese Accounting Standards (VAS) and the current system will need to be considered in order to avoid conflict. The special needs of State-owned enterprises (SOEs) will have to be considered. There may have to be special instructions drawn up on the use of the new Standards. The task is made much more difficult because the MOF intend to keep the format of the present system after the new VAS is introduced. The new VAS will be incorporated into a new recommended system, which will be more detailed than the present system. The discontinuance of the format of the present system is suggested because it would be a difficult task and it would be extremely time consuming maintaining an up-to-date version of the VAS in this format.

It is recommended that technical assistance be considered to assist the Vietnamese Government in the completion of the new Vietnamese Accounting Standards (VAS) and the Vietnamese Standards on Auditing.

2. Vietnamese Public Sector Accounting Standards

The International Federation of Accountants has issued eight International Public Sector Accounting Standards (IPSAS) and seven Exposure Drafts for comment. The first eight IPSAS issued are based on accrual accounting and ED 9 refers to Financial Reporting under the Cash Basis of Accounting.

Since Public Sector Accounting has now gathered momentum on an international basis, it is convenient to introduce appropriate training to cover this subject. Universities and colleges should be encouraged to include this subject in their curricula.
It is recommended that technical assistance be provided to the Government of Viet Nam in order to establish the Vietnamese Public Sector Accounting Standards and that these Standards be based on the International Public Sector Accounting Standards issued by the International Federation of Accountants (IFAC).

3. Ordinance on Accounting and Statistics

The Ordinance on Accounting and Statistics was promulgated in 1988 and remains the major law on accounting in Viet Nam. It was drafted in a period when the Government and State-owned enterprises formed the major part of the economy and foreign-invested businesses and the non-government private sector were practically nonexistent.

The Ordinance covers the uniform procedures relating to accounting which is mainly used for statistical and taxation purposes. It sets out the forms to be used, codifications and basic reporting requirements. There is no flexibility and any deviations require prior approval.

With the reform to a free market economy and the Government’s encouragement of private and foreign investment, it is appropriate that the accounting laws be completely reviewed.

It is recommended that the Ordinance on Accounting and Statistics be repealed and technical assistance be provided to the Government of Viet Nam for the drafting of a new Law on Accounting.

It is also recommended that this Law should be drafted in parallel with the drafting of the new Vietnamese Accounting and Auditing Standards and that its promulgation should occur no later than the formal issue of the new Standards.

4. Accountancy Education and Training

Seventeen universities in Viet Nam provide full-time education in accounting; eleven are owned by the State, and six are privately owned. Six State-owned universities provide full-time education in postgraduate studies. There are numerous institutions and colleges, which provide full and part-time training in accountancy. It has been estimated that there are approximately 7,000 to 8,000 accountancy students currently undergoing training in Viet Nam, and there are approximately 65,000 to 70,000 accountants in the workforce. Although an accountant needs
ISSUES AND RECOMMENDATIONS

analysis has not been done, it would appear that the number of accountancy training institutions is adequate. The Curriculum for the Bachelor of Accounting Degree Course at the Hanoi University of Finance and Accountancy, which is the leading accountancy training institute in Viet Nam, was revised last year to give more weight to accountancy studies. The Ministry of Education is responsible for curriculum development in State-owned institutions.

The Ministry of Finance (MOF) does not do a great deal of formal accountancy training. The MOF organizes workshops and seminars for specialist training, such as the EU project, and organizes some retraining and training for on-the-job activities. It also organizes overseas attachments and sponsorships for its staff.

The main consideration for accountancy training is the future requirements when the new Vietnamese Accounting and Auditing Standards are issued. The staff of the State-owned enterprises (SOEs), which make up 50 percent of the economy, will need special attention and training courses will need to be developed. Special instructions on the use of the new Standards may need to be developed. Training of Central Government staff will also require special attention. The new International Public Sector Accounting Standards (IPSAS) have recently been issued by IFAC, and, if the Government of Viet Nam agrees to accept these as a base for the introduction of Vietnamese Public Sector Accounting Standards, then Government financial staff will need training on the use and application of these new Standards.

A “train-the-trainers” program will need to be implemented to cover all teachers, lecturers and professors involved with accountancy training in the universities, colleges, and institutions. Local international auditing firms can probably handle some of this training and some specialist trainers may need to be recruited from overseas.

- It is recommended that technical assistance be provided to the Government of Viet Nam to draw up a plan for the training of Vietnamese accountants and accountancy students in the use of the new Vietnamese Accounting and Auditing Standards. This will also include training in the use and application of the Vietnamese Public Sector Accounting Standards if it is decided to adopt the international standards as a base.

- This plan should be drawn up in parallel with the setting up of the new Standards. The plan should cover the special training needs of Government and SOE staff. The plan should also include a “train-
the-trainers” program for accountancy teaching staff at universities, colleges and institutions. The MOF should take the lead in the training of Government staff if it is decided to establish Vietnamese Public Sector Accounting Standards.

5. Training for Accounting Lecturers and Professors

There is no specific advanced training program for continuing education of accounting lecturers and professors in Viet Nam. In order to develop competent accounting graduates, the trainers themselves must be thoroughly conversant with modern day practices and trends. Figure 1 presents a simplified way of looking at the factors that support the development of competent accountants.

![Figure 1: Developing Competent Accountants](image)

It is recommended that:

- a specific training program for accounting professors and lecturers be developed and implemented. This training program should include present day best practices in accounting procedures and current information available on International Accounting Standards. Important matters such as information technology (including both hardware and software) should also be included; and

- a professional organization be established in order that accounting professors and lecturers may further their education and share their technical knowledge through a common forum.

6. Public Accounts Committee

Under Viet Nam laws and regulations, there appears to be no independent body that is separate from the Government, which carries out an independent review of all public expenditures incurred by government ministries, agencies and enterprises. Most countries have
established a Public Accounts Committee that publicly examines the expenditure of governments and their agencies.

The People’s Office of Supervision and Control appears to have some of the responsibilities of a Public Accounts Committee. However, the obligations cover general misdemeanors rather than specifically relating to public accounts. These obligations are covered in Articles 137 to 140 of the Constitution of the Socialist Republic of Viet Nam.

A well-meaning and competent Public Accounts Committee, made up of members of the National Assembly, instills public confidence in government financial operations.

The general functions of most public accounts committees are to examine the accounts of Government and State-owned enterprises to ensure that amounts expended were appropriate and in accordance with budget and were applicable to the service for which they were charged or allocated. Some countries go much further than this, and the PAC is sometimes responsible for the examination of annual financial statements and the examination of reports of the State Auditor which are submitted to Government. In most cases members of public accounts committees are not necessarily qualified accountants and their obligations and duties should reflect this fact.

The main advantages of having a competent Public Accounts Committee in operation are that it is independent from the Government and its decisions, findings and recommendations are formulated without bias. The hearings are transparent and open to the public and this adds public confidence to the results of the investigations.

It is recommended that:

• A Public Accounts Committee (PAC) be established and be comprised of members from the Vietnamese National Assembly. The PAC should be established by law and the objectives, rules and procedures should be transparent and in the interests of the public.

• Technical assistance be provided to the Government of Viet Nam to assist in drafting the necessary laws and regulations.

7. Review, Consolidation and Translation of Laws

The regulatory framework, involving the laws, ordinances, decrees, circulars and decisions of the Vietnamese authorities, appears in need of review and consolidation for ease of reference by professionals and other
users. In many cases, titles have changed and cross-references are either incorrect or out-of-date.

The review and consolidation of the laws would make the task easier for potential investors to be able to understand the procedures, the potential problem areas and the likely benefits when making investment decisions. There would be less reliance on expensive professional advice about matters, which an investor should be able to read about and understand for himself.

Not all the laws promulgated have been translated into English. The English language is the most commonly used language in the world today. It would be of benefit to most potential foreign investors and donors, and Viet Nam, if all laws, especially the commercial laws, were translated into the English language.

It is recommended that:

- the Vietnamese laws, ordinances, decrees, circulars and decisions be administratively reviewed and updated for ease of reference, and
- for ease of reference by most foreign investors, it is also recommended that technical assistance be provided for all current commercial laws to be translated into the English language. The consolidation of all laws, etc., is best done by way of computerization; once the database is completed, any future reviews become much less complex and time consuming. Once this task is achieved, the majority of the community should benefit. Reference to laws, etc., will be made easier, there will be less reliance on expensive solicitors, the work of professional people and academics will be facilitated.

Part Two. Where Donor Assistance is Not Required

8. Viet Nam Accounting Association

An examination of the Charter of the Viet Nam Accounting Association (VAA) reveals the following functions, which are being undertaken by the Government instead of the Association:

- Formulating policies and regulations and achieving national standards for the profession; and
- Exercising control over professional ethics of members and development of a code of ethics.
The following functions do not appear to be covered by either the Association or the Government.

- Monitoring and upgrading of the professional qualifications of practitioners; and
- Carrying out research for enhancement of information technology.

The Ministry of Finance (MOF) issues practising certificates for auditors although this is part of the Association’s Charter, and the Certificate may be issued even if the applicant is not a member of the Association. Soon the MOF will be issuing “Professional Accountants” certificates and this is also the responsibility of the Association under its Charter.

The Association is financially weak and this situation has been brought about partly by lack of funds because of the low level of annual subscriptions, and partly through nonpayment by members. Many of the VAA objectives and functions are not being achieved, yet, on the surface, it would appear that the Association should be strong and should be able to achieve its aims. The Viet Nam Accounting Association has over 5,000 members, the Central Committee has 55 members and the Standing Committee has 15 members. These are impressive numbers and there are many accounting associations in other developing countries with far less numbers where the society and the profession are strong.

The Central Committee is in office for five years and is required to meet only once per year. This Committee monitors the Association’s operations and elects the members of the Standing Committee. The Standing Committee assigns tasks to the various subcommittees by resolution and is required to meet only twice per year. To be effective, the General Committee and the Standing Committee should be required to meet on a much more regular basis.

It would seem that the solution to the problem rests with the Association to have the willingness to carry out its functions in accordance with its Charter and for the Government to accept that it must divest itself of these functions.

The nonadmission of foreigners should also be reviewed. In most countries, non-citizens are admitted to local accounting associations if their qualifications are acceptable to the Council. In Viet Nam, it is reasonable that every practising auditor should be a member of VAA including foreigners. Another advantage is that non-citizen practising auditors are usually senior accountants who would bring a great deal of experience to the profession.

**It is recommended that:**
In order to strengthen the VAA and to monitor the operations on a more regular basis the Committee structure should be reviewed as follows:

- The General Assembly should meet annually, not every five years, and elect the members of the various Committees; and
- The Central Committee should be abolished and its functions taken over by the Standing Committee, which should be renamed the “Council,” and which should meet at least once every two months.

The Standing Committee adopts a more positive role in achieving the functions outlined in the VAA Charter. Many of the functions of the VAA are currently being undertaken by the MOF (Accounting Policy Department). Examples of this include the following:

- Development and monitoring of a Code of Ethics;
- Quality Control of Practitioners;
- Assist in formulating accounting policies and regulations;
- Achieving national Accounting and Auditing Standards;
- Monitoring and upgrading of the professional qualifications of members; and
- Carrying out research especially in the field of information technology.

The above functions are currently well covered by MOF and a properly planned transition process and timetable needs to be formulated before any transfers of functions take place. ADB technical assistance could be considered if deemed appropriate. It is strongly recommended that the formulating of National Accounting and Auditing Standards should remain with MOF until this exercise is complete.

The VAA should also consider increasing its fees and the raising of funds through the organization of more high standard workshops and seminars for attendance by the financial community.

The VAA should open its membership to non-citizens. The benefits of this are the increase in members and fees and the international experience that the non-citizen members would bring to the benefit and knowledge of citizen members.

The VAA should also consider the introduction of different membership status levels within its structure and the setting up of professional exams for advancement in status.
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9. Establish Public Sector Accounting Standards Board

The Viet Nam Accounting Standards Board was established in 1999 with the responsibilities of planning, organizing and implementing the Vietnamese Accounting Standards (VAS). The new VAS will be based on International Accounting Standards (IAS) which are recommended for use by “for Profit” organizations.

The International Federation of Accountants (IFAC) saw the need to develop another set of accounting standards for “not-for-profit” organizations, which mainly consisted of national governments, and, in 1996, formed a committee to develop a set of International Public Sector Accounting Standards (IPSAS). These Standards were issued in May 2000 and included eight Public Sector Standards and one guideline. A further seven Exposure Drafts were issued in July 2000. Most countries have two Accounting Standards Boards; one for the private sector and one for the public sector.

It is recommended that consideration be given to the setting up of a Vietnamese Public Sector Accounting Standards Board in order to plan and establish the Vietnamese Public Sector Accounting Standards, and to organize and monitor the implementation of these Standards.

10. Conflict of Interest

There are more than 5,000 state-owned enterprises (SOEs) in Viet Nam, owned by the central Government and “managed” by the ministry that has functions and powers that relate to that SOE. While this procedure may be suitable from an administrative point of view, it does present problems in the nature of a conflict of interest.

A typical example is the case of the Viet Nam Auditing Company (VACO), the largest and most successful State-owned auditing company in Viet Nam, which is “managed” by the Ministry of Finance. Conflicts of interest could arise in the following circumstances:

- The letting of tenders for auditing and accounting work either when the Government is awarding the tender, or where the Government plays a role in recommending a certain tender.
- Representatives of the Ministry of Finance are the officials to whom the public makes complaints in connection with the competency of accounting and auditing firms. There is an obvious conflict of interest if a complaint is received involving the Viet Nam Auditing Company.
Financial Management and Governance Issues in Viet Nam

- The Ministry of Finance is responsible for the “quality control” of accounting and auditing firms. This could also give rise to a conflict of interest situation.

The SOEs will be equitized over future years in accordance with the Equitization Plan of the Government and the conflict of interest situation will diminish. Until this happens it is recommended that:

- In the case of public complaints on quality control of accountants and auditors, these responsibilities should be handed over to the Viet Nam Accounting Association at the appropriate time; and
- In the case of the letting of accounting and auditing tenders, where the Viet Nam Auditing Co. (VACO) or any other state-owned accounting company is involved, an independent board should be established to oversee the selection process.

11. Transparency Issues

There is a lack of transparency with Government financial reporting. This is not uncommon in nations that have recently emerged from a centralized, controlled economy to an open free market situation. The procedures of the past are difficult to change and Government officials are reluctant to make information public which they had not been required to do before. In some cases, it has been suggested that officials are reluctant to publicize information because of the dubious or poor quality of such information.

There needs to be an increase in transparency in connection with budgetary and public accounts information. In addition, the situation with obtaining financial information concerning SOEs is also most difficult. Circular No. 65 dated June 1999 prescribes the amount of information available to the government, the employees and other interested parties. Most public inquiries would be classified in the third category, and the information available under this category excludes the annual financial statements of SOEs, although certain information relating to assets, debt, and profits is available.

It is recommended that all Government accounts of public expenditures and revenues and all State-owned enterprises annual financial statements be classified as public information, and that all statistical data, inventories of public property, government procurement policies, and the like, be also classified as public information.
12. Financial Performance Indicators

Under the Viet Nam Accounting System, certain ratios are required to be included as notes to the financial statements. These ratios are not strong indicators of performance and they are not the ratios generally required by international lending agencies as part of the covenants of loan agreements.

In many countries, public service State-owned enterprises, in particular those that generate their own revenue, often include financial performance indicators as Notes to the Financial Statements. These financial performance indicators include Rate of Return, Self-Financing Ratio (Contribution to Capital Ratio) and Debt Equity Ratio.

- The Rate of Return measures the profitability of an organization based on the return (expressed as a percentage) it achieves on the invested capital.
- The Self-Financing Ratio measures the amount of self-generated funds invested in the acquisition of capital assets.
- The Debt Equity Ratio is a measurement of long-term debt expressed as a ratio of long-term debt and equity.

These financial performance indicators assume greater significance when used as a benchmark for comparisons between financial periods.

It is recommended that consideration be given to the adoption of financial performance indicators (as recommended by international lending agencies) as benchmarks for comparison purposes between financial periods in public service State-owned enterprises that generate their own income. If adopted, the indicators recommended are the Rate of Return, the Self-Financing Ratio and the Debt Equity Ratio; and further, that these indicators be included as Notes to the Financial Statements.

13. ADB Anti-corruption Policy

The ADB's anti-corruption policy centers on three objectives: (i) supporting competitive markets, and efficient, effective, accountable, and transparent public administration as part of ADB's broader work in governance and capacity building; (ii) supporting promising anti-corruption efforts on a case-to-case basis and improving the quality of ADB's dialogue with its developing member countries (DMCs) on a range of governance issues, including corruption; and (iii)
ensuring that ADB’s projects and staff adhere to the highest ethical standards.

In order to combat corruption in the public service, the following procedures should be considered:

- A Public Accounts Committee needs to be established and adequately recognized in the Constitution or by legislation. The advantages of establishing an independent Public Accounts Committee, and its functions have been detailed previously.

- Adequate accountability measures should be in place within the public service. These measures should be transparent to the individuals concerned and should be covered in position descriptions or included in finance instructions.

- Procedures should be in place for the detection and investigation of corruption. Strengthening internal control procedures or broadening the scope of the internal audit may achieve this.

- The employment and training of accountants should be enhanced within the public service. All accounting bodies have a stringent code of ethics and deviations from this code could lead to dismissal from the accounting society. The employment of people committed to these ethical codes of behaviour will enhance the overall integrity of public servants. Employees should be encouraged to further their careers by taking up additional training that will lead to obtaining professional qualifications. The Government should undertake Retraining and training in Government procedures.

- Effective internal controls with properly constructed transparent guidelines should be established and adherence to these guidelines should be monitored. This monitoring process could be achieved by inclusion in the mandate for internal audit.
IX. Main Deficiencies and Action Plan

Viet Nam is making steady progress during its transition from a centralized, controlled socialist economy to that of a free market economy. The gaps, weaknesses, and deficiencies observed during the course of this study may be summarized in two categories:

- Those deficiencies that are better able to be resolved using donor assistance.
- Those deficiencies that are able to be resolved using Vietnamese resources without the need for donor assistance.

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<tbody>
<tr>
<td>Assisting with the drafting of a completely revised Law on Accounting which will include the mandatory application of the new Vietnamese Accounting Standards</td>
<td>High</td>
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<td>Assisting with training Accountants and Auditors on the new Accounting Standards and Standards on Auditing</td>
<td>High</td>
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<td>Assistance with the development of a training program for accounting lecturers and professors</td>
<td>High</td>
<td>✓</td>
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## Main Deficiencies and Action Plan

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<td>The avoidance of conflict of interest situations involving the</td>
<td>High</td>
<td>×</td>
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<td>operations of State-owned enterprises</td>
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<tr>
<td>Assisting with the drafting of the Vietnamese Public Sector</td>
<td>Medium</td>
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<td>Accounting Standards using International Public Sector</td>
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<td>Accounting Standards as the base</td>
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<tr>
<td>Review, consolidation, and translation of Vietnamese laws,</td>
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<td>ordinances, decrees, decisions, and circulars</td>
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<td>The strengthening the Vietnamese Accounting Association and</td>
<td>Medium</td>
<td>×</td>
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<td>allowing of non-citizens as members</td>
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<td>The lack of transparency with government reporting involving the</td>
<td>Medium</td>
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<td>Budget Accounts</td>
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<td>The application of financial performance indicators in revenue</td>
<td>Medium</td>
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<td>generating State-owned enterprises</td>
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<td>Establishment of the Public Accounts Committee</td>
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<tr>
<td>Establishing a Public Sector Accounting Standards Board</td>
<td>Low</td>
<td>×</td>
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References

Ernst & Young. Spotlight Business June 2000.
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<th>Name</th>
<th>Position</th>
<th>Organization</th>
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<tbody>
<tr>
<td>Bui Van Mai</td>
<td>Director</td>
<td>Accounting Policy Department, MOF</td>
</tr>
<tr>
<td>Pham Xuan Luc</td>
<td>Manager</td>
<td>Accounting Policy Department, MOF</td>
</tr>
<tr>
<td>Nguyen Lan Huong</td>
<td>Deputy Chief</td>
<td>International Financial Relations Div. Dept. of External Finance, MOF</td>
</tr>
<tr>
<td>Andrew Weekes</td>
<td>Partner</td>
<td>KPMG</td>
</tr>
<tr>
<td>Erick Vega</td>
<td>Audit Manager</td>
<td>Arthur Andersen Viet Nam Ltd.</td>
</tr>
<tr>
<td>Paul Coleman</td>
<td>Senior Manager</td>
<td>PriceWaterhouseCoopers (Viet Nam) Ltd.</td>
</tr>
<tr>
<td>Tran Dinh Cuong</td>
<td>Audit Manager</td>
<td>Ernst &amp; Young</td>
</tr>
<tr>
<td>Mdm. Dr. Phung Thi Doan</td>
<td>Deputy Director</td>
<td>Accounting Policy Dept., MOF</td>
</tr>
<tr>
<td>Le Tuyet Nhung</td>
<td>Expert</td>
<td>Accounting Policy Dept., MOF</td>
</tr>
<tr>
<td>Dan Thai Hung</td>
<td>Deputy Director</td>
<td>Accounting Policy Department, MOF</td>
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<tr>
<td>Phan Van Dang</td>
<td>Deputy Director</td>
<td>Accounting Policy Department, MOF</td>
</tr>
<tr>
<td>John Samy</td>
<td>Resident Representative</td>
<td>ADB</td>
</tr>
<tr>
<td>Le Dinh Thang</td>
<td>Project Officer</td>
<td>ADB</td>
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<tr>
<td>Mdm. Ha Thu Thanh</td>
<td>General Director</td>
<td>Viet Nam Auditing Co.</td>
</tr>
<tr>
<td>Rowell Tan</td>
<td>Senior Manager</td>
<td>Deloitte Touche Tohmatsu VACO</td>
</tr>
<tr>
<td>Nguyen Van Minh</td>
<td>Economist</td>
<td>World Bank</td>
</tr>
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Appendix 2. RETA-5877 (Regional Study) Information

1. Study Phases

The study had four broad phases as follows:
Phase I – Viet Nam Case Study on Accounting and Auditing Support and Structures
Phase II – Hanoi Workshop (10-11 August 2000)
Phase III – Development of Reference Materials
Phase IV – Formulation of Action Plan

2. Phase I: Case Study On Accounting and Auditing

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

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

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

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

3. Phase II: Hanoi Workshop

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

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

4. Phase III: Development of Reference Materials

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

Phase IV assessed the roles that ADB and other funding agencies played in improving the current situation in the selected DMCs. The roles included policy intervention, projects and program assistance, and mobilization of cofinancing resources to address the identified problems and weaknesses. This activity was undertaken in close consultation with the Government, regulatory authorities, representatives of the accounting and auditing professions, and other local interest groups and funding agencies. At this stage of the RETA, the commitment in principle of each selected country to implement the findings and recommendations of the study was agreed. The findings of the RETA were disseminated and debated at a conference in Manila on 16-18 October 2000 and the developed action plan was finalized for implementation.
Appendix 3. Regulatory and Legal Framework

1. Introduction

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

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

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

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

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

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

2. Process of Law Making

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

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

1. Laws Passed by National Assembly
2. Ordinances Approved and issued by Standing Committee
3. Decrees Issued by Prime Minister
4. Circulars, Decisions Issued by Minister
3. **The Ordinance on Anti-Corruption**

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

4. **Foreign Investment Law**

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

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

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

5. **The Land Law**

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

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

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

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

Ownership of buildings is permitted under Vietnamese law for Vietnamese individuals and organizations, in contrast to the position regarding the land on which the buildings are constructed. The rights of foreign individuals and organizations to own buildings remain to be clarified.
Appendix 4. Constitution of Socialist Republic of Viet Nam

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

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

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

1. Introduction

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

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

The Government is administered at four levels, central (national), provincial and cities (61), districts and towns (500) and communes (10,000).
At the local government level, the current constitutional system provides for local government by People's Councils within the various administration areas. The People's Committees are appointed by the People's Council for their administrative areas. For this purpose, Hanoi, Ho Chi Minh City, Haiphong and Can Tho are under central control and therefore have their own People's Committee. In other cases, the People's Committee covers the province concerned.

2. Political Climate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. The President

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

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

6. The Government

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

- **Article 109.** The Government is the executive organ of the National Assembly, the highest organ of state administration of the Socialist Republic of Viet Nam. The Government is accountable to the National Assembly and makes its reports to the National Assembly, the Standing Committee, and the country's President.

- **Article 110.** The Government is composed of the Prime Minister, the Deputy Prime Ministers, the Cabinet Ministers, and other members. With the exception of the Prime Minister, its members are not necessarily members of the Assembly. The Prime Minister is accountable to the National Assembly and makes his reports to the National Assembly, its Standing Committee, and the country's President.

- **Article 112.** The following are the main duties and powers of the Government:
  - To direct the work for the ministries, the organs of ministerial rank and the organs of the Committees at all levels;
  - To ensure the implementation of the Constitution and the law;
  - To present draft laws, decree-laws and other projects to the National Assembly and its Standing Committee; and
  - To ensure the overall management of the building and development of the national economy; to carry into effect national financial and monetary policies; to manage and ensure the effective use of property in the ownership of the entire people; to promote the development of culture, education, healthcare, science and technology, to carry out the plan for socio-economic development and to give effect to the State budget.

- **Article 113.** The tenure of the Government is the same as that of the National Assembly. When the latter's tenure ends the Government continues in office until the new legislature establishes a new government.
7. **The Prime Minister**

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

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

8. **People’s Councils and People’s Committees**

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

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

The People’s Committee of the city (in the case of cities which are under the central government) or province also plays a role in foreign private
sector investment. The People’s Committees will have input in particular, on issues such as the compatibility of projects with the development plan for the city or province, evaluation of assets, evaluation of the financial status of both parties, the supply of utilities for projects, issues relating to the lease of land, and the right to use land required for the project.

9. People’s Office of Supervision and Control

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

- **Article 137.** The Supreme People’s Office of Supervision and Control supervises and controls obedience to the law by ministries, organs of ministerial rank, other organs under the Government, local organs of power, economic bodies, social organizations, people’s armed units, and citizens. It exercises the right to initiate public prosecution, and ensures a serious and uniform implementation of the law.

- **Article 139.** The Head of the Supreme People’s Office to Supervision and Control is responsible to the National Assembly and, when the latter is not in session, to its Standing Committee and to the country’s President.
Appendix 5. Government Ministries

1. Government Ministries
There are 17 Ministries in the Government:
• Ministry of Industry
• Ministry of Transport & Communications
• Ministry of Training & Education
• Ministry of Fisheries
• Ministry of Labor, Invalids & Social Affairs
• Ministry of Planning & Investment
• Ministry of Foreign Affairs
• Ministry of the Interior
• Ministry of Trade
• Ministry of Agriculture & Rural Development
• Ministry of Defense
• Ministry of Culture & Information
• Ministry of Construction
• Ministry of Public Health
• Ministry of Justice
• Ministry of Finance
• Ministry of Science, Technology & Environment

2. Ministerial Equivalent Bodies
• State Bank
• Central Committee for Nationalities and Mountainous Region
• Government Personnel Department
• State Committee for Inspection
• Office of the Government
• Viet Nam Committee for the Protection and Take Care of Children
• Committee for Population
Appendix 6. Government Bodies

1. Government Bodies

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

- National Assembly Office
- People’s Supreme Organ of Control
- People’s Supreme Court
- President Office
Appendix 7. State-owned Enterprises

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

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

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

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

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

State Audit may carry out the audit of financial statements of some State-owned enterprises following the decision of the Prime Minister. This audit could extend to performance audit and compliance audit. These audits are normally carried out on a random selection basis. However, they may be ordered by the Prime Minister if questionable circumstances arise with regard to the operations of particular SOEs involved.
The Government’s Annual Equitization Plan sets the criteria for equitization. The target for 1999 was 400 SOEs to be equitized and this was not achieved. MOF decides how many SOEs each line ministry will equitize.

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

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

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

In summary, the equitization process consists of the following:

- SOE Planning Committee starts the sequence
- Inventory of assets is compiled
- Identification of potential buyer, business plan and a profitability assessment is made.
- MOF values the SOE
- Valuation sent to the line ministry/People’s Committee for approval
- Sale of shares is organized.
Appendix 8. Institute of Finance Research

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

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

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

A sub-institute was founded three years ago in Ho Chi Minh City. There will be a continued need for an Institute presence in the south as HCMC will become a leading financial center as a result of the opening of the first stock exchange. The Institute has a staff of 55, comprising 35 research staff, and 20 administrative support staff.
Appendix 9. Ministry of Planning and Investment

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

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

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

In cases where the approval of a higher government agency is required for a project, the MPI issues an investment license for the project on the basis of the approval given by that agency. Examples include projects of national importance, oil and gas investment projects, and build-operate-transfer contracts which would require the approval of the office of the Prime Minister.
Appendix 10. The Stock Exchange

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

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


Appendix 11. Private Sector Enterprises

1. Joint Venture Companies

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

2. Build-Operate-Transfer Contracts

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

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

3. Export Processing Zones

To encourage and facilitate export-oriented production, the Government has initiated the development of a number of export processing zones (EPZs) within Vietnam which provide simplified foreign investment approval procedures, tax incentives and preferential treatment and modern infrastructure for the foreign investors.
Appendix 12. The Banking Sector

1. The State Bank of Viet Nam

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

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

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

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

2. Functions of the State Bank of Viet Nam

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

1. The State Bank of Viet Nam is a Government body and is also the central bank.
2. The State Bank has the function of state management of monetary and banking operations, and is the bank providing the Government with monetary services.
3. The State Bank is responsible for stabilizing the value of money, ensuring the safety of banking activities and of credit organizations, and facilitating the development of a socialist-oriented economy.

4. The State Bank is a legal entity, having prescribed capital owned by the State, with its principal office located in Hanoi.

3. National Monetary Policy

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


The State Bank has the following powers and duties:

- In relation to its functions of State management:
  1. To participate in the development of strategies and plans for social and economic development of the State;
  2. To formulate the national monetary policy project for consideration by the Government for submission to the National Assembly for approval and organization of implementation; formulating strategies for development of the system of banks and credit organizations in Viet Nam; and
  3. To formulate draft laws, ordinances and other projects in relation to currency and banking operations; to issue legal instruments under its authority.

- In relation to currency and banking operations:
  1. To issue to or withdraw from credit organizations establishment and operating licenses in respect of other banks; to make decisions on dissolution, division or merger of credit organizations in accordance with provisions of law;
  2. To carry out examination and inspection of banking operations; to control credit operations; and to deal with offences in relation to currency and banking operations under its authority;
authority, representative offices within and outside the country, and other subsidiary units.

6. **State Bank Leadership and Administration**

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

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

7. **Information Activities**

- **Collection and provision of information**
  1. The State Bank shall carry out the collection, analysis, and forecast of information in relation to economic, financial, monetary, and banking operations within and outside the country for the purposes of formulation and implementation of the national monetary policy. Relevant organizations and bodies shall be responsible for providing the State Bank with necessary information as requested in accordance with provisions of the Government.
  2. The State Bank shall exchange information with and act as an agency providing information in relation to monetary and banking operations for credit organizations and other organizations and individuals.

- **Public Availability of information.** The State shall make public information in relation to monetary and banking operations. The Government shall provide for the scope, forms, and time of publication of such information.

- **Maintenance of confidential information.** The State Bank shall formulate and submit to the Government for decision a list of confidential documents in relation to monetary and banking operations; and shall maintain secrets of the State, of the State Bank, and of clients in accordance with provisions of the law.
• Accounting operations of the State Bank. The State Bank shall carry out accounting operation in accordance with the account and voucher system provided for in the laws on accounting and statistics.

• Auditing. Annual financial reports prepared by the State Bank shall be audited and certified by the State auditing body.

• Fiscal year and financial reports. Fiscal year of the State Bank shall commence on 1st January and finish on 31 December of the calendar year. The State Bank complies with the reporting regimes stipulated by law.

• Banking inspection. The banking inspection body shall be the inspection body, being a part of the organization of the State Bank. The relations between the banking inspection body and the State inspection body shall be specified in the laws on inspection. The organizational structure, duties, and powers of the banking inspection body shall be stipulated by the Government.

• Objects of the banking inspection. The banking inspection body shall be established for the purposes of ensuring the safe operations of credit organizations, protecting the legitimate rights and interests of depositors, and implementing the national monetary policy.

• Operations of the banking inspection body. The banking inspection body shall carry out the following operations:
  • To inspect the observance of the laws on monetary and banking operations and the implementation of provisions provided for in the licenses for conducting banking transactions;
  • To identify, prevent, and deal with, within its authority, or make proposals for relevant competent bodies to deal with, breaches of the laws on monetary and banking operations; and
  • To make recommendations on measures to ensure the implementation of the laws on monetary and banking operations.

• Powers of the banking inspection body. The banking inspection body shall, in carrying out inspections, have the following powers:
  • To request the objects of inspection and concerned parties to provide any documents and evidence, or to answer questions in relation to the contents of inspection;
To make records of inspection and recommendations on solutions to deal with offences; and
To apply measures to prevent or deal with offences in accordance with provisions of the law.

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

8. Foreign Banks

Foreign banks may be represented in Viet Nam as follows:
- A representative office;
- A branch of the foreign bank;
- A joint venture bank established by the foreign bank and a Vietnamese bank.

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

A. Representative offices

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

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

B. Branches

The State Bank issues a banking license for the branch of the foreign bank which will specify the capital of the branch and the banking activities which it is permitted to engage in. The minimum required
capital for a branch of a foreign bank is US$15 million. The Vietnamese authorities are treating foreign bank branches in the same way as wholly foreign-owned companies.

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

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

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

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

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

10. Banking System Statistics in Viet Nam
- State Bank of Viet Nam
- 6 State-run commercial banks
- 48 Commercial joint-stock banks
• 26 branches of foreign banks
• 4 joint-stock banks
• 9 finance leasing companies
• 6 financial companies
• 980 credit organizations

The six State-run commercial banks:
• Bank for Investment and Development of Viet Nam
• Agriculture and Rural Development Bank
• Industrial and Commercial Bank (Incombank)
• Bank for Foreign Trade of Viet Nam (Vietcombank)
• Bank for the Poor
• Bank for the Development House of Cuu Long River Area

The 26 branches of Foreign Banks:
ABN-Amro Bank, ANZ, Credit Lyonnais, Asian International Bank, Banque Indosuez, Bank of America, Bangkok Bank, Banque Nationale de Paris, Banque Francaise du Commerce Exterieure, Citibank, United Overseas Bank, the Hong Kong and Shanghai Bank, Standard Chartered Bank, ING Bank, the Thai Military Bank, United Overseas Bank.

The four joint stock banks:
• Indovina Bank
• VID Public Bank
• Fist Vina Bank
• Vinasiam
Appendix 13. Hanoi University of Finance and Accountancy

The Bachelor of Accounting degree course is structured as follows:

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

**Part II: Compulsory**
1. Economics of Industries
2. Economic Mathematics
3. Foreign Language
4. Applied Informatics
5. Theory of Finance
6. Theory of Currency
7. Theory of Statistics
8. Basic of Accounting
9. Management of Money and Credit
10. Business Management
11. Economic Laws
12. Enterprise Statistics
13. State Taxation
14. Thesis
15. Exercise
16. Substance Education
17. Defence Education
19. Economics of Environment
20. Marketing
21. Stock Exchange

For Selection:
1. International Economics
2. Economic of Investment
3. Insurance

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

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

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<th>Order</th>
<th>Subject</th>
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<td>1</td>
<td>Philosophy</td>
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<td>Methods for Teaching</td>
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<td>Methods for Science Research</td>
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<td>History of Economics</td>
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<td>Financial Mathematics</td>
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<td>Basics of Accounting</td>
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<td>17</td>
<td>Management of Investment Project</td>
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Appendix 14. Financial Government Departments

1. Seniority Order Within Departments

The order of authority in financial Government departments is:
1. Minister
2. Vice-Minister
3. Director (Senior Expert)
4. Deputy Director (Senior Expert)
5. Manager or Chief (Key Expert)
6. Deputy Manager or Deputy Chief (Key Expert)
7. Expert

2. Ministry of Finance

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

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

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

- Manage the State's financial, accounting, and budgeting processes
- Provide guidance to ministries and agencies, government agencies and People's Committees at the provincial level and cities directly under the central government in drawing up the state budget
- Lead in the drawing up of the Draft State Budget, undertaken together with the State Planning Committee (SPC); make projections of allocations to ministries and other government agencies for submission to the National Assembly; implement the budget approved by the National Assembly
- Monitor budgetary spending by ministries and government agencies etc.
• Draw up of the Government’s final annual budget statement (financial report) for presentation to the National Assembly
• Together with SPC, draw up short mid-and long-term plans for socio-economic development, capital construction, etc.
• Provide advice to ministries and other government agencies with regard to development plans, financial investment policies, wages, prices, etc.
• Draft laws, ordinances and other legal documents in relation to taxes, fees and other revenues
• Administer the collection of taxes, fees, etc
• Manage the State Budget Fund, State Financial Reserve, Central Foreign Exchange Fund and temporarily seized or confiscated properties
• Make allocations from the State Budget; capital construction allocations in accordance with government regulations
• Provide preferential loans (guarantees) for projects and programs in accordance with government regulations
• Undertake measures of financial support (guarantees) for the implementation of socio-cultural targets
• Manage the capital, value of assets and natural resources owned by the State
• Manage capital and property invested by the State in enterprises and businesses
• Exercise the rights of the State as owner of capital and property invested in enterprises and businesses
• Monitor the financial accounts of State-owned Enterprises
• Suspend and recover budget allocations spent not in accordance with the approved budget or contrary to financial management regulations
• Manage loans and debt payments, providing financial management of foreign aid, evaluating projects requiring foreign capital
• Prepare documents relating to participating in international financial conventions
• Manage the insurance business and services; issuing shares and bonds; manage social funds, lottery operations
• Provide audit and accounting services, and other financial services
• Assist in the development of the capital market
• Conduct financial control and inspection of all administrative and self-managed organizations, SOEs and other organizations funded through the State budget
• Represent the Government in dealings with international financial institutions as directed by the Government
• Exercise functional direction over financial, accounting, and auditing officers and employees
• In addition there are five specialized State management agencies attached to MOF, whose roles and responsibilities are set out in separate Decrees
• Aimed at MOF employees and financial officers in the provinces
• Management of Financial Sector Research

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

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

The State Treasury has 607 offices, six offices at the central level, 61 provincial offices and the rest at the district level. State Treasury is responsible for managing the Government Budget Funds, mobilizing capital for the Government Budget and for the development of investment. The main activities consist of:
• Centrally managing budget revenues (including revenues from aid, domestic and foreign borrowings); and allocating budget revenues to different budget levels according to law;
• Making payments and controlling budget expenditure by spending agencies according to approved budget projections;
• Controlling and making payments for the Government Budget’s capital expenditure.
Mobilizing funds for the Government’s Budget and for development investment; and the issuing Government bonds;

Conducting the accounting and final accounts of the Government Budget Funds.

Making payments and lending in the targeted program and socio-economic development projects; and

Keeping custody of cash, assets, and transferable documents of the State.

State Treasury Departments:

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

6. Accounting Policy Department

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

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

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

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

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

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

- Germany and UNDP: Managing State Budget.
- French Government: Computerization of State Treasury system.
- SIDA Switzerland: Computerization of Taxation system.
- EU: Accounting and Auditing field.

Departments are responsible for developing individual departmental systems. The Informatics Board has the overall responsibility of coordinating program procedures. Computerization of the State Treasury is strong and there is a network link between Central Treasury and the treasury offices in 61 districts.
Appendix 15. Ordinance on Accounting and Statistics

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

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

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

Chapter I General Provisions

Article 1- All State-owned enterprises, State-private joint enterprises, collective and private units engaged in production and business activities, mass organizations, and agencies and organizations using the funds of the State (hereafter referred to as units) shall observe the standards of accounting and statistics stipulated in this Ordinance. Enterprises with foreign owned capital may use an international standard of accounting and statistics approved by Ministry of Finance and the General Department of Statistics of the Socialist Republic of Viet Nam, and shall be subject to audit.

Article 2 - All accountings and statistics work undertaken shall be uniformly implemented throughout the national economy and shall comprise:
- A primary records system;
- An accounts and book-keeping system;
- A system of forms and report;
- A system and method of calculating economic and financial targets;
A classifications of national economic sectors, economic forms and schedules of classifications, codifications and contents of the State budget;
• Units of weight and measures; and
• The accountings and statistics year.

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

**Article 3** - Each State-owned enterprises and State-private joint enterprises shall appoint a chief accountant.
The chief accountant shall assist the director of the enterprise in organizing and supervising the uniform implementation of accounting and statistics work, and shall be responsible for examining and controlling the financial and economic aspects of the enterprise.
The Council of Ministers shall enact regulations in the relation to the chief accountants which shall be uniformly applied in the State-owned and State-private joint enterprises.

**Article 4**
All accountants and statisticians shall, subject to supervision of the higher accountings and statistics agencies, be entitled to enjoy total independence in their profession.

**Article 6**
• The accounting and statistical data and information are those which are legal value and are used to assess production and business results, and to fulfill the plans and duties of the units concerned.
• All accounting and statistical data which is subject to State confidentiality shall be managed and used in accordance with the appropriate confidentiality regulations.
• The authorities and formalities for publication of accounting and statistical data shall be stipulated by the Council of Ministers.

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

**Article 8** - The initial record:
- All economic and financial activities of each section of each unit shall be documented in original standard form documents each provided by the Ministry of Finance and General Department of statistics.
- All such original documents shall be made once only and in sufficient time, to truly and accurately to record all economic and financial activities and shall, in accordance with the nature of the particular documents concerned, bear the signatures of the persons and the seal of each unit involved.

**Article 9** - Methods of accounting and recording of statistics:
All accounting and recording of statistics shall take place in accordance with the professional standards prescribed by the Ministry of Finance and General Department of Statistics.

**Article 10** - Accounts and books of account:
Each unit shall have one system only of keeping books of account. In order to conform with the special operations of the branch and following the grant of approval in writing by the Ministry of Finance, these books of account shall be in accordance with the system provided by the Ministry of Finance or by the ministries and general department concerned.

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

**Article 11** - Inventory:
At the end of each accounting year. All unit shall prepare and inventory and record the results in the book of account prior to making a financial report on the year end accounting. In addition, all units share prepare further inventories which may be required by decision of the Council of Ministers and by other regulations concerning inventories.

**Article 12** - The accounting and statistics report:
- All units shall make complete accounting and statistics report, and submit it within the time stipulated by authorized bodies.
- All accountings and statistics report must be precise. All calculations shall be carried out in the method and have the
content as stipulated by the Ministry of Finance and the General Department of Statistics.

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

Article 14 – Auditing and statistics:

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

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

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

Article 16 - Ministries, the State Committees and other bodies of the Council of Ministers and People's Committees at all levels, shall responsible for the management of the accounting and statistics work undertaken within their branches and localities, and for ensuring that the necessary material, technical conditions, and professional personnel are available for the proper carrying out of all accounting and statistics work, which takes place within their branches and localities.
Article 17 - The heads of the units and the chief accountants or persons in charge of the accounting work shall be responsible for organizing the conduct of the accounting and statistics work, and for the truthfulness of the data collated in respect of their units.

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

C – Application of the Vietnamese accounting system:
Business entities applying the Vietnamese Accounting System should follow and comply with all current statutory regulations related to
supporting accounting documents, chart of accounts, accounting records, financial statistics, and accounting documents filing.

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

The application dossier submitted to the Ministry of Finance on the amendments, shortening or adjustments of the Vietnamese accounting System should comply with Paragraph 3.11 of section B, part III.

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

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

- Wholly foreign-owned business entities which are able to prove that the application of the Vietnamese Accounting System for Business entities by them is impossible and inconvenient for their business operations, and they have to choose another commonly recognized accounting system.

- Foreign-invested business entities operating in specific fields for which no accounting regulations and guidelines exist in Vietnam. Foreign-invested business entities requesting for application of another recognized accounting system should comply with the following principles:

- Another commonly recognized accounting system may be applied only in relation to four areas, comprising: supporting accounting document forms; format, content and accounting method related to the chart of accounts; accounting forms and the accounts recording methods; format, disclosure items and method of preparation of financial statistics.
• General principles related to the policy of supporting accounting documents and accounting records other Vietnamese Accounting System for business entities should be complied with and followed.

• The documentation related to the Accounting system applied for (which should be attached to the registration dossier for the accounting system required in Paragraph 3.15 – B - Section part III) should includes:
  • Accounting policies, principles and standards to be applied by the foreign-invested business entity.
  • List of supporting documents to be used, being classified in six categories: laborer and salaries, inventory, sales, cash, fixed assets, and production and business, accompanied by samples of the supporting forms applied for.
  
Self-printed sales invoices should be included not only in the application dossier, but also submitted for registration and approval by the General Department of Taxes.

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

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

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

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

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

E – Audit work related to foreign-invested business entities:
• With respect to foreign-invested business entities:
  • All foreign-invested business entities shall be audited in view of compliance with both the accounting procedures and the financial statements.
  • Before being submitted to the relevant functional authorities and before their open presentation, financial statements of a foreign-invested business entity should be audited by a Vietnamese independent auditing firm or another independent auditing firm licensed to operate legally in Viet Nam in compliance with the law on auditing.
  • An auditors’ report should be attached to a foreign-invested business entity’s financial statements for their submission to the relevant functional authorities and for presentation purposes.
  • An auditors’ report should include the following main contents:
    • Confirmation of the objectiveness, truth and fairness of the financial statements and accounting records.
    • Opinion and assessment of the accounting work, compliance with the accounting system registered and approved by the Ministry of Finance, compliance with the accounting law, system and procedures.
    • Recommendations.
  • An auditors’ report should be signed by the auditor with indication of his (her) first name and surname and his (her) audit certificate (diploma) number, with the signature of the director and sealed by the independent auditing firm’s chop.
Appendix 16. The State Budget Law

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

**Article 2.** The State Budget revenues include: revenues from taxes, fees and charges; revenues from economic activities of the State; contributions by organizations and individuals; aid; other revenues as stipulated by law; and borrowings by the State to make up for the overspending that are included in the State Budget Balance.

**Article 3.** The State Budget expenditures include: spendings on socio-economic development, on ensuring national defense, security, operations of the State apparatus; spending on the payment of the State debts; on aid and other spendings as stipulated by law.

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

1. The central budget and the budget of each level of local administration shall be determined according to the concrete sources of revenue and concrete of spending tasks;

2. Additional allocation from the higher-level budget to the lower-level budget shall be made to ensure equality, balanced development among the regions and localities. This additional allocation shall be the revenue of the lower-level budget;

3. In case the higher-level State management agency authorizes the lower-level State management agency to carry out an expenditure that comes under the former's responsibility, funds must be transferred from the higher-
level budget to the lower-level budget for performing such task; and
4. Except for the supplementary allocations to the revenue source and the authorized spending as stipulated in Clauses 2 and 3 of this Article, the budget of one level shall not be used to pay for the spending that belongs to the task of another level.

Article 5
The State Budget revenue shall be collected in accordance with provisions of this Law and other provisions of law.
1. State Budget expenditure shall be made only under the following conditions:
   a) It has been included in the approved draft budget except for cases stipulated in Articles 56 and 62 of this law;
   b) In conformity with the regulations, criteria, and norms set by the competent State agency; and
   c) It has been approved by the heads of the budget-using units and others that are authorized to approve the spending.

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

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

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

Article 7
1. The State Budget Fund shall comprise all amounts of money of the State, including borrowed money, which have been entered into the accounts of the State Budget of all levels.
2. The State Budget Fund shall be kept at the State Treasury.
Article 8
1. The State Budget shall be balanced in accordance with the principle that the total revenue from taxes, fees and charges must be bigger than the total regular spending and help to accumulate more and more for spending on development investment; in case of overspending, the over-spent amount must be smaller than the amount spent on development investment and eventually to achieve balance between revenue and expenditure of the budget.

2. The borrowings to make up for the State Budget deficit must abide by the following principle: they must not be used for consumption; but only for development purposes; there must be a plan to recover the borrowed capital and ensure budget balance in order to pay the dept when it is due.

3. The local budgets shall be balanced in accordance with the principle that the total expenditure shall not exceed the total revenue; in case a province or city directly under the Central Government (hereafter referred to as province) needs an investment in infrastructure construction which comes under the scope of the provincial budget but which is beyond its ability to balance, such a province shall be allowed to mobilize domestic investment capital as provided for by the Prime Minister, but it must balance its own budget in order to be able to pay all debts when they are due.

Article 9
1. The draft expenditure of the central budget and of the local budget at various levels shall be entitled to include 3 percent to 5 percent of the total estimated spending to meet the requirements of unexpected spending arising during the budget year.

2. The government and the Provincial People's committees shall be entitled to the financial reserve fund form sources such as revenue increases, budget remainder, and to include it in the annual budget expenditure estimate. The financial reserve fund shall be used to meet the requirements of spending when the revenues have not been collected in time, but such spending must be immediately reimbursed within the budget year, except for special cases stipulated by the Prime Minister,

The maximum of the financial reserve fund at each level shall be stipulated by the Government.
**Article 10.** The issuance and implementation of new legal documents that increase budgetary spending or decrease budgetary revenue during the year must be assured by the financial sources.

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

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

**Article 13.**
1. The State Budget revenue and expenditure shall be accounted for in the Viet Nam Dong (VND).
2. The accounting and account statement of the State Budget shall be uniformly carried out in accordance with the accountancy regime of the State and the list of the State Budget.
3. All forms for State Budget revenues and expenditures shall be issued and managed by the Ministry of Finance.

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

**Accountancy and Final State Budget Accounts**

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

**Article 65.**
1. At the end of the budget year, the Minister for Finance shall provide guidance on closing the books of accounts and making the final budget accounts in conformity with the contents specified in the approved estimates of the year and the State Budget.
2. All revenues of the proceeding year's budgets paid in the following year must be entered in the following year's budget. Expenditures from the preceding year's budget, which are not yet carried out, shall be included in the following year's draft budgets only when a competent agency so decides.
Article 66. Fifty percent of the allocation from the central budget shall be transferred to the financial reserve fund, the other fifty percent shall be transferred to the following year’s budget; if the financial reserve fund has reached the required limit, the remaining amount shall be transferred to the following year’s budget. The balance of the district, commune, township or ward budget shall be carried over to the following year’s budget.

Article 67.
1. On the basis of the guidance of the Minister for Finance, the heads of the units tasked with budget revenue and expenditure shall establish their respective units’ accounts of revenue and expenditures to be submitted to the immediate higher managerial body.
2. The data of the accounts shall be compared and certified by the State Treasury at the place of transaction.
3. The heads of the higher-level budget drafting units shall have to examine and approve the budget revenue and expenditure accounts of the units directly under their management, to establish the balance sheet of the budget revenues and expenditures under their management and send them to the financial agencies of the same level.

Article 68.
1. The local financial agencies at various levels shall consider and approve budget revenue and expenditure accounts of agencies of the same levels, examine the budget accounts of lower-level, to consolidate and establish account of the local budget to be submitted to the People’s Committee of the same level for consideration and the People’s Council of the same level for ratification, and report to the immediate higher State administrative agencies and financial agencies.
2. The Ministry of Finance shall consider and approve budget revenue and expenditure accounts of central agencies, examine the accounts of the local budgets; consolidate and establish the accounts of the State Budget to be submitted to the Government for ratification.

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

Article 70.
1. The National Assembly shall consider and ratify the State Budget accounts; the People's council shall consider and ratify the accounts of the local budget.

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

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

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

2. Expenditures made not in accordance with provisions of law shall be recorded for the State Budget.
## Appendix 17. List of Workshop Participants

1. **Day One: 10 August 2000**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Organization</th>
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<tbody>
<tr>
<td>Bui Van Mai</td>
<td>Director</td>
<td>Accounting Policy Department</td>
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<tr>
<td>Md. Phung Thi Doan</td>
<td>Deputy Director</td>
<td>Accounting Policy Department</td>
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<tr>
<td>Do Manh Han</td>
<td>Deputy Chief</td>
<td>State Audit</td>
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<tr>
<td>Vu Huy Cam</td>
<td>Office Manager</td>
<td>Viet Nam Accounting Association</td>
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<tr>
<td>Md. Vu Thi Tho</td>
<td>Deputy Director</td>
<td>Saigon Auditing and Consulting Company</td>
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<tr>
<td>Nguyen Quoc Huy</td>
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<td>Thai Thanh Hai</td>
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<tr>
<td>Le Anh Quan</td>
<td>Manager</td>
<td>PriceWaterhouseCoopers</td>
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<td>Vu Thi Tuan Anh</td>
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<td>European Union</td>
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<td>Nguyen Van Minh</td>
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<td>World Bank</td>
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<tr>
<td>Ghiskine Doval</td>
<td>Manager</td>
<td>KPMG</td>
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<tr>
<td>Dang Ngoc Tuyen</td>
<td>Chief</td>
<td>Financial Inspection Department</td>
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<td>Pham Van Dang</td>
<td>Deputy Director</td>
<td>Accounting Policy Department</td>
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<tr>
<td>Phan Van Hien</td>
<td>Chief</td>
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<tr>
<td>Au Duong Khanh</td>
<td>Expert</td>
<td>External Finance Department</td>
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<tr>
<td>Erick Vega</td>
<td>Manager</td>
<td>Arthur Andersen</td>
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<td>Nguyen Chi Trung</td>
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<td>International Relation Department</td>
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<td>Chief</td>
<td>Board of Informatics Management</td>
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<tr>
<td>Doan Xuan Tien</td>
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<tr>
<td>Do Minh Tuan</td>
<td>Deputy Chief</td>
<td>Financial Research Institute</td>
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### APPENDIXES

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<tr>
<td>Ha Tuong Vy</td>
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<td>Cao Manh Dam</td>
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<td>Deputy Manager</td>
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<td>Nguyen Dinh Can</td>
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<td>Nguyen Hong Anh</td>
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<td>Le Tuyet Nhung</td>
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### 2. Day Two: 11 August 2000

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