

UNIVERSITY OF TAMPERE  
School of Management  
EVALUATION OF ORGANIZING  
STATE BUDGET ESTIMATES AUDIT OF VIETNAM

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## ABSTRACT

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This thesis examines the organizing of state budget estimates audit of the State Audit of Vietnam (abbreviated as SAV) from system of legal documents, organizational apparatus and operation process. From there, evaluate the information and find advantages and especially limitations that need to be improved.

Auditing state budget estimates in Vietnam is a new process that has not had a long history of operation, so there are certainly many shortcomings to be addressed, thereby finding corrective measures, in order to improve the operation of SAV as well as improve the effectiveness of the use of state budget.

Besides studying documents of state regulations for the operation of the SAV, audit state budget estimates, this thesis also examines the process of auditing budget estimates of some other countries, thus, evaluate results of studies then making comparisons to draw lessons for auditing state budget estimates of Vietnam.

In addition, the thesis also conducted a survey for concerned subjects about the completion of auditing state budget estimates.

Compiling results of the above examines and proposes suitable solutions to the characteristics of finance in Vietnam at present and near future, in order to solve current problems in the process of auditing state budget estimates.

The results of this study can be applied to the SAV. Specifically, to the sector of auditing state budget estimates, which is an important area where starting a national budget year, affects to the efficiency of budget spending as well as the economy. However, in the context of the thesis, it is not possible to provide more specific and detailed solutions to problems found. In order to quickly and easily apply the results of the study to the finalization of state budget estimates in Vietnam, further research need to study on a broader and deeper scale, not only with the SAV, but other state-funded organizations.

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## 1. Introduction

### 1.1 Research background

The State Audit of Vietnam (abbreviated as SAV) was established in the country's renewal process and the process of reforming the national administration.

This is a new institution within the structure of Vietnam's government, which has not previously had an organizational precursor and operating precedent. For the purpose of enhancing the transparency and publicity of the country's finance, contributing to the implementation of social democracy and anti-corruption.

In the initial stage of its establishment, the SAV mainly performs the function of auditing financial statements and compliance audits. Duties and powers of the SAV are also stipulated in accordance with the function of auditing financial statements and auditing compliance.

Since the promulgation of Law on State Audit has been in force since January 1, 2006, and the legal status of the SAV is constitutional in the constitution (the revised constitution of 2013 in Article 118). The SAV is an agency set up by National Assembly (abbreviated as NA), which operates independently and obeys only the law and audits the management and use of finance and public assets, thus creating legal conditions for the SAV to expand its operation. In addition to improving quality of auditing financial statements, and auditing compliance. The SAV also promotes auditing activities and pre-audit activities such as auditing specialized subjects, auditing investment projects in the process of it's implement. In particular, Article 15 of Law on State Audit stipulates that the SAV is tasked to submit opinions of the SAV to NA for consideration and decision, decision on allocation of central budget, importance national works, as well as approve state budget settlements. It also joins the Finance and Budget Committee and other agencies of NA and the government in verifying reports on state budget estimates, verifying plans for allocating central budget, for adjusting state budget estimate, and for allocating budget for projects and importance national works shall be decided by the NA. These regulations are a precondition for the SAV to efficiently audit state budget estimates.

In recent years, the quality of state budget estimates has been improved, contributing to improving the quality of budget management, creates a lot of positive changes in the management of state budget revenues and contributes changing the spending structure in a positive way. However, state budget revenue and expenditures are quite limited, which affects the management and administration of state budget, reducing the use of budget and fiscal policy. The limitations can be seen from estimating, Verification of estimates, to determine the state budget estimate. State budget estimates have not really become the basis for managing the budget, especially in the period that the SAV is not only the largest financial fund of the state but also a tool for the state to manage the macro economy. One of the main reasons for this situation is that there is not enough understanding about the role of the SAV in the state budget estimation as well as the need to audit the State budget estimates. Therefore, the SAV has not yet fully utilized its capacity to advise the National Assembly on state budget estimates. Thus, it affects the quality of state budget estimates. According to the SAV's evaluations, many ministries and localities make estimation revenue lower than the reality. Therefore, the annual budget revenue exceeds the estimated budget. Meanwhile, the expenditure estimate is higher than actual and wrong source of funds [20, p. 35]. Budget allocation and assignment is still slow or inadequate demand and ability to implement. Therefore, it might be adjusted, added several times or canceled budget. Furthermore, the allocating and assigning of budget estimates are working without clearly defining the spending contents. It is also not in line with the funding source and the allocation plan of the Ministry of Finance [21, p. 128-129]. In addition, the allocation of investment capital is spread out. It has not prioritized the allocation of capital to repay debts according to regulations. Allocating capital for projects not qualified [22, p. 15].

Restrictions on state budget estimates impose a duty on the SAV to participate deeply and broadly in the preparation and appraisal of state budget. As stipulated in Law on State Audit, the SAV has enough legal basis to conduct the audit of state budget estimates. In fact, the SAV has made many contributions to the management and administration of state budget of levels of government. It also helps the budgetary supervision of NA and the People's Councils at all levels, including the provision of information and documents to NA on annual estimates of state budget. However, the quality of auditing was inadequate, not meeting requirements because this is a new task that has not preceded before. The SAV lacked both theory and practical experiences to audit state budget estimates. Therefore, I chose the topic "**Evaluation of organizing state budget estimates audit of Vietnam**". The objective of this study is to evaluate what is required of the management and operation of the State audit when auditing state budget estimates.

## 1.2 Purposes of the study

The thesis focuses on the study of evaluating issues related to audit state budget estimates, auditing practices of some state budget estimates agencies of other countries, and status of organizing the SAV's auditing of it.

## 1.3 The scope of the research

Limited to auditing state budget estimates of the government, it is estimates of the entire state budget include central budget and local budgets implemented by SAV.

## 1.4 Means of the research

The research focuses on studying, clarifying and evaluating both theoretical and practical issues related to auditing state budget estimates and audit organizing of it such as follows:

First, on the basis of a practical survey the thesis evaluates the actual situation of organizing state budget estimates audit by the SAV. Also, it shows limitations from which lessons learned in order to effectively organize state budget estimates.

Second, proposing solutions to improve the quality of state budget audit organizing of the SAV and conditions for implementation of such solutions.

Third, the research results are the source for reference and support to the SAV on the development of the process of auditing state budget estimates and effectively organizing the audit of it.

## 1.5 Research Methodology

Thesis research used methods such as systematized methods, synthesis and analysis; statistics; comparative method and surveying.

## 1.6 Structure of the thesis

To address objectives and requirements of the thesis, the thesis is structured with 5 chapters:

Chapter 1: Introduction

Chapter 2: Literary review

Chapter 3: Data and Methods

Chapter 4: Results

Chapter 5: Conclusions

## 2. Literary review

### 2.1 Domestic researches

With newly established SAV since 1994 and the auditing of state budget estimates recently conducted by the SAV since 2006, there has not been much research in this field. In recent years, there have been a number of works, articles related to the thesis topic or related to the thesis's content published in scientific journals, reports presented at scientific conferences, scientific research topics, news published in mass media. There are a number of related research topics, some articles on auditing state budget estimates as follows:

Ministerial level research project in 2005 "Role of the State Audit in the process of evaluating state budget". Ha Ngoc Son, former Deputy General Auditor of the State. Research covered the budget cycle and budget estimates in accordance with current State Budget Law, which explored the sequence of state budget estimates and local budget estimates. The basic theoretical foundations serve as the basis for developing and defining the role of the SAV in evaluating state budget. The topic sets out scientific grounds for establishing the role of the SAV in evaluating the budget by studying the concept, contents, requirements and necessity of evaluating state budget. Moreover, the roles of the NA and the People's Council are clearly defined by examining functions, tasks and powers of the NA, the People's Councils in budgetary supervision, and in-depth examination of functions, verification to decide budget estimates. The topic has presented functions and tasks of the SAV, thus defining tasks of the SAV in assisting the NA and the People's Council in evaluating budget. Topics were also proposed to enhance the role of the SAV in state budget. However, the topic has not mentioned much about state budget estimates and not mentioning state budget auditing organizing, specifically as follows: The subject of state budget audit was not mentioned (in 2005, the SAV has not yet issued State Audit Law, therefore, the SAV has not yet had the task of auditing state budget estimates). Not to mention the content of state budget estimates audit, the type of audit applied when auditing it, also process of auditing state budget estimates. As well as not to mention the organizing of personnel apparatus for auditing state budget estimates, audit organizing according to the process of auditing state budget estimates and the organizing of quality control of state budget estimates.

Ministerial level research project in 2008 "State budget auditing organization" Mai Vinh, Chief Auditor of the SAV of Region 1, SAV. The topic has been researched on state budget estimates and state budget estimates in terms of theory as well as reality. From theoretical point of view, authors have provided an overview of state budget estimates, contents of state budget estimates, bases, procedures and some methods of estimating state budget. We can also see factors influencing state budget estimates based on that study in the audit of state budget estimates such as the role of the SAV



in the process of formulating and evaluating state budget estimates, also the basic characteristics of state budget estimates dominate the audit organizing of state budget. From reality point of view, the topic evaluated actual state of elaboration, appraisal and decision estimates of state budget, the actual state of audit work of state budget estimates of the SAV. Based on theoretical studies and review of the SAV's estimates of state budget's practice, the topic of orienting the organizing of auditing state budget estimate, elaborating the process of auditing state budget estimates also, propose conditions to improve quality of auditing state budget. However, the topic has not mentioned much and clearly about the SAV state budget (Until 2008 is the year the project was accepted, the new SAV had the task of auditing state budget under the State Audit Law for 2 years so there are not many documents to review and evaluate). The specific contents of state budget estimates audit, the type of audit applicable to state budget estimates audit, the process of auditing state budget estimate. It didn't mention the organizing of personnel apparatus for auditing state budget estimates and the organizing of quality control auditing of state budget estimates. Regarding the organizing of audits according to the process of auditing state budget: the subject covers a number of issues regarding the process of auditing but have not mentioned specific and clear about the organizing of auditing according to the process of auditing state budget from the preparation to the auditing and making audit reports of state budget.

Master's thesis on "Develop audit procedures for state budget estimates of the SAV" by Ha Quan Hung (2006). The thesis has outlined theoretical issues on budget estimates and auditing of state budget estimates as clearly stating the concept, role and cycle of state budget, as well as state budget estimates and the need to verify state budget estimates, also requirements, principles and bases for verifying state budget estimates. Clarify basic features of state budget estimates dominate the audit of state budget estimates, as well as basic characteristics of state budget estimates audit, also objects and bases for auditing state budget estimates. The thesis also reviewed and assessed the status of state budget appraisal, as well as the status of the audit process and the audit work of state budget estimates. From theoretical studies, summing up the practical thesis clearly states the need to audit state budget estimates. Also principles and requirements for the elaboration of the process of auditing state budget estimates of the SAV and proposing elaboration of the process of auditing state budget estimates of the SAV. Moreover, it proposes contents of state budget estimates process as well as proposing solutions and conditions for implementing and raising quality and effectiveness of state budget estimates. However, since the topic was completed when the State Audit Law just came into effect, it did not mention much about state budget estimates and state budget audit organizing did not mention it, specifically as follows: subject of the audit of state budget estimates has not been stated,

it also not mentions clearly and comprehensively the contents of state budget estimates audit, the type of audit applied when auditing state budget estimates. Further more, it not mentions the organizing of personnel apparatus for auditing state budget estimates, the audit organizing according to the process of auditing state budget estimates, also the organizing of quality control of state budget estimates.

For some articles in some seminars related to state budget, state budget estimates and state budget auditing, state budget estimates also mention some contents that can be referenced when studying the thesis:

Scientific workshop on "The Role of the SAV in the process of drafting state budget" organized by the SAV. The presentations at the workshop focused on analyzing the role of state budget in ensuring the operation of state apparatus, socio-economic development, ensuring social security, national defense and security as well as analyzing the role of state budget estimates for budget management and administration. Most of articles highlight the role of the SAV in the process of formulation, appraisal and decision making of state budget estimates in order to provide advice to the NA and the People's Councils on state budget estimates. Moreover, some papers have proposed some solutions to improve quality of auditing state budget. However, the articles do not mention the content of state budget estimates, the type of audit applied when auditing state budget, the process of auditing state budget estimates. Not to mention the organizing of the personnel apparatus for auditing state budget estimates, the audit organizing according to the process of auditing state budget estimates, the quality control organizing auditing state budget estimates.

International Workshop on "The Role of the SAV in Enhancing the Effectiveness of Public Expenditure" organized by the SAV. In this workshop, some articles highlighted the need for state budget auditing, state budget estimates, and proposed some solutions to improve quality of state budget audits and state budget estimates as presentation of Prof. Dr. Vuong Dinh Hue, former State Auditor General with the title "Role of SAV in Improving Public Expenditure Management"; Speech by Dr. Dang Van Thanh, Chairman of Vietnam Accounting and Auditing Association with the title "The Role of the SAV in Improving the Efficiency and Effectiveness of State Financial Management"; Presentation by Dr. Tran Dinh Thien, Director of Vietnam Institute of Economics, entitled "State Budget and SAV". In addition to the successes mentioned above, the articles do not mention contents of state budget estimates, the type of audit applied in state budget estimates, state budget estimates process. It didn't mention the organizing of personnel apparatus for auditing state budget estimates, the audit organizing according to the process of auditing state budget estimates, the quality control of organizing auditing state budget estimates.

Speech by Deputy State Auditor General Le Hoang Quan "SAV with assistance to the NA to consider state budget estimates" presented at the conference "Role of the SAV in supporting the NA, State budget annual " by the SAV and Finance Committee of the National Assembly held in October 2011 in Hanoi. The speech stated some limitations on state budget estimates and the implementation of state budget estimates through audit results of the SAV and point out the causes of these shortcomings. The article also mentioned some solutions for the SAV to promote its role in assisting the NA in considering and deciding state budget. The article has a lot of content that can be used to develop complete solutions for auditing state budget. However, the article in the framework of a workshop could not mention much and clearly about the SAV state budget estimates, also not to mention the content of state budget estimates audit, the type of audit applied when auditing state budget estimates, the process of auditing state budget estimates. It also not to mention the organizing of the personnel apparatus for auditing state budget estimates, the organizing of quality control of state budget estimates auditing and the audit organizing according to the process of auditing state budget estimates.

Speech by Le Dinh Thang - Chief Inspector of the SAV of Region 11 "Role of the SAV to help the National Assembly consider state budget estimates" presented at the workshop "The role of the SAV in supporting the National Assembly and the People's Councils to decide on annual state budget estimates" held by the SAV and the Finance and Budget Committee of the National Assembly in October 2011 in Hanoi. The speech highlighted the role of the SAV in state budget management, in particular highlighting the role of the SAV in state budget estimates, the need for SAV involvement in state budget estimates, and the role of the SAV to help the NA, the People's Council decides on state budget estimates and at the same time proposes a number of provisions of law that need to be amended and supplemented so that the SAV can bring into play the role of assisting the NA and the People's Council in deciding the annual state budget estimates. The writing has many contents that can be developed to emphasize the need for auditing state budget estimates, the necessary legal requirements for auditing state budget estimates to achieve good results. However, the article within the framework of a workshop could not mention the content of state budget estimates, the type of audit applied when auditing state budget estimates, the process of auditing state budget estimates. Not mention the organizing of personnel apparatus for auditing state budget estimates, also the organizing of quality control of state budget estimates auditing and the audit organizing according to the process of auditing state budget estimates.

## 2.2 Abroad researches

Countries with state auditing developed most federal governmental organizations and the federal state budget estimates consisted only of central government. So that state budget estimates are simpler and easier to control than that of the model state institutions in Vietnam (state budget estimates include both central budget and local budget). Therefore, in these countries, the participation of the State Audit in the process of making, appraising and deciding state budget is not too complicated when it is only necessary to evaluate state budget estimates and mainly central budget is synthesized from the budget of the ministries. And this is also the fact that few studies abroad related to organizing the audit of state budget estimates. The research works of authors related to the audit of foreign state budget estimates that I have accessed are:

A report of the SAV's auditors conducted study on the audit of state budget estimates in Hungary and the Federal Republic of Germany in 2006. The report outlines state budget estimates process of Hungary and the Federal Republic of Germany and affirms the important role of the State Audit for state budget to the NA. The report also highlights the participation of the State Audit of the two countries in estimates process, how the State Audit of the two countries participated in the budget preparation process to collect information to assess state budget estimates. However, most of the reports refer only to state budget estimates auditing which has not been clearly mentioned in the audit organizing of state budget estimates of the two countries.

Scientific Seminar on "The relationship between the State Audit, the Economic and Budgetary Committee of the National Assembly and the Ministry of Finance in the process of making and evaluating state budget" by the SAV in coordination with the GTZ project. The workshop featured speakers from German Federal Audit. It is worth noting that Mr. Horst Erb, an auditor of German Federal State Audit, commented on "German Federal Audit and Reporting Service in budget process". The presentations focused on the relationship of the State Audit with the Ministry of Finance and the committees of the National Assembly in the course of formulating and evaluating state budget estimates and highlighting the important role of the State Audit in participating in opinions of the National Assembly, the National Assembly shall decide on state budget estimates. Speech by Mr. Ernst Erb, an auditor from German Federal State Audit, also made clear how Federal State of Germany was involved in the process of preparing state budget to collect information and documents to confirm the National Assembly of the reliability of state budget estimates. However, the speeches did not clearly mention the audit organizing of state budget which mainly refers to the involvement of German Federal State Audit in the steps of state budget preparation process, state budget audited by the State Audit of Federal Republic of Germany only covers the federal budget and does not

include state budget. When applied to Vietnam (the state budget including central budget and local budget), it must be filtered to suit the practical conditions.

Documents of Hungarian State Audit for the preparation and auditing of state budget estimates presented at the workshop on "Making and auditing state budget estimates" by the SAV in collaboration with the State Audit of Hungary held in 2007 in Hanoi. Noteworthy is the presentation by the Secretary-General of the State Audit of Hungary, Dr. Pascal Csapodi, on the "Information on the relationship between Hungarian State Audit and Hungarian Parliament"; Report of Bihary Zsigmond of the State Audit of Hungary on "Audit Process in the Central Budget Approach Process". Presentations in the workshop focused on Hungarian state budget estimates process. Some articles highlighted the relationship of the State Audit with the National Assembly in the course of its mandate, and the article by Bihary Zsigmond of the State Audit of Hungary, which mentions the process of auditing state budget of the Hungarian State Audit. However, the speeches did not clearly mention the audit organizing of state budget, which mainly refers to the involvement of the State Audit of Hungary in the steps of state budget preparation process. As state budget of Hungary is not as integrated as state budget of Vietnam, the use of the experiences of the State Audit of Hungary in auditing state budget estimates of the SAV must be filtered to suit the practical conditions.

### [2.3 Assesses of published studies related to audit organizing of state budget estimates](#)

Some studies and articles have presented theoretical bases on state budget estimates and state budget estimates audit according to the laws of some countries such as Vietnam, Federal Republic of Germany and Hungary. In addition to presenting the concept of state budget estimates, auditing state budget estimates, the study also mentioned the content of state budget estimates, bases, methods of elaboration, process of estimates of state budget, factors affecting state budget estimates. The majority of opinions shared the view that it was necessary to audit state budget estimates, emphasizing the role of the SAV in the process of formulating and appraising state budget estimates.

Almost all of studies and articles published have mentioned the state of estimates of state budget in Vietnam, estimates verification of NA's Committees. Some articles have mentioned the involvement of the SAV in the process of drafting state budget based on which the limitations and results have been achieved, reasons for limiting and proposing solutions to effectively carry out state budget audit.

Ongoing study of Vietnam, published research shows that the research has agreed on the necessary role of the SAV in the process of preparation and appraisal of state budget. Some works mentioned issues related to the audit of state budget estimates, the work has direction for the construction of the process of auditing state budget estimates, some solutions have been mentioned to improve the quality

of auditing state budget. The above-mentioned domestic and foreign research works are worthy of reference and considered for use in thesis research. However, there is no complete, comprehensive and systematic study of the theory and practice of audit organizing of state budget estimates. There has been no mention of state budget estimates, the process of auditing state budget estimates. There also has been no review and evaluation of the SAV organizing of the SAV. In fact, there is no mention of the type of audit applied in auditing state budget estimates and analysis of specific differences in the process of auditing state budget estimates to interpret and elaborate the process of auditing state budget estimates. There was no works referring to the content of state budget audit organizing such as organizational of apparatus and personnel to conduct state budget estimates, as well as audit organizing according to the process of auditing state budget estimates, and the quality control of state budget audit organizing shall be guided in order to guide the evaluation of successes and shortcomings of the organizing state budget estimates and propose solutions thereto.

## 2.4 The characteristics of state budget estimates of Vietnam that affect the audit organizing of state budget estimates

### 2.4.1 Vietnam's state budget estimates are based on the country's socio-economic development requirements

This feature is a common feature of state budget estimates, not only state budget of Vietnam and it requires the organizing of auditing state budget must fully consider guidelines and views of the state on socio-economic development, major balances of the economy, monetary policy, fiscal policies... to assess the conformity of state budget estimates with these views.

### 2.4.2 Vietnam's state budget estimates are based on the specific tasks of ministries and localities

This feature of state budget estimates of Vietnam leads to want to evaluate state budget estimates submitted by the government to the NA is necessary to consider the process of elaboration, synthesis and evaluation of state budget estimates of ministries, branches and localities, as well as the synthesis of estimates by the government and the government's agencies.

### 2.4.3 Vietnam's state budget estimates are based on state-regulated policies in the field of finance and budget

This feature of state budget estimates of Vietnam shows that in order to effectively audit state budget estimates, they must follow the process of elaboration, appraisal and decision making of state budget estimates and must have appropriate methods of auditing organizations to check compliance with the State's criteria and norms when making State budget estimates, comply with the provisions of state budget law and regulations related to the elaboration, appraisal and decision estimates of state budget.

2.4.4 State budget of Vietnam is prepared by the government, involving many agencies and units, and completed upon the decision of the National Assembly.

State budget estimates process only ends when it is decided by the NA. From this point of view, participation in the SAV estimates process must be done before the NA's approval. In other words, the audit of state budget estimates is the audit of state budget estimates submitted by the government to the NA. Moreover, when not yet decided, the estimates are the drafts to the competent authorities so that the opinions of the SAV contain the main elements of consultancy. There may be comments will be received by the government, the government agencies to complete but also the comments are not accepted. In this case, if the SAV sees the need to pursue its opinion, it will gather and submit its opinions to the NA, the NA's agencies. The use of the SAV's opinion on state budget estimates is now under the authority of the NA. When the budget is determined to be the legal document that the agencies must enforce as a law, the agencies, including the SAV, are responsible for compliance. This feature of state budget estimates leads to the process of auditing state budget in only three phases (audit preparation, auditing, auditing) there is no fourth stage is to check the implementation of the conclusion, audit recommendations.

2.4.5 Vietnam's state budget estimates include central budget and local budget

Different countries in different periods, depending on the circumstances of the situation, development trends will have views on budget management are not the same; budget management, budgeting methods are not the same, which should influence the estimates process of state budget as well as the audit organizing of state budget. Vietnam's state budget is inclusive, including the central budget and the local government budget. The budget of each local government level is decided by the People's Council of the same level but must be in line with the basic norms of state budget as decided by the NA. This difference leads to differences in the formulation and decision making of state budget estimates. The order of estimating state budget of Vietnam basically conforms to the order of estimating state budget of some countries but there are some differences, specifically as follows:

At the step of estimating state budget, besides the estimates of ministries and branches, the estimates of provinces and cities is also included. Annually, based on the guidance of the government, guidance and inspection by the Ministry of Finance and the provincial People's Committees, to guide the attached units in elaborating the budget estimates. After discussion with the subordinate units, the People's Committee shall sum up the budget estimates of the localities for submission to the People's Councils for comments and send them to the Ministry of Finance for synthesizing state budget estimates.

State budget of Vietnam is not only decided by the NA but also depends on the decision of the People's Council at all levels for the budget of each level. As a result, there is a need for discussion between the higher finance agency and the People's Committee at the budget of lower level. This step is to ensure consistency of budgets at all levels and in the general direction of the national budget. In the event of disagreement, disagreements continue to be discussed between the higher level people's committee, the higher finance agency and the lower level people's committee.

The synthesis of state budget estimates includes the synthesis of budget estimates of provinces and cities.

After the NA decides state budget estimates and the plan for allocating the central budget, the government shall have to assign the revenue and expenditure tasks to the provinces and cities. Based on the decision of the government, the provincial People's Committee shall make a budget estimates and plan for submission to the provincial People's Council for decision.

Differences in the formulation, verification and decision estimates of state budget of Vietnam also shows in the case that the higher administrative agency (the government or the People's Committee) sees the budget as decided by the People's Council lower than the law or regulations on budgeting, so they have the right to ask the lower level People's Council and relevant agencies to adjust the budget estimate.

The differences above in state budget of Vietnam leads to assurance of the quality of auditing and the comprehensive assessment of state budget estimates, which must organize the auditing of the budget estimates of the ministries, branches and localities constituting state budget.

## 2.5 Research questions

For these reasons the study was conducted to answer the following questions:

What is the state budget estimates audit in Vietnam?

What are the issues of organizing the state budget estimates audit in Vietnam?

How to solve those issues?

## 3. Data and Methods

### 3.1 Research methodologies

This study uses following methods

Secondary Data Research Methodology: This method is mainly used to review, systematize and summarize research results related to thesis topic.



Methods of systematization, synthesis and analysis and statistics: Through this method, individual information will be synthesized, systematized and sequenced into problem groups. Analyze and evaluate to formulate an analytical framework as required by the dissertation.

Comparative method: This method is used to evaluate, compare concepts, legal regulations and other contents as required by the dissertation.

Interview method: This method is used to consult the opinion of experts, managers, colleagues, those who are related to the subject are studying the issues within the scope of the thesis. This method is used for an interview with 20 people that relates to state budget in different positions within the Vietnamese government.

## 3.2 The organizing of auditing estimates state budget of the State Audit

### 3.2.1 Overview of state audit and the role of state audit in state budget estimates

#### 3.2.1.1 *Overview of state audit*

The term "audit" has a history of thousands of years. However, from the early forms of the early stages, auditing has gone through a complex development process associated with world historical events and is always completing to meet the requirements of economic management in each period. If the original image of the classical audit is a check made by the reporter who reads aloud to an independent party, then agrees or accepts. Nowadays, modern audits have come in many forms, with a wide range of audit methods and audit reports. There are many concepts of audit such as:

An audit is a “systematic, independent and documented process for obtaining audit evidence [records, statements of fact or other information which are relevant and verifiable] and evaluating it objectively to determine the extent to which the audit criteria [set of policies, procedures or requirements] are fulfilled.” Several audit methods may be employed to achieve the audit purpose. (ISO 19011:2011—Guidelines for auditing management systems)

The audit syllabus of the Academy of Finance (2004) defines: "Auditing is the process of independent and competent professionals with professional skills,

collect and evaluate evidence of a unit's quantifiable information for the purpose of validating and reporting on the relevance of such information to established standards " [11, p. 5].

In the UK, the concept is: “An audit is an independent audit and is a statement about the financial statements of an enterprise that is appointed by an auditor to perform such work in accordance with any relevant statutory obligations” [12, p. 34]. According to this concept, an audit is an independent audit and expresses an opinion on the auditor's financial statement in accordance with the statutory

obligations.

According to Alvin A. Arens and James K. Laybecke (USA): "Auditing is the process by which a person who is independent, professional, gathers and evaluates clearly the information that can be quantified related to a particular economic entity for the purpose of identifying and reporting the degree to which information can be quantified with established standards " [12, p. 34]. This concept confirms auditor independence and emphasizes the professional aspect that auditors are not only independent but also professional. The concept also addresses the relevance of information to established standards.

In audit education and training in the French Republic, "Audit is the study and examination of the annual accounts of an organization by an independent, in the name of an auditor, to confirm that the accounts accurately reflect the actual financial situation, do not hide fraud and are presented in the form of statutory " [12, p. 34].

These definitions include the audit concept consisting of seven elements: (1) The purpose of the audit is to verify the reliability of the information presented in the financial statements and records of financial accounting; (2) Auditor is an independent, competent and competent technician; (3) Independence: the auditor must ensure independence when performing the task; (4) Direct object of the audit is the financial statement of the organization, economic entity or other financial information or non-financial information about the operation of the unit or organization; (5) Functions of audit: To verify, express opinions using audit methods and techniques to collect evidence and to judge evidence; (6) Basis of auditing: Laws, standards or standards; (7) Report the result by auditing report.

From the analysis above can be understood: Audit is the process of independent and competent experts, professional skills, evidence collection and evaluation of information that can be quantified by a unit for the purposes of confirming and expressing an opinion on the relevance of such information to the standards developed. There are many ways to classify audit activities, such as functional classification, auditing including compliance audits, financial statement audits, and operational audits. Classification by audit subject, internal audit, state auditing and independent auditing.

Internal Audit:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes” ( IIA's definition of audit).

The scope of the internal audit is variable and depends on the size and structure of the unit as well as the requirements of unit managers. The key areas of internal auditing are operational audits to assess the economy, effectiveness and efficiency of operations within the unit. In addition, internal auditors conduct compliance audits to monitor the compliance of internal regulations and policies.

Institutionally, the internal audit unit is directly reporting to the highest level of the unit (the head, the board of management, the board of directors...).

Although being organized independent of the unit being audited, the internal audit is still a part of the unit so it can not be completely independent of the unit. Therefore, reports of internal auditors are very trustworthy but have little legal validity.

#### Independent Audit:

Independent auditing is the type of audit performed by independent auditors of audit organizations who are generally auditing firms. These auditing firms conduct economic contracts to provide financial, accounting, taxation, etc. services to their clients. Independent auditors are professional, ethical and professional professionals who must pass national examinations and meet certain standards of qualifications and experiences. The activities of independent auditing organizations are recognized and protected by law.

Thus, the nature of independent auditing is a type of service performed on a voluntary basis and as agreed by an independent auditing organization with the audited entities. Because of legal recognition, protection and operation under a very strict regulation, independent audit is highly legal.

Independent audit primarily operates in the field of auditing financial statements. In addition, depending on the requirements of the customer, independent auditors can also perform performance audits, compliance audits or conduct other accounting and financial advisory services.

#### State Audit:

The State Audit is the independent financial inspection agency of the state. The auditing activities of the State Audit shall be conducted by the State auditors. The State Audit usually conducts compliance audits in conjunction with the audit of financial statements, considering the observance of State policies, laws and regimes in agencies and units managing and using State budgets, money and assets and public resources. In addition, the State Audit also conducts operational audits to assess the economy, efficiency and efficiency in the public sector.

Article 1 of the Lima Declaration on ITOSAI Principles of Auditing also confirms the auditing objectives of the State Audit agencies as follows: "The concept and formulation of auditing is linked

to public finance management because public funds management is a mandate. Audit itself is not a help but an integral part of a legal system to expose discrepancies with accepted norms and violations of the principles of legality, efficiency, effectiveness and economics of timely financial management to be able to apply remedies in each case, make those involved accountable, accept compensation, or take steps to prevent - or at least cause trouble - for those mistakes" [28, p.606]

Each state has different names for State Audit. Most regions have established the Organization of Supreme Audit Institutions of the region. Nations also joined the International Organization of Supreme Audit Institutions (INTOSAI). This agency consists of 191 members ([https://en.wikipedia.org/wiki/International\\_Organization\\_of\\_Supreme\\_Audit\\_Institutions](https://en.wikipedia.org/wiki/International_Organization_of_Supreme_Audit_Institutions)). State auditing bodies may be subordinate to the government (executive branch), the National Assembly (legislative body) or the court (judiciary). There is also a model of the state audit agency independent of the executive, legislative and judicial or directly under the President (the king). Based on the statistics of the SAV for the 85 countries surveyed by the State Audit<sup>1</sup> there are 36 countries have State Audit agencies directly under the National Assembly<sup>2</sup>; 16 countries under the government<sup>3</sup>; 14 countries under the President<sup>4</sup>; 2 countries belonged to the King<sup>5</sup>; 17 countries have completely independent State Audit<sup>6</sup>. Where ever the State Audit Office is attached, it usually performs the following basic tasks:

(1) The SAV must report and advise the NA on relevant issues in the National Assembly's decision-making process. (2) The State Audit must report, advise and be responsible to the government for the performance of its duties. (3) The State Audit shall perform the preventive function of the State administrative apparatus against the excessive use and misuse of State financial means as well as public resources. (4) The SAV shall publicly announce publicly the use of State financial means and public resources of the government and the NA.

The above four tasks are indicative the value of SAV as a public agency performing public financial audit functions of the State.

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<sup>1</sup>Source: State Audit of Vietnam

<sup>2</sup>United States, Russia, England, Denmark, Australia, Hungary, Finland, Poland, Czech Republic, Netherlands, Austria, Lithuania, Brazil, Mexico, Ecuador, Colombia, Costa Rica, Guatemala, Namibia, Canada, Uganda, Venezuela, Ghana, Honduras, Uruguay, Dominicana Republic, Puerto Rico, Seychelles, Nicaragua, Mongolia, Turkey, Myanmar, Jordan, Papua New Guinea, Sri Lanka, Israel

<sup>3</sup>China, Japan, Saudi Arabia, Thailand, Laos, Cambodia, Sweden, Peru, Argentina, Botswana, Dominica, El Salvado, Mauritius, Kiribati, Saint Lucia, Saint Vincent

<sup>4</sup>South Korea, Chile, Bangladesh, Bolivia, Tanzania, Guyana, India, Malawi, Malta, Zambia, Paraguay, Jamaica, Pakistan, Belize

<sup>5</sup>Nepal, Brunei

<sup>6</sup>Germany, Malaysia, Cyprus, France, Philippines, Indonesia, Greece, Sudan, Spain, Panama, Suriname, Luxembourg, Switzerland, Portugal, Italy, Oman, Kyrgyzstan

For the State Audit to fulfill its functions and duties in the government, three basic conditions are required:

(1) The independence of the State Audit and other State organs should be ensured by the Constitution and laws, including: Ensure the independence of organizational structure and operation mechanism. Ensure the proactive right of the State Audit in developing the audit plan. Ensure the right to publicize auditing results in public.

At the 19th congress of INTOSAI held in Mexico issued a statement on the independence of the Supreme Audit Institutions with eight core principles. They are taken from the Lima Declaration and decisions made at the 17th Congress of INTOSAI (in Seoul, South Korea) as the requirements for fair audit in the public sector:

Principle 1: An appropriate and valid constitutional framework is needed and the actual provisions of the framework should be in place to ensure the independence of the State Audit.

Principle 2: Independence of the members of the State Audit, including the assurance of the assets and the absence of legal obligations in the performance of their normal duties. There should be rules governing the appointment, reappointment or dismissal with a process ensuring their independence. Appointing a long enough and stable term to allow them to perform their function without the fear of retribution. Exempt from prosecution for any past or present action resulting from the performance of their normal duties on specific cases.

Principle 3: The scope of work should be broad and autonomous in carrying out the functions of the State Audit.

Principle 4: Access to information is not restricted. The State Audit must have the authority to access all necessary documents and information in time, unlimited, direct and free manner to carry out their duties.

Principle 5: The State Audit has no restrictions on reporting its audit results. They must be required by law to report at least once a year on their audit results.

Principle 6: The State Audit should be free to decide on the content and timing of audit reports and to publicize them.

Principle 7: There should be effective mechanisms to monitor the implementation of the recommendations of the State Audit.

Principle 8: There should be a regulation on financial autonomy and the management and availability of human, material and financial resources. Accordingly, the State Audit must have sufficient and

appropriate human, material and financial resources - the executive body is not in control of accessing these resources. State budget administers its own budget and appropriately allocates its budget. The legislature is responsible for ensuring that the State Audit has the resources to perform its functions. The State Audit also has the right to appeal directly to the legislature if the resources provided are not sufficient to allow them to fulfill their duties.

(2) The principle of full audit must be institutionalized in the law

In principle, the State Audit should have the authority to audit all functions of the State affecting the budget and public resources. It does not depend on whether such functions are carried out in any legal form. If a certain area (national secret) is not audited, it must be clearly identified by law and informed to the public.

The auditing authority of the State Audit must not be restricted. That means, including the examination of the legality, compliance, economics and savings of state economic activities.

(3) There must be an independent tribunal for the State Audit to complaint when its independence and auditing competence are violated:

When their independence is violated, the State Audit has the right to sue the Supreme Court.

For financial audits, when there is a problem with the audit authority, it will be resolved through administrative courts.

The law of these antecedents depends on the specific conditions of each country. In 191 countries, the State Audit of those was a member of INTOSAI. The response to these premises is very different and certainly, their effect is very different. However, many countries have constitutional provisions on the State Audit and most states have separate laws on the State Audit to ensure the legal status of the State Audit.

The mode of operation of the State Audit is as follows: pre-audit, post-audit, internal audit and external auditing.

Pre-audit for financial system is necessary, but that is not the tasks required of the supreme audit institutions. Post-audit is the main activity that all State Audit must perform. However, the Pre-audit is as necessary as state budget estimates before the NA's decision, audit to advise NA to decide important projects and works of national.

### *3.2.1.2 The role of state audit in estimating state budget*

The activities of the State Audit of all countries are to serve the state inspection and supervision in the management and use of State budget, money and assets and public resources. It aims to contribute

to the practice of thrift, against corruption, wastefulness, detection and prevention of violations of law. As well as improving the efficiency of using state budget, money and assets, public resources.

Together with the auditing of the financial statements and budget (post-inspection), the State Audit of many countries have appraised and presented their opinions on the annual state budget estimates submitted by the government to the NA. This is the pre-audit form of state budget.

The work of estimating and allocating estimates of ministries, central agencies and localities has been limited, affecting the management and control of the state budget, reducing the effectiveness of the use of the state budget.

Through auditing activities of State budget estimates at all levels, the State Audit has pointed out key constraints such as budget estimation and assignment of budget audited years shown as below. Estimation is not complete, not cover all sources and slower than the prescribed time. Making estimates of expenditures higher than budget capacity, incomplete calculation bases and not close to reality. Moreover, the budget allocation is slow, adjusted and added several times a year.

However, in the past time, the value of auditing results as well as auditing proposals for budget estimation and estimation are still limited. Such as the lack of timeliness characteristics when the SAV audits the state budget settlement. The main cause of this situation is due to limited legal basis. Therefore, the SAV should promote its role in making state budget estimates more effective by participating in the process of making and discussing state budget estimates, instead of evaluating when performing the audit.

### *3.2.2 Basic theories of auditing state budget estimates*

#### *3.2.2.1 Purpose of auditing state budget estimates*

The purpose of auditing state budget is to confirm the NA of the reliability of state budget estimates. The opinion of the State Audit is the feedback on the government's draft budget to the NA. With their experiences, the State Audit will provide opinions on state budget estimates submitted by the government. It shows errors, limitations, defects, missed revenue sources or expenses that are not really needed, wasteful, etc. Then, the NA has considered making more accurate estimates.

#### *3.2.2.2 Subjects, scope and process of auditing state budget estimates*

Auditing objects of the annual state budget estimates are state budget estimates submitted by the government to the NA for decision. However, in the process of participation of the State Audit in estimating, we can see the specific subjects as follows:

(1) Subjects of the State Audit is the report on estimates submitted by the government to the NA for consideration and decision. However, due to short time of state budget estimates process, there should

be an appropriate procedure for the State Audit. So when state budget estimates are submitted by the government to the NA, the State Audit basically has enough information and grounds for making the estimates and evaluations of state budget estimates. The State Audit shall consider the aspects of state budget estimate. Then, based on the information gathered from participating in budget discussions at all levels and localities. Based on the experiences of auditing the annual state budget settlement and the budget management of the government to give independent opinions on state budget estimates, the government shall submit them to the NA. The comments of the State Audit are only professional opinions and do not participate in political decisions.

(2) For important projects and works decided by the NA, the subject is the project that the government submits to the NA. Then the NA will send it to the State Audit. Based on the legal basis, audit experiences as well as independent evaluation, the State Audit will give independent opinions on the project. This issue depends on legal basis of each country. In some countries, when regulate projects and works submitted to the NA, the NA transfers them to the State Audit for checking before the NA make decision.

(3) For the estimates of ministries and central agencies, the auditing objects shall be the estimates made by ministries or central agencies giving to the government to sum up and make state budget estimates. The State Audit shall participate in the audit right from the time the budget-using units make the cost estimates. The State Audit will participate and give advice when the ministries and central agencies set up its budget. Summing up the opinions of the State Audit on estimates of ministries and central agencies will serve as a basis for the government to discuss the estimates before submitting to the NA. The opinion of the State Audit in this case is the basis for the government to make a decision before submitting to the NA.

(4) For national budgets including central and local budgets, when auditing local budgets, audit objects are budget estimates that the legislature submits to the elected body for consideration. The State Audit shall audit and advise the elected bodies on the budget estimates submitted by the executive agencies. The State Audit's opinions is an important source of information for the elected body to make the budget estimates as well as the plan for allocating the budget.

In order to audit state budget effectively, a separate audit process must be established. The process of auditing state budget is in compliance with and consistent with the audit process of the State Audit. However, due to the nature of it own state budget estimate, it is only considered completed when it is decided by the NA. Therefore, the process of auditing state budget estimates has only 3 phases (audit preparation, auditing, audit reporting) without stage 4 "checking the implementation of audit conclusions and recommendations". This is because the participation in the estimates process of the



State Audit is made before the NA decides and the opinion of the State Audit is the consultation. NA will decide whether to use this opinion or not. When state budget estimates are decided by the NA, it will become the legal documents that agencies must implement as a law including the State Audit. Therefore, the State Audit does not need or can not inspect the implementation of audit conclusions and recommendations.

### *3.2.2.3 Types of audit applicable in auditing state budget estimates*

In auditing activities, the State Audit uses three types of audit, namely:

#### (1) Operational Audit

"Operational audit is a systematic review of effectiveness, efficiency and economy of operation. Operational audit is a future-oriented, systematic, and independent evaluation of organizational activities. In Operational audit financial data may be used, but the primary sources of evidence are the operational policies and achievements related to organizational objectives" (daf.csulb.edu. 2011-12-22. Retrieved 2013-12-28). "Operational audit is a more comprehensive form of an Internal audit. The Institute of Internal Auditor defines Operational Audit as a systematic process of evaluating an organization's effectiveness, efficiency and economy of operations under management's control and reporting to appropriate persons the results of the evaluation along with recommendations for improvement" ([https://en.wikipedia.org/wiki/Operational\\_auditing#cite\\_note-1](https://en.wikipedia.org/wiki/Operational_auditing#cite_note-1)). For the State Audit agencies, operational audit is understood as the process by which qualified technicians of the State Audit carry out audits to assess the economy, efficiency and effectiveness which involves one or all of the activities of a public sector entity. In order to identify and report on the appropriateness of the information collected to the established criteria.

The economy here is understood as the reduction of costs while still ensuring the quantity and quality of inputs for the operation. The economy is focused on the procurement of resources on time, in the right place, in the right quality, in accordance with the requirements set at the lowest cost.

Efficiency refers to the relationship between output (product, service, or other outcome) with inputs to create them. Efficiency is achieved when the same input resource generates the most output or decreases the input supply but produces output in fixed quantities and quality.

The validity reflects the level of achievement of the objectives of the activity. Effectiveness shows the relationship between the effect of the output and the target on two aspects: Whether existing resources are guaranteed to meet the objectives? Will the results (including current results and future impacts) consistent with the policy objectives?

#### (2) Compliance Audit

Compliance audit is the kind of audit to know whether the audited entity for compliance with procedures, principles of higher authorities or the State authorities have set out or not. Thus, compliance audits are also called regularity audit. "

"A Regularity audit is a financial audit of the financial reporting or budget reporting of the audited entity".

([https://en.wikipedia.org/wiki/International\\_Organization\\_of\\_Supreme\\_Audit\\_Institutions#Regularity\\_audit](https://en.wikipedia.org/wiki/International_Organization_of_Supreme_Audit_Institutions#Regularity_audit))

Due to such function and nature, the "independent" and "competent" of the auditors will be clearly expressed in the compliance audit.

### (3) Audit of Financial Statements

Auditing financial statements is the examination and confirmation of the truthfulness and rationality of financial statements. As well as whether the financial statements conform to the accounting principles, standards and requirements.

"Financial statements (or financial report) is a formal record of the financial activities and position of a business, person, or other entity". ([https://en.wikipedia.org/wiki/Financial\\_statement](https://en.wikipedia.org/wiki/Financial_statement))

Applying any type of audit depending on the target, the contents of each audit. An audit may be applied 1 or 2 may be the three types of audits mentioned above to achieve the objective of the audit. When auditing state budget estimates, state audits are mainly based on compliance audits and operational audits.

#### 3.2.3 Contents of auditing state budget estimates of the State Audit

“Organizing for structure is the act of rearranging elements following one or more rules. Commonly, anything is considered organized when it looks like everything has a correct order or placement, and is in a specific location. But it's only ultimately organized if any element has no difference on time taken to find it” ([https://en.wikipedia.org/wiki/Organizing\\_\(structure\)](https://en.wikipedia.org/wiki/Organizing_(structure))).

It is possible to understand that organizing is doing activities to determine the structure of a system, identifying tasks that are appropriate for each group and each department. As well as assign the departments to the administrators with certain functions and powers to perform assigned tasks. Also, arrange the work in the system to achieve the best results.

From the above analysis combine with the concept of auditing and state budget, it can be understood that auditing state budget estimates of the SAV is organizing attached units, the allocation of personnel to the dependent units, audit delegation and the application of the audit process. To conduct

the audit of state budget estimates to get the best results in order to advise the NA on state budget estimates. The principal contents of organizing of auditing State budget estimates include: organizing apparatus and personnel to audit state budget estimates. To organize the implementation of the process of auditing state budget estimates. To organize the quality control of state budget estimates, as follow:

#### *3.2.3.1 Organizing structure and personnel to audit state budget estimates*

In order to carry out the audit of state budget estimates, apart from stipulating the implementation of state budget law and the SAV law, the SAV should organize their apparatuses and arrange personnel to conduct state budget estimates. Often, the State Audit of other countries does not set up a separate section to carry out audits of state budget. When conducting state budget audits, audit teams will be set up to carry out auditing tasks. In order to ensure the effectiveness of state budget estimates, staff from the sections of the SAV requires auditors who understand state budget and state budget estimates, be qualified for state budget auditing and state budget estimates. Beside performing assigned professional tasks, they will join the audit teams of state budget estimates when conducting state budget estimates.

Thus, in order to audit state budget estimates effectively, the units attached to the SAV should have the functions and tasks of auditing state budget estimates. As well as advisory units depending on their functions involved in auditing state budget. They involve from planning to auditing, preparing auditing reports for state budget estimates and especially auditing quality. It is not necessary to separate into different sections, but it is necessary to have specialists on state budget auditing and state budget estimates. These auditors must be trained intensively to participate in professional tasks while conducting audit of state budget estimates when necessary. In order to effectively carry out state budget audit in addition to rearranging the apparatus, defining the function and task of auditing state budget estimates for advisory units and dependent units, the SAV must also select training of specialized auditors on state budget auditing and state budget estimates.

When conducting the audit of state budget estimates, audit teams should be set up to the audit. The SAV delegation can be understood as a group of auditors established by the State Auditor General to perform audit tasks of the State Audit. They themselves dissolve upon completion of assigned audit tasks. The audit team consists of qualified professional technicians, knowledgeable about the subject being audited. Depending on the characteristics and organizational structure of the audited entity; objectives and content of the audit, as well as the scope and scope of the audit, they determine the form of organizing the audit delegation rationally, ensuring the quality and effectiveness of the audit. Usually, the audit team is organized in the following forms:

(1) Online organizing: In this form, the audit team includes the head of the audit delegation and a number of deputy heads assisting the head and the auditors of the audit team. The head of the audit delegation, directly managing and directing the entire operation of the audit delegation to each technician. This type of organizing is often used for small-scale audits, narrow audit scope.

(2) Organizing in division form: In this form, the audit team is divided into two levels: managers of audit team, and sub-audit team.

Managers of the audit delegation: including the head of the audit delegation leading the audit team and some deputy heads to assist the delegation.

Sub-audit team: Includes a leader and 3 to 4 auditors.

In the delegation, the head shall directly manage the operation of the sub-audit teams through the leaders of the sub-audit team. The leaders of the sub-audit team shall be responsible to the head of the audit team for organizing the management and directing auditors in the team to carry out the audit plan of it. The leaders of the sub-audit team, the team members have duties, responsibilities and powers in accordance with the Law on State Audit. They are obliged to strictly comply with other provisions of the Law on State Audit, other legal documents on the SAV, and other related legal provisions.

This form of organizing is often used for large-scale audits, wide scope of auditing such as audit of budget statement of a ministry, central branch, province, city or a corporation. It is also used when auditing thematic issues that cover many ministries, sectors and localities.

The audit of state budget estimates is also carried out by state budget estimates auditing teams established under the decision of the State Auditor General. Depending on the objectives, contents and size of State budget estimates audit, they set up the audit teams for state budget estimates as appropriate, specifically as follows:

(1) In case the audit of state budget is mainly focused on state budget estimates submitted by the government to the NA. They don't perform detailed audit of the components of state budget estimates, such as the estimates of each locality, estimates of each ministry, they usually establish an online audit team without setting up auditing teams. However, if there is a need for more information, they can set up an audit delegation in a division form. Some sub-auditing teams conduct audits of state budget estimates in the agency which aggregates revenue estimates and expenditure estimates for state budget.

(2) In case of auditing state budget that including the detailed audit of state budget estimates of ministries and localities, the audit delegation shall be established in a division form. The audit team will have a head, deputy heads and sub-audit teams. They audit the estimates synthesis of the synthetic agency which estimates revenues and expenditures of state budget. They also audit the preparation and synthesis estimates of agencies, ministries and localities.

### *3.2.3.2 Organizing the implementation of the process of auditing state budget estimates*

For the audit of state budget estimates to be effective, it is necessary to have the process of auditing state budget estimates and organizing state budget estimates according to that process. Auditing state budget is a type of audit operation with specific objectives and objects. However, it is still an audit conducted by the SAV, so the process of auditing state budget must be in line with the common audit procedures applied by the SAV. On the other hand, due to the objective, audit entities of state budget estimates have relatively independent, so it has elements of the process of independence and specific characteristics. For an overview of the audit process state budget estimates include 3 stages:

Preparation for auditing

Conduct audits

Making audit reports

The form and procedures of the three phases are similar and consistent with the general audit process but the process of auditing state budget does not have stage 4 (inspect the implementation of conclusions and recommendations audit). This is because the characteristics of state budget estimates are only considered complete when approved by the NA and the SAV is a tool to help the NA to give advice and criticism on state budget estimates submitted by the government. Due to the characteristics of the process of making, appraising and deciding on the estimates of state budget, state budget estimates have specific characteristics that affect the organizing of auditing state budget. The contents and methods of auditing state budget estimates are different in each step of the three phases of the audit process.

### *3.2.3.3 Organizing the quality control of audit state budget estimates*

The auditing quality of the SAV is the level of satisfaction of subjects using audit results on objectivity, honesty and reliability in the conclusions, as well as assessments and remarks of the SAV. Also satisfying with the recommendations and solutions proposed by the State Audit, with the reasonable cost of auditing activities. Audit quality is reflected in the final "product" of the audit process, which is the audit report. The audit process is similar to a production process, which takes place in a sequence of steps, from planning, auditing to reporting. In order to obtain quality audit

products, all stages of the audit process must meet certain standards. And for all stages of the audit process to be in good quality, the SAV must organize the quality control of auditing. Quality control audit is the term that contains the policies and procedures used to manage and control audit activities in accordance with the principles, current professional standards and quality criteria in accordance with the regulations of the State Audit.

Quality control auditors are recognized by INTOSAI as a compulsory and regulated entity in the auditing standard. Audit Standards "Supervision and re-examination" of INTOSAI states: "The work of the auditors at each level and each audit stage must be properly monitored during the audit process, and the work expressed in documents must be rechecked by a senior member of the audit team" [15, p. 335]. In Vietnam, the State Audit has issued Audit Standard No.10 "Inspection and Quality Control" (1999), currently, the Audit Standard No. 08 "Audit Quality Control" (2010) confirms that this is an objective requirement, a mandatory norm for auditing at each step and audit stage.

Quality control audit, firstly to ensure that audit results meet the quality criteria, also reliable requirements of subjects using audited information. In general, auditing quality control helps the SAV to see the quality of audit. thereby making the adjustment measures, overcoming unreasonable, improve management policies, working methods, improve auditors' qualifications. Aiming to improve the quality of provided services.

From the above reasons, it is necessary to carry out controlling of auditing quality when auditing state budget. Organizing the quality control of auditing is to carry out two basic contents: controlling the system and controlling the operation.

For audits of state budget, quality control audits are performed at all three stages of the auditing process: preparation of audits; conduct audits; prepare and submit the audit report. Audit quality control work is performed from the bottom, according to the audit quality control levels include: auditors, leaders sub-audit teams, head of the audit delegation, chief accountant of the specialized SAV (regional), leaders of the SAV with help of the unit responsible for quality control audit. Control tasks according to the control levels shown in Table 3.1 below:

Table 3.1. Audit quality control tasks according to the control level

<b>Object performance control quality</b>	<b>Duty</b>
Auditors	To self-examine and revise the audit results for assigned tasks
Leader of sub-audit team	To inspect and supervise the implementation of audit plans, processes and procedures.  reviewing and verifying the auditing evidences and auditing results of the auditors.
Head of audit delegation	Assign tasks and clearly define the control responsibilities of sub-audit teams.  To inspect and supervise the implementation of the standards, auditing process, audit plans, auditing methods and procedures at sub-audit teams.  To examine and approve the detailed audit plans and audit results of sub-audit teams.
Chief accountant of the specialized State Audit (regional)	Checking the audit plan, the implementation of the audit plan and quality control audit results of audit teams, sub-audit team in accordance with the standards, audit process, quality audit criteria
Quality control unit in charge	To advise the General Statistics Office on the quality control of state budget estimates.  Its control is independent of the control of the audit team, the specialized State Audit (regional)

Source: Data extracted from SAV's year reports (2010-2013)

### 3.3 Interview

Within the framework of the study, the interview was conducted for people in the audit field and people that involved in auditing and state budget. These people are in different leadership positions and also employees, in order to have an overview from different angles to the subject matter being

studied. The results will be appraised to support in making solutions. The details of the interview are as follows:

Period of time: from May 2017 to July 2017

Total number of people surveyed: 20 people

Include:

1 Department's head (from State Audit)

4 Section's heads (2 from State Audit, 1 from Ministry of Science and Technology, 1 from Ministry of Industry and Trade)

5 Deputy head of sections (2 from State Audit, 1 from Ministry of Science and Technology, 2 from Ministry of Industry and Trade)

And 15 employees (5 from State Audit, 3 from Ministry of Science and Technology, 5 from Ministry of Industry and Trade, 2 from the Customs)

The interviewee will receive an email with a questionnaire of questions and solutions for evaluate audits of budget estimates in Vietnam for them to choose (or not to choose). After completing the survey, they send back to the interviewer to synthesize as information the research.

(the questionnaires shows in Appendix)

The number of people agreeing to interview: 16 people

The number of people who disagreed to be involve in the interview: 04 people (1 deputy head of section and 3 employees)

The number of people agreed but not responding to email: 01 people

Number of questionnaires received: 15 questionnaires.

As the result of the survey, most respondents agreed with the improvement the audit of the state budget estimates. In the same view with the author of the thesis, most interviewees from agencies involved in the state budget find this to be a necessity. In order to make the state budget more efficient as well as enhance the role of the state audit.

This chapter provides the data that has been collected and analyzed for the research. The chapter also provides the methods which are used to evaluate the data. The results of the evaluation can be seen as follows. State budget estimates are based not only on the factors of economic growth forecasting and socio-economic development objectives of the State, but also on the norms of distribution,



policies and regimes of expenditure of the State. The calculation of revenue and expenditure estimates and budget balance is a complicated and meticulous task. It requires the operator to have certain technical skills. Furthermore, the state budget estimation process is complex and requires multiple units.

The SAV shall conduct and evaluate the State budget estimation by the Government and submit it to the NA. Base on the audit report, the NA shall have more grounds for making cost estimates. Auditing budget estimates contributes to improving the quality of estimation through consultancy activities for Government agencies and the NA. The SAV shall participate in the estimation process right from the stage where the basic units make estimates, of the Government. It also participates in the process of Government's discussion as well as the NA's discussion. The involvement of the SAV in addition to providing additional information for the review, it also advises to get estimates fully, accurately, reliably.

With the important role of the state budget, it is necessary to audit state budget estimates in order to obtain quality state budget estimates for the management of the state budget. The above important role of the state budget is only promoted when the state budget estimate is developed in a scientific, practical and quality manner as the reasons below. A good state budget estimation provides the necessary information for the design and operation of economic and financial policies. It also provides the basis for proposing or changing the current financial policies. The correct and complete calculation of state budget revenues and expenditures will minimize the difficulties and maximize the advantages. The involvement of the SAV in the state budget estimation process is in line with international practices and ITOSAI guidelines.

Purpose of the chapter is to give the results of the study that presented in the next chapter.

## 4. Results

### 4.1 Current status of auditing state budget estimates of the SAV

#### 4.1.1 Essential results of organizing state budget estimates audit

Before the State Audit Law comes into effect (January 1, 2006), the SAV has no task of auditing state budget estimates. According to the law, the activities of the SAV are mainly post-audit for the audit of budget settlement reports for approval of the budget balance of the NA and the People's Council at all levels. In this period, the SAV has not actually participated in the auditing of state budget estimates, but only giving opinions on estimates and implementation of budget estimates when conducting the audit of final accounts. That means, the SAV only evaluates the preparation and implementation of estimates when the estimates have been used to manage and administer the budget.

Therefore, the comments and recommendations of the SAV is only to draw experiences for estimating the following years, but it is less meaningful in advising the NA on state budget estimates. However, auditing results are also important documents that serve as basis for referring to the Committees of NA in the process of verifying state budget estimates. It is also information for NA, People's Council at all levels to decide the budget.

Since the State Audit Law takes effect, the SAV has additional tasks to submit opinions to NA for making decisions on state budget estimates. As well as joining the National Assembly Finance - Budget Committee to verify state budget estimates. In fact, from 2006 up to now, the SAV has appointed auditors to participate in state budget estimates and the central budget allocation plan (budgetary discussions between the Ministry of Finance and other ministries and localities, chaired by the Ministry of Finance. From 2011 also participated in some of state budget estimates held by National Assembly Finance - Budget Committee). The results obtained from the discussions and comments on the preparation and implementation of budget estimates when auditing budgets at all levels has provided information for the verification of state budget estimates of National Assembly Committees and monitoring activities as well as decisions on state budget estimates of National Assembly and People's Councils at all levels, specifically as follows:

The State Audit's opinions on estimating and implementing the budget estimates of previous years are important documents for the verification and decision making of State budget estimates in the following year when auditing budget balance. It is noteworthy that audit results in recent years have shown that estimates work is still limited.

In 2008, revenue exceeded 33.3% (107,549 billion VND) compared to the estimated by the National Assembly. If excluding instability increase revenue factors<sup>7</sup>, 2008 revenue still exceeded 13.77% compared to the estimated. Development spending exceeded 19.8% compared to the estimated (19,732 billion VND). Regular expenditure exceeded 6.4% (15,125 billion VND).

In 2009, revenue exceeded 16,6% (64,886 billion VND) compared to the estimated by the National Assembly. If excluding instability increase revenue factors<sup>8</sup>, 2009 revenue still exceeded 8.6% compared to the estimated. Development expenditure exceeded 60.8% (68,563 billion). Regular expenditures were only 99.2% (decrease 2,529 billion VND).

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<sup>7</sup>increased revenues from housing, crude oil, aid, increased revenue due to sudden price increase and other budget revenues

<sup>8</sup> revenue from housing and land was 19,138 billion dong, a non-refundable aid was 2,908 billion VND, increase of exchange rate difference, interest on bank deposits, petrol charge was 8,038 billion VND, and recovering previous year's expenditures was 1,277 billion VND

In 2010, revenue exceeded 27.5% (126,928 billion VND) compared to the estimated by the National Assembly, If excluding instability increase revenue factors<sup>9</sup>, 2010 revenue still exceeded 16.4% (75,790 billion VND) compared to the estimated. Development expenditure exceeded 45.9% (57,666 billion VND) compared to the estimated. Regular expenditure exceeded 1.5% (5,570 billion VND) compared to the estimated.

Source: Data extracted from SAV's audit reports (2008-2010)

This proves low quality of estimates, the approval of estimates in the National Assembly, People's Council is formal, revenues and expenditures outside state budget are large. Therefore, the preparation and evaluation of State budget estimates should be completed and the National Assembly should consider more when deciding on state budget estimates.

The comments of the SAV about assessing the implementation of state budget estimates in the reporting year, presented an over view of the implementation of state budget estimates for each area of investment, development and recurrent expenditures. It also pointed out many limitations in assessing the implementation of state budget estimates such as follows:

Commenting on the implementation of State budget estimates in 2009, the SAV indicates that: the implementation of the Resolution of the National Assembly and state budget Law is not strict, as well as using excessive spends as regularly spends. Almost all expenditures exceed the assigned budget. The amount of capital mobilized from government bonds is 36,000 billion VND not yet included in the balance of state budget revenues and expenditures. The disbursement rate was very low (9 months' disbursement was 31.9% compared with the plan assigned). The capital construction investment is widespread, there is no specific assessment report on public expenditure outside state budget, such as follows: expenses from lottery receipts, fees, capital mobilization investments under Clause 3, Article 8 of state budget Law. Many localities estimate that the revenue of the previous year is not close to reality, leading to a lower estimate than that of the previous year. 2009 is the last year of implementation of national target programs for 2006-2010 but some provinces have not developed long-term plans for the whole period. The criteria for allocating capital have not been promulgated so the allocation is spread out, distributed in the average way. Source transfers continue to increase, slowly overcome.

Source: Data extracted from SAV's audit reports (2008-2010)

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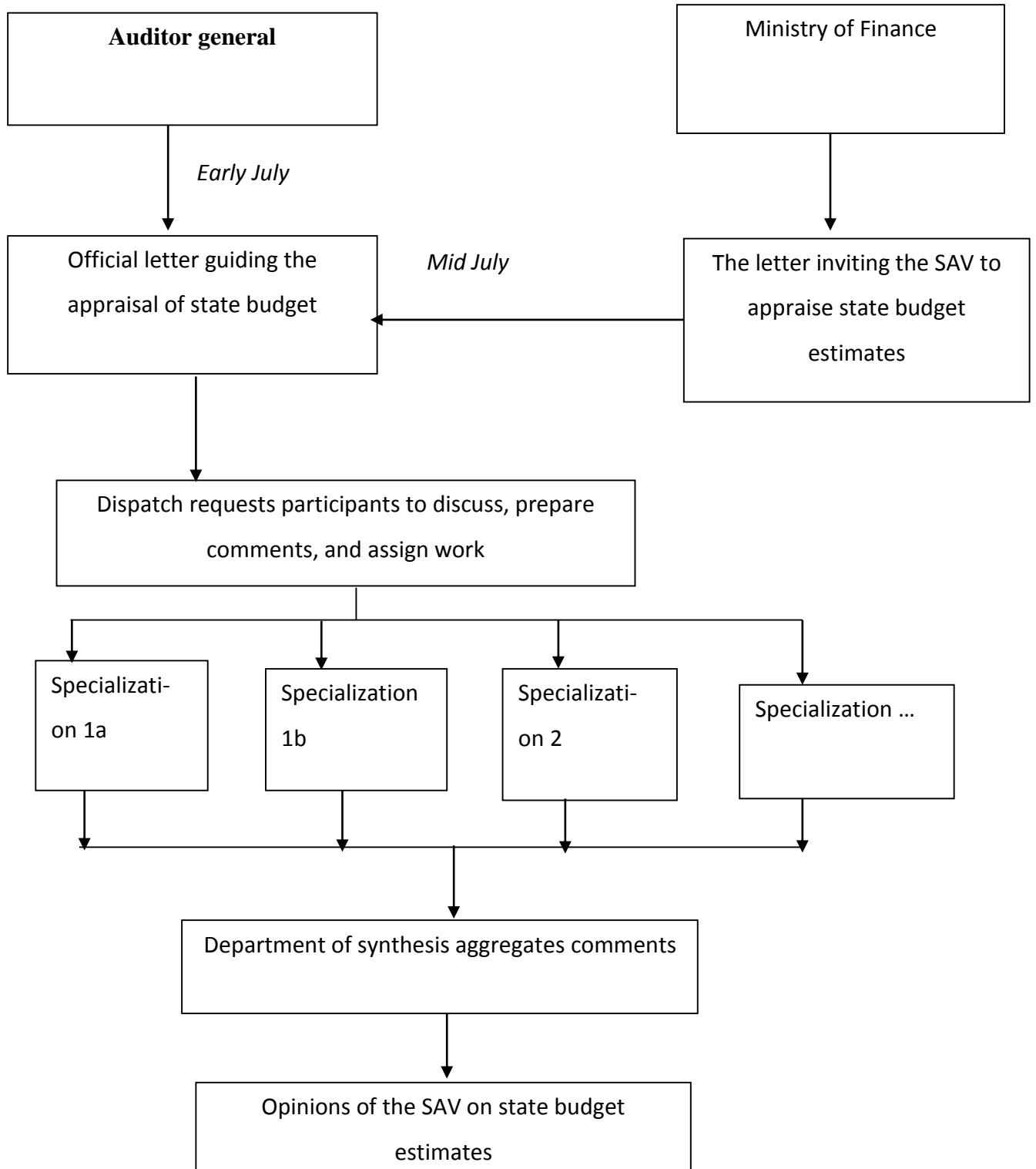
<sup>9</sup>Increased revenue from housing was 28,872 billion VND, increased non-refundable aid was 6,868 billion VND, income from previous years and administrative penalties was 7,791 billion VND, revenue due to the surge was 7,607 billion VND, remaining increase revenues 75,790 billion VND

## 4.1.2 Status of organizing the audit of state budget estimates

### *4.1.2.1 Organizing apparatus and personnel of auditing state budget estimates*

From 2006, every year the SAV participates in discussions on state budget estimates and plans for allocating central budgets with the Ministry of Finance and other ministries and localities. SAV also taking part in some meetings on state budget estimates of the National Assembly's Finance and Budget Committee with some ministries and localities (from 2011). As well as reviewing and evaluating documents related to state budget estimates to submit their opinions on state budget estimates to the National Assembly. The implementation of the tasks of the State Audit is shown in Figure 4.1:

**Figure 4.1: Organizing chart of the State Audit's tasks to submit comments on state budget estimates**



Source: Internal guideline documents of SAV (2010)

Thus, to prepare comments on state budget estimates, the State Audit has assigned tasks to sub units in the annual plan to guide contents to be taken into account. The units have arranged auditors to participate in the discussions and prepare comments on state budget estimates. However, the process of organizing apparatus and personnel of state budget estimates has not really changed much in order to make key changes to improve the quality of auditing state budget, specifically as follows:

Organizational structure: the SAV has not set up a separate department (organization) to carry out the audit of state budget estimates. It also does not clearly assign the task of auditing the budget to attached units (chair units, coordinating units). At the subordinate units have not assigned the task of auditing the specific state budget estimates for any department. As a result, there are no specialized sections for auditing state budget estimates, both at the SAV level as well as subordinate units. Along with the lack of training of specialized auditors in auditing state budget estimates.

Regarding the organizing of audit delegations: The assignment of organizing audit team's tasks is lack of making plans. Audit teams or sub-audit teams have not been set up to carry out audits and supervise auditing activities. This may lead to the failure of the audit organizing to follow the audit procedure.

#### *4.1.2.2 To organize the implementation of the process of auditing state budget estimates*

The overall audit process of the SAV consists of four stages: preparation of audits, conduct audits, making and sending audit reports, check the implementation of audit recommendations conclude. The basic contents of stages of the general audit process are as follows:

The characteristics of state budget estimates are only considered completed when it is decided by the National Assembly. Therefore, the process of auditing state budget has only three phases. There is no checking the implementation of the audit proposal. The practice of the SAV and other countries shows that, for a quality audit, an appropriate audit procedure is required and that the process should be followed when conducting the audit.

Currently, the SAV has not yet issued the process of auditing state budget to provide professional guidance for auditors. There are no legal documents regulating the powers of the SAV when auditing the budget and stipulate responsibilities for coordination of agencies involved in making and synthesizing state budget estimates. Therefore, the organizing of auditing state budget estimates has not been clearly defined, with full contents in each period of the audit process of the State Audit. The status of state budget audit organizing if it is assessed according to stages in the audit process as follows:

(1) To organize the preparation for auditing state budget estimates of the SAV: At this stage, the SAV has not yet made and approved the audit plan of the audit team. As well as setting up audit teams, disseminate audit decisions and plans, update knowledge for audit members. Therefore, the objectives and contents of state budget estimates have not been clearly defined. Revaluation criteria as well as methods of auditing applied to audit evidence have not been clearly defined also. The auditor's determination of the objectives, contents and methods of auditing applied is mainly based on his experiences so it has not been done scientifically and properly. Further more, there is no decision to set up an audit team, clearly stating the personnel, time and units performing the audit to ensure the legality of organizing the audit of state budget estimates (time, personnel involved in discussion and preparation of comments on state budget estimates. Units under the SAV shall organize the actions according to the request of general auditor and send them to the Department of Synthesis for evaluation before implementation.

Therefore, the period of preparation for auditing state budget estimates has not been fully implemented as guided in the audit process of the SAV (general process). Leading to the lack of an audit plan of state budget estimates in right sense, ensuring the legality to organize the audit. Thus, it is not possible to carry out audits of state budget estimates in the right way. It affects the quality of opinions on state budget estimates. (2) Organizing the audit of state budget estimates of the State Audit: The organizing of such an audit meets many difficulties, and it is difficult to overcome in the current period, affecting the quality of auditing state budget estimates, specifically as follows:

The time to approach the draft budget of the ministries, localities too short (At the beginning of the discussion, the auditors will have access to this draft including the discussion on state budget estimates presided by the Ministry of Finance. As well as the conference chaired by the National Assembly's Finance-Budget Committee). Therefore, it is not possible to study in depth to understand and ask questions to clarify the contents of the draft budget. Along with there is no time to perform work steps such as assessing the effectiveness of the internal control system, identifying audit risks, detailed planning audit to determine the content of the audit, assigning tasks to the auditors. It leads lack of information, audit evidence gathered from the discussion of budget estimates. Auditors must continue to study draft budget estimates when the discussion session to prepare the opinion has ended, so they have no chance to question, request clarification. As a result, auditors are primarily use their experiences, which means results in audit evidence may be subjective and limited. Because they are not allowed to participate in discussions on budget estimates with the Ministry of Finance, other ministries and localities in the following steps, when approaching state budget estimates at the conference held by the National Assembly's Finance-Budget Committee, auditor do not know the

budget estimates of the ministries, the localities in the draft budget discussed in step 1 have been corrected or not. Therefore, opinions on state budget estimates at the conference were presided over by the National Assembly's Finance-Budget Committee are not clear such as which areas are losing revenue, which tasks are inadequate. Then the audit results obtained in this step are also limited.

The SAV has not yet participated in the process of making budget estimates of ministries, branches and localities. With state budget estimates, the SAV has just joined the discussion of step 1 and analyses, evaluates budget documents sent by the Ministry of Finance. Therefore, the situation of data, documents and auditing evidences to estimate state budgets are still limited. Along with the preparation of the audit, perform audit which is not fully according to the audit procedures of the State Audit, there are no criteria for assessment of state budget estimates for the collection of audit evidence. Methods of auditing applied to gather audit evidence are just methods of seminar and questioning (applied when participating in the discussion of state budget estimates), descriptive statistical methods, information analysis and evaluation (apply when analyzing and evaluating draft budget estimates of ministries, localities, also state budget estimates, reports on audit of budget settlements of previous years). Many other auditing methods have not been applied so the audit evidence collected is not sufficient. (3) Organizing the preparation and issuance of audit reports on state budget estimates of the State Audit. The current state budget estimates audit report is in the form of written comments of the SAV on state budget estimates. The elaboration and issuance of reports on the audit of state budget estimates shall be presided by the Department of Synthesis and shall be conducted in the following order: The Department of Synthesis shall base on the opinions of state budget estimates of the specialized and regional state budgets, and their opinions when participating in the discussion of budget estimates. Combine with the estimates of state budget in the audit reports of the previous year's budget settlement in order to sum up the draft State Budget's opinions on state budget estimates submitted to the SAV leaders for ratification. Then, receiving suggestions and instructions from the State Audit, the Department of Synthesis will complete the draft, report to the leaders of the SAV to submit to the National Assembly. Opinions of the SAV on state budget estimates submitted to the National Assembly are usually structured as follows: Part 1: Comments on the implementation of state budget estimates in the reporting year; Part 2: Evaluation of state budget estimates in the plan year; Part 3: Some comments on state budget estimates in the plan year.

The establishment and issuance of such audit report does not guarantee the full implementation of the steps according to the audit process of the State Audit, specifically as follows:

As a result of not setting up an auditing delegation, there is a lack of drafting of audit report outline and approval of the draft audit report of state budget auditing team. At present, the drafting of audit



reports of the Department of Synthesis has not gathered all the opinions of the auditors participating in the audit of state budget estimates in the draft.

The State Audit's opinion on state budget estimates of the State Audit's leaders has not been consulted by the Legal Department, the Department of Audit Regimes and Quality Control to ensure the quality.

There has been no step of sending SAV's opinion about state budget estimates to agencies of making and synthesizing state budget estimates for receiving feedback and completing. In order to ensure the accuracy and objectivity of evaluations, remarks and proposals on state budget estimates.

The preparation of auditing, auditing and making audit reports of state budget estimates are not enough steps according to the audit process. Therefore, state budget estimates report still has limited. SAV also has no report sample on state budget estimates. The current state budget estimates audit report is in the form of a synthesized statement of the State Audit's opinions on state budget estimates for the Auditor General to report to the National Assembly (the opinion consists of 3 main parts: comments on assessment of the implementation of state budget estimates in the reporting year. Evaluation of state budget estimates in the plan year. Giving opinions on state budget estimates in the plan year). In other words, the SAV has not yet made a report on state budget estimates that is prepared and issued in the sense of the audit report.

#### *4.1.2.3 Organizing of quality control of audit state budget estimates*

The quality control of state budget estimates of SAV is currently implemented in accordance with the general regulations on quality control audit issued by the Auditor General. There are no separate regulations on policies and procedures to control the quality of auditing state budget such as: policies on recruitment, professional training, appointment of heads of audit delegations, deputy heads of audit delegations, heads of sub-audit teams of state budget estimates. Furthermore, due to the method of organizing state budget estimates of not set up an audit team, have not regulations on dossiers and forms of audit of state budget estimates. As a result, it has not tight control systemic about audit plan, auditing and audit reports of state budget estimate. There has been no control over the quality of audits of sub-audit team leaders, audit team leaders and the quality control of audit records, so there is a lack of two levels of control that reduce the quality of controlling. The quality control of state budget estimates at the auditor level is mainly carried out by the auditors. The quality control of state budget audits at the subordinate units is assigned by the auditor team to the task of self-revision. The direct review by the head of the unit through the approval of comments on state budget estimates of the unit submitted by auditors. For the State Audit, the Department of Synthesis shall self-examine the quality of opinions on State budget estimates, which is summing up from the audit results of the attached units and the results of its own audits (without participation of the Department of Quality

Control and the Legal Department). Then submit them to the Auditor General for approval before reporting to the National Assembly. The organizing of quality control of auditing state budget estimates as above also affects the quality of opinions of the SAV on state budget estimates submitted to the National Assembly.

#### 4.1.3 Assessment of the status of audit of state budget estimates organize of the State Audit

##### 4.1.3.1 Achievement

On creating the environment, policies and bases for conducting the auditing of state budget estimates:

In the process of development, according to the requirements of the task, the SAV has gradually established the legal basis for organize and operation and submitted to competent agencies for promulgation. From a government agency (established under Decree 70 / CP of July 11, 1994 of the government) with the function of assisting the Prime Minister in inspecting and certifying the correctness and legality of accounting documents and data, settlement report of state agencies, non-business units, state economic units and social organizations which use state budget funds. The SAV conducts the audit according to annual audit programs and plans approved by the Prime Minister and supply auditing results to the government and other State agencies according to the government's regulations. The Auditor General shall be appointed and dismissed by the Prime Minister and be responsible before the government for the entire work of the State Audit. To now, the organizing and operation of the SAV has been implemented in accordance with the Law on State Audit passed by the 11th National Assembly at its 7th Session on 14 June 2005, effective from January 1, 2006, and is constitutionally formulated in the revised Constitution of 2013. Accordingly, the SAV is the body set up by the National Assembly, which operates independently and obeys the law, audits the management and use of finance and public assets. The SAV Law stipulates that the Auditor General can decide an annual audit plan.

The quality control of state budget estimates:

Although there are no specific regulations for quality control of state budget audits, quality control audits are still conducted through the common regulations of the State Audit. This is reasonable and in practice because the SAV has issued a separate standard for quality control auditing - Audit Standard No. 10 "Inspect Audit Quality " (1999) it now is the Audit Standard No. 08 "Audit Quality Control" (2010). The standards have set principles, requirements and regulations for auditing and reviewing auditing quality. These are important facilities for quality control of state budget audits. Participating in quality control of state budget estimates, though not fully advised (lack of Department of Quality Control, Legal Department) but there is still the participation of the Department of

Synthesis. Beside, in the specialized state, (regional) quality control audits was checked by the inspectors themselves. Review through the approval of the departmentally-level leaders who are directly in charge of the discussion and preparation of comments on state budget estimates. It is also review through the approval of the head of the unit before submitting to the Department of Synthesis for synthesizing opinions of the SAV on state budget estimates submitted to the National Assembly.

All these successes are reflected in the fact that every year (since 2006) the SAV has made comments on state budget estimates submitted to the National Assembly. Opinions on state budget estimates of the SAV have become more and more meaningful and many opinions of the SAV were received by the National Assembly to propose the government to explain, clarify or supplement or adjust state budget estimates before the National Assembly decides it. In fact, the quality of opinion of the SAV on state budget estimates has been improved

#### *4.1.3.2 Limits*

*On the legal environment for auditing state budget estimates:*

The State Audit Law as well as state budget law system does not clearly state the powers of the SAV when auditing state budget. There is also a lack of legal documents detailing the tasks and powers of the SAV in each step of the process of making, appraising and deciding state budget estimates. This inadequacy affects the autonomy of the SAV and makes it difficult to organize the audit of state budget estimates.

In the Laws, legal documents (State Budget Law, State Audit Law and guiding documents) do not stipulate the need to provide state budget estimates and documents relating to state budget estimates to the State Audit. This leads to difficulties in accessing and collecting information for examination and evaluation of state budget estimates. As well as the lack of regulations on the coordination of agencies and units involved in budgeting, especially the agencies tasked to synthesize budget estimates such as finance agencies, planning and investment agencies, tax agencies to provide the information necessary for the audit of the estimate. That is the reason why the contribution of the SAV to state budget is limited.

In addition to the inadequate provisions of law, the professional guidelines for auditor to conduct auditing state budget estimates are inadequate as below: The standard system of SAV has been issued still lacking guidelines related to auditing state budget estimates. The SAV has not yet issued the process of auditing state budget estimates nor specifically designed the system of sample files applied for the audit of state budget estimates. Therefore, state budget auditing activities do not have standardized guidelines to apply. It affects the quality of audit.

On organizational apparatus and personnel to conduct the audit of state budget estimates:

At present, the auditing force of the SAV is relatively sufficient in number with many fields being trained. The organizational structure was basically stable to perform the task. However, the SAV has no specialized sections (specialized sections or specialized units assigned with many tasks, including the task of auditing state budget estimates), as well as not clearly defined in the functions and tasks of units attached to the task of auditing state budget estimates. These are prerequisites for the training of auditors and raising the scope of auditing activities of state budget. Moreover, organizing the preparation of opinions on state budget estimates has not set up delegations and sub-audit teams to facilitate the work of directing and managing auditors, auditing quality control. This limits the audit quality.

The organizing of state budget estimates according to the audit process:

At present, the SAV has not yet issued the process of auditing state budget. The organizing of auditing of state budget estimates is not yet complete according to the steps of the audit process of the SAV (the general procedure applies to all audits), as well as not having audit planning for the audit. Additionally, the detailed audit plan of sub-audit teams has not been prepared to clearly define the objectives, scope, time and personnel of the audit, determining the content and methods of auditing applied. This affects the quality of the audit. The audit is conducted without planning as well as without guidance (no audit trail or process).

Therefore, the determination of content and method of auditing is mainly considered by the auditors, lack of uniform direction in the scope of auditors as well as in the whole field. The preparation of auditing reports aims to present state budget's opinion on state budget estimates, but due to the lack of templates as well as guidance on the formulation, appraisal and issuance leading to the poor form and quality of reports. The inadequacies in organizing audits of state budget by auditing process lead to state budget's opinion on state budget estimates which is not specific according to the items of the budget. It does not specify which ministries and localities must adjust the budget and what content to adjust. The SAV has not yet made any comments on the link between state budget estimates and the fiscal and financial policies of the country. The assessment of the alignment of state budget estimates with outputs has not been mentioned in the comments on state budget estimates of the SAV submitted to the National Assembly.

On organizing of quality control of state budget estimates:

State budget estimates has not yet been organized according to the audit process and not set up audit delegations. Therefore, the quality control audit is lacked of participation of the Department of Audit Quality Control, Legal Department. The quality control of the team leader, head of the sub-audit

team. It may affect the quality of auditing state budget.

The steps in the process of auditing have not been fully implemented so the dossiers and documents reflecting the evolution of the audit process as a basis for controlling the quality of auditing of state budget estimates are not enough. There is no auditing plan, no records, auditor's diary, audit team meetings... to control audit quality.

#### *4.1.3.3 The cause of limitations*

Firstly, the provisions on professional audit profession are not complete and synchronous, especially the regulations and guidelines on auditing state budget estimates are not enough.

Although, the SAV has recently issued a comprehensive set of auditing standards, auditing procedures and other regulations governing auditing in line with the standards and principles of auditing of INTOSAI, and it has met the requirements of auditing and quality control. However, there are some limitations in the system of regulations such as:

The auditing standards system, which was introduced in 1999 and replaced in 2010, has basically conformed to the INTOSAI standard system. However, the system also has many restrictions on standard content, the number of standards. The standard system was issued mainly general standards, brief standard contents, high level of overview, not guided the specific audit profession, especially the standard practice group. There is no guidance on each type of financial statement audit, compliance audit, operational audit. It is noteworthy that there is no content in the norms guiding the pre-audit and auditing of state budget estimates.

The system of sample forms of audit profiles is generally incomplete and incomprehensive and there are no records of forms applicable to auditing of state budget estimates.

The SAV has not had the process of auditing state budget estimates and there are almost no guidelines on auditing state budget, so it seems impossible to improve the professionalism and difficult to assure the quality of state budget estimates.

Secondly, the SAV has not yet reorganized its apparatus and personnel to audit state budget

The SAV has not yet rearranged the apparatus and personnel to audit state budget. It is unclear whether the tasks of auditing state budget estimates for the advisory departments, the specialized state audit and the regional state audit. There will be inadequacies in directing and organizing the audit of state budget estimates that will easily lead to subordinate units in performing this important task. The failure to clearly assign tasks to units also led to the difficulty of specialization, both in the training of auditors and in the organizing of auditing. This can reduce the professionalism in auditing state budget, affects audit quality.

Thirdly, there is a lack of detailed legal provisions for the SAV to audit state budget estimates

The current system of legal regulations does not specify the responsibilities and rights of the SAV in the steps of the process of making, evaluating and deciding state budget. The State Audit Law only stipulates that the SAV is tasked to submit its own opinions on state budget estimates, to be involved with the Finance Committee - the budget of the National Assembly when examining state budget estimates. It is not clear what the SAV is doing, how it is responsible, and how it participates in the process of preparing state budget for comments on state budget estimates. This inadequacy will lead to the SAV having difficulty in auditing state budget estimates and will have to be passive in coordinating or collecting documents related to state budget estimates for auditing.

Fourthly, auditor's qualifications for auditing state budget estimates are limited

Because the characteristics of state budget estimates are based on the requirements of socio-economic development, and based on the policies and regimes set by the state in the finance and budget field. State budget estimates are legal documents with high professional qualifications, the establishment involves many agencies and units. Furthermore, the main type of audit in state budget estimates audits are performance audit and compliance audit. It requires auditors to have a high level of expertise, skills in analyzing, synthesizing and understanding state budget and state budget estimates as well as socio-economic knowledge. However, the current status of the SAV does not have many qualified auditors, thus affecting the organizing of auditing of state budget estimates and quality of audit.

The mentioned above show the environment, bases and conditions for auditing state budget estimates are many shortages, limitations. This leads to inadequate results of auditing state budget. From that fact, the SAV should soon take corrective measures to improve the quality of auditing state budget, in order to ensure the SAV is an important tool of the state in the management and use of state budget, money, assets and public resources.

#### 4.2 Experiences in auditing state budget estimates of some other countries

The participation of the State Audit in the process of preparing state budget is a common practice of other countries. Although the participation of the State Audit in each country is different in form and scope, but the purpose is to provide an assessment of state budget estimates prepared by the government. It will serve as a basis for the National Assembly to discuss and decide on state budget estimates. The State Audit agencies, with their functions, shall consider the rationality and feasibility of the budget estimates prepared by the government agencies in order to provide the opposite information on state budget estimates, advise the National Assembly on state budget estimates.

#### 4.2.1 Organizing of auditing budget estimates of the Hungarian State Audit

In order to formulate the regular budget for June each year, the Ministry of Finance of Hungary issues a circular guiding central ministries and branches to draw up budget estimates. This Circular shall be sent to the ministries and branches and concurrently to the Hungarian State Audit. The circular specifies the macroeconomic strategy, the economic reform program of the government, and guide the contents of budget estimates. Based on guiding circulars and actual situation, ministries and branches shall make annual budget estimates and only send such estimates to the Ministry of Finance and shall not have to send them to the State Audit. On the basis of the budget estimates of the ministries and branches, the Ministry of Finance shall sum them up into state budget estimates and send the estimates to the State Audit.

After receiving state budget estimates submitted by the Ministry of Finance, the professional sections of the State Audit shall appraise the estimates of units under their annual responsibility. When conducting the cost estimates, the Hungarian State Audit must work with the ministries and branches to consider and evaluate the compliance with the Ministry of Finance's guiding Circular in the estimates process. The State Audit of Hungary only checks the compliance of the ministries and branches on the contents of the guiding circular of the Ministry of Finance. It does not assess the reasonableness of the contents of this Circular, it also does not assess the macroeconomic indicators such as inflation, growth, budget overspending, government policies.

State budget estimates results of the State Audit shall be sent to the Ministry of Finance. After reviewing the opinions of the State Audit, Ministry of Finance shall issue a written reply or hold meetings between the leaders of the Ministry and the State Audit leaders to seek consensus on issues before submitting them to the government in October every year.

The State Audit only works directly with the Ministry of Finance on the contents that have not reached consensus between the two agencies in the estimates of each ministry or branch. They do not participate in the meetings between the Ministry of Finance and each ministry or branch on the contents of budget estimates of each ministry or branch.

Hungary does not have legal documents regulating the relationship between the Ministry of Finance and the State Audit in the process of preparation and appraisal of state budget. However, this relationship has been established in the course of operation for many years and benefits both parties, so they remain as an unspoken principle.

In the process of appraisal of state budget estimates, the representatives of the State Audit shall participate in all meetings of state budget estimates in the National Assembly's Budget, Finance and



Audit Committee. At the meeting of the National Assembly to approve state budget, the Minister of Finance and the President of the State Audit shall have a speech to the National Assembly. In fact, National Assembly deputies are very interested in the State Audit's comments on state budget estimates. However, before the end of the process of evaluating state budget, the leaders of the two agencies had discussions about each content which is not agreed. So consequently, the opinions of the State Audit on the budget presented to the National Assembly are not much contrary to the opinions of the Ministry of Finance.

Thus, the State Audit of Hungary participated in the appraisal of state budget when the Ministry of Finance had synthesized state budget estimate. However, in order to verify this estimate, the State Audit of Hungary must appraise the estimates of the ministries. Budget appraisal by ministries is carried out by specialized departments responsible for annual sector audits (which will be responsible for the annual audits of the ministries that will evaluate the budgets of those ministries). In the process of appraisal of estimates, the State Audit of Hungary shall work with the ministries and branches to evaluate the estimates made by the ministries and branches and the Ministry of Finance shall sum them up. The organizing of such an appraisal ensures that the component of state budget (budget of each ministry or branch) and ensure specialization (the department assigned the annual audit task for any ministry will be assigned the task of evaluating the budget of the ministry).

After the audit results of each ministry and branch have been made, the Hungarian State Audit shall continue working with the Ministry of Finance on the entire state budget estimates for uniform exchange. Moreover, nominate representatives to attend all meetings on state budget estimates in the National Assembly's Budget, Finance and Audit Committee. Finally, the Chairman of the Hungarian State Audit has comments in the meeting to approve state budget estimates of the National Assembly. With such organization, the State Audit closely follows the process of synthesizing, discussing and deciding state budget estimates, in order to promptly consult with the Ministry of Finance and other committees of the National Assembly in budget discussions and opinions with the National Assembly before the National Assembly decides on state budget estimates.

#### 4.2.2 Organizing of auditing budget estimates of the State Audit of the Federal Republic of Germany

In order to make the annual state budget estimate, usually in December, the Ministry of Finance of the Federal Republic of Germany issues a circular guiding the preparation of expenditure estimates for the year sent to ministries. Ministries and branches shall base themselves on this Circular to make estimates for the plan year and send them to the Finance Ministry and the State Audit at the end of March every year. After receiving the expenditure estimate submitted by the ministries and branches. In May every year, professional departments of the Ministry of Finance hold discussions with



departmental officials of ministries and branches on each indicator in the expenditure estimate. In early June, there are meetings between departmental leaders of the Federal Ministry of Finance and departmental leaders of ministries and sectors. By the end of June, the Ministry of Finance finalized state budget estimates to send to the government. In July, the government reviewed and finalized the estimate and in August submitted to the federal parliament. The National Assembly will hold discussions on budget estimates and voting on state budget estimates.

When planning state budget, the Federal Ministry of Finance sends the annual state budget check number to the Federal Ministries and Federal State Audit. Federal State Audit gives an opinion on the appropriateness of the budget estimates with the mandate of each ministry on the basis of the expenditure in the budget that ensures the principle of thrift and efficiency. Negotiations on draft budget plans take place at three levels: sectional, departmental and ministerial level. In case of disagreement appear between the Ministry of Finance and the ministries, it will be submitted to the government for consideration and decision. The State Audit of the Federal Republic participates in negotiating draft budget plans as a consultant to help the Ministry of Finance and Federal Ministries discuss budget drafts with good results before proceeding to the next meeting.

After the Ministry of Finance finalized the federal budget plan, the State Audit will verify the validity and feasibility of state budget draft before submitting to the National Assembly for approval. The Federal State Audit advises on budget estimates for the Federal Parliament through the Congressional Budget Committee. For large projects requiring large investment from the federal budget, the Federal State Audit is involved in the audit of the economic, efficiency and cost savings plans of such building projects before being approved by the Federal Parliament. In the budget plan, it may be necessary to keep secret for certain expenditures and the use of these expenditures, the Federal Assembly will assign a committee composed of members of the Congressional Budget Committee to considering it. The Federal State Audit will participate in the evaluation of the expenditure to be kept secret in the budget plan but carried out by the President or the Vice President of the Federal State Audit. In case of necessity, the President or the Vice President of the State Audit Office may appoint one of the members of the Federal Audit Commission to discuss.

In the process of verifying the estimate, the Federal State Audit considered itself a consultant to the National Assembly when considering the estimate. The Federal State Audit did not comment on all figures in the budget but only on the estimates that the State Audit think that there are risks (too high or too low, the building is not enough...). The recommendations made by the Federal State Audit in connection with the item of specific estimates and the responsible ministries and agencies must

clearly the expenses for the Federal State Audit. Comments on unconfirmed budget estimates of the Federal State Audit will be reported to the Budget Committee.

Verification of the budget of the Federal State Audit is also made at the request of the Budget Committee and the Audit Committee of the National Assembly. During the budget verification process, the State Auditor does not evaluate political decisions but take a look at the premise and the consequences of the decisions.

Thus, state budget estimates process of the Federal Republic of Germany took place very early (from December of the previous year). The legislation of the Federal Republic of Germany requires ministries and agencies to submit estimates to the Federal State Audit at the same time as sending it to the Ministry of Finance. These regulations create favorable conditions for the State Audit to effectively evaluate state budget estimates. Organizing the evaluation of state budget of the State Audit closely follows the process of budget estimates. The State Audit shall base itself on the annual inspection of state budget estimates by the Ministry of Finance for ministries and branches and results of evaluation of budget estimates of ministries and branches sent to the State Audit, in order to participate in the budget discussion at all three levels (sectional, departmental, and ministerial).

The assessment of state budget of the Federal State Audit of Germany is comprehensive covering the entire state budget estimate. In addition to evaluating budgets of ministries and agencies, the State Audit of the Federal Republic of Germany participates in the appraisal of the entire federal budget. Then submitting to the National Assembly for decision, to evaluate the economy, efficiency and effectiveness in the planning stage of major projects invested from the federal budget. Expenditures for secrecy, the Federal State Audit of Germany also conducts an evaluation but is carried out by the Federal President or Vice President of the State Audit, and it may have some of federal commissioners participating. For political decisions, the Federal State Audit does not carry out an appraisal but still considers the premise and the consequences of such decisions, especially the use of funds and the socio-economic efficiency.

By closely monitoring the budget process to conduct state budget appraisal, the recommendations made by the Federal State Audit of Germany are closely to the specific budget item. Moreover, the Federal State Audit also has comments on the estimates that they think it may have risks (too high or too low, inadequate construction facilities).

#### 4.2.3 Lessons learned for the State Audit of Vietnam

The lessons learned from the State Audit in Hungary, the Federal Republic of Germany and some other countries shown as follows:

First, in order to audit state budget effectively, it needs enough time to verify the budget

State budget estimates are both legal documents (many countries consider it as the annual budget law) as well as high professional documents. The process is very complex especially in countries that have integrated budget like Vietnam. Moreover, state budget is dominated by many national financial policies, dominated by the socio-economic development strategy, so it takes much time to fully evaluate. Therefore, it is necessary to have a long enough period of time for effective estimates of state budget. The experiences of the Federal Republic of Germany shows that the estimates were started in the last December of the previous year. Therefore, the process of preparation, appraisal and decision estimates is prolonged enough to verify and evaluate cost estimates effectively.

Second, for comprehensive evaluation and specific comments on state budget estimates, it is necessary to carry out inspects and assessments from the estimating agencies (ministries, branches and localities) to the estimating state budget synthesis agencies.

In fact, in countries, the involvement of the State Audit in the estimates process starts when ministries, branches and localities make estimates. Implementation of the audit during the budgeting process of ministries and sectors is necessary. Because of that, it is possible to review detailed estimates and bases for estimates. The audit does not have to be carried out directly at the ministries and branches in the process of them making estimates. It can be implemented like the Hungarian State Audit, on the basis of the Ministry of Finance estimates, the State Audit shall assign specialized sections to appraise the estimates of the ministries and branches in the annual audit field of such sections. But it is better to have a direct audit at the ministry, the results will be deeper and you can comment on the specific items of state budget, such as the State Audit of the Federal Republic of Germany.

Third, in order to carry out good state budget audits, a comprehensive audit of state budget estimates is required.

State budget estimates expected resources to carry out the task of the state in a year. This includes the expenditures on the operation of the apparatus, the expenditures on socio-economic development and the expenditures on ensuring national security and defense, ensuring social security. Therefore, in order to ensure the quality of state budget estimates, a comprehensive audit of state budget estimates is required. As experienced by the State Audit of Federal German, budget estimates start at the same time the Ministry of Finance issues the verification number.

Beside the comments attached to the specific budget items, the German Federal State Audit also comments on the figures that they consider to be high risk. Matters that need to keep secret are, of course, carried out by the high-ranking officers of the State Senate. Political decisions are also taken

into account the premises and consequences, especially the use of funds and socio-economic efficiency.

Fourth, in order to audit state budget estimates effectively, it is necessary to specialize and clearly assign specific tasks to the specialized sections of the State Audit.

As experienced by the State Audit of Hungary, it is assigned to the annual audit department of ministries and branches to audit state budget estimates. The specialization and clear assignment will facilitate training, improve professional qualifications, and there are always auditors who are well-informed about the audited units as they conduct regular audits from budgeting to budget implementation and finalization.

Fifth, important projects, using a lot of state budget funds, should be audited by the State Audit before deciding on investment.

The investment in the construction of national key works not only cost a lot of money but also related to the development strategy of each country. That requires projects not only to be technically reviewed, but also to consider in economic and social aspects. Under that condition, if there is no agency which independent of the drafting body, and has professional competence, adherence to professional standards to review and evaluate before the government, National Assembly, People's Council discuss and decide. It may cause waste of state budget. The experiences of many countries, especially those with a long history of development of the State Audit, has assigned the State Audit Office to carry out this task.

Sixth, in order to ensure the quality of state budget auditing organizing, the State Audit must maintain good relations with government agencies and committees of the National Assembly.

The experiences of the Hungarian State Audit and the State Audit of the Federal Republic of Germany shows that this relationship must be established in a clear and specific way from the submission of the budget document to the discussion of budget estimates. The good relationship will enable the State Audit to access and collect information from the beginning of state budget preparation process to the time of discuss, revise and synthesize state budget estimates so that the State Audit has its independent professional opinions to consult the National Assembly on state budget estimates.

Closure, after more than 20 years of construction and development, the SAV gradually asserted its position. Beside improving the quality and efficiency of post auditing, the SAV also strengthens the form of prior audit such as auditing of programs and projects that are in the implementation phase and auditing state budget. The quality of auditing activities of the SAV and the quality of auditing of state budget estimates has been raised. The comments on state budget estimates of the SAV are deeper and meaningful for the decision making on State budget estimates in the National Assembly.

However, the SAV has not clearly defined the task of auditing state budget estimates in the regulations on the functions and tasks of the units. No specialized units have been set up to audit state budget estimates. When conducting the audit, the audit teams and sub-audit teams have not yet been set up, in order to facilitate the direction, administration, auditors' management, audit quality control. State budget estimates process has not been promulgated for the purpose of auditing state budget estimates. The quality control of state budget estimates is inadequate, it lacks of control by the Department of Audit Quality, the Legal Department and the head of the sub-audit team.

The main reasons leading to the above mentioned problems are due to inadequate regulations on audit profession, particularly the regulations and guidance on the audit of state budget estimates. The method of auditing state budget estimates is not reasonable. The examination and evaluation of the estimates of state budget by ministries, branches and localities has not been inspected. As well as not actually checked the estimates of the whole country synthesized by the Ministry of Finance (only participated in the step 1 discussions have not participated in the next steps. Especially the Ministry of Finance has not inspected the synthesis of state budget estimates in each field such as revenues, expenditures, balance of state budget). The specific provisions on responsibilities and powers of the SAV for state budget estimates are not detailed and specific. The capacity of the auditors to audit state budget estimates is limited. These causes lead to limitations and inadequacies in the audit organizing and the result of the audit results of state budget.

### 4.3 Interview's results

The summary of questionnaires received shows in Table 4.2 bellow:

**Table 4.2: The summary of questionnaires**

Numbering	Question	Answer		
		Number of interviewee chose "yes"	Number of interviewee chose "no" and reason	Number of interviewee has other opinion
1	Do you know about auditing state budget estimates?	15	0	0
2	Do you think it is necessary to improve the audit of state budget estimates?	14	1 Reason: "I think it is only necessary to conduct audits when making budget expenditures"	0
3	If the answer to question 2 is "yes", then which of the			

	following issues do you think it needs to be resolved?			
3.1	Improving the legal basis for auditing state budget	14		0
3.2	Improve the organizational apparatus and personnel to audit state budget estimates.	12		0
3.3	Improve the quality of state budget settlement audit to provide information for estimating state budget estimates.	12		0
3.4	Raise professional qualifications and professional ethics for auditors.	11		0
Number of interviewees have feedback to the interview: 15				

Following the figures above, 15 out of 15 respondents were aware of state budget audit (100%).

1 thinks that there is no need to improve the auditing state budget estimates. Only need to audit for state budget expenditures (6.7%)

14 agreed that the auditing state budget estimates should be improved (93.3%).

Among 14 people who think that the auditing state budget estimates should be improved, the rate of solutions they have chosen shows as below:

14 out of 14 think that it needs to improving the legal basis for auditing state budget (100%).

12 out of 14 think that it needs to improve the organizational apparatus and personnel to audit state budget estimates (85.7%)

12 out of 14 think that it needs to improve the quality of state budget settlement audit to provide information for estimating state budget estimates (85.7%)

11 out of 14 think that it needs to raise professional qualifications and professional ethics for auditors (78.5%).

According to interview data, it is necessary to complete the audit of state budget estimates at the present time. In particular, most respondents agreed with 4 solutions to complete the audit of state budget estimates, namely: (1) Improving the legal basis for auditing state budget. (2) Improve the organizational apparatus and personnel to audit state budget estimates. (3) Improve the quality of state budget settlement audit to provide information for estimating state budget estimates. (4) Raise professional qualifications and professional ethics for auditors.

In which the percentage of supporters to complete the legal basis is 100% of respondents. Thus, this is the most important solution according to the interviewees.

## 4.4 Solution

### 4.4.1 Complete the legal basis for auditing state budget estimates

The SAV can only accomplish its tasks objectively and effectively when it is independent of the audited entity and protected from outside influences. The independence of the SAV can not be separated from the independence of auditors. However, the legal status of the State Audit, the independence of the SAV and auditors not yet fully ensured the fulfillment of tasks in a qualitative and effective manner. The performance of the SAV depends on the powers of the SAV and the auditors as well as the capacity of the auditors. The important authority to ensure quality audits is the right to access information without restriction under Principle 4 in the Mexico declaration of INTOSAI "State auditing agencies should have the authority to access all necessary documents and information timely, unlimited, directly, and free to perform their statutory responsibilities" [14, P.4]. Further, for the audit to be effective, the scope of work must also be broad enough for the State Audit to carry out its duties in accordance with Principle 3 of the Mexico Declaration. "The scope of work is wide and self-sufficient enough in the performance of functions of the State Audit" [14, P.3]

Therefore, the Law on State Audit should supplement Article 15 about the State Audit's tasks as below: "State audit is independent in accordance with the law, participate in auditing state budget preparation process from the grassroots units to the budget aggregation agencies to consider and evaluate the reports on state budget estimate, the plan for allocation of the central budget, the plan for adjustment of state budget estimates and the plan for arranging budget allocations for projects and works of national importance decided by the National Assembly". Moreover, it should be added the regulations on the obligations of ministries, branches and localities about sending state budget estimates to the SAV as follow: the draft state budget must be sent to the SAV before the SAV discusses state budget estimates with the Ministry of Finance. It is a must sending the complete state budget estimates to the Ministry of Finance and the SAV at the same time. Adding the obligations of the audited units to fully and promptly supply information and documents related to state budget estimates when the SAV and auditors request.

The formulation and promulgation of auditing standards applicable to pre-audit and audit of state budget estimates. It should be based on INTOSAI's auditing standards and be innovative to suit the performance and level of Vietnam state auditors. For pre-audits, auditing state budget, and State Audit, the standard framework should be completed in two levels: first level: Add the principles and standards applicable to pre-audit and auditing state budget estimates. Second level: supplement the

regulations and guidelines of the type of pre-audit and audit state budget estimates.

Further more, the SAV should also issue the process of auditing state budget estimates and improve the existing audit process system which related to the audit of state budget estimates, such as the issuance of operational audit procedures and procedures for the formulation, appraisal, approval and issuance of the audit plan. As well as perfecting the system of audit sample profiles to suit the reality and design the profile system applied only for auditing state budget.

Forms and records of audit which are documents, written evidences to prove the audit results, and also to serve as the basis for audit quality control. After many modifications, additions and improvements, the SAV has a fairly complete set of audit profiles. However, before new issues arise in the practice of auditing and the requirements for management and control of auditing activities, the current audit trail system is lack of some working documents. Some forms are complicated, difficult to record, moreover, some forms for operational audits, auditing of state budget estimates are not designed properly. The design of the sample format for auditing state budget should follow the common format system and complete some contents:

(1) Modify some existing forms:

Add contents that showing the control of the control units in the audit sample, such as signature of verification and inspection of the sub-audit team's head, the head of the audit delegation, the functional departments according to each form, work. For example, the audit diary needs to add a signature of the sub-audit team's leader, the audit team's minutes need to add the verified signatures of the head of the audit team.

Change the name of the auditor's audit diary into audit diary. Because not only auditors, but also other members that join the process, such as: audit collaborators, experts. So call it audit logs will be more comprehensive, avoid misunderstandings.

(2) Add new forms:

To supplement the sample of the plan and form of the audit report of state budget estimates to suit the characteristics of state budget estimates audit (Appendix 1 and Appendix 2).

To add detailed forms of audit procedures and programs for each part when auditing state budget estimates such as auditing of revenue estimates, auditing of recurrent expenditure estimates, auditing of development investment expenditure estimates, audit of the balance of state budget estimates, auditing compliance with national financial policies. These forms are the basis for the auditor to perform audits, self-control of their work. In addition, it is the basis for controlling quality of auditing,



assessing results of performing auditor's tasks and determining specific responsibilities of auditors for auditing results.

To supplement the form of progress report and audit situation of the sub-audit team's leader to the head of the audit delegation, which includes the contents of recommendations and asking for the guidance.

Adding the form requesting the audited entity to provide documents and supplement the request form for explaining unclear matters.

Additional record form (or report) of the departmental level council about the evaluation of the draft audit plan (of the audit), the evaluation of the draft audit report (of the audit).

In order to well perform state budget estimates, the SAV should study and elaborate some additional regulations such as:

Regulations on gathering expert opinions on expertise solicitation and on the use of working documents of other auditors: Due to complex nature of the estimates process and high level of professionalism involved in many fields, many documents, data, socio-economic indicators, in order to consolidate the solid expertise of auditing evidences and auditing conclusions in the audit of state budget estimates, in many cases, the SAV should consult experts and solicit professional expertise. In the audit of state budget estimates, to minimize the audit procedures, avoid overlapping, duplication, auditors may use materials and work results of other inspection, examination and audit agencies and be responsible for the use of such documents. These issues are regulated in the State Audit Law and happen in reality. However, at present, the SAV has no specific regulation to regulate the order, procedures, forms and content of expert opinions and solicit professional expertise. There is no regulation on the use of documents and results of work of other inspection, examination or auditing agencies. Those are the legal provisions that should be added to improve the quality of auditing state budget.

Regulations on the use of audit collaborators: Due to extensive audit scope, involving many agencies, many specialized areas, therefore, the process of auditing state budget estimates often requires the assistance of collaborators. The use of collaborators has been stipulated in the Law on State Audit (Item 3, Article 32). However, to implement this provision, the SAV should supplement and promulgate specific regulations on: subjects, criteria and conditions and the legal form of the use of audit collaborators, rights, obligations and responsibilities of collaborators, scope and mode of operation of collaborators.

#### 4.4.2 Improve the organizational apparatus and personnel for auditing state budget estimates

The SAV should pay attention to the recruitment of personnel experienced in the field of finance and budget and other fields such as investment management, accounting, budget revenue management. Moreover, the SAV must step up the training of auditors in a continuous manner, both inside and outside of Vietnam, both in theory and practice. Sending people to study abroad (short-term classes to learn experience, summed up immediately, and long-term courses for staff to have basic training in auditing state budget estimates in order to develop auditing of state budget estimates in a sustainable manner). Organize workshops to exchange learning experiences on state budget estimates (both domestic and international workshops with the participation of state auditors from other countries and foreign experts).

In addition to renovating the recruitment and training of human resources for auditing state budget, the SAV also needs to rearrange apparatus and assign tasks of auditing state budget estimates to its attached units. The assignment of tasks to the units may be in the direction shown in Table 4.1:

**Table 4.1. Assign tasks to perform the task of auditing state budget estimates**

Unit	Task
Synthesis Department	<p>To assume the prime responsibility for auditing state budget estimates,</p> <p>Advise the General State Audit in developing the plan for auditing state budget estimates,</p> <p>To sum up the results of state budget estimates audit into state budget estimates audit report to be submitted to the National Assembly,</p> <p>To appraise the audit plans and auditing reports of state budget estimates of the attached units.</p>
Department of Quality control	Appraisal of plans and reports on audit of state budget estimates; Advise the General State Audit on the quality of auditing state budget estimates
Legal Department	Advise the State Auditor General to control the quality of auditing state budget

Specialized and regional state audit	<p>Auditing state budget estimates for ministries, branches and localities which assigned to charge</p> <p>Make comments on national importance projects and works before submitting to the National Assembly for investment decision</p>
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To perform the task according to the above assignment, Advisory department should reorganize the attached sections, select a section to assign the task of auditing or advising on the audit work of state budget estimates (this section may have only one task of participating and advising on the audit of state budget estimates or may have many tasks, including the task of participating in and advising on the audit of state budget estimates). The specialized and regional SAV should also restructure and assign the task of presiding over the audit of state budget estimates for Synthesis section and assign the task of coordination to professional sections. The Synthesis section has functions and tasks to advise Chief Auditor on the appraisal, approval of audit plan, management of auditing activities, issuance of audit reports on state budget estimates. The personnel of the section must be of sufficient quantity and quality to undertake its task. Chief auditor is directly responsible for the operation of Synthesis section in order to ensure direction and management of state budget estimates activities in conformity with management requirements. The professional sections shall coordinate with the Synthesis section to audit state budget estimates when assigned.

#### 4.4.3 To raise the quality of State budget settlement audit to supply information for the evaluation of state budget estimates

- (1) Increase the number of audits of budget statements of provinces and cities towards annual auditing targets for budget statements of provinces and cities. Simultaneously apply all three types of audit: Auditing financial statements to confirm budget revenues and expenditures. Compliance audits to assess compliance with the law in management, using budget. Step by step apply the operational audit to evaluate the efficiency and effectiveness in the management and administration of state budget.
- (2) Revise revised standards to improve the system of auditing standards, budget audit procedures (local budgets and ministry budgets), process of auditing state budget settlement report in order to standardize regulations on budget audit to improve quality of audit.
- (3) Revise to improve system of forms and records of audit to be appropriate when applying all three types of audit (compliance audit, financial statement audit, operational audit).

(4) Strengthening professional training on budget auditing both in theory and practice to improve audit quality.

(5) To renovate the method of organizing budget audits, to make audit plans on the basis of risk assessment and audit evaluation. Strengthen both the time and human resources for auditing the management and administration of the budget of one level of government at financial management agencies, in order to evaluate the management and administration of the budget, as well as certify the total revenues and expenditures of one level of government.

#### 4.4.4 To raise the professional qualifications and ethics of the auditors

Under Clause 14 of the Lima Declaration of INTOSAI "The staff of the Supreme Audit Institution must have the capacity and ethical capacity to fulfill its duties. And from the time of recruiting to the payroll of the auditing firm, it is necessary to recruit employees who are above average and have satisfactory working experience" [14, P.6]. Thus, the quality of the SAV depends on the quantity and quality of auditors. To constantly improve operational capacity of the State Audit, as well as improve auditing quality of state budget, the SAV should standardize contingent of state auditors in terms of professional qualifications, ethical qualities, capacity to organize tasks. The standardize should be unified and diverse. From there, the balance between number of existing auditors and the needs of task in order to determine the number of auditors to be recruited. In the process of selection, attention should be paid to the balance and rationality among specialties, such as the specialization of budget revenues and expenditures, capital construction investment. As well as the balance between having auditors who have experiences in the field of finance, budget, especially work in the financial field with the audition to have auditors who just graduated from universities. Furthermore, the SAV should have appropriate policies and remuneration policies for the staff to avoid negative impacts on the audited units. Recognizing from the fact that the current staff of auditors of the SAV is formed from various sources of training. They can meet the immediate needs but in the long run they do not meet the requirements. It need to develop a strategy to train the staff of auditors in all aspects and have specific training objectives, suitable for each stage. First of all, it is professional of staff, focusing on the experiences in auditing the budget settlement reports and state budget estimates. The problem is to control the subject and show them the defects, the auditor must first have more knowledge, understanding and experiences than audited objects.

In order to audit state budget estimates, auditors must have high expertise, knowledge in many fields, both micro and macro. To do so, the training for auditors must be intensive in each type of audit paying special attention to training on compliance audit and operational audit. It focuses on training in operational auditing to raise the level of general analysis, knowledge of economic management,

macro-finance. Combined with the training on each subject such as estimates, auditing the bidding process, auditing the reports on the settlement of works, auditing the investigation, drawing up the audit report. So that, they can conduct the audit of state budget estimates for quality assurance.

In addition to improving professional skills of auditors, the SAV should also pay attention to improving professional ethics of auditors to ensure quality of auditing activities, reduce shortcomings of auditors, retain prestige for the SAV agencies.

Completion, based on theoretical research and the situation's analysis and assessment above, the thesis proposes 3 orientations for evaluate state budget audit organizing as follows: (1) Step by step develop the audit of state budget estimates in accordance with practical conditions. And next step is auditing state budget based on auditing budget estimates of ministries, sectors and localities. Accordingly, in the immediate future, the SAV shall audit state budget estimates and submit it to the National Assembly for decision. Then gradually participate with localities and ministries when preparing state budget estimates. In the long run, the SAV shall conduct a comprehensive audit of state budget estimate, including auditing estimates of the ministries, branches and localities. (2) Closely link between compliance audit and operational audit when organize auditing of state budget estimates (3) Organizing state budget estimates shall base itself on clearly defining tasks, powers and responsibilities of the attached units of the State Audit.

This chapter also proposed 4 groups of solutions to improve the organizing of state budget estimates audit namely: (1) Improving the legal basis for auditing state budget. (2) Improve the organizational apparatus and personnel to audit state budget estimates. (3) Improve the quality of state budget settlement audit to provide information for estimating state budget estimates. (4) Raise professional qualifications and professional ethics for auditors.

## 5. Conclusions

### 5.1 Achievement

Under the Law on State Audit, the SAV has sufficient legal bases to conduct audits of state budget. In fact, over the past time, the SAV has provided more information and documents to the National Assembly on the annual state budget estimates. However, the audit quality is inadequate. It has not met the requirements of state budget management reform, first of all it is the requirement to improve the quality of state budget estimates. So I chose to study the topic "Evaluation of organizing state budget estimates audit of Vietnam" for the necessary to meet the requirements in managing and operating budgets and also in activities of the State Audit.

The organizing of state budget estimates audit is a complicated matter both in theory and practice, requiring auditors to have high professional qualifications, proficiency in auditing activities, especially in the operational audit. They also need deep understanding of state budget and state budget estimates, as well as understand public finance management both in micro and macro. This is a difficult issue in the research process. Documents, reference data to summarize theory and evaluate the situation of organizing state budget estimates audit of SAV is not much because this is a new field in Vietnam, and it is forming and developing. However, with the help of teachers, supervisor and scientists inside and outside the SAV, this thesis is completed with the main results to contribute state budget management and development of state budget estimates of the SAV as follows:

Firstly, based on practical surveys, the thesis evaluates the situation of audit organizing of state budget estimates by the SAV according to three main contents as follows: organizing structure and personnel audit, implement the audit process and organize quality control audit over its success and limits to find out lessons to effectively audit state budget estimates. The typical limitations are that the legal environment is not fully favorable, there is no standard procedure for auditing state budget. As well as the audit quality control has not yet fully implemented policies and procedures for control. Also, there is no participation of functional departments.

Second, the thesis researches and sums up the experiences of auditing budget estimates of some SAV offices of other countries which experienced and developed to draw lessons for the SAV.

Third, the thesis has proposed orientations, principles and requirements to complete the audit organizing of state budget estimates and four measures to improve the quality of auditing state budget estimates of the SAV, as below:

(1) Complete the legal basis, organizing structure and personnel, raise professional qualifications and professional ethics for auditors to audit state budget estimates.

(2) Complete the organizing of the audit according to the process of auditing state budget and organizing the quality control of state budget estimates. Specifying the principles, requirements and main contents of state budget estimates process. Specifying the principles for the organizing of auditing state budget in accordance with stages of the audit process. Clarify the policies and procedures for controlling the quality of auditing state budget estimates.

Fourth, thesis proposes the conditions for the completion of state budget estimates audit organizing,

including conditions for the government and the State Audit.

## 5.2 Limitation and suggest for further researches

The time and amount of research material is limited, so there are no more detailed solutions for research problems. Thus, this may well be the premise for further research to come up with more specific and detailed solutions.

The interview was not conduct with larger interviewees, and couldn't interview people who working in positions which not directly related to state budget. As a result, the interview has not had high generality. The future studies may be conducted with larger numbers of respondents and broader scope to obtain more generalized and accurate results.

In the end, I would like to thank the teachers, supervisor, scientists and related agencies for their help in completing this thesis./.

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## Appendix

### Appendix 1: Contents and structure of state budget estimates plan

#### **The contents and structure of state budget estimates plan**

1. Characteristics of the situation: This section provides an overview of general state budget estimates and procedures, units involved in making annual state budget estimates that are audited by State budget estimates. Highlights should be taken into account when conducting audits of state budget in the audit year. Internal control system and control environment (guidelines, state regulations on estimates and performance of tasks of units participating in appraising and synthesizing state budget estimates in audit year).
2. Risk assessment and determine the important part of the audit.
3. Auditing objectives.
4. Audit contents.
5. Evaluation criteria
6. Auditing method: Determining appropriate auditing methods for audits, audit time and personnel for audit.
7. Scope of audit: Determining the number of units will be audited
8. Audit limits: Determine the limits of the audit
9. Estimates of funds, means in service of audits and lists of documents in service of the audit.

## Appendix 2: Contents and structure of Auditing state budget estimates report

### **The contents and structure of Auditing State budget estimates report**

1. Grounds for auditing: This section presents the bases for auditing state budget estimates.
2. Contents of the audit: Present the contents of audit according to audit decision of the

Auditor General

#### 3. Scope of audit:

- Auditing state budget in year...
- Auditing state budget estimates of provinces, cities...
- Auditing state budget of the ministry, branch...

#### 4. Audit limitation: Displays the limit scope in which the auditor does not audit.

#### 5. Comments on state budget estimates

(1) Compliance with the regulations on the bases, order, procedures, contents and requirements of the estimates of state budget

(2) The consistency and completeness of state budget estimate. The consistency and completeness of state budget estimate, that all state budget revenues and expenditures must be included in state budget.

(3) The feasibility of state budget estimate, reflected in the appropriateness of state budget estimates with the economic growth rate. The budget shall be mobilized to ensure the mobilization of people's resources in a rational manner, and the budget expenditures shall ensure spending norms.

(4) Balance of state budget estimates: The balance of state budget estimates requires that the revenue estimate and the expenditure estimate to be balanced. The balance of the budget also shows that borrowing to offset the overspending must be in line with the state's socio-economic development guidelines.

(5) Efficiency and savings of state budget estimates

(6) The truthfulness and clarity of state budget estimates.

#### 6. Comments on state budget estimates

(1) Agreed opinions on state budget estimates.

(2) Disagreements on state budget estimates, indicate the cause of the inconsistency.

#### 7. Recommendations for finalization of state budget estimates

(1) For level-1 budget allocation units of the central budget.

(2) For provinces and cities

(3) For the Ministry of Finance, the Ministry of Planning and Investment, other ministries.

(4) For the government.

(6) For the National Assembly.

## Appendix 3: Interview Questionnaire

### **Introduction**

Name of interviewer: Le Thieu Nam

Topic of interview: **Evaluation of organizing state budget estimates audit of Vietnam**

**Interviewee information:**

Name of interviewee:

Name of working organization:

Working position:

Number of year in this position:

**Interview questions**

Numbering	Question	Answer		
		Yes	No	Other idea
1	Do you know about auditing state budget estimates?			
2	Do you think it is necessary to improve the audit of state budget estimates?			
3	If the answer to question 2 is “yes”, then which of the following issues do you think it needs to be resolved?			
3.1	Improving the legal basis for auditing state budget			
3.2	Improve the organizational apparatus and personnel to audit state budget estimates.			
3.3	Improve the quality of state budget settlement audit to provide information for estimating state budget estimates.			
3.4	Raise professional qualifications and professional ethics for auditors.			
Notice: please tick in “yes” or “no” for each question. If you have other answers, put it in “Other idea”				

After finish this questionnaire, please send it back via email to: lethieunam@gmail.com

Thank you for your help.