

Improving public debt auditing in Vietnam

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Abbreviations

1	International Organization of Supreme Audit Institutions	INTOSAI
2	State Audit Office of Vietnam	SAV
3	Supreme Audit Institution	SAI

CHAPTER 1: INTRODUCTION AND RESEARCH SETTING

1.1. Introduction

Every year, in addition to the state budget funds for investment in service development, the funds from the loan, the Government's debt has also continued to increase investment to meet the needs of society growing in general and government in particular. In addition, partial loans, government debt is used to make up the annual budget deficit.

Currently, public debt is one of the most important and complex issue an individual economy as well as the global economy can face. Huge debts of governments have adversely impacted on social, economic and political perspectives in different countries, i.e. Greece. Vietnam is no exception when facing ever-increasing public debt. Currently, Vietnam's public debt is in the forefront of concerns as government is engaging activities such as debt restructuring, management mechanisms, looking for efficiency and ways of debt balance. If those concerns are not solved properly, it will result in negative consequences to the country.

The State audit office of Vietnam (SAV) that was established by the National Assembly is a specialized agency in the field of the state finance and assets. It is to audit management and use of state funds and assets in relevant agencies. Therefore, the examination of the SAV for the management and use of the public debt is necessary, to ensure transparency in the management and use of public debt as well as the sustainability of the state budget. The office has been operated for 22 years but so far the audit of public debt has remained limited. However, the contents of the audit merely evaluated the compliance with the Law on Public Debt Management and legislation related to debt management without determining the exact number of public debt, not evaluated the effectiveness and efficiency of the management and use of public debt. The main cause is that the content, sequence and method of auditing public debt haven't verified yet.

These above facts require a theoretically and practically comprehensive research in order to determine the content, sequence and organization audit methods for the public debt service for the implementation of the state audit tasks. This is an urgent requirement for the state audit

office, currently which has inspired the author to select the topic "Improvement of public debt auditing in Vietnam" as this master's thesis.

1.2. Research objectives

The first aim of the paper is to examine general experiences on effectiveness of public debt auditing. Looking at a particular case of SAV, the author would like to understand challenges the current state of public debt audits by the office are facing. Then, the paper is to propose solutions to improve audits of public debt in Vietnam.

1.3. Research questions

Public debt and public debt management are drawing attentions of the National Assembly, the government and the public in Vietnam. As the highest professional agency in controlling public finance and assets, SAV is fully aware of its responsibility in contribution to better management of public debt in the country via improving audits in public debt. To audit public debt well, SAV should understand general experiences that bring effectiveness to the audit. Also, SAV should explore which challenges the current audit status has to overcome to get better audit quality. Then, SAV should clearly work out complete and detailed solutions to fulfil its responsibility as discussed above. However, those matters have not been fully and seriously explored. Hence, this study is dedicated to answer there research questions as follows:

Firstly, what are general experiences on effectiveness of public debt auditing?

Secondly, what are challenges of the current state of public debt audit in Vietnam?

Thirdly, what are the solutions in to improve public debt auditing by the State Audit Office of Vietnam?

1.4. Sources of collected data

Data is collected and analysed from state budget settlement reports of Vietnam; public debt bulletins are published by the Ministry of Finance, the audit reports in public debt by the State audit office of Vietnam; documents and directions of the Party, state policies, laws and

regulations in the fields of the state budget, public debt; curriculums and textbooks of universities in the country and relevant articles of domestic and international journals; and INTOSAI standards of public debt auditing.

1.5. Research methods

The paper utilises the SWOT analysis to examine the current state of auditing public debt by the State Audit Office of Vietnam in its four perspectives of strengths, weaknesses, opportunities and threats. Additionally, the author includes reference audit standards of the international organisation of supreme audit institutions (INTOSAI) of public debt auditing as foundation to compare with current audit practices by the office. The results of performing the SWOT analysis and the comparison to the INTOSAI standards provide the author the ability to suggest solutions in an effort to improve public debt auditing in Vietnam.

1.6. Scope of research

The study focused on public debt and its management in Vietnam as well as audits of public debt by the State Audit Office of Vietnam. Research data in the period of 2010-2014 will be analysed to find out solutions for improving public debt auditing in Vietnam for the period 2017 - 2022.

1.7. Previous research on public debt auditing

International research

Foreign debt and the level of foreign debt safety have been reviewed and researched by several international organizations and economic experts in several published work. However, referring to the role of the State Audit Office in public debt management, there are not many documents, mainly researches, scientific guides and applied research documents of organizations such as IMF, WB, UNCTAD, INTOSAI, ASOSAI.

Initially, researcher has studied a number of studies such as "External Debt, Public Investment, and Growth in Low-Income Countries" Benedict Clement, Rina Bhattacharya, and Toan Quoc Nguyen (2003), "External Debt Sustainability: Guidelines for Low- and Middle-Income Countries" Claudio M. Loser, United Nations (March 2004) or authors such

as Nouriel Roubini , (New York University, December 2001), Abdul Abiad and Jonathan D. Oster, (IMF, June 2003). The research approached public debt in the way that all remaining balances at a given point in time of loans that somebody is obliged to pay (both principal and interest) at one or more times in the future. Similarly but more clearly, in the study "External Debt Sustainability and Domestic Debt in Heavily Indebted Poor Countries," Marco Arnone and Andrea F. Presbitero (Catholic University, Italy, May 2006) Debt is the amount that a borrower pays, pays his or her capital and interest, pays money or goods to the lender at one or more times in the future and recommends countries to calculate and follow Public debt monitoring under this all-round concept, because in many developing countries (including Vietnam), the state sector is very large.

Public debt management is drawn from the experience of other countries, according to the IMF in the IMF Guidelines for Public Debt Management (IMF, March 2001), "External Debt Statistics: Guide for Compilers and Users" (IMF, 2003) Marco Arnone, Luca Bandiera and Andrea F. Presbitero (Italy, 2007) point out that the process of setting up and implementing a country's debt strategy aims to raise a certain amount of capital. As required, to achieve cost and risk objectives, meeting other state debt management objectives. In the macroeconomic framework, the most important issue of public debt management is that the Government must ensure that the size and growth of public debt must be sustainable and affordable in many different situations and must meet the requirements of risk and cost.

According to "Guidelines on Public Debt Management" (IMF, March 2001), the authors point out, in order to effectively manage public debt, a prerequisite is to have a well-organized debt management structure, the role of organizations in public debt management must be clearly delineated. In particular, the role of inspection and supervision is very important and must be carried out by an independent professional body and punctually warned and proposed to the authorities better measures for debt management

The study also suggests that the level of national debt must be considered in relation to the level of national financial security and that loan decisions must be based on transparency. To provide complete and reliable information to all interested parties. This task should also be done by an independent professional body that has the function, transparent authority and information

At the discourse "Guidelines on Public Debt Audit for Developing Countries" (ASOSAI, 2009), the Asian Organisation of Supreme Audit Institutions gave recommendations on the role of supreme audit institutions in management of public debt. The purpose for which the SAVs are oriented is to increase the transparency and effective management of public debt and mitigate national financial risks. The scientists also agreed that the State Audit should strengthen the process of establishing and enhancing the role of the State Audit in public debt management in response to the current soaring public debt, especially developing countries. State Audit agencies must act as the crucial element for auditing public debts. Specifically, Supreme Audit Institutions directly perform public debt audit; Building the legal basis for auditing public debt; In collaboration with research institutes, sets out criteria for assessment of public debt management as well as procedures for auditing public debts; Establishing and training auditors and public debt auditors; Preparation of necessary conditions for public debt audit; Organizing the propagation, dissemination and guiding the legislation on public debts; By doing so, publicity and transparency of public debt management will be created, offering the best conditions for the management and control of public debt as well as the promotion of national financial management in general.

In the "Guidelines on Audit of Public Debt" (INTOSAI, 2009), the Association of Supreme Audit Institutions in the World also recommends that the implementation of public debt audits assists countries to ensure scale and level of increase, be able to maintain liquidity in a variety of situations while risks and costs are still in control. The implementation of audits under the annual audit plan, commitments under the Government Agreement ... will ensure that the committed debt is used economically, efficiently, appropriate with the set objectives. Supreme Audit Institutions can also provide accurate information, analysis, assessment, and recommendations for adjusting the debt policy to not erode benefits of the next generations.

"Guidelines on Performance Audit in Public Debt" (ISSAI, 2007) also pointed out that the State Audit Office should also carry out the role of assessing and recommending public debt management. By evaluating debt ratios, debt management, and debt restructuring, the NSAA's National Audit Offices provide assessments of the country's ability to repay national debt including direct debt, indirect debt, Standby debt ... as well as evaluate the economy, effectiveness and efficiency of debt management of each country. By conducting performance audits to assess the economy, effectiveness, and efficiency of public debt management for specific loans, the Supreme Audit Institutions can promptly alert, propose to the authorities

better debt management measures. Since then, the Supreme Audit Institutions could help to curb risks arising from management of public debt;

Studies and workshops of scientists around the world agree that public debt management is a complex issue that requires a rigorous and intensive monitoring and control system. In addition to the self-examination of the public debt management system, there is a need for an independent professional body, independent of the public debt management system, to conduct audits, assessments, recommendations and provide information on public debt management to the National Assembly, the Government and to all interested parties. Given its functions and legal position, the State Audit is the agency that fully meets these requirements.

However, as the political institutions as well as the organizational structure of the public debt management system differ from each other. As a result, there are no studies in the world about public audit organizations conducted by state auditors. Accordingly, the topic will go through the issue.

Vietnamese research

In Vietnam there have been a number of studies on public debt and public debt auditing. Some of the marked researches are:

Vu Thanh Hai (2014) with the topic "Perfecting public debt auditing in Vietnam", PhD thesis, Academy of Finance. This research deals with the basic theoretical issues of public debt and public debt audit. Based on the current conditions public debt in the world, the state of public debt and public debt management in Vietnam in the period 2006-2012. The thesis has assessed the current situation of the legal basis, the basis of public debt audit, the actual state of the objectives, contents, procedures and methods of organizing public debt audit. From the country's development orientation with public debt, the development orientation of the state auditing of Vietnam on public debt auditing and public debt audit experience of some countries in the world and lessons learned for Vietnam. The thesis has provided some solutions to improve the public debt audit organization in Vietnam.

Nguyen Minh Giang (2014) with the Ministry of Finance-level scientific topic "Theoretical and Practical Basis for Developing Public Debt Audit Process", in which the subject reveals basic and practical theoretical issues of debt management and public debt monitoring in

Vietnam. Based on the analysis and assessment of the state of public debt management and public debt audit in Vietnam, the topic has proposed specific solutions and methods to develop the procedures, methods and procedures for auditing, also proposed ways of approaching, organizing and developing conditions, conditions for implementation of public debt management audit. The specific product of this study is the Public Debt Management Audit Process of the State Audit for application to independent public debt audit and can be used integrated at audits in the audit of the state budget statement.

Research by Associate Professor Nguyen Dinh Hoa (2011) with the subject "Monitoring and Auditing Public Debt in Vietnam. Situation and Solutions" provided basic arguments on public debt, debt monitoring and public debt audit. The topic also clarified the work of monitoring public debt of the National Assembly and audit public debt of the State Audit in Vietnam in the period from 2001-2011. On the basis of the analysis of the current state of the State Audit and Public Debt Management in Vietnam, the author proposed a number of measures to improve the effectiveness of monitoring and public debt audit in Vietnam.

Dr. Le Dinh Thang (2007) with the research of the Ministry of Finance "Government Debt Audit Organization". In particular, the subject has mentioned quite generally the Government debt and Government debt management, problems with the audit of government debt, and proposed some solutions for the audit the Government debt.

Although there were studies on public debt, public debt management and public debt audit previously, it is necessary to study the public debt auditing in the current context in an effort to improve public debt auditing in Vietnam.

1.8. Research Structure

This study comprises five chapters. The first chapter is about the introduction to the theme and research setting. The second chapter reviews previous literature on public debt from concepts and types of public debt along with its characteristics and management. This chapter also includes basic issues of public debt auditing and international experience in this field. The third chapter is on current public debt auditing in Vietnam including legislation, guidelines and audit practices. The fourth chapter displays results of doing SWOT analysis in current public debt auditing in Vietnam associated with causes of weaknesses. The last chapter gives conclusions and solutions for improvement of public debt auditing in Vietnam.

CHAPTER 2: LITERATURE REVIEW

2.1. Public debt and public debt management

2.1.1. Concept of public debt

According to the traditional concept of public debt which is represented by Keynes, the government's borrowing has reduced national savings and capital accumulation, as tax cuts are offset by debt financing. However, debt financing leaves the debt burden for future generations. Those must live in a country with larger external borrowing and smaller internal capital accumulation.

Contrary to traditional viewpoints on public debt, those from the classical macroeconomics perspective (formed in the 1970s), suggest that tax cuts are offset by Government debt does not stimulate spending in the short term, as it does not increase the regular income of individuals but only shifts taxes from the present to the future. Tax cuts and debt financing will not have a real impact on the economy. Adoption of deficit reduction during recession, rising revenues in the period of prosperity and debt financing is also a "tax circular" to minimize the negative impact of taxation on the business cycle.

Under the WB and IMF definition, public debt is a public sector debt, including debt obligations of central government and ministries, local authorities, the central bank and independent institutions, but their operating capital is decided by the State Budget (over 50% of state-owned capital) and in the event of a default the government must pay the debt on behalf of the institution.

In other words, public debt comprises debt obligations of the central government and local governments and debt of independent organizations but guaranteed by the government. Guaranty is the government's commitment to the lender for the performance of a debt repayment obligation in the event of a repayment term that the borrower fails to perform or fails to fulfill its repayment obligation.

According to UNCTAD's Debt Management and Financial Analysis, public debt includes not only government debt, government-guaranteed debt and local government debt, but also

central bank debt obligations, governmental units, including state-owned enterprises (SOEs) at all levels of government and some other default debt.

According to the World Bank, public debt must also include indebtedness of autonomous institutions, financial and nonfinancial enterprises, commercial and development banks, public utility companies, and so on. Under these conditions: The budget of these organizations must be approved by the government; The government / state owns more than 50% or represents more than 50% of board members; In the event that these organizations lose their solvency, the state must be responsible for their debts.

Depending on the institutional and political frameworks, the perception of public debt and the scope of public debt management varies from country to country. The Law on Public Debt Management of countries reflects the scope of government debt management and government guaranteed debt. Some countries have identified public debt as well as local government debt such as Taiwan, Bulgaria, Romania, etc., debt of non-financial state enterprises such as Thailand, Macedonia.

Concepts of debt

According to the documentation of debt statistics of international financial institutions, "Debt" refers to the total remaining balance at a given point of time that a particular person is supposed to pay (including principal, interest, fees and other related expenses) at one or more times in the future.

National debt or, more accurately, the State's foreign debt is defined as all public sector and private sector debt at a certain point in time for repayment in a given period of time. Foreign debt at a point in time is the amount of actual debt obligations (excluding contingent liabilities) that the borrower has to pay interest and/or principal at one or more times in the future, and is the debt of a resident to a non-resident. According to this definition, debts which are issued in the country, not in foreign currency or local currency, are held by non-residents, are considered "foreign debt".

Based on borrowers, foreign debt is classified into foreign government debt, external debt of the public sector and foreign debt of the private sector.

According to the definition posted on the website (www.cia.gov; www.ofina.gov; www.wordnet.princeton.edu; www.en.wikipedia.org) public debt is the amount that governments at all levels (Central, federal, local ...) owe other entities. This concept is very general, and it is unclear that whether public and private sector debt which are guaranteed by the government, are considered public debt or not.

2.1.2. Forms of public debt

Government debt

Domestic government loan: There are many forms of domestic government debt issuance. Depending on the purpose of the loan to finance the budget deficit, pursue loans targeted by the Government or the National Assembly that issue different borrowing instruments. There are different types of government borrowing in the country such as: treasury and treasury bills, central government bonds, investment bonds, bonds and other forms of domestic mobilization of the government.

Foreign government loan: It is a form of government borrowing by foreign governments, organizations or individuals through the issuance of debt instruments. Currently, there are two types of debt financing. They are loans under Official Development Assistance (ODA) conditions and commercial loans in the form of direct borrowing and/ or issuance of government bonds to the international market.

Government-guaranteed debt

Government guarantee for domestic loans: They consist of bonds guaranteed by the Government and loans guaranteed by the Government.

Government's guarantee for foreign loans: Although it is the responsibility of the borrowing agencies, the government is still liable when the institutions fail to pay principal and interest. As a result, government guarantees are accounted foreign debt, and, according to the World Bank's conception, guarantees must be strictly managed and aggregated into the Government's foreign loans. Foreign debts of state-owned enterprises and private enterprises guaranteed by the Government will be monitored and counted in the index "External debt of the public

sector and guaranteed by the public sector" to underpin evaluation of obligations of doubtful debts of the government.

Local government debt

They are borrowed from either the issuance of local government bond or other legal sources. Local governments can borrow foreign loans to finance budget deficits or implement programs and projects according to the identified targets. Depending on different countries, there are different regulations on borrowing by local authorities. For example, the Federal Republic of Germany, a local government issued debt instruments on the international market and is responsible for the debt. However, from the national view, these loans are still accounted national government loans.

2.1.3. The basic characteristics of public debt

In relation to auditing, it is possible to summarize the main features of public debt as follows:

Firstly, public debt is made up of many sources with different manifestations, but it can be identified from government bonds and government debt.

Secondly: Public debt is not a state property (owned or used for long) but the debt (under obligation).

Thirdly: Public debt is often the result of bond issuance or borrowing. The existence and effectiveness of these activities are determined not primarily from the value of money but the prestige of the subject - a particular government. On the other hand, public debt is the consequence of previous years, so the limit for assessing the effect of public debt on time is not identical with the period of assessment commonly used as the state budget period;

Fourthly: Public debt is diverse in terms of structure, physical form as well as flow or activity. For example, government bonds include a variety of types (Treasury note bonds, fixed-rate bonds and annual floating-rate bonds, homogeneous treasury bonds, etc.), can be available on a variety of material forms (debt securities and equity securities, promissory notes, letters, contracts, trust documents, newsletters, etc.) and turn over multiple lines with a variety of services debt, debt financing, debt offset, bond debt, debt to equity conversion, etc.);

Fifthly: public debt has a very strict management and control process (from legislative decisions through the government's decision to implement the state treasury).

2.1.4. Public debt management

a) The purpose and importance of public debt management

Public debt management is the process of establishing and implementing debt management strategies to achieve debt management objectives periodically. The objective of public debt management is to meet the financial needs of the Government and the obligations to pay at the lowest cost in the medium to long term, in accordance with the level of prudent debt risk as well as establish and maintain an effective government securities market. The goal of government's meeting financial requirements with lowest cost is given priority in the early stages of public debt management, but as the approaching level to international capital markets increases, management targets risk is worth considering. Moreover, developing countries often aim for the development of domestic capital markets as the focus of public debt management. However, if public debt management is considered in a broader context of public sector management, there is an interesting finding that should be taken into account. Megersa & Cassimon (2015) through their taking linear regression showed that in developing countries with weak management of the public sector public debt has a negative relationship with economic growth. On the contrary, in developing countries with strong public sector management, public debt has a positive relationship with economic growth.

b) Principles of public debt management

Firstly, clarify roles and responsibilities of organizations in public debt management

Secondly, ensure publicity, transparency in public debt management. There are two main reasons for the need to ensure transparency in public debt management: Reducing asymmetric information in financial markets, which will help the market operate effectively and strengthen the accountability of the various levels of government and agencies in public debt management. Debt management objectives should be clearly defined and publicly disclosed, and the application of cost management measures should be interpreted in detail. People should have access to information on past, present and future budgetary resources, including

information on funding sources and the overall financial position of the government. Information about public debt should be announced on the website of the Ministry of Finance or in texts. - Annual public debt management activities should be audited by agencies such as the State Audit or the independent auditing firm. The audit results of debt management activities must be publicly announced.

Thirdly, ensure debt security within certain limits to ensure financial security and macro balance of the economy. Here, public debt should be treated as a renewable resource (Neck & Sturm, 2008). It means that when public debt is low or within a debt tolerance of an economy, it is not a problem. But when it goes beyond its threshold it would lead to default. It is like a fact that when a renewable resource is overused, it will become a non-renewable one. Having the same view of debt security, Nguyen et al. (2003) ascertain that debt impacts positively on investment and economic growth up to a certain threshold. However, the authors show that when debt goes beyond this level, it will impact adversely.

Fourthly, ensure efficiency in borrowing and using loans. The government must scrutinize the loan plan and the use of borrowed funds on the basis of calculating the costs and benefits of the investment projects in order to ensure the repayment of capital and interest to the lender. Debt seems affect growth via effective use of resource, rather than through its depressing effect on private investment (Nguyen et al., 2003).

c) Debt management tools

A long-term strategy of public debt: It is a document which sets out the objectives, orientations, solutions and policies for public debt management developed within the framework of the national financial strategy in line with the five -year economic - social plan.

A medium term debt management program: It is a concise document describing the long-term strategy of public debt for the next three-year period in line with the Government's medium-term fiscal and economic policy framework.

An annual detailed government borrowing and debt repayment plan: The government's annual detailed plan for borrowing and repayment is an annual document that includes a detailed plan for loan withdrawal and repayment by the government.

d) Debt management mechanism

There are different types of institutional organizational structure for public debt management, as long as functions and tasks are explicit with good coordination and informational share. In fact, except for force majeure, there are convincing reasons for efficiency, it is inappropriate to distribute the same function or task for two different agencies.

The debt management system, namely, the institutional structure of the debt management related functions, varies from one country to another and has a different pattern of history, due to the division of responsibilities. Legislative responsibilities vary between levels of management, organization of the cabinet, the importance of external debt in economic governance in general, the importance of specific types of credit in the debt structure, and also due to the function of foreign debt management regulations.

e) Public debt management cycle

The cycle of a debt or document called the life cycle of a debt consists of four periods:

(1) Debt planning: Demands the legal and regulatory framework for borrowing and repayment in line with the Government's macroeconomic policy and debt strategy.

(2) Debt settlement: The negotiation and signing should be done within the jurisdiction, limited and consistent with the debt strategy.

(3) Debt repayment: A system and process is needed to record, monitor, pay and account all debt and debt related transactions in a safe and controlled environment.

(4) Debt Disclosure: Reporting is required to ensure transparency and accountability of debt management policies and practices. Annual public debt data should be released to the legislature and, to the extent permitted, publicly available. Debt publicity must be adequate, including direct central government debt, local government obligations, contingent liabilities as well as the impact on the public finances due to public debt management bring.

2.1.5. Public debt situations of some countries in the world recently

Countries that have borrowed at breakneck speeds have reduced the amount of tax levied while expenses have risen sharply because of rescue operations, unemployment support, and economic stimulation. According to estimates by the International Monetary Fund (IMF), the governments of the 10 richest nations in the world have a \$ 50,000 debt per capita on their citizens.

The United States is currently the largest debtor in the world with a total debt of \$13 trillion, at 53 percent of GDP. With a forecasted budget deficit of about 9.9% in 2010, concerns about inflation as well as the drugs currently in use will be rendered ineffective and economic recovery is likely to be premature.

Japan, the economy once thought to be able to buy the United States, after nearly two decades of "loss" almost no growth, state debt up to 192% of GDP in 2009, is expected to be 227% GDP in 2010 with budget deficit expected at 10.2% GDP in 2010.

India, a major economy in Asia, is also facing rising public debt. The public debt ratio to GDP in 2009 is up to 60% and is currently also rated BBB national credit - like Greece.

Nearly all members of the European Union fall into debt. Even Germany, the region's strongest economy, also suffered from a debt of up to 77% of GDP in 2009. Public debt in France at the end of 2009 also reached 80% of GDP, with a budget deficit estimated at 7%. Italy's situation is even more alarming at the rate of 115 percent of GDP in 2009, along with gloomy prospects for economic growth. A number of countries, such as Spain, Portugal, Iceland and Ireland, are also suffering from a debt crisis that exceeds EU regulation thresholds (3% of GDP) while the outlook for economic growth Still bleak. By 2010, the evolution of public debt deteriorated. In January, the EU pointed to deviations in the public debt accounting process in Greece. Greece's budget deficit in 2009 was revised up to 12.9% (instead of 3.9% previously announced), four times higher than the EU allowance. The EU also rejected the possibility that Greece would leave the euro zone. Nevertheless, concerns continued to rise sharply for sovereign debtors such as Portugal, Ireland, Greece and Spain. The euro continues to fall compared major currencies. By 2011, public debt tensions in the euro zone continue to escalate. By April, Portugal had to admit losing its ability to cope with debt and demand EU help. Spanish and Italian government bond yields also rose sharply. From the beginning of 2012 until now, the public debt crisis have continues in the euro zone and there are no signs that the situation will improve fundamentally, even in the prospects of

next year. In early January, Standard & Poor's downgraded France's rating and eight other members and downgraded the European Financial Stability Facility. The euro area economy is forecast to contract by 0.3% in 2012. March unemployment rate in euro zone climbed to record level. Loan interest in Spain and Italy continue to increase. In Spain, the bank of Bankia is asking for € 19bn in aid from the government. Spanish interest rates continued to rise in June, suggesting that the market is still concerned about its fiscal outlook.

2.2. Basic issues of public debt audit

2.2.1. Overview of a State Audit Office

The nature and role of a State Audit Office

State audit offices have a history of developing for hundreds of years in developed countries. The formation and development of state audit office is closely linked with the formation, establishment and development of state finance, mainly the state budget; It derives from the requirements of the state inspection and control of public spending and public funds. The operation of a state audit office has effectively contributed to the establishment and maintenance of financial discipline, compliance with the state budget law, the detection and prevention of corruption, abuse and misuse of state funds. A state audit office has become an indispensable part of the state inspection and control system. Its position, its effect has been recognized by society and no other functional authority has been substituted for the increase in control, the realization of reasonable and effective use of state budget. A state audit office has been affirmed as a function, an indispensable and indispensable tool of the modern state power system.

From the concept of "auditing" is the process of independent and competent professionals, professional skills, collecting and evaluating evidence of quantifiable information of a unit for the purpose of validation. And report on the relevance of this information to the established standards. "The audit has the following basic functions:

First, the verification function: To confirm the truthfulness of the data, the document and the legality of the information being audited. Confirmation is a fundamental function associated with the birth, existence and development of auditing

Secondly, the consultant function: The purpose of the audit does not end with the "verification" function, due to the increasing demand for economic development, the types of ownership of production materials are increasingly abundant. The form of business as well as the management and use of state budget funds by the government and organizations requires more effective.

2.2.2. The role of a state audit office in public debt management

In public debt management, the main objective of the state audit is to improve the effectiveness of public debt management. Public debt management and the use of public debt must be carefully controlled to ensure their effectiveness while limiting the unwanted effects of the use of loans. Effective public debt management will help to reach the lowest possible cost and ensure timely repayment. Therefore, the goal of the state audit office in public debt management is to identify potential risks, thereby preventing and dealing with violations to ensuring national financial and monetary security; contribute ideas for the Government to improve the public debt management policies, enhance the efficiency of public debt use; and raise the transparency of public debt management.

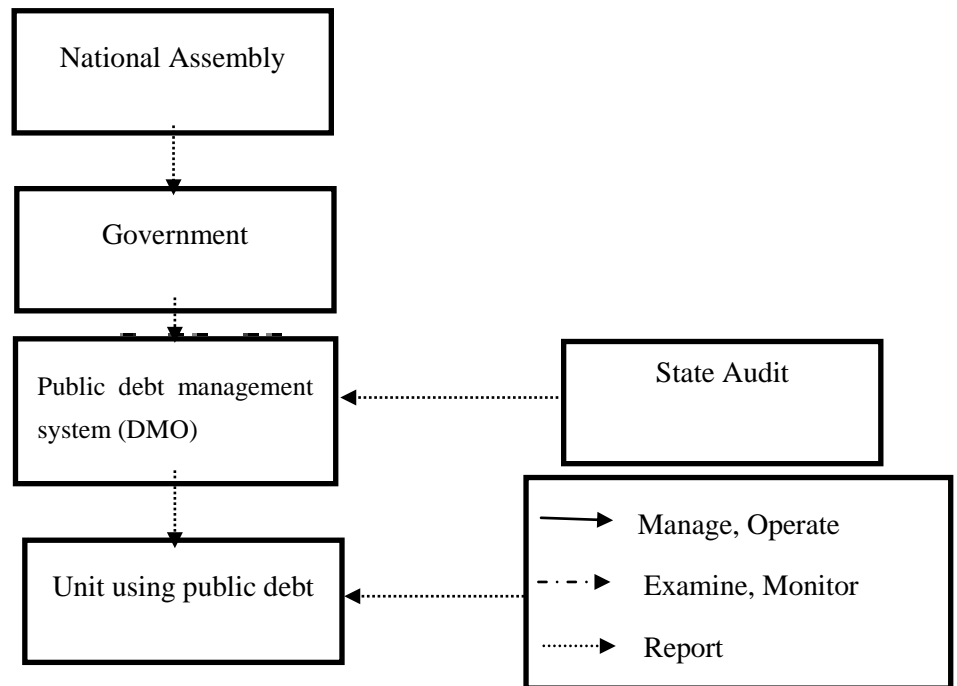
Legal status of a state audit office in public debt management

In the world, the state audit office is the supreme public financial audit body of the state. Another popular name of this office is well known as the Supreme Audit Institution (SAI), which is responsible for inspecting state budget revenue and expenditure activities and public funds. Therefore, depending on the political institution and the division of power of each country, SAI may be junior to the legislature (the National Assembly), the executive (the government) or the stand-alone of both the National Assembly and the Government. Its diversity is described in both the legislative and executive sectors. This diversity is reflected in the legal status and organizational model of state audit offices in particular countries.

The legal position of the State Audit Office is reflected in the organizational relations between the State Audit and state management agencies in relation to public debt. The legal position must be compatible with the rights and responsibilities of the State Audit office, which is the most important basis to play the key role of the office in public debt management.

At the 9th Congress of INTOSAI in Lima - Capital of Peru in October 1977 the Lima Declaration was issued to guide the establishment and operation of supreme auditing bodies in the world. It stated that "the establishment of supreme audit institutions and its independence should be ensured in Constitution and other statutes." The Lima Declaration is seen as a common document, suitable for any organization and various levels of development of the public financial inspection system for different regions and countries in the world. Equivalent to the power of the State, whether it is in any branch of the state legislature, the State Audit must be established as the highest public financial audit organization of a nation and operated independently.

Accordingly, in the management of public debt, the state audit is an independent body outside the public debt management system and performs its functions and tasks with respect to public debt management.



Source: The outline of INTOSAI, 2009

Chart 1: The model of outside the State Audit's public debt management system

With this position under INTOSAI, as a body outside the public debt management system, SAI will be given independent authority to determine the audit plan program and apply professional and technical measures to the process of issuing Decision to audit. At that time, SAI audits the debt management activities, the public debt management system and any other units using public debt. Also, the debt management agency is fully responsible for its

activities and errors and cannot be denied liability on the basis of past audit and expert feedbacks of SAI.

With this model, the State Audit can be completely objective and report its results to the legislature, the committees of the National Assembly, the authorities of the state (functional agencies of the Government) and publicly announce the results of their activities in accordance with the law. INTOSAI's Public Debt Audit Guidelines also indicate that this model will "ensure broad information and discussion, and create a more comfortable environment for the implementation of the conclusions of the Supreme Audit Institution".

In addition, the State Audit is easily accessible to all documents and data relating to public debt management and is entitled to request (verbally or in writing) the audited entities to provide any necessary information related to the audit activity at the audited entity. The State Audit Office has the right to determine the location of the audit to ensure the best convenience, quality, and efficiency.

2.2.3. The state audit office's function in public debt management

From the concept of INTOSAI, "Audit is the process by independent and competent professionals, with professional skills, to collect and evaluate evidence of quantifiable information of a unit with the purpose of confirming and reporting on the relevance of such information to established standards." shows that the audit has the following basic functions:

Firstly, the verification function (confirmation): To confirm the level of the truthfulness of data, documents and the legality of the information being audited. Verification is a fundamental function associated with the birth, existence, and development of auditing. Today the function is developed to serve the management and operation of economic, financial and corporate governance activities, thus requiring accurate and legal information. In order to confirm the truthfulness in the recording, accounting, and accounting to the calculation, allocation, and synthesis of economic and financial operations arising ... reflected in the financial reports are accurate and legitimate. There should be an independent organization or individual with the authority to confirm the information. This is the verification function of the audit. According to international auditing standards, the verification function does not stop at the "confirmation or authentication" scope, which is developed into an "auditing report" with sufficient standards and

procedures to assist auditors in improving the quality of the audit in general and the quality of the audit report in particular.

Secondly, the function of expressing opinion (petition): The purpose of the audit is not limited to "verification" function, due to the growing demand for economic development, various forms of business, as well as the management and use of state budget funds by the government and organizations, are required to be more effective. Therefore, the function of expressing opinions on the economic and financial law to organize the implementation of the law and mechanisms and policies on economic and financial management for agencies, units, organizations, and individuals. Managing and using state budget and business production are indispensable needs to improve economic efficiency and to bring economic activity into the legal framework.

Based on the basic function of the audit, with the status of the highest public finance auditing agency, the State Auditing Office performs the function of inspecting and monitoring the country's public resources and assets. Depending on the political system of each country, the State Audit Office also has specific functions such as in France and some European countries such as Greece, Spain...The State Audit (Judiciary Court) also functions as a court dealing with violations of organizations and individuals in the management and use of public funds, or as in the US State Audit also functions as the agency investigating economic crimes.

According to INTOSAI, "State Audit offices may consider auditing public debt issues if they are able to provide new knowledge, views and perspectives. Audit reports from the State Audit should be capable of impacting policy makers and, therefore, should significantly improve the quality of public debt management ". According to INTOSAI, countries also agreed: "In public debt management, the function of the State Audit is to monitor and supervise public debt management". Specifically, the State Audit has the function of auditing documents, accounting data and public debt reports of the provinces and cities directly under the central government before submitting to the People's Councils and the government's public debt report first. When submitting to the National Assembly ... to confirm the truthfulness and lawfulness in service of public debt management. In addition to performing the validation function, the State Audit recommends the State agencies to amend and supplement policies and mechanisms for public debt management in accordance with specific conditions in each period through reporting. Audit results to the National Assembly and the Government as prescribed.

2.2.4. Public debt auditing of the state audit offices

Public audit of public debt consists of three stages, which are preparation for audit, audit and auditing. Auditing preparation is the investigation of the situation, the status of debt management, depending on the requirements of each specific audit to develop an audit plan, training the operations related to audit content, also the preparation of resources to carry out the audit. In particular, the audit plan includes the assessment of the risks, the importance of auditing, the development of specific objectives and content of the audit.

Performing the audit is the stage by means of its processes and operations, the audit delegation performs the audit of audit contents in the audit plan. Auditing contents of public debt management are diversified but the overview consists of 16 main contents, focusing on 7 basic audit components to assess the public debt management results. Each audit content includes assessment dimensions, reflecting the results of public debt management, including:

Table 1: The content of public debt audit

Audit of state management and development of public debt strategy	
	Legal framework for public debt audit
	Management structure of public debt audit
	Management strategy for public debt audit
	Management operations for public debt audit
	Monitoring and controlling system for public debt audit
The Audit of coordination between public policy and macroeconomic policies	
	The audit of coordination between public policy and fiscal policy
	The audit of coordination between public policy and monetary policy
The audit of financing and related financial activities	
	Domestic debt financing audit
	Foreign debt financing audit
	The audit of loan guarantees, re-lending of loans and derivative assets
The audit of cashflow forecasts and managing cash balances	

	The audit of cashflow forecasts and managing cash balances
Operational risk management audit	
	The audit of debt management and data security
	The audit of the assignment of tasks, personnel capacity and continuous operation
The audit of debt records and reports	
	Debt records audit
	Debt report audit
The audit of the use of public debt	
	The audit of the use of public debt

Source: ASOSAI (2009) Debt Audit Workshop

Depending on the requirements for each specific audit, the auditing content may be changed accordingly, there may be comprehensive audit covering all 16 main contents, may only audit some contents under some specific topics.

In the audit, audit methods will be chosen depending on the objectives and content of the audit. Some methods are frequently used in the audit of public debt management, including: compile, calculate and analyze the norms in the Debt Management Report; comparison, analysis, and evaluation of performance and planning and implementation of the previous year; making the comparison between some indicators in the Debt Management Report for analyzing and evaluating aggregate indicators; comparing and contrasting some indicators of the Public Debt Management Report with the State Budget Settlement Report.

Preparation of an audit report is the period during which the audited results are aggregated into the audit report. The audit report of SAI confirms the correctness and honesty of public debt management; assessing compliance with the law, economics, effectiveness, and efficiency in the management and use of public debt. The auditing report analyzes and evaluates audited information and data on public debts so as to clearly see the actual situation of the management and use of public debts and propose measures to adjust and perfect the mechanism, policies and regulations of the State on public debt management.

2.3. International experience in auditing debt management

Experience of the Federal Republic of Germany

The Federal Republic of Germany is a developed country with a tradition of financial management, budgeting and government debt management. The State Audit Office of the Federal Republic of Germany is a long-standing auditor in Europe in which public debt audits are always taken into account. Although it is a leading industrialized country in Europe, the Federal Republic of Germany has a relatively high debt ratio with annual interest payments of up to 40 billion euros. This is a relatively large cost of debt and should be strictly controlled. The State Audit of the Federal Republic of Germany performs annual public debt audits to ensure debt control. The public audit report of the State Audit of the Federal Republic of Germany is sent to the Government and the National Assembly and made public. We can generalize the audit of public debt of the State Audit of the Federal Republic of Germany in some key points as follows:

Audit of public debt of the State Audit of the Federal Republic of Germany:

- + Determining the debt structure: considering the exchange rate risk;
- + Analysis of risk and cost of debt;
- + Every year, there are debt statements including central and local debt; Monthly report on debt structure, exchange rate;
- + Analysis of debt levels and debt repayment: including the analysis of the evolution of borrowing by time, total loan amount and debt repayment; Evolving total interest payable, interest payments; Debt level of each level of state unit; The situation of net borrowing movements;
- + Analyzing and evaluating budget deficit balances;
- + Specific characteristics of debt management: in addition to debt rating criteria such as debt ratio (total debt / gross domestic product (GDP)); Deficit ratio: total deficit / GDP; Debt investment ratio (investment ratio is met by new loans); Interest payment ratio (Total Interest Payment / Total State Budget Expenditures) ... The Federal Bank of Germany has issued the index: Debt per capita (total government debt / population) to assess debt levels per capita people suffer because of government borrowing behavior. This is an indicator that needs attention to assess the government's management and borrowing.

Public debt audit organization: The State Audit of the Federal Republic of Germany organizes a separate public debt audit and is audited annually. Auditors who audit the public debt of Germany are deeply knowledgeable about public debt.

Public debt audit report: The German Federal Audit Office audits annual public debt and reports audit results to the Government and Parliament together with the annual audit report.

Experience of Ukraine

Auditing purpose: Assessing the current state of the public debt management system and compliance with international standards and practices on public debt. Make recommendations to improve public debt management.

Scope of the audit: Functioning of public debt management units, coordination between legislative and public debt management, the status of the internal control system and supporting information.

Audited entities: Cabinet Office of the Ministries of Ukraine; Ministry of Finance Ukraine; State Bank of Ukraine; and State Treasury of Ukraine.

Auditing method: analysis of previous reports, audit documents and communications; analysis of current laws; compose letters, questionnaires and discussions; financial analysis, statistics; investigate public financial debt; analysis of dynamic economic indicators and their ratio; and comparative analysis with recommendations from IMF, WB and INTOSAI.

Experience of the US State Audit (GAO)

Federal debt is managed by the Debt Management Agency, which consists of treasury bonds held by the public or some governmental entity called debt owned by internal government agencies. Public debt mainly consists of federal government loans to fund the deficit. Debt held by government agencies is the balance of treasury bonds issued by federal government agencies - primarily federal trust funds such as social security and health insurance - which are often obliged to invest the disparity in annual revenue (including interest) on government bonds.

Annually, the GAO audits the debt portfolio of the federal government of the Management Board to determine in all economic aspects (1) the debt portfolio is credible; (2) The CEM leadership maintains an effective internal control system in financial reporting relating to the federal debt portfolio. In addition, the GAO monitors compliance with regulatory debt portfolio regulations.

GAO has implemented:

- Check on the basis of random sampling of evidence of debt and information published in the federal government debt portfolio;
- Assessment of accounting principles used and important assumptions of the management of the management board;
- Assessment of the federal debt portfolio presentation;
- Understand the FSSP and the operations of the FSSP, including the internal control system for financial reporting of the federal debt portfolio;
- Check the internal control system of financial statements on the debt portfolio of the federal government of the Management Board;
- Review the internal audit and reporting process of the internal control system of the financial statements of the Federal Government's Debt Portfolio on the basis of criteria;
- Evaluate the risk of (1) significant bias in the federal debt portfolio and (2) major oversight within the internal control system of the financial statements of the U.S. Federal Government Debt Management Portfolio;

Evaluate the structure and effectiveness of the internal control system of the financial statements of the Focal Points of the federal government on the basis of assessed risk;

- Check compliance in the fiscal year with (1) public debt ceiling and (2) stop investing in government bond funds;
- Read information about the Federal Debt Portfolio to determine whether there is a material inconsistency in the audited federal debt portfolio.
- Perform other necessary procedures.

About human resources, time audit: GAO arranged 30 auditors for the first audit (1997), the next year arranged 4 to 5 auditors with a period of about 1 month. Normally, in November, GAO issues a financial audit report for the federal debt portfolio.

For performance audits: GAO does not perform annual audits but selects auditing topics depending on the importance of the activities. The analysis of the annual financial audit report

is an important source of information for GAO to select audit topics. The identification of topics prioritized for auditing is based on the assessment of the criteria: potential impact; Financial impact; Management risk; complexity; importance; definition; scope; Inter-agency.

Selected topics in operational audits are: Auditing the legal framework on public debt; Determine the need for public debt; Public debt management strategy; Borrowing activities; Public debt information system; ...

Normally GAO designates about 5 experienced auditors for an operational audit. The audit time will depend on the selected audit.

Duty of the Department of Debt Management: The Director of the Debt Management Department is responsible for (1) preparing the Federal Government Debt Portfolio in accordance with the United States accounting principles; (2) prepare and present information in the audited Federal Public Lending List and Audit Report, and ensure the consistency of information with the audited federal debt portfolio; (3) establish and maintain an internal control system for effective financial reporting and evaluate the effectiveness of this system; and (4) comply with the provisions of the law..

2.4. Lessons for the State Audit Office of Vietnam in public debt auditing

(1) Audit scope: Auditing of public debt is not only for central government borrowing, but also for local government borrowing. In addition to state-controlled or state-owned enterprises, government-guaranteed loans should also be audited to ensure overall financial security.

(2) Audit content: It should cover all government debt management, loan operations, debt repayment, loan guarantee, as well as risk control from debt financing, public appraisal, loan manager. Especially in the current context of Vietnam, the audit of SOEs is a necessary issue. Public debt auditing also includes assessment indexes of management performance, especially the index of debt per capita to see the level of debt that every citizen has to bear.

(3) Audit organizing: It is necessary to have a department responsible for public debt auditing with specialists in debt management to be able to conduct audits and give opinions on management of public debt today. Financial audits of public debt should be conducted every

year. Meanwhile, performance audits are conducted depending on the importance of the subject matter.

(4) **Obligation to provide information and reports:** SAV should be provided adequately, promptly and accurately information on the management of national debt, government debt, government-guaranteed debt and local debt. No information area is restricted or prohibited to SAV to ensure that the scope of public debt auditing is sufficiently covered. Regarding the reporting obligations, SAV should have to audit and report periodically, irregularly or make special reports on the situation and results of public debt auditing with the Government and the National Assembly. Periodic reports on public debt management should be made public. In audit reports, SAV should also make recommendations to improve management of public debt to ensure national financial security.

2.5. The SWOT analysis

The aim of the SWOT analysis is to identify the key internal and external factors that are as important as to achieve objectives. Wehrich showed that the SWOT model includes the environmental analysis and the organizational analysis into two main categories: Internal factors – the strengths and weaknesses to the organization; and external factors – the opportunities and threats presented by the environment external to the organization (as cited in Le et al., 2000, p.2).

Discussing SWOT analysis, Helms & Nixon (2010) conclude from different researches in chronological order that the model provides the foundation to be able to better understand “how strengths can be leveraged to realize new opportunities and understand how weaknesses can slow progress or magnify organizational threats (p.216). The authors also ascertain that SWOT is a widespread and recognized concept in strategic management.

It should be noted that, the result of the SWOT analysis is not a constant. Because it is the result of scanning business environment of an organisation; and the environment is constantly changing that lead to changing opportunities and threats at least. In another world, the SWOT analysis provides a “snapshot” at a point of time (Helms & Nixon, 2010). It should bear in mind that the result of the SWOT analysis may be updated over time to deliver a real picture.

In short, this chapter presented basic matters of public debt including different viewpoints of public debt and typology of public debt. In the study, public debt covers government debt, guaranteed government debt and local government debt. The thesis defined the targets of public debt management as being to meet financial needs of government, fulfil payment obligations at the lowest costs in the medium to long term in tune with prudent management of debt risks as well as maintain an effective security market. This chapter also presented principles, tools and a mechanism for public debt management and how characteristics of public debt impact on auditing. Here, the state audit office should have an important role that is to increase transparency and effectiveness in public debt management. The chapter showed INTOSAI's warnings on public debt audit and necessary factors should be included in public debt auditing. International experience of different countries in state audit of public debt and lessons for Vietnam were involved in this chapter. This chapter also included the SWOT analysis.

CHAPTER 3: PUBLIC DEBT AUDITING IN VIETNAM

3.1. An overview of public debt and public debt management in Vietnam

3.1.1. Public debt in Vietnam

a) Forms of debt

In Vietnam's Public Debt Management Act 2009, public debt is conceived in a narrow sense. Public debt include government debt, government guaranteed debt and local government debt. Government debt arises from domestic and foreign loans signed and issued in the name of the State, in the name of the Government or other loans signed, issued or promulgated by the Ministry of Finance. Government debt does not include debts issued by the State Bank to implement monetary policy in each period. Government guaranteed debt is debt of domestic and foreign enterprises, finance and credit organizations guaranteed by the government. Local government debt is debt signed, issued or authorized by the People's Committee of a province or city under the central authority.

Government debt

Domestic government loan: There are different types of government borrowing in the country such as: treasury and treasury bills, central government bonds, investment bonds, bonds and other forms of domestic mobilization of the government.

Foreign Government Loan: Currently, there are two types of debt financing in the country. They are loan under Official Development Assistance (ODA) conditions and commercial loans in the form of direct borrowing and / or issuance of government bonds to the international market.

Government-guaranteed debt

Under the provisions of Decree No. 15/2011 / ND-CP dated February 16, 2011 on the issuance and management of government guarantees, government guarantee is the most legal

guarantee in Vietnam; Government guarantee commitments are made in the form of letter of guarantee, guarantee contract or guarantee decision. The government will only provide guarantee, not re-guarantee.

Apart from the government's direct foreign loans, in order to facilitate for a number of organizations and enterprises, mainly enterprises, the Government issues guarantee loans to these entities. Although it is the responsibility of the borrowing agencies, the government is still liable when the institutions fail to pay principal and interest. As a result, government guarantees are accounted foreign debt, and, according to the World Bank's conception, guarantees must be strictly managed and aggregated into the Government's foreign loans.

Foreign debts of state-owned enterprises and private enterprises guaranteed by the Government will be monitored and counted in the index "External debt of the public sector and guaranteed by the public sector" to underpin evaluation of obligations of doubtful debts of the Government.

Local government debt

In Vietnam, the provincial People's Committees are not directly allowed to borrow from foreign countries but can only borrow from the Government's foreign loans for investment in socio-economic development within the local budget spending tasks.

b) Debt management tools

A long-term strategy of public debt: According to the Public debt management Act 2009, the Ministry of Finance chairs and collaborates with the Ministry of Planning and Investment and the State Bank of Vietnam in establishment of a five-year strategy of public debt.

A medium term debt management program: The Ministry of Finance chairs and collaborates with the Ministry of Planning and Investment, the State Bank of Vietnam and concerned agencies establishing the medium-term debt management to submit the Prime Minister to decide and organize the after being approved.

An annual detailed Government borrowing and debt repayment plan: The Ministry of Finance is to collaborate with the Ministry of Planning and Investment and the State Bank of Vietnam

to fine methods to determine and formulate debt monitoring norms. The Finance Ministry submits to the Government for approval the debt safety norms. The Ministry of Planning and Investment sums up the debt-security norms approved by the Government in the five-year socio-economic development plan for submission to the Government for approval, then report it to the National Assembly for consideration and decision. In regards to the other debt monitoring criteria, the Ministry of Finance submits to the Prime Minister for decision together with the Government's annual detailed plan for borrowing and debt repayment.

c) Public debt development in Vietnam

Vietnam's public debt is heating the sessions of the Congress as well as stimulating public opinion because it not only involves public confidence in the state about the efficient use of investment capital. It also has an impact on the fight against corruption and waste, while affecting the lives of future generations.

In Vietnam, public debt is very important to development of the country. It is the second largest source of capital in the economy with 16-17% of total investment capital. However, in recent years, public debt in the Eurozone and the internal difficulties of the domestic economy have had a certain impact on the public debt situation. Vietnam, in terms of size, structure, debt repayment and public debt safety indexes, simultaneously influenced people's confidence in the state of the efficient use of investment capital. Impact on the fight against corruption, waste, and affect the lives of future generations.

After 30 years of economic opening, Vietnam has achieved great achievements with historical significance. The strength of the country has grown much stronger, the material and spiritual life of the people has been improved and socio-political stability. Over the past ten years, Vietnam's GDP has grown by more than four times, if in 2006 the country's GDP was less than 1,000 trillion dong and GDP per capita was about 715 dollars, Approximately 4,200 trillion VND and GDP per capita of 2,019 USD. GDP growth is relatively sustainable, inflation is significantly curbed.

However, Vietnam is still clarified as a member of the developing countries, the size of Vietnam's economy is still small compared to the common ground of the world; The economy is heavily dependent on exports of primary agricultural and light industry products. At present and in the near future, the increase in government borrowing in particular and public debt, in

general, is an indispensable need as Vietnam still needs financial support (i.e. Official development assistance) from unilateral, multilateral organizations around the world to further develop the economy.

d) Scale of public debt:

According to Financial Newsletter No. 4 in 2016, in just five years (2010-2014), Vietnam's public debt has more than doubled. By the end of 2014, public debt was up to 1,826 trillion and the public debt / GDP ratio is 58%. (Table 2)

Table 2: Vietnam public debt burden during 2010-2014

Year	2010	2011	2012	2013	2014
Outstanding public debt (VND1,000 million)	889	1.093	1.279	1.528	1.826
Public debt/ GDP (%)	56,3	54,9	50,8	54,5	58

(Source : Newsletter 4, the Ministry of Finance)

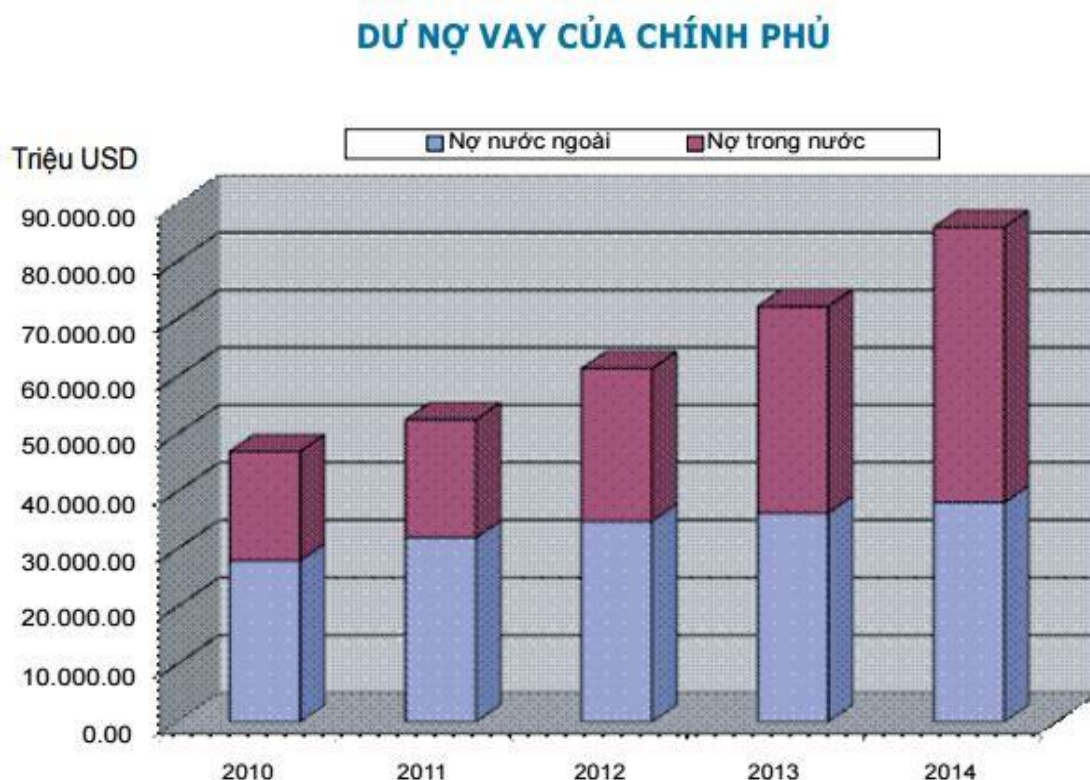
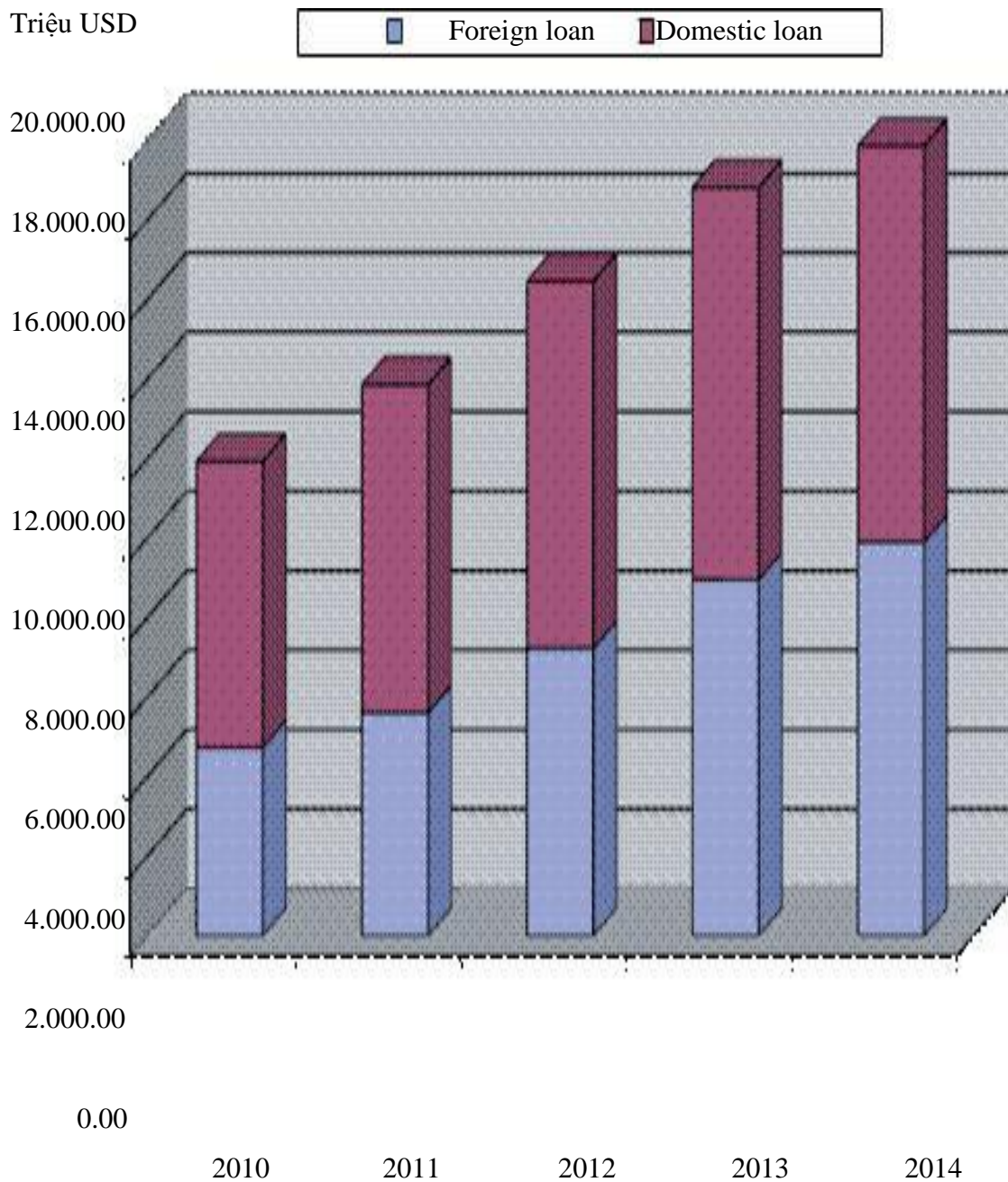


Figure 2

Loan guaranteed by the Government



(Source : Newsletter 4, the ministry of finance)

In addition, the newsletter also showed that in 2014, the total outstanding debt was guaranteed by the Government over VND 422 trillion and this indicator has increased gradually over the years since 2010 when loans reached nearly VND 226,000 billion.

In 2014, the country's foreign outstanding debt was over VND 1.5 trillion, of which the Government's external debt was over VND 810 trillion and the business was approximately VND 700 trillion.

Government debt to 2014 budget revenue was 211.5%. This rate increased over the five years of the reporting period. From 157.9% in 2010, government debt to revenue rose gradually to 162%, 172%, 184% and 211.5% in the following years.

The total amount of repayment in 2014 according to the report is more than 260,000 billion. This figure increased approximately 199% compared to 2010. In previous years, the total repayment in the period was only over VND 87,000 billion in 2010, then to nearly VND111,000 billion in 2011 and over VND 154,000 billion a year later.

According to many experts, the actual size of public debt may be higher than the published rate because of the way the public debt of Vietnam and some international organizations differ. Specifically, public debt in accordance with Vietnam standards is based on the principle: Responsibility for payment belongs to the subject of the loan; Public debt owed to international standards is determined on the basis that: The real owner or legal entity behind the borrower is responsible for the payment. Accordingly, the international public debt will be equal to Vietnam's public debt plus debt of the State Bank of Vietnam, state-owned enterprises, social insurance and social security organizations and some localities..

According to international practice, the optimal public sector debt ceiling (to ensure public debt is the driving force for economic growth) is typically 90% for developed countries, 60% for good developing countries, and a low foundation of 30 - 40%. Therefore, the level of public debt / GDP threshold set by the National Assembly 65% is in line with international practice and crossing of the optimal threshold can be risky.

If the public debt / GDP ratio of a country reflects the size of public debt relative to the size of the economy, the public debt per capita figures shows how much the citizens per capita are carrying. it. (Figure 2)

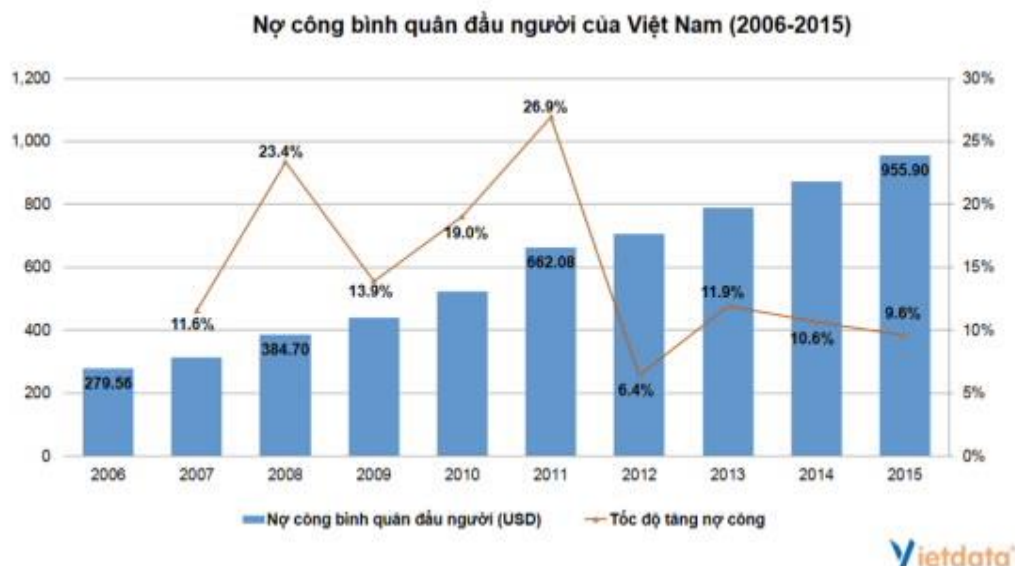


Figure 1: Debt per capita in Vietnam in the period 2006-2015

(Source: Economist Intelligence Unit, Vietdata)

The World Bank (WB) and the International Monetary Fund (IMF) have claimed that Vietnam's public debt structure is gradually being adjusted to be more sustainable. Specifically, in the government debt structure, the proportion of domestic debt tended to increase from 39% in 2011 to 57% in 2015 and the proportion of foreign debt falls from 61% in 2011 to 43% in 2015. This proportion is in line with the National Debt and Foreign Debt Strategy for 2011-2020 with a vision to 2030.

In term of domestic debt, mainly domestic bonds have been issued. In the period 2011-2013 mainly short-term bonds (less than 3 years) were issued, 3-year bonds were issued in 2014; and in 2015, the term of bonds lasted up to 4.4 years and the first 6 months of 2016 up to 5 years. The average interest rate of government bond on the domestic capital market declined from 12% in 2011 by around 6.5% in 2014 and around 6% in 2015.

In relation to foreign debt, ODA loans, preferential loans still made up a high proportion (over 94%) with the average remaining term of more than 10 years and the average interest rate by the end of 2015 was about 2% per year.

The currency structure of the government debt portfolio focused on a number of major currencies, including Vietnamese dong (55%); USD (16%); JPY (13%) and EUR accounts for

7%, while the rest are other currencies. Theoretically, this is supposed to limit the risk of exchange rate fluctuations, reducing the pressure on the Government's repayment obligations..

e) Usage of public debt

Through public investment programs, Vietnam's public debt is transferred to investment projects aimed at improving infrastructure, laying the foundations for sustainable economic development. However, the use of public debt in Vietnam isn't efficient, as reflected in the following norms:

Firstly, there is a delay in capital disbursement. The delay in investment capital has come from the state budget and government bonds. Despite the half of 2016, the disbursement rate of public investment has not yet reached its assigned plan, especially disbursement of government bond funds. Low capital investment in capital construction is a major cause of difficulties for state budget revenue. Without solutions to accelerate disbursement, the growth of the economy will be affected, while the rate and obligation of borrowing public debt are increasingly at risk.

Secondly, the investment efficiency is low, as shown by the ICOR: In 2015, economic growth gradually recovered, with GDP growth of 6.68% - the highest level since 2008 to date, investment efficiency has improved, with ICOR in the 2011-2015 period reached 6.91, down from 2006-2010 (6.96). This meant that in the period of 2006-2010, Vietnam needed 6.96 dong to generate 1 dong of output, in the period 2011-2015, only 6.91 dong were needed. It was remarkable that in the context of a sharp drop in total social investment over GDP (by about 32.6% of GDP in 2015), the growth rate remained reasonable. Nevertheless, honestly, ICOR of Vietnam has been still high, investment efficiency is low compared to many economies in the region. This is partly due to the fact that the economy is focusing on infrastructure investment, including infrastructure in remote and isolated areas, and investment in poverty reduction and social protection plus the investment situation was wasteful.

ICOR Việt Nam sau 20 năm có xu hướng tăng



Figure 2: ICOR Trend of Vietnam

(Source: <http://cafebiz.vn>)

Vietnam is entering a new stage of development, with total investment capital for the five years 2016 - 2020 reaching nearly 10.6 trillion dong, equivalent to 32-34 percent of GDP. It is necessary to mobilize this source of capital, Vietnam can guarantee the economic growth rate of 6.5-7% and implement a breakthrough in building a synchronous and modern infrastructure system. Focus on transportation system, large urban infrastructure. Mobilization was difficult, especially in the context of budget deficit, overspending, not enough for frequent payments and repayment, public debt is rising fast, the pressure of repaying large, requires more use. The results of each investment, reduce the ICOR, and increase the pace of economic growth.

Table 3. National credit rating (up to 31/12/2014)

RESULTS OF NATIONAL CREDIT MARKET OF VIETNAM			
Year	Moody's	S&P	Fitch
2010	B1 (negative)	BB- (negative)	B+ stable
2011	B1 (negative)	BB- (negative)	B+ stable
2012	B2 stable	BB- (stable)	B+ stable

2013	B2 stable	BB- (stable)	B+ stable
2014	B2 stable	BB- (stable)	B+ stable
2015	B2 stable	BB- (stable)	B+ stable

Source: Department of Debt Management and External Finance, Ministry of Finance

According to TS. Vu Thanh Tu Anh, "with the need for continued investment to develop, Vietnam's public debt will continue to increase for many years to come. In particular, with the rate of domestic savings / GDP declining (currently around 27%), while the increase in social investment is increasing (currently about 42% of GDP), besides attracting foreign investment. The government will have to continue borrowing heavily to offset the gap between savings and investment. High GDP growth is a prerequisite for increasing revenues and achieving a budget surplus. However, in Vietnam, GDP growth is mainly due to increased investment but not accompanied by increased efficiency, as evidenced by the ever-increasing ICOR because investment cannot increase durably, at some point, the growth rate will have to decrease. It is worrying that at a time when GDP growth declines, many of the government's foreign debt is due".

The effectiveness of using loans is a very important issue since it will guarantee future cash flow. At present, Vietnam seems to focus on the aspect of disbursement for loans, sold bonds, collected money has been considered successful. State-owned investments are still considered to be fragmented, slow to progress, wasteful and wasteful of the state capital, but the investment efficiency is low. Public investment projects are not decreasing but they tend to increase sharply. This conclusion is shown in the 2009 Investment Monitoring and Evaluation Report submitted by the Ministry of Planning and Investment to the Government. One of the reasons is the loose management and investment supervision. The loss rate of publicly-funded formal investment projects is from 15% to 30-45%. This huge loss will spread to the society in the form of securities investment, real estate, shopping, tourism. The "dynamic" market caused by these unpaid loan losses. Blurring the real development of capital, from internal economic forces. Consumption levels in major cities are becoming more and more attractive and creating a strong impetus for not only the government, but also the provinces and state-owned enterprises that are constantly borrowing, creating projects and projects. With the deduction rate

from 15% to 30-45% despite not knowing how much profit and loss. that might be also one of the reasons for the rapid increase in public debt recently.

From the above analysis, it can be seen that the high and persistent budget deficit for decades has been the main reason for increasing the public debt burden in Vietnam. Since 2009, when economic growth has deteriorated, the introduction of a large-scale economic stimulus package is an important factor that drives Vietnam's debt-to-GDP ratio above the global average of 50% of GDP. The increase in public debt will reduce the government's credit rating, thereby increasing the cost of borrowing. Public debt increases and rising interest rates while low economic growth will again increase the public debt to GDP ratio. The risky Ponzi game comes when a government borrows just enough to cover the interest on old debt. At that time, the only source of funding available to the government was printing extra money. Printing money will increase inflationary pressures and force the central bank to tighten its currency. Tightening monetary policy inevitably leads to an increase in interest rates, which also means increasing the burden of interest payments on the budget. In this case, monetary policy has been neutralized and fiscal policy is good at determining the overall price level of the economy. Meanwhile, the increase in government borrowing from foreign debt is not only exposed to interest rate risk but also to exchange rate risk. The currency devaluation policy will inevitably lead to an increase in short-term debt repayment obligations but will help to improve the current account balance. However, maintaining the exchange rate would not only exacerbate the deficit of the current account but also provide incentives for the increase in new debt.

3.1.2. Current state of public debt management

a) Current state of public debt management before the Law on public debt management

The legal framework

Prior to the Law on Public Debt Management, domestic government borrowings and some public sector entities, the highest document regulating domestic borrowing of the Government was Ordinance No. 12/1999 /PL- UBTVQH10 of the National Assembly Standing Committee on the issuance of government bonds for national construction. Later, the Decree No. 141/2003/ND-CP issued in 2003 on the issuance of government bonds, government bonds and local government bonds, adjusting some segments of the domestic debt management

process via bonds, mainly focusing on the process of issuing and using mobilized funds (Dinh, 2010).

For foreign borrowing, the highest legal document is the Decree 134/2005/ND-CP of the Government dated 1 November 2005 issuing the Regulation on management of foreign borrowing and repayment, and Decisions of the Government. The Prime Minister shall promulgate regulations guiding in detail the process and procedures for each foreign debt management operation, such as the regulation on the grant and management of government guarantee, the regulation on the re-lending of resources foreign loans of the Government, regulations on collection, disclosure of debt information, regulations on foreign debt monitoring system.

On managerial authorities

For government loans: The Government is unified in management and is assigned to the relevant ministries. The Ministry of Finance shall assist the government in borrowing or issuing government bonds domestically to offset budget overspending and guarantee for a number of enterprises to issue investment bonds. In the field of foreign borrowing, participating agencies include: Ministry of Planning and Investment, Ministry of Finance, State Bank of Vietnam. For commercial loans, including the issuance of international bonds: the Ministry of Finance on behalf of the Government signed or issued.

For Government guarantees: The Ministry of Finance shall, on behalf of the Government, provide guarantee for foreign loans to enterprises and credit institutions.

For local government (local) loans: The provincial government directly manages the mobilization, use and debt repayment. The bond issuance plan, loan use plan and loan repayment plan upon maturity are sent to the Ministry of Finance for appraisal (mainly on loan conditions, interest rate brackets).

b, Law on public debt management

The National Assembly's promulgation of the Law on Public Debt Management effective January 1, 2010 is an important innovation in the field of legal framework for public debt management. The law is considered to be of good quality and has fundamentally overcome

the shortcomings of debt management as mentioned above and introduced new contents suitable to the practical conditions of Vietnam as well as the approach International standards and practices. The law is promulgated in order to:

- Enhance the authority and supervision of the National Assembly and the entire society with regard to the mobilization, allocation, use and operation of debt management.
- Strengthen the principle of centralized and uniform debt management; Combine domestic debt management with foreign debt and focus on the key responsibilities of the Ministry of Finance for debt management.
- Define the principles of debt management, such as: debt management to meet the requirements of capital mobilization, paying attention to risk management, debt management associated with responsibility, and specific responsibilities of stakeholders (individual and collective).
- Strengthen openness and transparency in public debt management through regulations on disclosure of public debt information, all programs and projects using foreign loans must be audited.
- Strengthen the autonomy and responsibility of local authorities through regulations on management of borrowing and debt repayment by local administrations at provincial level, regulations on relationship of borrowing and debt among the central level and provincial levels.
- Increase flexibility in debt management, enabling diversified operations in debt restructuring.
- Strengthen the management of re-lending activities, the issuance and management of Government guarantees.
- Simplify the procedures for signing, approving and implementing foreign loan agreement, specifically signed on behalf of the Government.

3.2. Public debt auditing conducted by the State Audit Office of Vietnam

In Vietnam, the Law on State Audit was issued in 2005 and amended in 2015. Accordingly, the National Assembly affirmed the function of SAV by stipulating: "SAV has the function of auditing financial reports, compliance audit, audit activities for agencies, organizations managing and using state budget, money and assets".

3.2.1. Legal foundation

Since SAV was established, scopes of public debt audits has varied from time to time.

Regarding the assignment of tasks, public debt auditing will be added to regular audits by different audit departments within SAV when they do their audits. For example: audits of national target projects and programs using aid and government loans by specialized department number IV and V; audits of local budget in different provinces by some specialized and regional audit departments; the annual audit of the state budget settlement report by the General Affairs Department.

Article 5 of the State Audit Law stipulates that audited activities of SAV are those related to management and use of the state budget, money and assets. Article 37 stipulates that the content of the audit of financial statements prescribes an audit content of the audited units involved in State budget revenue and expenditure as debt and debt settlement of the State. Article 38 stipulates that audit content for compliance audit is the compliance with the State Budget Law and other relevant legal documents. Also according to Article 30, the content of operational audit is the implementation of objectives and tasks, ensuring the management and use of resources; The internal control system as well as the operations of the audited entity. In addition, Article 63 also makes it clear that the audited entities include institutions involved in the management and use of public debt, including those whose debts are guaranteed by the State but not State enterprises.

3.2.2. Audit objectives and contents

Audit objectives

Assessment and confirmation of the accuracy and truthfulness of the reports on public debt by relevant authorities;

Assessment of compliance with laws and regulations on public debt by relevant organisations and individuals;

Assessment of the economy, efficiency and effectiveness of management and use of state budget, money and assets, including management and use of public debt;

Suggestion of recommendations to the audited entities for improving financial and accounting management and relevant activities of those; propose to competent authorities to handle violations of laws on accounting and finance; propose to the National Assembly, the Government and functional agencies to justify and amend financial and accounting management mechanism in an effort to ensure that public financial resources are used the most economically and efficiently.

Audit contents

For auditing the state budget: auditing an arrangement of reciprocal capital for projects using ODA capital as committed; auditing the implementation and evaluation of investment efficiency of projects funded by the Government's loans and by mobilized funds under Clause 3, Article 8 of the State Budget Law; and assessing the situation of disbursement, difficulties and compliance with the State regulations.

For projects and programs using public debt: Assessing the compliance, the economy, the efficiency, the effectiveness of management and use of investment capital, detecting any errors of losing and waste of fund management and use; Assessing the implementation of programmes or projects, progress of disbursement, securing reciprocal capital, procurement, management and use of funds of the project management units.

For the state budget settlement report: Auditing the Government's debt financing to finance the deficit and arranging the loans for re-lending, the development investment loan, the structure of the loans, identify and calculate ratios of public debt to GDP, public debt to state budget revenue, creation and utilization of foreign debt and accumulation funds, etc.

3.2.3. Audit methods

In the audit, audit methods will be chosen depending on the objectives and content of the audit. Some methods are frequently used in the audit of public debt management, including: compile, re-calculate, comparison, analysis, and evaluation of planning and implementation of public debt the previous year; making the comparison between some indicators in the Debt Management Report; between Public Debt Management Report with the State Budget Settlement Report, consolidated and detailed reports of Ministry of Finance and its departments (the State Treasury, the General Department of Taxation, the General Department of Customs, the State Budget Department, Investment Department, Debt Management and External Finance Department ...).

3.2.4. Audit process and organizing public debt audits

Based on specific audits, relevant audit procedures will be followed. Under current regulations by SAV there are four stages in the audit process including planning, execution, report and follow up.

For Public Debt Report Auditing: At present, in the process of auditing the State Budget Settlement Report, SAV will arrange a public audit team of about five auditors; the contents related to public debts are involved in the audit plan. The audit results of public debt are also incorporated in the final audit report of the State budget settlement. The auditing time is as the same as that of the state budget audit for 45 days. The state budget settlement audit covers in financial audit and compliance audit.

For specialized audits, performance audits: SAV has not carried out a full audit of public debt operations.

For audits of programs and projects using public debt: Annually, when the annual audit plan is established, SAV will select a number of audits using the public debt source. The personnel and timing of the audits depend on the size of each audit, from 10 to 30 auditors covering a period of 30 to 60 days.

CHAPTER 4: ANALYSIS AND RESULTS

4.1. Assessing public debt auditing by the State Audit Office of Vietnam

In the light of performing the SWOT model, the current status of public debt auditing by SAV would be analysed in four perspectives of strengths, weaknesses, opportunities and threats.

4.1.1. Strengths

First of all, SAV has paid attention to audit government debt from the beginning of its establishment. Hence, when the State Audit Law came into force, one of the audit contents is to audit government debt. When promulgating the functions and tasks of its subsidiary units, SAV assigned the responsibility to audit the Government's loans for the audit specialized department No. 2 firstly and later for the General Affairs Department. It can be said that the law demonstrated relevant responsibility of authorities about auditing public debt.

Secondly, since 2002, when the revised State Budget Law was in effect, SAV has been concerned to management of government debt. Through auditing the state budget settlement report, SAV has issued warnings of the state borrowing that drew the attention of the National Assembly, the Government, the authorities and the public. Nationally, SAV has audited a number of programs and projects such as: ODA-funded projects, the national target programs (Program 135, Programme on clean water and environmental sanitation in rural areas ...), projects and programmers used the government bonds. As the results of these audits, SAV has assessed the compliance and efficiency of projects, identified benefits and shortcomings of using loans. Especially, the office indicated specific cases of non-compliance with loan objectives, spreading distribution of loans and misusing funds, ineffective or slow disbursement of capital. The recommendations of SAV help regulators and managers make appropriate adjustments, including allocation of funds and adjustment or supplementation of programme objectives. Other recommendations put pressure on audited units to strive for effective management of loans and against corruption and waste.

Thirdly, SAV is interested in auditing debt of local governments. When auditing local budget settlement report, the office is concerned whether all budget levels are included in the budget balance, whether or not the report is complete? How to pay interest? How to use the loans for right purposes? How to ensure the security level of loans? Also, when auditing, audit teams

would examine if local governments included their borrowings in preparation of their budget settlement reports and if they actively repaid when debt was due. SAV has also focused on audits of re-lending loans including management and use of loans. The office has given many recommendations for management in due diligence. SAV's recommendations on local debt have attracted the attention of the National Assembly, the Government and state agencies and help them take appropriate actions to mitigate risks that may arise from local borrowing.

Lastly, through auditing the budget settlement reports, SAV has issued warnings of the debt situation of local budget in general that called the attention of the National Assembly, the Government, relevant organisation and the public. Also, information on local borrowings informed by the office has contributed to alert the situation of public debt management and then contributed to improve the management of debt management.

It could be seen that, SAV should clearly understand of five these strengths to take advantages of internal factors when preparing and implementing a strategy of developing public debt auditing.

4.1.2. Weaknesses

Firstly, after 22 years of operation, SAV has not yet audited the public debt management in full. In the process of international economic integration, transparency of national budget and finance is necessary to ensure the sustainability of the national fiscal and financial situation. Hence, public debt should be audited annually to have correct information of public debt and how it is used and management. Although public debt auditing has been integrated into the annual audit of state budget settlement report but the audit results of public debt remain limited. So far, SAV has not yet audited public debt as an independence audit. The office has not yet established audit procedures and criteria for assessing debt management. The office has not yet developed a contingent of auditors and experts in public debt auditing to assist the auditor general in developing a public debt audit strategy.

Secondly, SAV has not been able to provide ideas at the national level to help the National Assembly and the government improve their regulations and decisions in the field of debt management. Many problems of public debt management are different from the international standards of public debt management but not detected and recommended by SAV for better management mechanism. In the auditing process, SAV only delves into the compliance of debt financing but does not give an opinion on the status of management. As the results, SAV

could not give any recommendations for agencies of the Government, the National Assembly and even the public to take proper actions.

Thirdly, SAV has not gained deep insight into the situation, structure, cost and accounting of public debt in order to warn relevant agencies against financial risks in debt. It is one of the biggest obstacles that prevent the office from developing public debt auditing in a professional way. Although up to now the audit results of the state budget settlement report have referred to government debt, but just the amount of debt without looking into debt structure or debt costs, without any comments whether accountancy of loans would meet the generally accepted accounting standards or not. Audit opinions have not yet mentioned any risks in debt management. Even when auditing local budgets, the State Audit Office is only deepening the compliance with debt, such as: how was debt arisen? was it met a legal threshold? was it concluded into the local budget settlement report? Meanwhile, several managerial issues should have mentioned, for example the structure of the loan, sources of debt, sustainability of debt, borrowing costs, debt accounting, and debt management mechanism.

Fourthly, SAV has not established the audit standards relating to public debt and public debt management. The office has not set up any guidance on how to audit performance of use and management of borrowings. As the results of those matters, audit opinions varied, even contrary to each other for the same audit finding. That, in turn, would deteriorate audit quality in general.

Finally, use of computer assisted audit tools and techniques in public debt auditing has not developed within SAV admit the fact that public debt have been used in different agencies and state-owned enterprises at both the central and local levels across the country. It would be very difficult and take time for auditors to sum up debt total, let alone auditing other matters without computer assistance.

In short, weaknesses of public debt auditing by SAV should be fully aware of. Those are big obstacles hindering SAV from improving public debt auditing. They should be solved completely if SAV would gain success in improving public debt auditing.

4.1.3. Opportunities

Firstly, SAV receives supports from the National Assembly and the government. The Constitution stipulates that SAV is the highest competent authority in controlling public

finance and have a right to audit any organisation using public finance and assets. Hence, the National Assembly and the government pay attention to audit recommendations, especially those relate to amend or justify laws and regulations. It can be seen that, if SAV does its job well, audit recommendations for better managerial mechanism or more transparent legal framework would be followed sooner and wider. Then, looking at the whole of the country, management and use public finance and assets would be much better, including management and use of public debt.

Secondly, that Vietnamese society is more transparent would put pressure on auditees in adopting audit recommendations. When audit reports of public debt are published, public will have awareness of how the public debt has been raised, used and managed. If the use is ineffective the public will raise their opinions via the mass media or social medial platforms (facebook, twitter,). It clearly exerts intangible force to organisations using public debt. In reality, when the media mentioned that the number of debt per capita in Vietnam is increasing, there have been more forums in the internet discussing the problem and now it becomes a hot topic in meetings in the National assembly.

Finally, SAV is a member of three internationally professional organisations in the field of public audit. They are INTOSAI, the Asian Organisation of supreme audit institution (ASOSAI), and the ASEAN supreme audit institution (ASEANSAI). That brings SAV many opportunities to learn and cooperate with different SAIs over the world. On the one hand, SAV can be aware of different styles of management framework of public debt in different countries. Then SAV can select advance factors or frameworks in public debt management as the foundation for the office to give feasible recommendations in Vietnam. On the other hand, SAV can apply experience and materials of other SAI to establishing audit standards and audit procedures in public debt auditing. It would be very useful and save resources for SAV on the way of develop public debt auditing professionally.

All in all, any organisation cannot operate without an environment. Because the environment is constantly changing, whenever proposing solutions for improvement public debt auditing SAV should highly think of current opportunities that they can take advantage to gain intended targets effectively.

4.3.4. Threats

First of all, public debt transactions and public debt management are in themselves highly complex and becoming more so in the increasingly globalize economy. It takes time and other resources for a developing country like Vietnam to have deep insight of public debt and gain sufficient knowledge to manage debt effectively. Sound management of public debt requires experts with rich knowledge in the field of public debt. Thus, auditors who audit public debt management and are expected to give recommendations for better management should be more knowledgeable than those experts. It is not easy at all to SAV. If SAV auditors are not qualified to audit public debt, audit recommendations will not be followed and more seriously, the reputation of SAV would be deteriorated.

Secondly, the National Assembly and the government grow more expectations that the SAV will detect misuse, waste, corruption and ineffective management of public debt via audits. These expectations come from the mandate of SAV stipulated in the Constitution. It is the only authority that holds a power to audit public debt in the whole country. It is SAV that can provide the whole picture of public debt of the nation. However, public debt is really complicated as above analysis and SAV is lacking competent state auditors. Hence, these expectations are burdening SAV in reality.

Lastly, different countries with different economies, policies and societies would give certain difficulties for Vietnamese government and SAV to learn experiences in public debt management.

It can be said that it is of paramount importance for SAV to realize threats from outside environment when it postulates ways to develop public debt auditing professionally in order to overcome them or mitigate them at least.

It should be noted that, as previously analysed in 2.5, above results of doing the SWOT analysis are valid in the current context of Vietnam in general and of SAV in particular. The results should be updated when there are changes internally or externally that may significantly affect public debt auditing.

4.2. Causes of the current state

Firstly, on the legal basis and regulations on public debt, the Law on Public Debt Management does not specify clearly the responsibilities of the State Audit office in auditing public debts; Defining the liability of the debt management agency in providing information related to debt management; To report periodically and irregularly to the State Audit on issues related to public debt management. The State Budget Law has not clearly defined the scope of the budget and the budget deficit through the form of debt financing as the basis for the State Audit to audit and evaluate the debt management; There are no specific regulations on how to account for loans into the state budget for local budget loans, corporate loans guaranteed by the State; Also CP debt status is not fully accounted.

Second, the weakness of the budgetary finance management in general, public debt audit in particular. Due to the process of planning management, subsidized focus, and when we are transforming the economy into a market management mechanism, many issues of fiscal management fail to keep pace with the problem. For a long time we have experienced two wars in which we receive foreign aid mainly as a non-refundable item and therefore receive little attention. By the time we have a debt relationship with international financial institutions, bilateral and multilateral loans emerge, but the mechanism does not keep pace with the management of debt. From that reason, we do not have a sense of annual audit of public debts. Since the State Audit was established to date, public debt audits have been small. The office also does not pay much attention to public debt auditing, which is not considered a key task. This is the root cause of the inadequacies of the budgetary management approach and should be addressed to meet the requirements of international economic integration.

Thirdly, we have always considered public debt as confidential data of the country not disclosed, no body including the State Audit is entitled to review. That conception has limited the audit of the State Audit. Annually, when auditing the state budget, when considering public debt data, it is limited by the fact that information is not provided to the auditing firm and that invisibility has imperceptibly formed a restricted area that the State Audit is difficult to obtain to fully and properly approach to give opinions on public debt management. Whereas the provisions of the law on debt auditing do not clearly that makes it difficult for the access of the office. Since the State Audit Law came into effect along with the process of publicity and transparency of the national finance, the State Audit could have accessed more to information

on public debt management, yet not adequate, that, only able to provide the data, the situation has not yet dealt with the aspects of debt management. This has limited the audit area of the State Audit and so the audit of public debt management is also slowly implemented in Vietnam by chance. In order to overcome this cause, we need to change drastically in thinking and perception, it is necessary to consider public debt audit as a necessary task and must be carried out regularly, public debt figures should also be transparent. To participate in the management and supervision not only of the Government, the National Assembly, but also the people, who are responsible for national financial security.

Fourthly, stemming from the internal constraints of the State Audit on public debt audit. Although the government borrowing department has its own debt, interest rates are limited. Auditors of the SAV are recruited from a variety of sources. In the early days of establishment, mainly government officers were trained in the old-fashioned management mechanism, therefore the access to market management was limited, especially to the international management mechanisms. So far, in our opinion, the State Audit is not ready to have a force to carry out auditing of public debt fully and in accordance with common practices. Moreover, in the organizational structure of the SAV, auditing of public debt has not yet been explicitly indicated but is still ongoing in conjunction with audits of the state budget and this may continue in the short to medium term. There is no specialized department with experts to audit and evaluate the annual public debt management. In order to overcome this weakness, it is necessary to build up the contingent of cadres with the appropriate organizational structure to carry out auditing of public debt.

In short, this chapter provided the analysis results of performing the SWOT model in the current status of public debt auditing in Vietnam. Public debt is increasing year by year and public debt management is becoming complicated. Thus, SAV should clearly understand and take advantages of five strengths three opportunities and understand how five weaknesses and three threats that are slowing progress of debt public auditing. Additionally, to build up a firm foundation for feasible solutions in the next chapter, this chapter also analysed causes leading to those weaknesses.

CHAPTER 5: CONCLUSIONS AND SOLUTIONS TO IMPROVE PUBLIC DEBT AUDITING BY THE STATE AUDIT OFFICE OF VIETNAM

5.1. Conclusions

This paper discusses factors that bring effectiveness to public debt auditing and examines challenges of the current state of public debt audit in Vietnam as well as proposes solutions to improve public debt auditing by SAV.

This study found main factors affect public debt auditing in Vietnam. They include audit scope, audit content, how to organise an audit and obligation to provide information and reports. For instance, auditing of public debt should cover both central government borrowing and local government borrowing associated with state-owned enterprises and government-guaranteed loans. Public debt auditing also includes assessment indexes of management performance, especially the index of debt per capita. It is necessary to have a department responsible for public debt auditing with specialists in debt management. SAV should be provided adequately, promptly and accurately information on debt management.

Using the SWOT model, the paper showed challenges that SAV has to deal with or overcome to improve public debt auditing in the current context. SAV has not yet audited public debt as an independence audit. SAV has not been able to provide ideas at the national level to help the National Assembly and the government improve their regulations and decisions in the field of debt management. SAV has not gained deep insight into the situation, structure, cost and accounting of public debt in order to warn relevant agencies against financial risks in debt. SAV has not established the audit standards relating to public debt and public debt management. The office has not set up any guidance on how to audit performance of use and management of borrowings. Use of computer assisted audit tools and techniques in public debt auditing has not developed within SAV. Concurrently, SAV is facing threats such as: lacking qualified auditors in the field of public debt; more expectations of the National Assembly and the government; and difficulties to learn experiences in public debt management due to different environment of different countries.

Base on lessons learned for SAV in public debt auditing, INTOSAI standards and the results of the SWOT analysis, the author propose below solutions in 5.2 to improve public debt auditing by SAV.

5.2. Orientation of auditing public debt by the State Audit Office of Vietnam

Public debt auditing tasks should be more clearly defined in the Law on State Audit and relevant documents, based on the orientation to improve the quality of audit comprehensively on the three aspects of capacity, effectiveness and Auditing efficiency (currently the State Auditor performs auditing of public debts based on Article 5 of the State Audit Law stipulating that auditors of the State Audit are activities related to the management and use of state budget, money and assets). This allows the State Audit to audit and report to the National Assembly on the potential impacts and risks of debt management and the financial system. Reliable data is a prerequisite for transparency.

Auditing of public debt must be based on the principle of public debt control, with the overarching principle that the present generation does not encroach on the interests of future generations. In order to repay current debts, the Government has two options: (i) to use the proceeds of the investment loans to repay both principal and interest. In this way, borrowing must be guaranteed for use in future revenue generating tasks. (Ii) increase future taxes or sell resources to repay current loans. This case is the behavior that the government or the current generation has invaded the interests of future generations. Therefore, the management and control of public debt should ensure that loans are used properly, economically and efficiently so as not to encroach on the interests of the next generation, without creating a debt burden for the next generation. This content should be considered as the principle in the management, control and audit of public debt.

Auditing public debt must be placed in the overall relationship of public finance reform. Public finance reform imposes strict controls on public borrowing to ensure that national financial security ensures that publicly funded loans are used for the right purposes in accordance with the provisions of the State Budget Law. Debt financing is only used for development investment purposes. The process of public finance reform towards transparency, in line with international standards and practices requires the State Audit to develop and plan medium and long term plans for auditing public debts. The audit must be

conducted in accordance with accepted standards. Annual audit results should be made public.

Auditing public debts in relation to auditing of state budget settlements. In addition to auditing on subjects, annual audits of public debt should be made in relation to audits of the state budget. Through this connection to see the sustainability of national budget finance as well as find the inadequacies in borrowing, debt repayment, accounting public debt. Through state budget audits, it is possible to see the full accounting of debt, both central and local, and see the level of annual payments for debt financing. At the same time, through auditing public debt as the basis for calculating the assessment of the adequacy of state budget.

Special audit on public debt is placed in relation to the management of national resources. Topics can range from borrowing, debt repayment, debt financing, debt management to debt management, debt management strategies, and debt management. In addition, they also carry out debt guarantee service for enterprises and organizations. Through public auditing of public debt, it is possible to identify shortcomings in debt management so that there is a sustainable debt management strategy.

Completing the audit of public debt must be in relation to the completion of the audit organization in general in line with the State Audit's development strategy. Developing a public debt audit manual that clearly defines the objectives, content and method of organizing public debt auditing by separating the audit of public debt from the state budget audit, strengthening the organization. Auditing on public debt and auditing of specific projects and works using public debt.

Build staff, experts as well as public debt audit process. This is the direction in the coming time and also in the audit of public debt. The complex and difficult public debt management task requires the development of a team of accountants, auditors and debt management specialists who can carry out public debt audits and give ideas related to the management of public debt. Auditors and debt auditors must have a deep understanding of debt management practices and be public finance management experts in order to be able to express their views on debt management in the overall management of public finance. Auditing in general and auditing of public debt in particular always follow professional standards and procedures so the development of debt audit process is a requirement that meets the practical needs. This is the basis for guiding, examining and supervising public debt audit activities.

5.3. Solutions to improve public debt audit

5.3.1. Complete audit debt bases

Currently, the issue of public debt management and auditing is limited and unclear in the Law on State Audit, other legal documents such as the State Budget Law and the Law on Debt Management. Therefore, the audit of public debt should be clearly defined in the legal documents. There is a need to improve public debt management and improve the legal environment for auditing public debt. Legal documents should clearly define the scope and contents of public debt auditing and the responsibility to provide information related to public debts.

Improving public debt management is an important requirement to put debt management in order, contributing to ensuring financial security and healthy the national finance.

The State Budget Law should clearly stipulate the scope of the budget and make up the budget deficit through the form of debt financing as a basis for the State Audit to audit and evaluate public debt management. How debts are accounted in the state budget, especially loans from local governments.

The State Audit Agency should study and propose to supplement regulations on auditing tasks of public debts in the law of State Audit; to study and issue a system of regulations on public debt auditing, including the public debt audit process, manuals or guidelines on public debt auditing, public debt auditing and related audits in the medium-term and annual plans of the State Audit.

5.3.2. Complete objectives of auditing public debt

a, Completion of audit objectives

In general, the purpose of auditing public debt is to assess the correctness, honesty and reasonableness of debt reports issued by public debt management agencies; evaluating the observance of the law provisions on the mobilization, allocation and use of loan capital and debt repayment by the debt management and use agency; evaluate the economy, effectiveness

and effectiveness of debt management operations; aim to ensure that public debt management involves the development and implementation of a country's debt management strategy that is effectively implemented to mobilize the required amount of capital to ensure that The financial needs and liabilities of the Government are met at the lowest cost possible in the medium to long term; achieve goals for risk and cost control and meet governmental sovereign debt management objectives such as establishing and maintaining an effective market for government securities.

Specifically, public debt audits have the following objectives:

(1) Determine the level of government borrowing in relation to the level of national financial security; An important goal that the Government's debt-driven auditing is to mitigate national financial risk. Within the macroeconomic framework, public debt audits help the Government find ways to ensure sustainable size and growth rates of debt, maintain solvency in a variety of situations, while meeting the Target risk and cost. Audits help the Government get an overall picture of all debt including unusual debt. These large debts and no source of payment have been and are important factors leading to economic crises in many countries in history directly and indirectly. The careful management of public debt, along with appropriate policies for the management of extraordinary debt, may cause the affected countries to be affected by the mechanism of spread and financial risk.

(2) Assess the purpose of using government loans: Through public debt audits, it is possible to assess the overall purpose of using loans. Has the government borrowed the right purpose with the economic development strategy in each period? Loans are used for the right purpose according to the current provisions of law or not. For example, current regulations, debt financing is only used for investment purposes, not for consumption. Auditors should confirm that the loans are in accordance with the purpose of the current law. Through audits, it is necessary to issue warnings about the use of loans and guarantees so that the Government and the legislature can take appropriate and timely measures to limit the risk of finance.

(3) Assessment of debt repayment capacity and sources for debt repayment: Through the assessment of debt ratios and debt management, the State Audit agencies provide assessments of the Government's ability to pay debts, including direct debt, Indirect debt, contingent liabilities ... as well as identifying repayment sources for appropriate debt planning in the medium to long term.

(4) Assessment of public debt management: Audit of public debt management from defining the debt strategy; Borrowing and debt repayment policy; Purpose of using loans; Debt accounting and reporting. The State Audit provides an independent assessment of the management of government borrowing, issues warnings on shortfalls in debt management, and recommends improvements in managing Government loans, even in some situations, the State Audit can propose to the Government and Congress the improvement of the debt management apparatus to maintain the effective debt management system. Debt crisis in recent years has made us aware of the importance of appropriate debt management measures and the need for a sound and efficient capital market.

(5) Assessing transparency and disclosure of debt information and public debt management: Public debt audits ensure transparency and disclosure of debt information and debt management policies, important issues in Debt management operations. Debt management objectives need to be clearly defined and publicly disclosed, and the application of cost and risk measures must be explained. A regular publicity of public debt allows Congress, regulators, creditors, and other interested parties to have timely information to assess whether their level of debt remains within acceptable range, be able to repay and ensure that potential problems become apparent. Audits help the State, the public and interested parties have reliable data on the management and use of public debt.

b, Completing the content of public debt audit

The content of public debt auditing is broad, covering all debt management, loan operations, debt repayment, loan guarantee, as well as control of risk arising from debt financing. Public debt auditing also includes the introduction of performance indicators, paying attention to the debt per capita of the population, to see the level of debt that every citizen has to take responsibilities. In addition, the content of public debt audit may include auditing the management and use of funds in projects using public debt. The main audit contents for public debt include:

(1) To audit the truthfulness and reasonableness of debt statements carried out by public debt management agencies (Audit reports about the public debt of the Government annually): Every year the Government is responsible for reporting the public debt situation to the legislature and the supervision. To ensure the reliability of information, the report needs to be audited and this is also an international requirement, especially in the context of Vietnam is in

the process of international economic integration, then this is such a heated problem. On the other hand, the audit of annual public debt reporting ensures strict control of government borrowing and at the same time guarantees national financial security. To audit the debt of the Government can do some of the following:

- The review of the debt reporting system to provide credible information also performs a debt assessment through indicators: The World Bank uses two key debt ratios to assess the level of foreign debt indebtedness, which are Total Debtors (PV) and GNP; The present value of total liabilities and total export value. A country is considered to be heavily indebted if the present value of total liabilities exceeds 80% of GNP or the present value of liabilities exceeds 220% of exports.

- Auditing the total debt level: Verify the total loan amount to determine the total amount of loan as well as the total debt of the Government. By determining the total amount of debt, one can assess the sustainability of the public debt situation while providing credible, credible public debt information to the Legislature, to the public to be able to control the situation best.

- Auditing the disbursement of loans during the year: Through audits the progress of disbursements to ensure the efficient use of debt financing. The progress of disbursement is fast, maximizing the use of borrowing resources, promptly bringing the project works using the source of debt, promoting the effectiveness of using the loan.

- Auditing annual repayment. Determining the annual repayment rate is one of the requirements of debt reporting audit. To audit this content we need: total debt due in the year; determine the annual payment rate for each loan in the total payable amount due; determine sources of debt repayment; the actually paid debt in the year is the amount of money already disbursed for payment to partners such as financial institutions, countries, organizations and individuals inside and outside the country.

(2) Audit of debt structure: the State Audit should make recommendations to the debt management agency to make a reasonable list of debts, limiting the most common risks are the risks of exchange rates, currency and interest rates.

(3) Debt Costs Audit: Debt financing costs tend to increase, especially the conversion of conditionality when Vietnam becomes a middle-income country. The cost of debt is related to

government expenditures as well as one of the necessary factors when deciding on a loan. Therefore, the audit should pay attention to the cost of debt to ensure that the cost of borrowing is the cheapest.

(4) Audit of the use of loans: Government loans in the recent past are mainly used for purposes of balancing the state budget, investment in transport, irrigation, health and education projects. ..., according to the Resolutions of the National Assembly, the Government's programs and part of the funds from foreign loans to re-lend development programs and projects. One of the focus of the audit is the assessment of the use of secured loans, the requirements of the loan agreement, or the authorization of Congress as well as the law. The State Audit should make assessments on the use of debt financing so that government agencies and the public are aware of the use of government debt.

(5) Auditing the issuance of government guarantees: The content of the audit should focus on the assessment of the conditions, the mechanism for granting guarantees, the disbursement status, the use of loan funds, comply with the regulations of the state. Debt guarantees that are always risky and difficult to control should be audited. In recent years, countries and international financial institutions have always focused on controlling the issuance of guarantees as well as potential and contingent liabilities.

(6) Audit of local government debt: The audit process should focus on examining, reconciling arising amounts, balances and legality of local government loans, focusing on auditing capital mobilization and repayment by local authorities to ensure compliance with the provisions in Clause 3, Article 8 of the State Budget Law.

(7) Auditing compliance with laws and regulations related to public debt management: The State Audit is conducting compliance audits for public debt management from debt planning to other management. The audit should focus on control of loan operations, guarantees as well as liability management and debt settlement

(8) Audit Effectiveness and Effectiveness of Public Debt Management: This is an operational audit of public debt management. Auditing activities for debt management The government will ensure that the debt management strategy is developed to ensure strict control of the liabilities incurred, including contingent liabilities, ensure that debt management and control agencies are well-organized; Debts are used for the purpose of borrowing; maintain a

reasonable level of debt to ensure national financial security, ensure the borrowing and ensure the payment capacity of the economy, including both principal and interest..

5.3.3. Developing process for auditing public debt and improve auditing of public debt

a) The Public Debt Audit Process

Although auditing financial statements, compliance audits and operational audits have different goals and criteria, where performance audits focus on the economy, efficiency and effectiveness of the operation or public debt programs rather than financial reports and compliance with specific legal conditions. However, these forms have similar steps to help the State Audit carry out audits with efficiency and effectiveness. A government debt audit also includes the following basic steps:

Audit planning:

- Collection of information on debt, internal control system and other relevant information on public debt management, agencies involved in public debt management. Public debt information is primarily collected at the Ministry of Finance, possibly related to the State Bank of Vietnam, the Ministry of Planning and Investment. Depending on auditing objectives, information may be collected at local governments and those directly using public debt;
- Assessment of collected information and internal control system for public debt management;
- With specialized audits, it is necessary to identify the topic of public debt audit. The selection of audit topics should be conducted on the basis of the analysis of the debt management situation as well as the market implications of the debt portfolio, government borrowing costs, and information on the situation. Economics, politics concerned.
- Identify key role and audit risks;
- Prepare a public debt audit plan.

Audit execution:

Applying professional methods and auditing skills to collect and evaluate auditing evidence as the basis for comments, confirmations, conclusions and recommendations on contents Audited. For audited financial reports on public debt, it is necessary to collect information and

auditing the accounting and reporting of public debt to provide opinions on the truthfulness and appropriateness of the annual debt reports of the Government. With specialized audits and operational audits, it is necessary to gather evidence to assess the debt management according to each content, the management aspect and the efficiency of public debts on such basis to assess public debt management.

Audit report:

Audit reports are the products of the audit which express the opinions, confirmations, conclusions, and recommendations on the audited contents. In addition to debt managers, audit leaders, credit institutions, the public is interested so audit reports should be presented in a concise, concise and easy to understand format. Public debt audit reports should be prepared and sent to competent authorities in accordance with the law. In some cases or according to the laws of each country, audit reports on public debt management may still be publicly available to the public.

Audit follow-up:

The State Audit does an audit follow-up in order to improve the management of public debts and increase the efficiency and effectiveness of the operation of the debt management agencies and related agencies. The audit does not have to be carried out separately but through the current public debt audit in conjunction with the review and assessment of the performance of the recommendations of the previous audits, and then make appropriate recommendations in current year and next year. The State Audit may also ask the debt management agency and the relevant agencies to report (where permitted by law) the status of implementation of the recommendations for improving debt management and report the main The National Assembly on the implementation of conclusions and recommendations of the State Audit.

b) Complete organizing public debt audit

Public debt auditing should be conducted regularly to control the risks caused by debt management. In reality, however, because public debt consists of government debt, government-guaranteed debt, and local government debt, each type of debt has different management characteristics and involves multiple regulators, the auditor should operate

regularly, while increasing the quality and quantity of audits and audits of the public work projects on public debt.

Annually auditing annual reports on public debt management. This is the type of financial statement auditing combined with compliance audit. This audit aims to provide data and management situation for the Government and the National Assembly to understand the situation of public debt management in service of making debt decisions. At the same time, the annual audit of public debt must be made in relation to the annual budget deficit financing. When conducting audits, the state budget will annually audit the government debt financing to finance the deficit. By obtaining loans to cover the deficit, and auditing the annual state budget finalization, the Supreme Audit Institution has information on budget deficits from which recommendations are made for debt financing in the following years as well as take measures to reduce the budget deficit in the future. In the coming time, the State Audit should study separately the audit of public debt annually, not integrated with the state budget audit. Organizing the annual public debt audit helps the State Audit to have conditions to organize the public audit of debt fully in terms of objectives, content, and scope of the audit; The scale of the audit is suitable for highly specialized and experienced auditors; fit the best audit practice.

5.3.4. Developing a handbook for public debt audit

The State Audit should develop the Public Debt Audit Handbook to instruct the auditors in the process of auditing public debts that are adequate, convenient and effective. The Public Debt Audit Manual should include the followings: concepts related to public debt and legal documents related to public debt and public debt management; legal bases related to public debt audit; debt auditing process; the system of sample profiles of public debt audit; the guidelines correspond to the types and methods of auditing applicable to each public debt audit; and issues to note and experience in public debt audit.

5.3.5. Strengthening performance audit of public debt

Performance audits with financial audits and compliance audits have many common features (verification and expression), general subjects (activities that need to be audited) and methodologies. So that, the auditors of these three types of audits together perform the task of evaluating and providing opinions on the operations of the audited entity. However, the

objectives and objects of performance audits often focus on economy, efficiency and effectiveness rather than on accuracy and compliance; the objectives of auditing financial statements and compliance audits, on the other hand, generally focus on the reliability and level of legality and logic of the documents on the accounting statements.

The objective of performance audit of public debt usually covers environmental control, risk assessment in public debt management, activity controls, communications and monitoring.

The purpose of performance auditing is to assess the economy, effectiveness, and effectiveness of resource use in the operations of an entity. Performance audit is also to audit accountability and honesty in the use of resources. Through performance auditing, solutions are developed to better utilize resources and increase accountability.

5.3.6. Strengthen cooperation among public debt management agencies

This is a requisite for changing the perception of debt management agencies in Vietnam. The State Audit Office can only carry out debt audits in a sufficient and quality manner when it is adequately provided accurate information on public debt management. The State Audit must be kept posted to all information related to public debt in the management agencies.

The State Audit should establish a coordinated relationship and exchange information with debt management agencies to keep up with date information on public debt management. Both the State Audit and the debt management agency have an understanding of the role of public debt management and auditing, the purpose of public debt audit, and that will be the basis and conditions for building a cooperative relationship for better control public debt

5.3.7. The transparency of results of auditing public debt

Publicizing auditing results helps the audited units realize their responsibilities, towards transparency in their activities. Publicity of the audit results means that information on the truthfulness, reliability of financial statements, budget and management and operation of the audited entity will be publicized to objects using the information.

Information users will press back on the unit's activities. State management agencies shall base themselves on the audit results to issue management decisions regulating the operations

of the audited units. Investors and units having economic relations with the audited entity use audit results to make economic decisions. Law enforcement agencies use audit results in the performance of their functions and duties. The National Assembly, the People's Councils and the people use audit results in exercising supervision rights over the audited entity. On the other hand, the disclosure of auditing results facilitates access to auditing information by various auditors, thereby overseeing auditing and assessing the quality of audits, thereby creating pressure and a feedback channel. It is necessary for the State Audit to constantly improve the quality, efficiency and efficiency of auditing activities.

5.4. Conditions to improve the efficiency of public debt audit

5.4.1 About the State

a) Facilitate the legal environment

The state of law of the State Audit in the system of public financial inspection and control agencies of the State is currently stipulated in the Law on Auditing, the State Audit is the specialized financial inspection agency established by the National Assembly; it operates independently and conforms only to the laws serving both the National Assembly and the Government, and assist the National Assembly in its effective deciding and oversight functions. This is a logical, scientific and practical decision, in accordance with international development trends and practices.

The State Audit can become an effective tool to assist the National Assembly in as follows: overseeing public debt, which has a basis in making objective and independent judgments on issues related to public debt; appraising loans for foreign loans and analyzing reports and presentations presented by the Government; analyzing and criticizing important national projects and programs which need external loans for implementation; appraising, assessing and handling public debt cases under the responsibility of the Government and ministries, branches and localities; and suggest the National Assembly on consideration and adoption of legal policies drafted by the Government.

b) Timely and accurate supply information

The State Audit must be provided with sufficient information and documents related to public debts of the government, government guaranteed debts and local government debts,

which are subject to audit, budget estimation. While this source is mainly held by the audited entities, therefore, it is necessary to stipulate in the legal documents on the competence of the State Audit in receiving, accessing and exploiting sources of information and documents; The responsibilities of the audited units in submitting reports and supplying documents and data in service of the audit work. The State Audit Agency should organize the archival of auditing files and documents as well as legal documents and economic and financial management mechanisms and policies related to public debt audit activities sufficiently and scientifically to for the auditors when necessary.

c) The transparency of debt management

The transparency in debt management is very necessary on the one hand for better management, on the other hand for the audit of public debt is favorable. Debt management public debt also makes it possible for agencies and the public to assess the state budget situation, promote financial management in general and public debt management in particular. Congress, the Government, relevant organizations and the general public should be aware of the public debt in a sufficient, reliable and transparent manner through auditing.

Debt publicity that needs to be done regularly besides holding press conferences is also posted on the Web site of the Ministry of Finance or the debt management office. In addition, periodically publish the debt management newsletter to the general public interest.

d) Complete the mechanism of public debt management

It is necessary to inexorably renovate the debt management, overcome the state of dispersed public debt management in the ministries and branches, thereby unifying the focus of public debt management in the direction of concentrating the functions and the entire industry. Public Debt Management Service to a government agency in accordance with the Law on Public Debt Management to enhance accountability, reduce administrative procedures and save on debt management costs.

The Ministry of Finance will have to be the right institute "to help the Government unify the state management of public debt". Debt management organization in the direction of modern and step by step in accordance with the best international practice. Develop management regulations for each type of public debt. Intensive control over the granting and management

of government guarantees. Develop a monitoring and control mechanism for local government loans.

5.4.2. About the State Audit Office

a, Training

Training is a requirement for the State Audit Office. Due to debt operations, public debt management as well as debt management policy review, public debt strategy is a very complex task. In addition, the impact of new financial instruments, the risks to finance and national budgets require a highly qualified professional staff to evaluate and offer warns, restriction, risk. Under INTOSAI's Mexican agreement, when auditing government debt, the Supreme Audit Institution needs to make sure its staff have the knowledge and expertise or can use professional knowledge on the side.

In training, it is necessary to equip knowledge of public debt, exchange rate, loan operations, debt repayment and public debt accounting. These contents are basically regulated by Vietnamese law and international financial institutions compiled a handbook on debt and debt management. In addition, auditors need to be trained in macroeconomics and issues related to economic policy and fiscal policy. This knowledge is related to the formation of comments, comments on debt management, debt policy of the Government. The knowledge of the state budget, balance the state budget, budget position, state budget sustainability are also important additions to the well-informed auditor.

b, Application of auditing techniques in computerized environment

Today, the information technology has developed strongly, the use of information technology in the fields of production and life has become commonplace, creating a new work environment for productivity and efficiency. Therefore, in order to meet the auditing requirements in the current period, auditors must also have the tools to support new information technology to reach auditors and execute audit's work effectively. The application of information technology in the audit will help auditors improve efficiency, quality and save time.

In brief, the chapter presented national orientation to public debt as the foundation to identify orientation of the audit office in public debt auditing. Accordingly, Public debt auditing tasks should be more clearly defined in the Law on State Audit and relevant documents and based on the principle of public debt control. Audit of public debt should be placed in the public finance reform and in relation to auditing of state budget settlements. Audit of public debt is placed in relation to the management of national resources. Audit topics can range from borrowing, debt repayment, debt financing, debt financing to debt management, debt management strategies, and debt management. The chapter suggests seven solutions to improve audit of public debt relating to debt bases, audit objectives, audit process, handbook, performance audit, cooperation among relevant authorities and transparency of audit results. The chapter also mentioned necessary conditions to improve the efficiency of public debt auditing.

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