

BACKGROUND NOTE ON ACTION PLANS

Action Plans are developed by IFAC members and associates to address policy matters identified through their responses to the IFAC Compliance Self-Assessment Questionnaires. They form part of a continuous process within the IFAC Member Body Compliance Program to support the ongoing development and improvement of the accountancy profession around the world.

Action Plans are prepared by members and associates for their own use based on the national frameworks, priorities, processes and challenges specific to each jurisdiction. As such, they will vary in their objectives, content and level of detail, consistent with their differing national environments and stages of development, and will be subject to periodic review and update.

Refer to responses to the Part 1 Assessment of the Regulatory and Standard-Setting Framework Questionnaire and Part 2 SMO Self-Assessment Questionnaire for background information on each member and associate their environment and existing processes. These responses may be viewed at: http://www.ifac.org/ComplianceAssessment/published_surveys.php

Use of Information

Please refer to the Disclaimer published on the Compliance Program website.

ACTION PLAN

IFAC Member/Associate:	Vietnam Association of Accountants and Auditors (VAA)
Approved by Governing Body:	VAA Executive Committee
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GLOSSARY

CPA	Certified Practical Auditors
CPD	Continuous Professional Development
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IASB	International Accounting Standards Board
IES	International Education Standard
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standard on Auditing
ISQC1	International Standard on Quality Control 1
MoF	Ministry of Finance
SMO	Statement of Membership Obligation
VAA	Vietnam Association of Accountants and Auditors
VACPA	Vietnam Association of Certified Public Accountants
VAS	Vietnam Accounting Standards
VSA	Vietnam Standards of Auditing

General Background:

Vietnam is a transformed economy, having commenced its economic reform in 1986. Accounting and auditing services were introduced in Vietnam at the end of the 20th century and were officially recognized by the laws from 2003, when the National Assembly passed the Accounting Law. The Accounting Law provides the legal framework for accounting, auditing, and corporate reporting in Vietnam. Under the Accounting Law, all companies are required to prepare and present legal entity financial statements in accordance with Vietnamese Accounting Standards (VAS). The Accounting Law endorses the alignment of Vietnamese Accounting Standards with international standards for the preparation of corporate financial statements.

The Vietnam Association of Accountants and Auditors (VAA) - an accounting and auditing social & career organization - was established in 1994 as a voluntary organization for accountants and auditors.

From 2005, the Government (the Ministry of Finance) started to transfer some of their responsibilities to VAA, firstly the registration and management of accounting and auditing practice, professional training and development for certified practical accountants and auditors and chief accountants. However, the Ministry of Finance continues to organize examinations and issue career certificates in recognition of both theoretical and practical experience.

Currently, the VAA and its member organizations (namely the Association of Certified Practical Auditors, Club of Chief Accountants, Association of Tax Accountants and Association of Treasury Accountants) have responsibilities and powers as follows:

- Register all of Vietnam's individual accountants and auditors;
- Organize the registration of accounting and auditing practices;
- Manage accounting and auditing practices;
- Organize professional training and development for members;
- Organize and issue chief accountant certificates to participants in chief accountant development courses; and
- Manage practice and conduct of its individual members and accounting and auditing practices.

The government is expected to continue to transfer responsibilities to VAA step by step.

Action Plan Subject: SMO 1 - Quality Assurance

Action Plan Objective: Establish an Effective System of QA within the legal framework in Vietnam that is aligned with the requirements of SMO1

#	Start Date	Actions	Completion date	Responsibility	Resource
<p><i>Background:</i></p> <p>In 2005, the professional process was promulgated. This was drafted by VAA and its member organizations, and approved by the MOF with experience reference from countries in the region, in particular with technical assistance from experts of EC in the years 1996-2000. The process stipulated regular monitoring of the procedures adhered to by certified auditors and accountants yearly, and publication of a yearly list of firms and individuals that are able to undertake accounting and auditing work is published.</p> <p>Prior to 2007, quality assurance and quality control were the responsibility of the State, specifically the Ministry of Finance, which would:</p> <ul style="list-style-type: none"> • Directly promulgate, or submit to the Government to promulgate, accounting and auditing policies and regimes; • Organize the editing and promulgation of accounting and auditing standards; and • Organize the checking and inspection processes and directly control accounting and auditing operations. <p>In 2007, the Accounting Practice Management Unit was established directly under the Central Office of VAA. The Unit has in its remit the registration and monitoring of both practicing firms and individuals. The unit receives the cooperation and support from firms, universities and the MoF. In 2009 the Sample Auditing Program, the Quality Control Process and Occupational Ethics Standards were issued.</p> <p>In 2010, research was conducted on accounting service procedures, accounting service quality controls and evaluation procedures. Based on this, a framework for a system was developed and guidance relating to accounting service supply, collection of accounts and records and quality control was drafted. The processes are being applied in practice to assess their efficiency.</p> <p>The Independent Audit Law No. 67/2011/QH12 promulgated on 29 March 2011 by the National Assembly of Vietnam shall come into effect from 01 January 2012. VAA will be initiating a review of the existing professional process in order to bring it in line with the law.</p>					
<p><i>Maintain ongoing processes</i></p>					

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1.	Ongoing	In collaboration with the State Securities Commission, conduct an annual exercise to monitor, evaluate and announce the list of companies appointing auditors, focusing in particular on those auditing the financial statements of companies listed in the stock market.	Ongoing	MOF, State Securities Commission VAA VACPA	VAA State Securities Commission
2.	2009	Continue to work with the MOF to explore further coordination and development of such tasks as practical management, auditor training and development, examinations and the issuance of certificates to Auditors and accountants.	Ongoing	VAA	VAA, Department of Accounting and Auditing Regime, MOF
<i>Strengthen the existing QA system</i>					
3.	Ongoing	Ensure that the QA System being put in place can function in the context of Vietnam and is in compliance with SMO 1 and its key components, in particular ISQC1 and ISA220.	Ongoing	VAA	VAA
4.	Q1 2011	Begin planning a review of the existing professional process in line with the requirements of the Independent Audit Law.	Q1 2012	VAA	VAA and Government
<i>Review of VAA's compliance information</i>					
5.	Ongoing	Perform periodic review of VAA's response to SMO1 Section of the IFAC Compliance Self-Assessment questionnaire and update the response as necessary. Once updated, inform IFAC compliance staff in order for the Compliance staff to republish updated information.	Ongoing	VAA	VAA

Action Plan Subject: SMO 2 - International Education Standards (IES) and other IAESB Guidance
Action Plan Objective: Raise Awareness of the IESs and Use Best Endeavors to Promote their Requirements

#	Start Date	Actions	Completion date	Responsibility	Resources
<p><i>Background:</i></p> <p>The Accounting Law defines accountant as an adequately qualified person hired by the entity to undertake accounting activities and prepare financial statements. According to Article 50 of the Accounting Law, an accountant must have minimum secondary qualifications in accounting and “possess professional ethics, integrity and good sense of law.” Article 53 requires that a chief accountant has at least 2 years of experience with a university degree and 3 years of experience with secondary qualification in accounting.</p> <p>Since 1994, the Ministry of Finance has been responsible for promulgation of standards and setting the program for training, developing and examination of auditors and accountants.</p> <p>Candidates wishing to become Certified Practical Auditors or Certified Practical Accountants must undergo an examination. The examination for certified Accountants and auditors includes 8 subjects: Economic Law, Corporate Finance, Accounting, Auditing, Tax, Financial Analysis, Informatics and English. Individuals with an auditor certificate are members of VACPA (a member association of VAA). According to MoF regulations, candidates who wish to take these examinations must have 5 years of practical experience. This must be confirmed in writing by an employer as part of the necessary dossier to be submitted prior to sitting the CPA examinations.</p> <p>Although it has no right to promulgate education regulations, VAA is obliged to participate directly in the formulation of training and development programs and participates as a member of the Examination Council, holding examinations and marking examination papers. Based on the promulgated education regulations (accounting and auditing), VAA holds chief accountant training and certification courses. It also offers training classes for the people taking examinations to become Certified Practical Auditors or Certified Practical Accountants and provides professional development for existing members.</p> <p>In Vietnam, the MOF has the responsibility and authority to promulgate CPD regulations. The requirement for holders of CPA Vietnam certificates is that they must attend 40 - 45 hours of knowledge update in one year. The requirement on CPD is applied only to the holders of CPA VN certificates and not to all VAA members.</p> <p>It is the responsibility of VAA to inspect and supervise the members with CPA certificates and hold knowledge update courses for its members in order to meet the above requirement.</p>					

<i>Raise awareness of IESs and use best endeavors to promote their requirements</i>					
1.	Q3 2011	Review IES7 Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence and consider how best endeavors can be used to promote compliance to the MoF. This should include requiring all qualified professional accountants and auditors to complete 120 hours of CPD over a three-year rolling period.	Q4 2011	VAA and MOF	VAA and MOF
2.	Q2 2011	Review the requirements of IES2 Content of Professional Accounting Program and IES4 Professional Values, Ethics and Attitudes and consider how VAA can promote these requirements to the MoF.	Q3 2011	MOF VAA and member associations	Department of Accounting and Auditing Regime directly under the MOF, VAA and member Associations
3.	Q2 2011	Consider establishing ongoing dialogue with universities to assist in the development of education programs that meet IES2 and IES4 content requirements.	Ongoing	VAA	VAA
<i>Maintain ongoing processes</i>					
4.	Ongoing	Continue to collaborate with and assist the MoF in the area of certification, education and standard implementation.	Ongoing	MOF VAA and member associations	Department of Accounting and Auditing Regime directly under the MOF and VAA and member Associations
5.	Ongoing	Perform periodic review of VAA's response to SMO2 Section of the IFAC Compliance Self-Assessment questionnaire and update the response as necessary. Once updated, inform IFAC compliance staff in order for the Compliance staff to republish updated information.	Ongoing	VAA	VAA

Action Plan Subject: SMO 3 - ISAs, Related Practice Statements and Other Papers Issued by the IAASB
Action Plan Objective: Use Best Endeavors to Support and Improve Implementation of ISAs

#	Start Date	Actions	Completion date	Responsibility	Resources
<p><i>Background:</i></p> <p>The Accounting Law provides the legal framework for accounting, auditing, and corporate reporting in Vietnam. Under the Accounting Law, all companies are required to prepare and present legal entity financial statements in accordance with Vietnamese Accounting Standards (VAS). The MOF is the accounting and auditing standard setting body.</p> <p>The VASs are researched and established based on the most updated ISA and IFRS. The VAS system is comprehensive and harmonized with international standards not only in terms of content, basis of evaluation and recognition but also in the format of its presentation.</p> <p>VAA's role in this process consists of lending its expertise to the standard preparation committee, holding seminars and conferences on accounting and auditing standards and issuing instructive documents to the members applying the standards. The MOF has also assigned VACPA, a member association of the VAA, to directly draft some auditing standards.</p> <p>Between 2000 and 2006, the MOF has promulgated 26 Vietnam Accounting Standards (VAS) and 37 Vietnam Standards of Auditing (VSA) based on international accounting and auditing standards.</p> <p>The Independent Audit Law No. 67/2011/QH12 promulgated on 29 March 2011 by the National Assembly of Vietnam shall come into effect from 01 January 2012. VAA will be initiating a review of the existing professional process in order to bring it in line with the law.</p>					
<i>Maintain ongoing processes</i>					
1.	2011	Continue to collaborate with the MOF to implement new accounting and auditing standards in Vietnam.	Ongoing	MOF VAA	MOF, VAA, occupation organizations and the State authority
<i>Assist MOF with standards implementation</i>					

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2.	Q2 2011	Give consideration to actively promoting convergence with IAASB pronouncements to the MOF. This may include encouraging and assisting with ongoing translation, review and adoption.	Q4 2011	MOF VAA	MOF VAA
3.	Ongoing	Effectively support standards implementation through the provision of training on IAASB pronouncements.	Ongoing	VAA	VAA
<i>Support Vietnam's SMPs</i>					
4.	Q3 2011	Give thought to conducting a review of the ISA Guide developed by the IFAC Small and Medium Practices Committee, which is available on the IFACs website.	Q4 2011	VAA	VAA
<i>Review of VAA's compliance information</i>					
5.	Ongoing	Perform periodic review of VAA's response to SMO3 Section of the IFAC Compliance Self-Assessment questionnaire and update the response as necessary. Once updated, inform IFAC compliance staff in order for the Compliance staff to republish updated information.	Ongoing	VAA	VAA

Action Plan Subject: SMO 4 – IESBA Code of Ethics
Action Plan Objective: Use best endeavors to promote ongoing compliance with SMO4 to the MOF

#	Start date	Actions	Completion date	Responsibility	Resources
<p><i>Background:</i></p> <p>Ethical requirements for auditors and accountants are set in Decree 105/2004 and by the MOF. In 2005 the MOF promulgated Vietnamese professional ethics standards which were based on the IESBA Code of Ethics.</p> <p>The Ministry of Finance adopted, with modifications, a version of the IESBA Code of Ethics issued in June 2004 by its Decision of December 1, 2005. The Ministry has translated the IFAC Code according to IFAC Translation Policy. The Ministry sends exposure drafts to VAA and audit firms for comments and organizes seminars in order to raise VAA members’ awareness about the IESBA Code of Ethics.</p> <p>In 2007 the official document No 128/HKT was issued. This sets out the implementation of professional ethics standards for Vietnam’s accounting and auditing professions. In 2010 the regulations for monitoring and reviewing the application of ethics requirements were finalized, and application of these is due to commence in 2011. An ongoing review and update process is being instituted to strengthen the ethical requirements and ensure they are adhered to.</p>					
<p><i>Use best endeavours to achieve convergence with the latest version of the IESBA Code of Ethics</i></p>					
1.	Q2 2011	Use best endeavors to encourage the MOF to establish an ongoing convergence process with any new requirements introduced into the IESBA Code of Ethics.	Ongoing	VAA	VAA
2.	Q3 2011	Consider encouraging the MOF to issue descriptions of all modifications made to the IESBA Code, including those made to ensure compliance with national laws, to ensure that there is an understanding of how Vietnam ethical requirements differ from the IESBA Code.	Q4 2011	VAA	VAA
<p><i>Review of VAA’s compliance information</i></p>					

3.	Ongoing	Perform periodic review of VAA's response to the SMO4 Section of the IFAC Compliance Self-Assessment questionnaire and update the response as necessary. Once updated, inform IFAC compliance staff in order for the Compliance staff to republish updated information.	Ongoing	VAA	VAA
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Action Plan Subject: SMO 5 - IPSAS and Other IPSASB Guidance
Action Plan Objective: Raise Awareness of IPSAS with Government Counterparts

#	Start date	Actions	Completion date	Responsibility	Resources
<i>Background:</i>					
<p>The Accounting Law provides the legal framework for accounting, auditing, and corporate reporting in Vietnam. Under the Accounting Law, all companies are required to prepare and present legal entity financial statements in accordance with Vietnamese Accounting Standards (VAS). The MOF is the accounting and auditing standard setting body.</p> <p>The MOF has full powers to manage the public accounting sector as well as to promulgate any public accounting standards under the guidance of the Government. There are currently no plans in place to implement convergence with IPSAS.</p>					
<i>Begin dialogue around IPSAS and the work of IPSASB with the MOF</i>					
1	Q2 2011	Use best endeavors to promote the use of IPSAS to the MOF by making it aware of existing IPSAS and IPSASB activities.	Ongoing	VAA	VAA
<i>Review of VAA's compliance information</i>					
2	Ongoing	Perform periodic review of VAA's response to SMO5 Section of the IFAC Compliance Self-Assessment questionnaire and update the response as necessary. Once updated, inform IFAC compliance staff in order for the Compliance staff to republish updated information.	Ongoing	VAA	VAA

Action Plan Subject: SMO 6 - Investigation and Discipline
Action Plan Objective: Strengthen the Investigation and Discipline System

#	Start date	Actions	Completion date	Responsibility	Resources
<p><i>Background:</i></p> <p>The Vietnam Government promulgates the regulations and the administrative process for managing misconduct in accounting and audit operations. A regulatory structure is in place to enable VAA to manage its members. There are specific regulations that members are made aware of upon admission, which regulate and prescribe the disciplinary system and related sanctions according to the levels of misconduct.</p> <p>The Practice Management Unit is responsible for monitoring its members and issuing the necessary warnings to members in violation of the regulations. Annually, VAA, VACPA and the Security Committee issue a notice reminding auditors and accountants to meet the minimum conditions for practice and informing the public about the individuals and organizations which are not allowed to operate. VAA and its member associations announce publicly any decisions to discipline individuals or firms for via mass media. Any cases of serious violation result in the withdrawal of the auditor certificate and the right to practice.</p> <p>In 2010, 170 firms were reviewed. More than 10 accountants and auditors and 2 firms have been through the investigation and disciplinary process.</p> <p>In 2010 VAA issued the regulations on judging the administrative penalty for serious errors in accounting and auditing operations. This is a bylaw document targeted at bringing accounting and accounting services into order. Inspections of firms under these new regulations will begin in June 2011.</p>					
<i>Strengthening of the investigation and disciplinary system</i>					
1	Q2 2011	Carry out a review of existing investigation and discipline procedures using SMO 6 as a benchmark.	Q4 2011	VAA	VAA and member associations
2	Q2 2011	Develop a report that shows the areas where the existing I&D mechanism is not in compliance with SMO 6 requirements. Include recommended actions needed to attain compliance with the requirements of SMO 6.	Q2 2012	VAA	VAA and member associations
<i>Review of VAA's compliance information</i>					

3	Ongoing	Perform periodic review of VAA's response to SMO6 Section of the IFAC Compliance Self-Assessment questionnaire and update the response as necessary. Once updated, inform IFAC compliance staff in order for the Compliance staff to republish updated information.	Ongoing	VAA	VAA
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Action Plan Subject: SMO 7 - International Financial Reporting Standards
Action Plan Objective: Continue to use best endeavors to support the implementation of IFRS

#	Start date	Actions	Completion date	Responsibility	Resources
<p><i>Background:</i></p> <p>The Accounting Law of 2003 provides the legal framework for accounting, auditing, and corporate reporting in Vietnam. Under the Accounting Law, all companies are required to prepare and present legal entity financial statements in accordance with Vietnamese Accounting Standards (VAS). The Accounting Law endorses the alignment of Vietnamese Accounting Standards with international standards for the preparation of corporate financial statements. Article 8 of the Accounting Law implies that accounting standards underpin the financial reporting practices in Vietnam and the MOF shall issue the accounting standards “in accordance with International Accounting Standards and the provisions of the Accounting Law.”</p> <p>At present, only some businesses, mainly those with foreign investment, apply IFRS to prepare financial statements primarily for the purpose of reporting to the parent company abroad. In addition to these foreign owned companies, there are a few other organizations that prepare their financial statements according to IFRS for certain purposes, such as some commercial banks and non-governmental organizations.</p> <p>Work has begun in Vietnam to implement IFRS. This includes:</p> <ul style="list-style-type: none"> - Translating and circulating the international financial reporting standards; - Putting IFRS into teaching curricula at universities and colleges; - Popularizing and raising awareness of IFRS, for example through publications in Accounting and Auditing Review of VAA, Audit Review of Vietnam State Audit, Financial Review of the MOF and other scientific research reviews; and - Organizing training courses and seminars. <p>VAA supports the MOF in its promulgation of accounting standards through the participation of its staff in the drafting process.</p>					
<i>Use best endeavors to encourage convergence with international standards</i>					
1	Q2 2011	Take an active role in encouraging the MOF to consider documenting and publishing differences between national standards and IASB pronouncements.	Q2 2012	VAA	VAA and member bodies

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2	Q2 2011	Assist with the implementation of standards through the provision of training activities to inform members of IFRS and other IASB pronouncements.	Q2 2012	VAA	VAA and member bodies
<i>Review of VAA's compliance information</i>					
3	Ongoing	Perform periodic review of VAA's response to SMO5 Section of the IFAC Compliance Self-Assessment questionnaire and update the response as necessary. Once updated, inform IFAC compliance staff in order for the Compliance staff to republish updated information.	Ongoing	VAA	VAA