

State Audit office of Vietnam



**“Values of the State Audit Office of Vietnam to
the Government in the administration of
State-owned corporations”**

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I. Position and functions of the State Audit Office of Vietnam

1.1 Position:

The State Audit Office of Vietnam (SAV) was set up under a Government's Decree in 1994, **Under Article 13 of the State Audit Law in 2005**, it was provided that *'The State Audit Office shall be a specialized agency in the field of the State finance control, established by the National Assembly and shall operate independently and abide only by the law'* which is consistent with Section 5(1) of Lima Declaration of the INTOSAI

1.2 Functions:

- **From 1994 to 2005:** SAV mainly conducted the functions of financial auditing and compliance auditing.
- **Upon the approval of the State Audit Law in January 2006**, it is regulated that *'SAV shall take the functions of financial auditing, compliance auditing and performance auditing to agencies and institutions who use the State budget, funds and assets'*

II. SAV's Performance

- Provides **accurate information about the management and operation** of the State budget, funds and assets to the National Assembly and the Government
- Proposes to the National Assembly, the Government and members of the Government to **abolish, revise or/and develop new legal documents**
- **Gives out opinions** to auditee and State management agencies for streamlining their financial, accounting and budgetary administration to timely **prevent corruptive actions, wastefulness and loss** of the State fund and asset

III. Values of the SAV to the Government in administration of State-owned groups and corporations

Under the State Audit Law, all operations relating to the State finance and assets in groups and corporations are subject to audit by SAV

- Audits of groups and corporations are considered to be a very important role (Groups and corporations accounts for 44% total investment, 40% total State budget revenue, 39% GDP and create jobs for more than 10% total labor)
- A useful channel for the Government in controlling its groups and corporations

III. Values of the SAV to the Government in administration of State-owned groups and corporations

- SAV have carried out several audits in order to provide relevant information to the Government

Some examples

Example 1: SAV has audited National Electricity Company to furnish the Government with information on the electricity cost and selling price of the company.

- SAV identified that the average selling price of the company is 998VND/kwh, below the average cost of 1.183VND/kwh, result in the loss for the company

III. Values of the SAV to the Government in administration of State-owned groups and corporations

- **Example 1:** *SAV has audited National Electricity Company (continued)*
 - Based on the finding, **SAV has recommended the timing and level appropriate to increase the price of electricity** (benefit to all related parties)
 - **Ensure the purposes:** long-term investment in the development of economy; offset the loss for National Electricity Company; avoid negative impact on the economy; limit the negative impact on people's daily lives in the current period

III. Values of the SAV to the Government in administration of State-owned groups and corporations

- **Example 2:** *SAV conducted audit on the Regulation on the temporary storage of unhusked and husked rice by the National Food Company; the result is the basis for the Government to evaluate the effectiveness and efficiency*
- **Example 3:** *Government proposed SAV to conduct audit on the results of business valuation before the official announcement of the valuation on business equitization in State-owned groups and corporations*

The audit results has provided values in terms of enterprises and state capital which serves as a basis for government and authorized agency to conduct further steps in the overall equitization process

III. Values of the SAV to the Government in administration of State-owned groups and corporations

Example 4:

- *Project on restructuring SOEs: The SAV has developed the medium-term audit plan (from 2013 to 2015):*
 - Audit every State-owned groups and corporations to provide information to the Government about: the current status of legal policy mechanisms and asset, finance, business activities in those entities
 - Proposes solutions to Government to accelerate the process of SOEs restructuring that focus on the State-owned groups and corporations in accordance with its plan.

Values of the SAV to the Government in administration of State-owned groups and corporations

Value #1: SAV provides information that is independent, subjective and trustful about the status of finance, asset and capital and investing, manufacturing activities in State-owned groups and corporations

- contributing to ensure **the transparency, allocation, management and usage** of State-owned financial resources and public assets at State-owned enterprises are in **an reasonable, economical and efficient manner**

Value #2: SAV assesses the economic, efficiency and effectiveness as well as the risk in management and usage of State budget in State-owned groups and corporations.

- Assist Government to make **timely measures to re-adjust, re-allocate** resources, **prevent** the risk of wastefulness, loss of resources at the sector and entities where are being warned by the SAV

Values of the SAV to the Government in administration of State-owned groups and corporations

Value # 3

- SAV provides evaluation on the effectiveness and efficiency of **business' internal control system** in order to **prevent and control wastefulness**
- Evaluate the **effectiveness** on the **compliance of State policy regime** about the management of public expenditure
- Apply **specific measures** to detect the existence of resource wasting

Values of the SAV to the Government in administration of State-owned groups and corporations

Value #4

- SAV **orients management measure** to overcome and minimize losses
- Propose **measures to prevent** to the continuation of these losses
- Propose **measures to overcome** the damage has occurred to assist the Government, enterprises to research and adjust their management manner

Values of the SAV to the Government in administration of State-owned groups and corporations

Value #5

- **Makes recommendations** to authorized agencies and higher management unit level of auditee **to consider strengthening the role of management, directing and support** for all of the companies in the same sector
- Is valuable when a number of higher management unit level of the State-owned corporations, companies and parent company organize the implementation of the corrective measures that follow the audit results in the context of industry-wide

Values of the SAV to the Government in administration of State-owned groups and corporations

Value #6

- **Increasing self-awareness** of entities in the complex and diverse management of finance and governance
- **Enhancing the effective use of entity's undiscovered resources**
- **Assisting entities to take further concentration** on those actions to **warn, prevent and minimize** the damage caused by resource wasting

Values of the SAV to the Government in administration of State-owned groups and corporations

Value #7

- The audit result is disclosed to the mass media **transparently**
- Therefore, it has the effect of **propagation and dissemination** of knowledge and management experience
- provide **information to society and impact enterprise** to pay more attention to the thrift combat against wasteful activity

**THANK YOU VERY MUCH
FOR YOUR ATTENTION**