

**STATE AUDIT OFFICE OF
VIETNAM**

No. 09/2017/QĐ-KTNN

**SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom – Happiness**

Hanoi, August 15, 2017

DECISION

ON PROMULGATING REGULATIONS FOR AUTHORIZING OR HIRING AUDIT FIRMS TO PROVIDE AUDITS

Pursuant to the Law on State Audit Office of Vietnam dated June 24, 2015;

Pursuant to the Law on Promulgation of legislative documents dated June 22, 2015;

*At the request of Director of Department of Audit Policy and Quality Control and Director of
Department of Legal Affairs;*

*State Auditor General promulgates a Decision on promulgating regulations for authorizing or
hiring audit firms to provide audits.*

Article 1. Regulations for authorizing or hiring audit firms to provide audits shall be issued together with this Decision.

Article 2. This Decision comes into force after 45 days from the day on which it is signed and replaces Decision No. 03/2011/QĐ-KTNN dated December 09, 2011 of State Auditor General on the promulgation of the regulations for authorizing or hiring audit firms to provide audits.

Article 3. Heads of entities affiliated to State Audit Office of Vietnam and relevant organizations and individuals shall implement this Decision./.

STATE AUDITOR GENERAL

Ho Duc Phoc

REGULATION

FOR AUTHORIZING OR HIRING AUDIT FIRMS TO PROVIDE AUDITS
(Issued together with *Decision No. 09/2017/QĐ-KTNN dated August 15, 2017 of State Auditor General*)

Chapter I

GENERAL PROVISIONS

Article 1. Scope

This Regulation provides for the authorization and hiring of audit firms to provide audit at agencies and organizations assigned to manage and/or use public finance or public property of State audit office of Vietnam (hereinafter referred to as SAV) in accordance with the Law on State audit office of Vietnam; regulations on powers and responsibilities of parties related to the authorization and hiring of audit firms; regulations on the scope of authorization or hiring of audit firms; conditions for audit firms authorized or hired to provide audit; regulations on the assessment council of audit firms and the procedure for selection of audit firms.

Article 2. Regulated entities

This regulation applies to SAV, audit firms authorized or hired to provide audits and parties related to the authorization and hiring of audit firms of SAV.

Article 3. Definitions

In this Regulation, these terms are construed as follows:

1. “*Audit authorization*” refers to the act when SAV assign an audit firm to provide the audits on behalf of SAV according to audit standards and procedures of SAV or audit standards and procedures accepted by SAV.
2. “*Audit hiring*” refers to the act when SAV hire an audit firm to provide a number of contents in the audit or provide audit at a number of entities being audited on the Audit plan according to audit standards, procedures, management and professional regulations of SAV.

Article 4. Operation principles

1. The authorization or hiring of audit firms may only be provided at audit subjects within the scope of authorization and hiring of audit firms specified in Article 8 hereof.
2. The authorization or hiring of audit firms may only be conducted with audit firms satisfied all conditions specified in Article 9 hereof.
3. The authorization or hiring of audit firms shall be made into a contract of authorization or hiring of audit firms.

4. The authorized or hired audit firm shall be responsible to SAV and the law for their accuracy, truthfulness and legality on data, documents and audit conclusions. SAV shall inspect, monitor and decide whether to use the audit data, documents, conclusions and recommendations of the audit firm or not.

5. The authorized or hired audit firm shall keep confidential documents, data and information on operation of audited entities in accordance with the regulations of SAV and the law.

6. Authorized or hired audit firms shall not authorize or hire a third party to provide audits.

Article 5. Inspection and monitoring of implementation of the authorization or hiring of audit firm contract.

1. SAV shall have the rights of and responsibilities to inspect and monitor the implementation of authorization or hiring of audit firm contract in accordance with the terms of the contract, this regulation and the law.

2. Authorized or hired audit firms shall comply with the request for inspecting and monitoring the implementation of the contract and the audit quality of SAV.

3. The inspection and monitoring of SAV shall comply with the laws and the regulations of SAV.

Article 6. Establishment of the audit firm assessment council

1. SAV shall set up an audit firm assessment council to advise State Auditor General on the selection of an audit firm that is qualified and capable of performing the authorized or hired audit.

2. The assessment council is comprised of:

a) The State Auditor General or the Deputy General State Auditor in charge of units affiliated to SAV who wish to authorize or hire an audit firm – Chairperson of the Council.

b) Representative of the SAV Office (01 leader of the office as a permanent member, 01 leader of the Division as a secretarial member).

c) Representatives of the leader of the General Affairs Department – Member.

d) Heads of entities affiliated to SAV who wish to authorize or hire an audit firm – Member.

dd) Representatives of the leader of the Department of Audit policy and quality control – Member.

e) Representatives of the leader of the Department of Legal Affair – Member.

Article 7. Funding for the authorization or hiring of audit firm

Annually, based on the needs for authorization or hiring of audit firms, SAV shall prepare a cost estimate for authorization or hiring of audit firms. The funding for authorization or hiring of audit firms shall be provided from the annual State budget of SAV or additional estimates in cases of unexpected tasks arising in accordance with the law on State budget.

Chapter II

SPECIFIC PROVISIONS

Article 8. Scope of authorization or hiring of audit firm

1. SAV may authorize or hire an audit firm to provide audit at agencies and organizations (except for agencies and organizations specified in Clause 2 this Article):

- a) Socio-political organizations, socio-political-professional organizations, social organizations, socio-professional organizations funded by state budget.
- b) Public service agencies.
- c) Management boards of projects whose funding is provided by or derived from state budget; ODA or NGO funds (when requested).
- d) Associations, inter-associations, general associations and other organizations partly funded by state budget.
- dd) Enterprises over 50% charter capital of which is held by the State, enterprises $\leq 50\%$ charter capital of which is held by the State, enterprises in charge of managing, using public finance and public assets.
- e) Units receiving subsidies from the State, units whose debts are guaranteed by the State.
- f) Other agencies and organizations decided by State Auditor General.

2. SAV shall not authorize or hire an audit firm to provide audit at the following agencies and organizations:

- a) Ministries, ministerial agencies, Governmental agencies and other agencies at central level.
- b) Agencies assigned to execute state budget receipts and expenditures at various administrative levels.
- c) The People's Councils, the People's Committees, and other local regulatory agencies.
- d) Units of the People's armed forces.

dd) Units in charge of the reserve funds of the State, branches and levels, and other financial funds of the State.

e) Organizations in charge of national property management.

f) Political organization.

g) Agencies and organizations in charge of managing, using public finance and public assets containing state secrets.

Article 9. Conditions for audit firms to be authorized or hired to provide audit

Audit firms that satisfy all conditions below shall be eligible for being authorized or hired to provide audit:

1. Audit firms eligible to operate legally, accredited to be on the public list selected annually by the Ministry of Finance, the State Securities Commission or the World Bank.

2. Have not committed violations that are handled by regulatory agencies or professional audit associations related to audit quality within the last 03 years.

3. Audit firms, in the current year and in the past two consecutive years, do not provide accounting book-recording services, financial statements making services, internal audit services, asset valuation services, management consultancy or financial consultancy for customers who are audited units that the SAV authorizes or hires the audit firms to provide audit; do not provide the abovementioned services during the audit period under the audit contents authorized or hired to provide by SAV.

4. The managers of audit firms are not members, founding shareholders, shareholders or capital contributors of audited units or having other financial, economic relationship with the audited units in accordance with the Code of ethics for professional accountants and auditors.

5. Persons who are responsible for the management and administration of the audit firms do not have parents, spouse, child, natural brother and sister being members, founding shareholders, shareholders or capital contributors of the audited units and having significant influence on the audited units or persons who are responsible for management, administration, members of the inspection committee or the chief accountants of the audited units.

6. Persons who are responsible for the management, administration, members of the inspection committee or the chief accountants of the audited units are not the persons who contribute capital as well and have significant influence on the audited units.

7. Auditing firms and audited units are not established or participated in the establishment by the same individual or enterprise or organization.

Article 10. Procedure and process of selection

1. SAV shall publish the audited units; the application for authorization of hiring of audit firms in accordance with the Law on Bidding if wishes for authorization or hiring of audit firms.

2. Audit firms that satisfy the conditions specified in Article 9 of this Regulation and wish to receive authorized or hired audit jobs shall register with SAV (through the SAV Office). The application is comprised of:

- a) Application for being authorized or hired to provide audit.
- b) Certified copy of the business registration certificate (or investment certificate) and the charter of the company.
- c) Certificate of eligibility for providing audit services.
- d) List of customers for the last 03 years.
- dd) The list of registered auditors hold the certificates of practice registration issued by the Ministry of Finance enclosed together with the curriculum vitae including a summarized history of the work experience of the practicing auditors and of the director of the audit firm.
- e) Other documents as required by SAV.

3. Based on the subjects and the needs for authorizing or hiring auditors and the list of audit firms registered, the audit firm assessment council shall consider and submit to the State Auditor General the list of qualified audit firms. The State Audit Office shall take charge and coordinate with the entities affiliated to SAV which wish to authorize or hire auditors to assist the State Auditor General in organizing the selection of contractors according to the provisions of the Law on Bidding.

Article 11. Audit firm authorization or hiring contract

1. SAV and the audit firm shall enter into a contract for authorization or hiring of audit firms. The contract shall have the following principal contents:

- a) Name, address of the audit authorizing or hiring party and the audit authorized or hired part (name, address, phone number, fax, account number, representative, etc. of the headquarter)
- b) Contents of the authorization or hiring of auditors (objectives, subjects, scope (contents, audit period, audited unit) that the SAV authorizes or hires the audit firms to provide them.
- c) Professional regulations: Applied audit standards and principles; regulations on professional ethnics of auditors, regulations on the supervision of audit operation, regulations on audit quality control, etc.
- d) Rights and liabilities of parties.

dd) Contract performance results (audit report, audit record, audit figures confirmation, documents recorded by auditors, audit evidences, etc.)

e) Costs of authorization or hiring of auditors and methods of payment.

f) Commitment and deadline; procedures for settling disputes over contract.

g) Effect and duration of the contract.

h) Other terms (if any).

2. Form of contract for authorization or hiring of audit firms specified by SAV.

Article 12. Responsibilities and rights of SAV

1. Responsibilities:

a) Promulgate the audit decision.

b) Cooperate with and support the audit delegation and auditors of the audit firm in providing audit (hereinafter referred to as auditors).

c) Fully pay for the fee of authorization or hiring of auditors as agreed upon in the contract.

d) Inspect and monitor the implementation in accordance with Article 16 hereof.

dd) Other responsibilities in accordance with the provisions of law.

2. Rights:

a) Request the audit firms to fully, correctly and promptly provide the audit plan, figures, conclusions and documents related to the authorized or hired audit service.

b) Request the audit firm to change auditors if the auditor violates audit standards, audit procedures and professional management regulations or the provisions of law.

c) Inspect and monitor the implementation of the audit authorization or hiring contract; inspect and approve audit report and audit record of the firm in accordance with the regulations of SAV.

d) Request the audit firm to provide written explanation on the issues mentioned in the draft audit plan, audit report and audit record if it is deemed unclear or unsatisfactory.

dd) Request the audit firm to pay compensation for damage caused to audited unit and SAV by the audit firm.

e) Unilaterally terminate the contract if the authorized or hired audit firm is in breach of contract.

f) Other rights in accordance with the provisions of law.

Article 13. Responsibilities and rights of authorized or hired audit firms

1. Responsibilities:

a) Provide audit according to the audit authorization or hiring contract and comply with professional regulations specified in the contract:

- If the audit firm is hired, it shall comply with the audit standards, procedures, management and professional regulations of SAV when providing audit.

- If the audit firm is authorized, it shall comply with the audit standards and procedures of SAV or audit standards and procedures approved by SAV when providing audit.

b) Assign practicing auditors with appropriate professional qualifications to ensure audit quality. Do not assign practicing auditors in the following cases:

- The practicing auditor has purchased, contributed capital or had a business relationship with the audited unit.

- The practicing auditor used to hold a position of manager, executive, member of the Control Board, Chief accountant or accountant of the audited unit in the audited fiscal years.

- Within at least 05 years since the practicing auditor stops holding the position of manager, executive, member of the Control Board, Chief accountant or accountant of the audited unit.

- The person is a parent, adoptive parent, parent-in-law, spouse, child or sibling of the head, Chief accountant or accountant of the audited unit.

- The person committed violations related to audit quality that are handled by regulatory agencies or professional audit associations.

c) Pay compensation for damage caused to the audited unit, SAV, related organizations and individuals by the auditors or personnel of the audit firms during the audit.

d) Promptly report to SAV upon detecting violations on economy, finance and accounting of the audit firm.

dd) Promptly report to SAV if the audited unit and related organizations and individuals:

- Refuse to provide information and documents for the audit as required by the audit firm and practicing auditors.

- Obstruct the work of practicing auditors.

- Provide false, untruthful, incomplete, untimely or unobjective information and documents related to the audit.

- Bribe the audit firm or practicing auditors.

- Shield violations against regulations on public finance and public assets.

- Illegally intervene the audit and audit result of practicing auditors.

e) Provide information on practicing auditors, audit firm and audit documents as required by SAV.

f) Promptly and truthfully report to SAV if falls into cases which affect the independence and objectivity as prescribed in Article 9 hereof.

g) Fulfill reporting, inspection and monitoring requests of SAV.

h) Perform other responsibilities in accordance with the provisions of law and the contract.

2. Rights:

a) Have the right to perform services specified in the contract independently.

b) Receive fees from SAV.

c) During the audit:

- Request the audited unit to promptly provide necessary information, documents and explain issues related to the audit contents; carry out inventory of assets, compare debt of audited unit related to the audit contents.

- Request relevant organizations and individuals to provide necessary documents and information within the audit scope to collect audit evidences.

d) Other rights in accordance with the provisions of law.

Article 14. Responsibilities and rights of practicing auditors of the audit firm when providing audit

1. Hired practicing auditors of the audit firm shall have the following rights and responsibilities when providing audit

1.1. Responsibilities:

a) Perform audit tasks and be accountable to leaders of auditor teams, the chief of the audit delegation for performance of assigned audit tasks; provide assessment, confirmation and

suggestions on audited contents on the basis of sufficiently collecting and properly assessing the audit evidences.

b) Comply with the law, operating principles, audit standards and procedures of SAV, code of conduct of auditors and relevant regulations of SAV.

c) Be accountable to the State Auditor General and the law for his/her evidence, assessment, confirmation, conclusions and suggestions.

d) Collect audit evidence and other documents according to regulations of SAV.

dd) Keep the confidentiality of information and documents collected during the audit.

e) Present the referral, certificate of practice registration issued by the Ministry of Finance, ID or citizen card while performing audit tasks.

f) Promptly and adequately report the situation specified in Article 28 of the Law on Audit and other situations that affect the independence of auditors to the head of the audit firm and the person who issues the decision to establish the audit delegation.

g) Be taken disciplined or liable to criminal prosecution if he/she commits violations of law depending on the nature and extent of his/her violations; be required to pay compensation according to the law if he/she causes damage.

1.2. Rights:

a) Be independent on professional skills.

b) Request the audited unit to promptly provide necessary information, documents and explain issues related to the audit contents; request inventory of assets, debt comparison of audited unit related to the audit contents.

c) Inspect and confirm the economic, financial information related to the audited unit inside and outside of the unit during the audit according to the provisions of law and SAV.

d) Request related organizations and individuals to provide necessary documents and information related to the contents of the audit according to the provisions of law and SAV.

dd) Other rights in accordance with the provisions of law and SAV.

2. Practicing auditors of the authorized audit firm shall have same rights and responsibilities as practicing auditors of the hired audit firm specified in Section 1 Article 14 hereof, as the same time comply with the Law on Independent audit and standards, procedures accepted by SAV.

Article 15. Rights and responsibilities of the audited unit

The audited unit shall have the rights and responsibilities as specified in Article 56 and 57 of the Law on State Audit Office of Vietnam, specifically as follows:

1. Rights of the audited unit

- a) Request the audit delegation to present the audit decision, auditors to present the referral, certificate of practice registration issued by the Ministry of Finance, ID or citizen card.
- b) Refuse to provide information and documents that are not relevant to the audit contents; request replacement of members of the audit delegation if there is evidence that such members are not honest or objective while performing their duties or are not qualified as members of the audit delegation according to Article 28 of the Law on State Audit Office of Vietnam.
- c) Provide written explanation of the issues mentioned in the draft audit report if it is deemed unsatisfactory.
- d) File complaints against acts of member of the audit delegation during the audit on the grounds that such acts are illegal.
- dd) File complaints against assessment, confirmation and suggestions of auditors in the audit report on the grounds that they are illegal.
- e) Request SAV to pay compensation for damage as prescribed by law.
- f) Other rights in accordance with the provisions of law.

2. Responsibilities of the audited unit:

- a) Comply with the audit decision.
- b) Promptly, adequately make and send financial statements, performance reports, capital settlement, project management; revenue and expenditure plan, report on execution and finalization of budget to the audit delegation on request.
- c) Promptly and adequately provide information and documents necessary for the audit at the request of the audit firm and auditors; be accountable for the accuracy, truthfulness and objectiveness of the information, documents provided.
- d) Respond and explain the issues related to the audit contents at the request of the audit delegation and auditors.
- dd) Sign the audit record.
- e) Comply with conclusions and suggestions of SAV on management, use of public finance and/or public assets; take measures for overcoming the weaknesses according to the conclusions

and suggestions of SAV; submit a written report on the implementation of such conclusions and suggestions to SAV.

f) Comply with conclusions and suggestions of SAV during the settlement of complaints, unless State Auditor General or a competent authority suspends the implementation of conclusions and suggestions of SAV.

Article 16. Rights and responsibilities of entities affiliated to SAV

1. Responsibilities of the advisory units:

a) The SAV Office shall collect the needs and estimates of authorization or hiring of audit firms from the units with needs to prepare the general estimate for the funds for authorization or hiring of auditors of the entire branch and submit it to the competent authority for decision; shall be the standing member of the audit firm assessment council; take charge and coordinate with units that wish to authorize or hire auditors to select contractors according to the provisions of the Law on Bidding and submit to the State Auditor General for approval; coordinate with units that wish to use collaborators to advise the State Auditor General on the contents of the contract for authorization or hiring of auditors; sign contract with audit firms according to the list approved by the State Auditor General; follow the performance and liquidation of the contract (after the audit report is published).

b) The General Affairs Department shall participate in the audit firm assessment council, assess the general audit plan, the audit report of the audit delegation and assess the audit results before the acceptance.

c) The Department of Audit Policy and Quality Control shall participate in the audit firm assessment council, assess the general audit plan; inspect, monitor the audit quality and audit documentation according to the regulations on controlling audit quality and the request of the State Auditor General.

d) The Department of Legal Affairs shall assess the lawfulness of the contract for authorization or hiring of auditors, assess the audit report of the audit delegation and assess the audit results before the acceptance.

2. Responsibilities of units affiliated to SAV who wish to authorize or hire an audit firm:

a) Annually, based on the need to authorize or hire an audit firm for performance of audit or audit contents, the entities affiliated to SAV shall propose the need to authorize or hire an audit firm together with the plan (specify the requirements) and cost estimates then submit them to the State Auditor General (through the SAV office). Entities affiliated to SAV shall submit an Official Dispatch to the State Auditor General for amendments upon an addition arising.

b) Participate in the audit firm assessment council; the general audit plan assessment council; monitor, inspect, supervise and control the quality of audit, assess audit records and audit reports of audited units prepared by audit firms according to the decentralization of SAV.

c) Take charge of and coordinate with the SAV Office in and authorized or hired audit firms to check and accept audit results which shall serve as basis for the SAV Office to carry out contract liquidation procedures.

Chapter III

IMPLEMENTATION CLAUSE

Article 17. Organization of implementation

1. Heads of entities affiliated to State Audit Office of Vietnam and relevant organizations and individuals shall implement this regulation.
2. Any issue arising during the implementation of this Circular should be promptly reported to the Department of Audit Policy and Quality Control for summing up and reporting to the State Auditor General for amendments./.