**PAPERS**

**Experience of the State Audit Office of Vietnam on performance audit for sustainable development**

**I. Introduction on performance audit in Vietnam**

***1. Background***

In the early establishment of the State Audit Office of Vietnam (SAV), the function of the Office was limited to "audit the economy of management and use of state budget and public assets", thus the main activities were financial audit and compliance audit.

 The State Audit Law 2005 was introduced with new concept of performance audit: "Performance audit is a type of audit that check and evaluate economy, efficiency and effectiveness in managing and using state budgets, finance and assets”. However, at this time, the SAV considered performance audit from theoretical perspectives but did not develop any regulations and guidelines for implementation.

Importance of performance audit was again mentioned in the SAV Development Strategy to 2020 (issued in 2011) and the SAV Development Plan for the period 2013-2017: "Step by step focus on performance audit to check and evaluate the economy, efficiency and effectiveness in managing state budget, finance and assets; prioritize performance audit for national target programs, many projects at national levels and in provinces, cities and ministries with relatively large budget scale”.

The State Audit Law 2015 (issued in 2015 and became effective from 2016) replaces the State Audit Law 2005, which states clearly the subjects of performance audit. In order to promote development of performance audit, together with improvement of the legal basis and professional process (SAV Standard No. 300 - Basic principles of performance audit and SAV Standard No. 3000 - Guideline on performance audit, procedures of performance audit with specific report template), the SAV established 06 Performance Audit Divisions and 01 Environmental Audit Division to organize the implementation of performance and environmental audit as well as provide training for staff.

Since then, the SAV has conducted increasing number of performance audit: In 2014, the SAV has conducted 02 pilot performance audits; 07 performance audits in 2015; 20 performance audits in 2016; 18 performance audits in 2017; 18 performance audits in 2018. The findings of these performance audits have highlighted the shortcomings and limitations of the management, administration and organization system in implementing a number of professional fields; provide relatively comprehensive assessments of advantages and limitations; analyze specific causes and assess the impact of limitations, creating a basis for more specific conclusions and recommendations for many emerging issues that are of interest to public opinion. This has gained a high consensus from the audited units, significantly contributing to improving the efficiency and effectiveness of state management; enhancing accountability and transparency of the state management agencies; increasing social benefits; increasing the reputation of the SAV and meeting the increasing expectations of the National Assembly and the public.

***2. International cooperation regarding performance auditing***

The SAV has been actively involved in international cooperation activities relating to audit in general and performance audit, information technology audit and environmental audit in particular. In this regard, the SAV has participated in working groups:

+ Within INTOSAI: INTOSAI Working Group on Extractive Industries (WGEI), INTOSAI Regional Working Group on Environmental Auditing (ASOSAI WGEA);

+ Within ASOSAI: 12th research project on audit of sustainable development goals; IDI-ASOSAI 3i audit cooperative program on audit of disaster management.

+ In ASEANSAI: ASEANSAI's Strategic Planning Committee; the working group in IDI-ASEANSAI cooperation on ISSAI-based cooperative financial audit; ASEANSAI's long-term program of ISSAI implementation (LTAPII).

In 2012 - 2017, the SAV sent 27 auditors to participate in 16 courses, seminars and meetings on performance and environmental audits such as: Environmental Auditing Course under the Indian Technical and Economic Cooperation (ITEC), Meeting on audit planning under IDI-ASOSAI 3i Cooperatove Audit Programme on Audit of Disaster, 3rd Meeting of the INTOSAI WGEI. In particular, the SAV sent 13 auditors to attend a long-term training program on performance audit in Canada under the International Legislative Monitoring Program.

**II. Performance audit for SDGs**

For SDGs, SAV has integrated a number of thematic audits and performance audits such as: Medical Waste Water System in the Hanoi Central Hospital during 2011- 2015, Environmental rehabilitation and restoration in Thai Nguyen mineral exploitation, Project on vocational training for rural laborers in Lam Dong 2015, Implementation of solutions to reduce the use of plastic bags in Ho Chi Minh City, Post-investment management activities for centralized water supply schemes under the National Target Program for Rural Clean Water and Environmental Sanitation in the period 2012-2015, Management of construction investment in Hau Giang Industrial park. In addition, since its establishment in 2015, SAV’s environmental audit division has conducted 04 audits related to environment such as industrial park wastewater, environmental management at thermal power plants. Through the practice of performance audit for SDGs, SAV has drawn some lessons as follows:

1. ***Choosing topics and audit planning***

- Focus on strengthening the allocation of time and human resources for information collection, including complete, specific and detailed information on the functions and tasks of units and its divisions, process of management and implementation or information from related parties to develop an Audit Plan effectively and feasibly.

- Auditing topics are selected on the basis of the independent research results of each auditor, then are exchanged and discussed at each level. Auditing emerging topics can add good value to the Organization. The SAV has been currently piloting a medium-term audit plan (03 years) and reviewing it annually.

- Audit plans clearly define the objectives, criteria and methods of collecting and analyzing audit evidence, develop an audit program according to the standard sample form, which includes detailed audit procedures to guide auditors to evaluate each audit criterion and conclusions according to each audit objective.

- Exchanging and collecting opinions of audited units and related units on auditing objectives and criteria, thereby adjusting the objectives and audit criteria accordingly and achieving high consensus from the audited units.

***2. Collection, analysis of auditing evidence***

- Performance audit in general and performance audit for SDGs in particular are flexibly combined with the methods of collecting audit evidence (interview, observation, questionnaires, and consideration), which focuses on interviews, questionnaires and observations and recording audit evidence.

- During the audit process, audit teams regularly exchange and discuss internally the audit results obtained, periodically report and seek comments, if necessary, to promptly make adjustment. The team should also enhance the communication with other units about the audit findings and proposed audit recommendations.

***3. Audit findings and recommendations***

- Audit report framework and some audit recommendations should be planned right from the audit planning stage. The SAV has increased the time of information collection.

- For each audit finding, the SAV focuses on the cause-effect analysis so that audit recommendation can be made to correct the indicated errors.

- SAV communicates regularly and promptly with the audited units about the audit results, ensuring the consensus of these units and the feasibility of implementing audit proposals.

- Audit report is presented in relatively brief and concise ways according to each audit content and criteria; the report summarizes the basic audit results in the first part; gives specific conclusions for each specific audit objective.

Through performance audit for sustainable development, many mistakes have been pointed out in the process of organizing and implementing programs and projects, thus making recommendations to achieve economy, effectiveness and efficiency of programs and projects in particular and contributing to the implementation of sustainable development goals in general. For example:

(1) Audit of post-investment management activities for centralized water supply schemes under the National Target Program for Rural Clean Water and Environmental Sanitation in the period of 2012 - 2015: Most of the works did not guarantee sustainability; the works that followed the model of commune people's committee were in ineffective operation, even there were up to 08 works in 04 provinces that were currently inactive.

 (2) The audit of the medical wastewater treatment system of central hospitals in Hanoi in the period of 2011-2015: Investment, management and operation of the system of medical wastewater treatment of these hospitals has yet to ensure the target of medical wastewater treatment in the period of 2011 - 2015 of the overall scheme of medical wastewater treatment in the period of 2011 - 2015 and orientation to 2020 issued under Decision No. 2038 / QD-TTg dated November 15, 2011 by Prime Minister. The main reason was due to: (i) unverified selection of scale and technology for medical wastewater treatment system based on survey results and assessment of hospitals’ discharge status; inapproriate explanation of operating costs, thus lack of information to determine whether the scale and technology for the system was appropriate and optimal; (ii) many projects (items) that were approved for investment that have been delayed or many hospitals that have (not) been approved for investment; (iii) 06 audited hospitals that have not done well in developing a plan for wastewater treatment; that officers operating the system have not met the professional level of medical wastewater management; not well implemented monitoring and evaluation of wastewater quality before and after treatment, leading to an inefficient system, failure to ensure stability and sustainability of the system, treated wastewater did not meet the standards.