

RESEARCH ON THE ROLE OF STATE AUDIT FOR ENHANCING TRANSPARENCY IN GOVERNMENTAL EXPENDITURES AND REVENUE ACCOUNTING

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ABSTRACT

For achievement common goals, state accounting is used and applied by Government for adjusting the activities of public organizations that are followed with the social-economic policies in the country. Indeed, public sector has been playing a pivotal role to run in supporting the Government's aspirations in the development in any countries. To conduct these responsibilities, public entities have to provide the valuable financial information for making the decisions. These figures will be extracted from accounting documents and reports because accounting is a financial resources measurement of any firms. As a result, public sector accounting, also known as budget accounting, is an important tool for reflecting the governmental transactions to general statements. However, there are some limitations or errors at the public sector accounting reports. Therefore, state audit is established for checking, monitoring and inspection figures that made from public accounting. Moreover, from the past to present, very little research has been conducted to define the usefulness of public auditing to general accounting. With causes and necessary, the main purposes of this paper is to identify the theory of state budget accounting, the activities, characteristics and tasks of State audit for improving the value of accounting data in the Vietnamese public sector.

Keywords – *accounting, auditing, public sector accounting, state audit, state budget accounting*

1. INTRODUCTION

Together with the operations of private companies, a number of public sector entities are also working with numerous activities. Organizations of all fields and sizes need to implement a streamlined accounting system in order to accurately record and report the transactions. Accounting, also known as accountancy, is as a company's tool for reflection and measurement of financial resources and account information. This information is posted in various financial accounts and disclosed to decision makers and other parties in a specific format. Most people say that the matters which occurred in public sector entities are different with the events happened in companies. Therefore, the firms need figures as effective as making decision about public sector accounting. In many countries, the state accounting regime has some differences about recording, summarizing, preparing reports, etc. Along with objectives purposes, the subjective reasons have been made many matters about the corruptions or embarrassments in

government budget. As a result, the state audit has formed for controlling and inspecting the state figures and clearly making transparency report for whole nations (Laura, 2008).

In fact, there are a lot of researches in public sector accounting, such as accrual matters, cash basis accounting matters, the development of international public sector accounting standard in countries, financial management in public sector, etc. However, in the world, from the past to present, very little research has been conducted to examine the benefits of government auditing with public sector knowledge. With above reasons, the content of this paper will focus into five sections as following: (1) introduction, (2) literature review and research method about the public sector accounting and state auditing, (3) legal status, tasks, types, contents and audit process of Vietnamese state audit, (4) solutions for developing the value of state audit in Vietnam and other countries and (5) conclusions.

2. LITERATURE REVIEW AND RESEARCH METHOD

2.1. Literature review

There is no doubt that governmental finance is a foundation and an important part of state accounting (Le, 2009). State finance always represents the public interest of any country and having a close relationship with the interests of businesses, organizations, families, individuals and foreign countries as well. All subjects in the society have the obligation to contribute the cash that extracted from the part of their income to the state. Taxation is the main source of state finance and this is revenue that has compulsory item required by law. In addition, state also has some revenues, as following: revenues from the sale or lease of state assets; voluntary contributions of the people; aid, debt targets under sate agreement. The state expenditure has consisted of regular expenditure, expenditure for development and investment and other expenses (Sayel, 2009).

The structure of expenditures will depend on the task of state and the ability of the economy in each period. As the mechanism for creating the fund, it can be divided state finance into the parts, such as the state budget; state financial funds outside the state. Moreover, Philip (2011) revealed that as assigned in accordance with the system of government, the state finance has been included: governmental state finance and local level (province, district and commune). The concept of state finance is broader than the concept of the state budget. Hence, the decentralization of management state finance does not coincide completely with the decentralization of management government budget and the decentralization of management budget is the core of decentralized finance. For managing the state finance, the government must use its management tools as the environment and transmission of the impact of management entity (the state) to the managed object. The tools for control state finance can be cited as: law, estimation and accounting. Among three factors, state accounting is supposed as an instrument for reflecting the picture of state finance. Hoang (2008) said that the auditing in government has been executed an essential field for most area in the society.

The contents of state accounting are to record, process and provide information about the entire of situation and the movement of financial resources (in the form of taxes, debt, regular expenditures, development and investment spending, paying the debt, etc.), state property and from that to the inspection and control of economic contracts, state finance, helping the State to

make the economic decisions, the measures of economic management, finance and more effective (Vaughan, 2012). State accounting is part of the general accounting in the national economy, therefore, must comply with generally accepted accounting principles and methods (Azlan and Susela, 2008). However, State accounting has certain independent position in the general accounting system, associated with the financial-economic cycle through the state budget and state finance besides the state budget funds. Although there are some controversies, it can be believed that state audit is an office which is significant to monitor the using and receive budget of any departments in any countries (Mai, 2013).

2.2. *Research method*

The paper adopts content analysis approach. By using the quality researching method, through the analysis the current situation in Vietnam, the paper will provide the limitations from operations, processing of auditing. In addition, author has also reviewed the legal documents from the past to the present and discovers some unsuitable clauses and gives some ideas for reform.

3. GENERAL FRAMEWORK OF VIETNAMESE STATE AUDIT

3.1. *Definition*

According to Think (2010) and Hoang (2009) Audit activities of the State Audit is considered the examination, evaluation and verification of the accuracy and truthfulness of financial statements, compliance with law, economic nature, efficiency and effectiveness in the management and use of state budget, money and property. Principles for audit activities of the State Audit are independence and compliance with law only as well as honesty, objectivity (Jame, 2009).

3.2. *Legal status, functions, tasks, powers and organization of state audit*

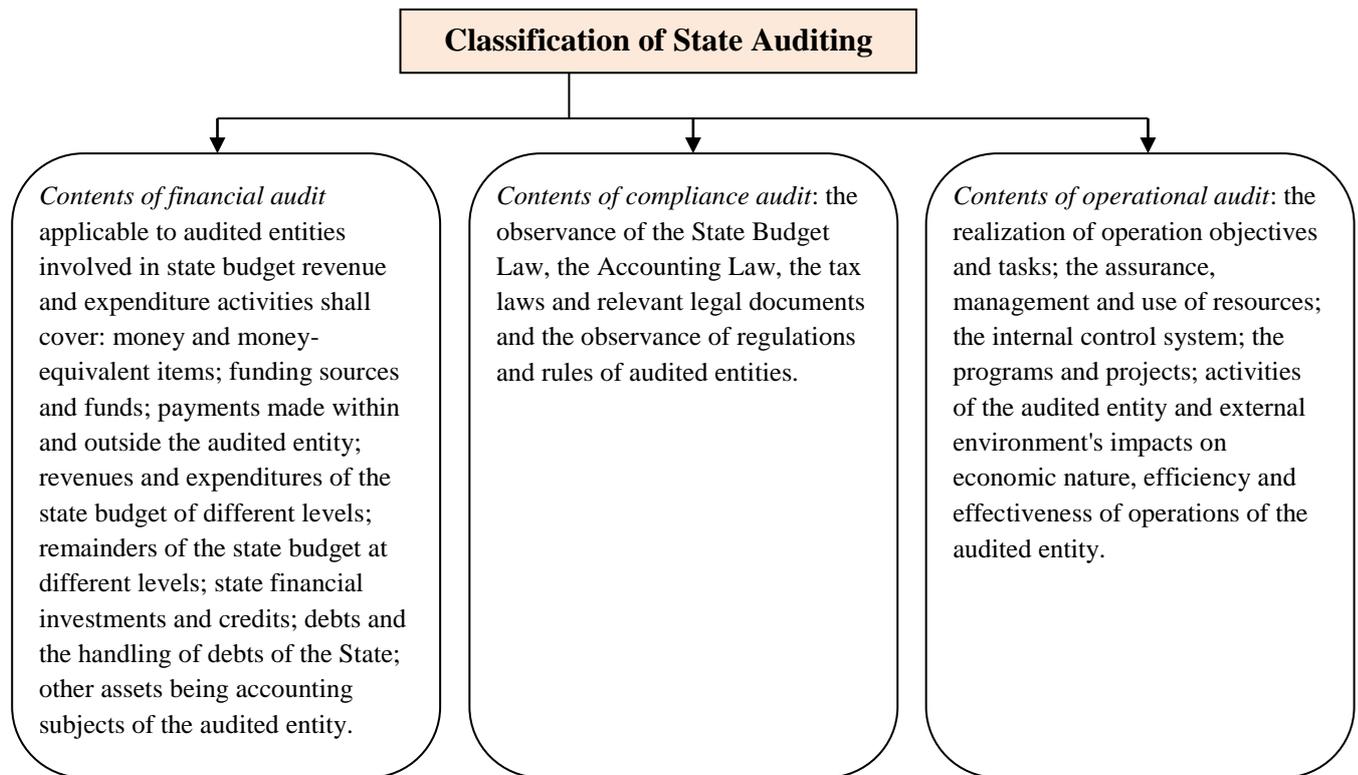
The State audit is a government body which has power function in a country, as details:

- *Legal status*: the State Audit is a professional agency specialized in state financial examination, set up by the National Assembly, operating independently and complying with the law only.
- *Functions*: the State Audit has the function of conducting financial audit, compliance audit or operational audit with respect to agencies and organizations managing and/or using state budget, money and property.
- *Tasks*: these are the some main duties that audit has to perform, such as:
 - a. To decide and organize the implementation of annual audit plans as well as report them to the National Assembly and the Government before implementation.
 - b. To submit the State Audit's opinions to the National Assembly for considering and deciding on the state budget estimates, deciding on the allocation of central budget, the national important projects and works, and approving final settlements of the state budget.

- c. To join the National Assembly's Economic and Budget Committee and other National Assembly agencies as well as the Government in considering and verifying reports on state budget estimates, schemes on allocation of the central budget, adjustment of state budget estimates or on arrangement of budget for important national projects and works, which have been decided by the National Assembly, and final settlements of the state budget.
 - d. To report annual audit results and results of implementation of audit proposals to the National Assembly,; send audit reports to the Nationality Council and the National Assembly's Committees, the State President, the Government and the Prime Minister; supply audit results to the Finance Ministry, the People's Councils of localities where audits are conducted, and other agencies.
 - e. To publicize audit reports and transfer dossiers to investigation agencies and other State agencies competent to examine and handle cases, which show signs of law violations by organizations or individuals and are detected through audit activities.
 - f. To manage audit dossiers; keep secret accounting documents and figures as well as information on operations of audited entities.
- *Powers*: these are the some main rights that audit got, such as:
 - a. To request audited entities and relevant organizations and individuals to supply full, accurate and timely information and documents in service of audit.
 - b. To request audited entities to act in response to the State Audit's conclusions and proposals on their violations in financial statements and violations; propose measures to redress shortcomings in operations of entities which it has detected and proposed.
 - c. To propose competent State agencies to handle violations of law committed by organizations or individuals, which have already been clarified through audit activities.
 - d. To request competent agencies to handle according to law organizations and individuals those obstruct its audit activities or supply untruthful information and documents to it and State auditors.
 - e. To entrust or hire audit enterprises to audit agencies or organizations managing and/or using the state budget, money and property; take responsibility for the accuracy of audit data, documents and conclusions provided by audit enterprises.
 - f. To propose the National Assembly, the National Assembly Standing Committee, the Government, the Prime Minister and other State agencies to amend and/or supplement mechanisms, laws and policies appropriately.

3.3. Types and contents of audit

Types of audit include financial audit, compliance audit and operational audit (Charlie & Jennifer, 1997). The State Auditor General shall decide on the type of audit for each audit.



3.4. State auditing processes

Steps of the audit process are:

- *Preparing audit:* surveying, gathering and evaluating information on the internal control system, financial situation and other information related to the audited entity. From that, going to elaborating an audit plan.
- *Auditing:* by apply audit professional and operational approaches to gather and evaluate audit evidence; conduct examination, comparison and verification, an audit delegation must conduct the audit at the defined audited entity and comply with the audit objectives, contents, scope, venue and duration as stated in the audit decision of the State Auditor General.
- *Making and sending the audit report:* upon the end of an auditing year and an audit, the State Audit shall make an audit report, clearly stating its evaluations, verifications, conclusions and proposals on audited contents.
- *Inspecting the implementation of audit conclusions and proposals:* auditors must elaborate plans for and organize the inspection of audited entities in the complete and timely implementation of its conclusions and proposals regarding the latter's violations in financial statements and violations of law; the application of measures to redress shortcomings in their operations and results thereof, according to conclusions and proposals of the State Audit.

4. RESULTS AND SOLUTIONS FOR ENHANCING THE VALUE OF STATE AUDIT

4.1. Viewpoints on development of the State Audit

The strategy for development of the State Audit for long-term purpose must demonstrate the following viewpoints:

- This body should be transferred to a main and efficient tool of the State in examining and controlling the management and use of the state budget, money and assets and of the National Assembly at all levels in supervising and deciding on important national and local issues.
- It should be expanded in line with the government's points of view, guidelines and policies and accordance with the State's legal system, and the independence of activities should be made sure that Audit can carry out all of its functions and tasks, better adapting all requirements of the management of the state budget, money and assets in the process of renewal.
- It should be growth in line with the objectives on administrative reform in general and public finance reform in particular, and its suitable scope should be determined in each period to meet requirements of assigned tasks. The state audit should be step built into a professional and modern agency with a reasonably developed quantity and improving quality and a neat apparatus that operates efficiently and effectively. Modern information technologies (IT) should be extensively utilized to audit management and operations (Lienert et al, 2014).
- The State must adopt policies to prioritize necessary resources for the organizational structure and State Audit's operation, investment in the development of IT system in the sector and support for training the sector's personnel to cope with international integration requirements.
- It should be also operated to the needs of international economic integration and in accordance with international principles and practices and Vietnam's practical conditions.

4.2. Solutions for the development of the State Audit

Major contents of the solution for development of the State Audit are five matters as details:

- **First**, creation of complete and comprehensive legal grounds for the organization and operation of the state audit: studying and proposing the addition, at an appropriate time, to the Vietnamese Constitution of some articles or clauses; revising laws and relevant legal documents on the State Audit in order to ensure the consistency and uniformity of provisions of the legal system on the organization and operation of the State Audit.
- **Second**, about the development of the organizational apparatus system of the audit office: to further develop and improve the organizational apparatus system of the State Audit after the current model of centralized and unified management, consisting of advisory units specialized state audit offices at the central level, regional state audit offices and non-business units. To strive to basically complete the organizational

structure and build its organizational apparatus with a complete structure and sufficient personnel for proper operation.

- **Third**, the development of human resources: developing the contingent of cadres, civil servants and public employees which is sufficient in quantity and rational in professional and rank structure. Furthermore, building a contingent of state audit cadres, civil servants and public employees who have a firm political stance, good professional ethics, sound professional skills and professionalism commensurate with requirements of the audit profession and the international integration.
- **Fourth**, the strategy for raising audit quality: comprehensively raising audit quality in the three aspects of capability, effectiveness and efficiency.
- **Fifth**, the strategy for development of physical foundations, public information and propaganda and scientific and information technology development: formulating priority policy to vigorously mobilize resources for building special physical foundations for the entire system of the State Audit. Intensifying and diversifying forms of intensive and extensive public information and propaganda about the law on audit organization and operation as well as audit practices through formulation of specific plans combined with inspection and assessment of their implementation.

5. CONCLUSION

In the stage of development and management of the economy by the current trend of integration, especially when Vietnam joined the World Trade Organization, the development strategy of the State Audit of Vietnam for the long term period is set urgency, age, stem from the following reasons: firstly comes from the position, role and importance of state audit in general economic management and management of public asset in particular; secondly, from the practice in Vietnam's socio-economic status and the inevitable requirements of state audit in the trend of integration management; next, stem from reasons of economic integration international; last, stem from the current limitations of the Vietnamese budget state accounting. For the first three reasons, they have been mentioned a lot at the last time, and relatively unknown, here this paper would like to refer to the fourth reason, which is the current limit of the state accounting and auditing in Vietnam. State fields but has grown in many ways, has confirmed the location of its role in the past years but is not limited to the restrictions and exists as the quantity and quality of the state accountants do not meet the management requirements today. Facilities management facilities are poor, backward and needy. processes and building new audit approach in the first step; audit field must still popular is the field of auditing financial statements; audit focus areas, basic, key audit work yet to be done independently and completely.

With the efforts of government, there have a lot of solutions for improving the quality of state audit. Hence, in recent years the results of operations of the State Audit has achieved important results which are higher than the previous year; contributing to the reform of the financial system-the national budget, building up the nation's financial transparency and efficiency; recovery for the state budget revenues that may not be obtained due to mistakes and errors in the process of budget and financial management and contribute anti-corruption, thrift practice and waste combat. Vietnam needs to orient to make the better environment of state audit. State audit

is one of the factors that contribute to ensuring and maintaining the economy, the efficiency of economic activities. Through its activities, the state audit indicates the use of state funds in each sector, each field, each enterprise and the factors that hinder the effectiveness of activities in the economy. On the other hand, the state audit also provides an important basis of reliable data to make the distribution and operating a state budget effectively, consistent with the practical situation of each sector and industry areas and eliminate unreasonable expenses that cause losses to the budget. Over all the values and benefits, State audit have to be a tool for financial examination of the state to make the power of people in check and control. Certified comments by the state audit are to ensure the reliability of budget financial information and the general economic groups in particular.

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