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PHAM XUAN TOAN

**AUDIT OF LOCAL BUDGET REVENUE IN HANOI CITY
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Dinh Thi Nga

Scientific Supervisor: Assoc. Prof. Dr. Dinh Thi Nga



Reviewers 1 : Assoc. Prof. Dr. Tran Thi Bich Ngoc
Hanoi University of Science and Technology

Reviewers 2: Assoc. Prof. Dr. Tran Duc Hiep
University of Economics and Business, Vietnam
National University, Hanoi

Reviewers 3: Assoc. Prof. Dr. Le Duc Hoang
National Economics University (NEU)

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INTRODUCTION

1. Rationale of the research topic

After more than 30 years of establishment and development, the State Audit Office of Vietnam (SAO) has firmly established its position within the system of public financial oversight, grounded in the fundamental principles of auditing-independence, objectivity, transparency-and adherence to international standards such as the International Standards of Supreme Audit Institutions (ISSAI). Audit of local budget revenue is developed on the theoretical foundation of public financial auditing, providing a scientific basis for enhancing the effectiveness of state financial management, supporting elected bodies (such as People's Councils) in budget approval, oversight, and ensuring public accountability for public resources.

From the theoretical perspective of public auditing, local budget revenue audit must advance toward specialized, in-depth audits by sector-particularly revenue management at tax authorities-to identify and address systemic deficiencies in accordance with compliance auditing and performance auditing principles. However, the current theoretical framework at the SAO exhibits methodological limitations, manifested in the absence of comprehensive evaluations of the existing system, the incomplete development of specialized audit content and methodologies, and the resultant lack of coherence in the development of auditors' skills and expertise in the field of local budget revenue audit-a highly integrative domain within public financial management.

Theoretically, local budget revenue audit has primarily focused on the audit of budget final accounts under the principle of verifying truthfulness and legality, while thematic audits are conducted separately. This approach risks overlapping scopes and contents, thereby violating the principles of efficiency and economy in resource utilization. Consequently, the theoretical imperative for integrated and embedded auditing has become urgent, necessitating the development of a comprehensive, in-depth evaluation model that optimizes audit resources, minimizes duplication, and aligns with risk management and risk-based auditing principles.

Current SAO audit guidelines remain at the level of general standards and procedures (Levels 2–3 under ISSAI), lacking detailed orientation on specific content for local budget revenue audit at revenue-

managing agencies, including tax authorities. As a result, the application of auditing standards in practice tends to be subjective and heavily dependent on individual auditors' competencies, underscoring the need for a more detailed theoretical framework to enhance the systematic, scientific, and effective nature of auditing. In the context of constrained public finances and high public debt, the SAO must further strengthen its core role in proposing policy improvements, reducing revenue shortfalls, and reinforcing tax compliance in line with the principles of fiscal sustainability and public accountability.

Annual local budget audits conducted by the SAO have contributed to improved budget management and administration at the local level, providing People's Councils and other elected bodies with reliable information for approving final accounts and overseeing budget execution. Alongside the enhancement of the SAO's capacity, efficiency, and audit quality, audit teams have increasingly emphasized in-depth sectoral audits within budget management and administration, yielding positive outcomes. In particular, audits of revenue management at tax authorities have generated recommendations for remedial actions and revenue increases amounting to thousands of billions of VND for the state budget. These results, significantly bolstered by the revenue audit component, hold substantial importance for state budget management and administration.

Nevertheless, the SAO's audit of local budget revenue management at tax authorities still exhibits certain limitations. On the one hand, revenue management is inherently complex; on the other, although regional SAO offices conduct annual audits at revenue-managing agencies-including tax authorities-they have not yet undertaken systematic reviews or evaluations of the current situation, nor have they developed unified audit content and methodologies. Consequently, auditors often lack comprehensive knowledge of tax policies and revenue management mechanisms, and they possess insufficient specialized skills and expertise in this domain. Local budget audits remain predominantly focused on annual final accounts, while many thematic audits are conducted in isolation, resulting in multiple overlapping audit engagements within a single locality in a given year. Given the increasing demand for higher audit quality coupled with reduced time and personnel resources at the local level, the implementation of embedded auditing within local budget revenue audits has become an objective necessity. Embedded auditing enables more

comprehensive and in-depth assessments while reducing time and costs and minimizing duplication for localities.

In practice, SAO guidelines for auditors in general-and for local budget revenue audits at integrated management agencies in particular-remain confined to general auditing standards and procedures, without providing detailed, task-specific orientations. Consequently, the application of these standards and budget audit procedures in the context of local budget revenue audits at integrated management agencies lacks high effectiveness, often manifesting as ad hoc and subjective practices heavily influenced by the individual competencies of assigned auditors.

Hanoi Capital plays the most pivotal role in the economic development of northern Vietnam, excelling particularly in services and tourism. Revenue collection for the state budget in Hanoi has generated critical resources for the city's socio-economic development while contributing to the central budget. In 2024, Hanoi's budget revenue achieved an impressive milestone, surpassing 500,000 billion VND for the first time-an increase of nearly 20% compared with 2023. Domestic revenue alone reached approximately 470,000 billion VND, accounting for over 29.8% of the national total, positioning Hanoi as the locality with the highest domestic revenue in the country. The city's economic scale reached approximately 58.6 billion USD, with per capita GRDP estimated at 163.5 million VND. Notably, all 30 districts, towns, and cities under Hanoi exceeded their revenue targets and achieved 100% of assigned tax and fee indicators. Revenue from state-owned enterprises, foreign-invested enterprises, non-state enterprises, personal income tax, and land-use fees all recorded double-digit growth compared with 2023.

These outcomes reflect the robust economic growth of the capital and the effectiveness of revenue mobilization measures implemented across the city. They also demonstrate the active compliance of the business community and citizens with state budget revenue policies, contributing to the city's overall development.

Despite these positive achievements, local budget revenue remains below its full potential. Debt management has failed to meet assigned collection targets; decisive enforcement measures-such as suspension of invoices, asset seizure, tax code revocation, or recommendations for business license withdrawal-have not been fully applied in accordance with legal provisions. The tax authority continues to overlook certain

household businesses and private construction projects; insufficient attention is paid to verifying personal income tax declarations submitted by organizations and enterprises; management of value-added tax on non-resident activities remains weak; and revenue estimates are frequently inaccurate relative to actual conditions.

In the context of constrained state budget resources and high public debt, the SAO must further enhance its role in increasing local budget revenue and proposing policy improvements to reduce revenue losses and tax evasion. To address these shortcomings, the research topic “Audit of Local Budget Revenue in Hanoi City” is both necessary and timely, contributing to the refinement of audit activities aimed at enhancing local state budget revenue.

2. Objectives and tasks of the dissertation

2.1. Research objectives

On the basis of theoretical research on local budget revenue audit, combined with surveys, analysis, and assessment of the current situation of local budget revenue audit in Hanoi conducted by the SAO Region I, the dissertation proposes solutions to improve local budget revenue audit in Hanoi by the SAO Region I in the coming period.

2.2. Research tasks

- Provide a systematic review of domestic and international studies related to the topic to identify research gaps, formulate research questions, and delineate the issues to be addressed.
- Synthesize, supplement, and develop theoretical foundations for local budget revenue audit; examine international and domestic experiences in local budget revenue audit and draw lessons applicable to the SAO Region I in auditing local budget revenue in Hanoi.
- Analyze and evaluate the current performance of the SAO Region I in auditing local budget revenue in Hanoi, highlighting achievements, limitations, and their underlying causes.
- Identify strategic directions and specific solutions for improving local budget revenue audit in Hanoi by the SAO Region I for the period 2025–2035.

3. Research object and scope

3.1. Research object:

The research object is the activity of auditing local budget revenue in Hanoi City.

3.2. Research scope

- **Subject:** SAO Region I.
- **Audit content:** Financial statement audit, compliance audit, and local budget revenue audit (taxes and fees).
- **Spatial scope:** SAO Region I in Hanoi City.
- **Temporal scope:** Current situation of local budget revenue audit by the SAO Region I from 2015 to 2024; proposed improvement solutions applicable for 2025-2035. Primary data were collected in 2023.

4. Theoretical foundation and research methods

Theoretical foundation The dissertation is grounded in the theoretical foundations of auditing science, public financial management, and modern economics.

Methodological approach The study adheres to the principles of dialectical materialism and historical materialism, applied consistently throughout the selection and use of specific research methods.

Data collection methods

• **Secondary data:** Collected from statistical sources, legal documents on local budget revenue audit, reports of the SAO, Hanoi Tax Department, Hanoi People's Committee, Hanoi People's Council, as well as domestic research works, dissertations, publications, and journal articles relevant to the topic.

• **Primary data:** Collected through in-depth interviews and a survey questionnaire administered to 260 respondents (auditors and audited entities), enabling the identification of factors influencing local budget revenue audit.

Data analysis methods The dissertation employs analytical and synthetic methods, historical and logical methods, comparative methods, and quantitative methods to measure the impact of influencing factors.

The author developed a measurement scale comprising 10 factors (grouped into three categories A, B, and C) with 43 indicators. The factors include:

• **Group A (Auditor-related):** 4 factors (professional competence, audit skills, work experience, and compliance with SAO standards).

• **Group B (SAO-related):** 4 factors (working conditions for auditors, audit team staffing arrangements, audit methodology/procedures, and quality control system).

• **Group C (External):** 2 factors (characteristics of the audited locality

and the legal environment for auditing activities).

The regression model used to determine the influence of these factors on local budget revenue audit is as follows:

$$\text{KIEMTOAN} = \beta_0 + \beta_1 \cdot \text{NL} + \beta_2 \cdot \text{CM} + \beta_3 \cdot \text{KN} + \beta_4 \cdot \text{CMKT} + \beta_5 \cdot \text{DKLT} + \beta_6 \cdot \text{NSU} + \beta_7 \cdot \text{PP} + \beta_8 \cdot \text{KSCL} + \beta_9 \cdot \text{DP} + \beta_{10} \cdot \text{PLY} + \varepsilon_i$$

5. Contributions of the dissertation

The dissertation offers the following novel scientific and practical contributions:

- Development of a set of criteria for evaluating local budget revenue audit.
- Empirical measurement of the impact of various factors on local budget revenue audit in Hanoi, with the addition of the new factor “audit team staffing arrangements.”
- Comprehensive analysis and evaluation of the current state of local budget revenue audit in Hanoi, integrated with an assessment of taxpayers’ compliance with tax policies and the tax authority’s revenue management practices; identification of limitations; and formulation of perspectives and solutions for the SAO Region I to improve local budget revenue audit in Hanoi.

6. Structure of the dissertation

In addition to the introduction, conclusion, list of the author’s published works related to the dissertation, references, and appendices, the main content comprises four chapters and twelve sections.

Chapter 1

OVERVIEW OF STUDIES RELATED TO THE DISSERTATION TOPIC

1.1. OVERVIEW OF RELEVANT STUDIES

1.1.1. Studies on the development of audit programs and plans for local budget revenue audit

This group of studies introduces the theoretical foundations of audit programs (AP) and audit programs for state budget revenue management (including concepts, objectives, forms, structure, content, scope, and classification of audit programs). These represent core theoretical issues that have not been adequately addressed in prior research. Consequently, when examining Chapter 2, the orientation remains unclear. There is a lack

of clear direction regarding the requirements (scope, content, structure, etc.) for developing standardized audit programs for specific audit contents within “state budget revenue audit.” Audit programs are frequently conflated with the detailed tasks of individual audit phases, whereas an audit program constitutes a component that details the implementation of the already-prepared detailed audit plan. In addition, the content and structure of audit programs are often confused with those of the detailed audit plan (including the preparation of information request forms, which belong to the detailed audit plan).

1.1.2. Studies on improving specialized professional activities in the organization and implementation of audit operations

The dissertation provides an overview of research topics that hold both theoretical and practical significance for auditing activities in general and local budget revenue audit in particular. The topic has also begun to systematize certain theories on sampling methods and sample sizes; it identifies the current state of sampling practices in the operations of the State Audit Office of Vietnam (SAO), and proposes solutions aimed at systematizing sampling methodologies, thereby contributing additional experience regarding sampling methods and sample sizes in auditing activities.

1.1.3. Studies on auditing and the innovation and development of auditing activities in Vietnam

These studies emphasize the need to consolidate organizational structures and enhance the capacity of units responsible for advisory functions. They call for the development of a contingent of public officials and state auditors who are sufficient in number, highly competent in professional expertise, and particularly possess integrity, impartiality, and a strong professional ethic. They advocate the vigorous implementation of training strategies so that, within a relatively short period, Vietnam can establish a team of leading experts in each specialized field, achieving a level of auditing comparable to that of advanced countries in the region and worldwide.

1.1.4. Studies on the development and enhancement of the quality of the contingent of auditors

Several proposed solutions include the issuance of specific, clear regulations and guidelines for the cross-checking and reconciliation of taxpayers’ reports, covering target subjects, content, scope, methods, and procedures. They also stipulate clearly the responsibilities, obligations, and

rights of taxpayers and enterprises in the process of verifying and reconciling declared tax data with the audit authority.

1.1.5. Studies on the role of auditing in improving the operational efficiency of local governments, including budget management

The findings of these studies reveal a direct relationship between the effectiveness of internal auditing and factors such as managerial awareness, managerial support, organizational independence of the audit function, staff competence, and the existence of clear auditing regulations. Regression results indicate that managerial support, the presence of competent auditors, and the availability of auditing regulations contribute significantly and positively to the effectiveness of public-sector auditing.

1.1.6. Studies on the impact of auditing on local financial and budgetary operations

The research demonstrates that the number of irregularities detected by state auditing is positively correlated with the level of corruption in the province concerned. In other words, the more severe the corruption in a province, the greater the number of irregularities identified by local auditing agencies in government accounts. Furthermore, post-audit remedial efforts are negatively associated with the level of corruption, suggesting that more intensive remediation is linked to lower corruption. This article provides empirical evidence on how government auditing can help curb corruption, offering useful insights into the role of local auditing organizations in China's governance and enriching the literature on both government auditing and corruption control.

1.1.7. Studies on the impact of tax auditing on local budget revenue collection

The study tested its model in the local government context of Israel using multi-source data from 644 employees, 277 managers, and 68 auditors across 68 local governments. The results indicate a strong linkage between certain indicators of internal audit effectiveness and local fiscal outcomes (measured by revenue-to-income ratios and the efficiency of local budget revenue collection).

1.1.8. Studies on factors influencing and ensuring conditions for the operations of auditing agencies, contributing to improved audit quality and effectiveness

This guideline also affirms that the core issue for a Supreme Audit Institution is its ability to attract and utilize an appropriate number of staff with the requisite experience and effective working skills. The guideline addresses the establishment of a human resource management unit within a

Supreme Audit Institution, the development of human resource strategies and policies, the formulation of competency criteria, staff recruitment, rewards and sanctions, remuneration regimes, and training and professional development programs for state auditors.

1.2. RESEARCH FINDINGS

The systematic review of domestic and international studies reveals that a considerable number of investigations have addressed auditing in general and state budget revenue audit in particular. The key findings from the reviewed studies can be summarized as follows:

First, auditing plays a critical role in ensuring legal compliance and enhancing the effectiveness of financial and budgetary management at both national and local levels. The conclusions issued by auditing agencies serve as a basis for improving the implementation of regulations on the management of public finances, local budget revenue and expenditure, thereby preventing the loss of state assets and resources and minimizing corruption in the public sector.

Second, local budget revenue audit exerts a significantly positive impact on taxpayers' compliance with tax laws as well as on the performance of state agencies responsible for budget revenue collection. Tax revenue collection can increase following audit engagements, while violations and errors in revenue management tend to decline.

Third, numerous factors influence the effectiveness of auditing activities and the findings produced by auditing agencies in the area of local budget revenue audit.

Fourth, ensuring the effectiveness and quality of auditing requires multiple enabling conditions. Among the most important are the quality and competence of the auditor contingent, the availability and accessibility of information and data for local budget revenue audit, and clear criteria for the selection of audit entities. The development of audit programs and plans, together with the necessary supporting conditions, constitutes a vital prerequisite for achieving the intended audit objectives.

1.2.2. Issues requiring further research in the dissertation

1.3. RESEARCH GAPS AND RESEARCH QUESTIONS OF THE DISSERTATION

1.3.1. Research gaps

The comprehensive review of domestic and international studies indicates that existing works have clarified the necessity and importance of the State Audit Office of Vietnam in general and local budget revenue audit in particular. However, the author identifies several issues that have

either not been studied or have not been examined in sufficient depth, both theoretically and practically, and which therefore require further clarification:

- Following the enactment of the 2015 State Budget Law and its 2020 amendments, there have been few studies on local budget revenue audit, and none have specifically focused on local budget revenue audit in Hanoi, with particular emphasis on the audit of domestic revenue items under the decentralized management of city-level tax authorities directly subordinate to the central government.

- There is an absence of research examining changes in the operating environment, especially the impact of Industry 4.0 factors on budget revenue collection and local budget revenue audit. These environmental shifts necessitate new requirements and solutions for local budget revenue audit.

- No studies have yet developed detailed audit content and methodologies to provide unified guidance for implementation. Consequently, auditors lack comprehensive knowledge of tax policies and revenue management mechanisms and do not possess sufficient specialized skills and expertise in this field.

- Local budget revenue audit continues to focus primarily on the annual budget final accounts. Guidelines for auditors in general-and for local budget revenue audit at integrated management agencies in particular-remain limited to general auditing standards and procedures, without offering detailed, task-specific orientations. As a result, the application of auditing standards and budget audit procedures in the practical context of local budget revenue audit at integrated management agencies lacks high effectiveness and tends to be ad hoc, subjective, and heavily dependent on the individual competencies of the assigned auditors.

- The effectiveness and efficiency of reconciliation work conducted by the SAO remain limited due to shortcomings in the legal framework, reconciliation methodologies, and the level of cooperation from revenue-managing agencies and taxpayers, as well as deficiencies in procedures and guidelines. In the context of self-declaration and self-payment systems, combined with the relatively low rate of tax inspections and examinations, tax evasion remains widespread. Reconciliation activities by regional SAO offices have shown that nearly all audited entities result in additional state budget revenue.

- Auditing activities remain predominantly oriented toward compliance auditing and financial auditing, with limited attention paid to performance auditing.

1.3.2. Research questions of the dissertation

To elucidate the issues surrounding local budget revenue audit, the author formulates the following specific research questions:

- Research Question 1: What are the general theoretical issues and evaluation criteria for local budget revenue audit? Which factors influence local budget revenue audit, and in what manner do they exert their influence?

- Research Question 2: What is the current situation of local budget revenue audit in Hanoi City? What are its strengths and limitations?

- Research Question 3: What recommendations and solutions should the State Audit Office of Vietnam propose to improve tax-related auditing within the framework of local budget audit in Hanoi?

Chapter 2

THEORETICAL AND PRACTICAL FOUNDATIONS OF LOCAL BUDGET REVENUE AUDIT

2.1. BASIC THEORETICAL ISSUES CONCERNING LOCAL BUDGET REVENUE AUDIT

2.1.1. Overview of local budget and local budget revenue

2.1.1.1. Local budget: To enable each sub-national level of government to perform its assigned functions and tasks, the state relies on the decentralization of administrative management and economic management to allocate state budget management responsibilities. This process gives rise to the budgets of various levels of local government. Accordingly, the local budget is the generic term denoting the budgets of all levels of government below the central level, corresponding to the administrative boundaries of each level.

2.1.1.2. Local budget revenue: State budget revenue encompasses a wide range of sources. In addition to the principal revenues derived from taxes, fees, and charges, it includes revenues from state economic activities, contributions by organizations and individuals, grants and aid, and other revenues as prescribed by law.

2.1.1.3. Decentralization of local budget revenue: The decentralization

of state budget management between the central government (or federal level) and sub-national governments (or state/provincial levels) is an objective necessity arising from the multi-tier structure of the state budget system. Decentralization of state budget management addresses the relationship between the central government and local governments through three fundamental aspects: (i) the relationship concerning regimes and policies; (ii) the material relationship regarding sources of revenue and expenditure responsibilities; and (iii) the relationship concerning the management of the budget cycle.

2.1.2. Concept and objectives of local budget revenue audit: Local budget revenue audit is an activity conducted by the State Audit Office of Vietnam (SAO) that involves the evaluation, verification, conclusion, and recommendation regarding the collection of local budget revenue.

2.1.3. Methods of local budget revenue audit: Local budget revenue audit is an audit activity directed at local budget revenue items and is therefore performed using the general audit methods applicable to all types of audit.

2.1.4. Characteristics of local budget revenue audit: State audit of local budget revenue constitutes an important supervisory activity aimed at ensuring accuracy, transparency, and efficiency in the process of revenue collection, management, and utilization at the local level. This activity possesses distinct characteristics compared with other forms of auditing.

2.1.5. Role of local budget revenue audit: The role of the SAO in auditing local budget revenue may vary depending on the requirements of budget management at each stage of a country's development and on the level of development of the SAO itself in each period. In general terms, the role of the SAO in the management of local budget revenue through local budget audit can be summarized as follows.

2.2. CONTENT OF LOCAL BUDGET REVENUE AUDIT

2.2.1. Planning of local budget revenue audit: In the field of local budget revenue audit, the SAO must develop an annual audit plan and clearly identify audit objects at the aggregate level as well as in detail according to the organizational units responsible for state budget revenue management. The annual audit plan for the state budget revenue sector must be formulated in accordance with each type of audit in order to determine the scope, objects, and applicable audit methods. On the basis of the annual plan, the units assigned to conduct state budget revenue audits

shall prepare detailed plans for each individual audit engagement, linked to the specific audit object. Given the continuous nature of the budget cycle and the specific characteristics of state budget revenue management-which are closely linked to medium- and long-term socio-economic development plans-the SAO should, in addition to annual audit plans, develop medium- and long-term audit plans (3–5 years) aligned with the overall objectives of state budget revenue audit in both the medium and long term. These plans should be updated and supplemented annually according to the specific features of revenue management and the annual objectives of local budget revenue audit.

2.2.2. Implementation of the local budget revenue audit plan: The implementation of the local budget revenue audit plan is the process of executing the audit activities in accordance with the approved plan, with the aim of examining and evaluating the legality, accuracy, and efficiency of local budget revenue collection. This process includes the collection, analysis, and verification of information related to all sources of budget revenue, ranging from taxes, fees, and charges to other revenues, thereby ensuring that budget revenue is collected correctly, sufficiently, and in compliance with the law.

2.2.3. Termination of audit activities: The termination of local budget revenue audit is the process of finalizing the evaluation, examination, and verification of local budget revenue items. This stage aims to ensure the accuracy, legality, and efficiency of revenue collection and expenditure at the local government level. Auditors collect financial reports, budget revenue records, and supporting documents related to the collection of taxes, fees, and other revenues of the locality.

2.2.4. Verification of the implementation of audit conclusions and recommendations on local budget revenue: The verification of the implementation of audit conclusions and recommendations constitutes the final stage of the audit process. Its purpose is to ensure that the audit findings produce practical effects and enforceability while re-examining the correctness of the audit recommendations and identifying any possible errors in the audit conclusions, thereby proposing remedial measures.

2.3. EVALUATION CRITERIA FOR LOCAL BUDGET REVENUE AUDIT

Following a systematic review and expert consultation survey, the study has identified five groups of criteria for evaluating local budget revenue audit, corresponding to the main audit activities.

2.4. FACTORS AFFECTING LOCAL BUDGET REVENUE AUDIT

2.4.1. Factors related to the audit team: When auditors strictly adhere to audit procedures and standards, they assume clear responsibility for the outcomes of their work. This safeguards the reputation and transparency of the auditing institution and ensures that the audit process is not influenced by informal factors.

2.4.2. Factors related to the State Audit Office: Quality control ensures that auditors perform their duties objectively, free from external influences such as political pressure or personal interests. This enhances transparency and fairness in the local budget revenue audit process. Quality control procedures require auditors to comply with international standards and legal regulations on auditing, thereby guaranteeing that the audit accurately reflects the true financial situation.

2.4.3. External factors: First, factors related to the audited locality. These include the level of understanding by leaders of departments, boards, and branches within the locality concerning the Law on the State Audit Office, SAO standards, and relevant legal provisions; the integrity and competence of officials and leaders; the organizational structure of units responsible for local budget revenue collection; and the cooperation of these units in providing audit documentation and in following up on audit recommendations. When these factors operate positively and in compliance with regulations, they exert a favorable influence on the audit; the opposite is also true.

Second, factors related to the legal environment for auditing activities. These include the completeness and appropriateness of the legal framework; the adequacy and suitability of auditing standards; and mechanisms for coordination between the SAO and other inspection and examination agencies to avoid overlapping audit activities. All of these elements can generate either positive or negative impacts on audit operations.

2.5. EXPERIENCES IN LOCAL BUDGET REVENUE AUDIT AND LESSONS FOR THE STATE AUDIT OFFICE REGION I

2.5.1. Experiences in local budget revenue audit

- Experiences of the Comptroller and Auditor General of India.
- Experiences of the European Court of Auditors (ECA).
- Experiences of the State Audit Office Region IV in auditing local budget revenue in Ho Chi Minh City.

2.5.2. Lessons drawn for the State Audit Office Region I in conducting local budget revenue audit: Drawing upon the international and domestic experiences outlined above, and in order to become the highest-quality and most professional agency for the inspection and supervision of public assets and public finances in accordance with the SAO Development Strategy to 2020 and the vision to 2030, the SAO Region I must implement fundamental and qualitative changes. These changes are required to best meet the expectations of users of audit reports by providing complete, timely, and reliable information to both internal and external stakeholders of the audited entity. Such information must satisfy the requirements of governance, economic-financial analysis and forecasting, as well as the oversight functions of legislative and executive bodies in the field of local budget revenue audit.

Chapter 3

CURRENT SITUATION OF LOCAL BUDGET REVENUE AUDIT IN HANOI CITY BY THE STATE AUDIT OFFICE REGION I

3.1. OVERVIEW OF THE STATE AUDIT OFFICE REGION I AND LOCAL BUDGET REVENUE IN HANOI CITY

3.1.1. Organizational structure and apparatus of the State Audit Office Region I: The leadership of the State Audit Office Region I consists of the Chief Auditor and Deputy Chief Auditors. The organizational structure of the State Audit Office Region I comprises the Office, the Department of General Affairs, and no more than five professional departments. The establishment, merger, and specific tasks of each department are decided by the Chief Auditor after obtaining approval from the Auditor General of Vietnam. The State Audit Office Region I currently has 80 auditors, all of whom hold university degrees; 60% hold master's degrees; and 5% hold doctoral degrees in disciplines relevant to auditing.

3.1.2. Current situation of local budget revenue in Hanoi City: The State Audit Office Region I is a unit directly under the State Audit Office of Vietnam and is responsible for auditing the following entities: local government authorities within its jurisdiction; agencies, units, and organizations under local government that use local budget or centrally delegated central budget funds; construction works and investment projects managed by People's Committees at all levels within the region or

by units under those People's Committees acting as project owners; state-owned enterprises established by competent local authorities within the region; and other entities under central management located within the region as assigned by the Auditor General of Vietnam.

3.2. CURRENT SITUATION OF LOCAL BUDGET REVENUE AUDIT IN HANOI CITY BY THE STATE AUDIT OFFICE REGION I

3.2.1. Current situation of audit planning: After the audit report is issued, the State Audit Office forwards the audit report to the locality, submits recommendations on financial handling to the Central Treasury and the city, and notifies the relevant units of the audit results and reconciliation outcomes for coordinated implementation. In addition, the State Audit Office sends the audit report to the Hanoi People's Council and the National Assembly delegation for oversight of implementation and as a basis for approving the local budget final accounts. Annually, the State Audit Office consolidates the results of local budget revenue audits to report to the Standing Committee of the National Assembly and the National Assembly; it also submits reports to the President, the Government, the Prime Minister, the Ethnic Council, and the Committees of the National Assembly, while providing audit findings to the Ministry of Finance and other relevant agencies. In practice, besides government authorities, other bodies (such as Party agencies) also utilize audit information for their professional work. This demonstrates that the information provided by the State Audit Office is increasingly valuable and useful, affirming the SAO's position as the supreme auditing body for public financial management.

3.2.2. Current situation of implementing the local budget revenue audit plan in Hanoi City:

(1) Audit implementation at state budget revenue management agencies. At these units, auditors from the State Audit Office Region I examine and evaluate the organization and implementation of budget revenue estimates, taxpayer management, tax declaration and payment by revenue-paying entities, and the consolidation and reporting of revenue collection results. In addition, auditors assess the effectiveness of tax inspection and examination activities conducted by the revenue management agencies.

(2) Audit implementation at budget-paying units. During audits at enterprises, auditors review the accounting records, financial statements,

and supporting documents to verify the legality and reasonableness of revenue, expenses, and profit. They also reconcile the enterprise's tax declaration data with the tax authority's management database to detect discrepancies or indications of incomplete tax obligations.

(3) Audit implementation for key revenue items. For these revenue items, auditors analyze trends in budget revenue fluctuations over the years, compare them with economic growth rates and local production and business conditions to identify irregularities. They also examine the determination of financial obligations by relevant organizations and individuals to ensure compliance with legal provisions.

In addition, the activities of the State Audit Office Region I have identified limitations in the management of local budget revenue in Hanoi City, including shortcomings in the execution of revenue collection procedures, debt management, debt write-off, and debt enforcement measures.

3.2.3. Current situation of the termination of audit activities

(1) Consolidation and preparation of the audit report After completing audit procedures at the audited entity, the audit team consolidates the audit findings and prepares the audit report. The content of the audit report reflects audit discoveries related to the management and implementation of local budget revenue, including financial violations, limitations in revenue management, as well as financial handling recommendations and proposals for improving management mechanisms.

(2) Publication of the audit report and issuance of audit recommendations Once approved, the audit report is disseminated to relevant agencies, including state management bodies and the audited entities. In the audit report, the State Audit Office Region I issues audit recommendations aimed at addressing the violations identified during the audit process.

3.2.4. Current situation of verifying the implementation of audit conclusions and recommendations on local budget revenue

The State Audit Office Region I has issued numerous financial handling recommendations aimed at increasing state budget revenue, reducing improper tax deductions, and adjusting tax obligations of organizations and enterprises. Audit results show that the total value of recommendations related to budget revenue in Hanoi is substantial, including additional revenue increases, reductions in value-added tax

deductions, and adjustments to corporate income tax. These recommendations are subsequently forwarded to revenue management agencies such as the Hanoi Tax Department, the Department of Finance, the Department of Natural Resources and Environment, and the State Treasury for implementation and follow-up. The recommendations include the additional remittance of revenues to the state budget, accounting adjustments, rectification of violations in revenue management, or revisions to financial management procedures.

3.2.5. Analysis of the current situation of factors affecting local budget revenue audit in Hanoi City

Through quantitative research, three groups of factors comprising ten independent variables were identified as having a positive influence on local budget revenue audit and consistent with the initial research hypotheses. The groups of factors are: (i) Auditor-related group: 4 factors - professional competence; audit skills; work experience; compliance with SAO standards; (ii) State Audit Office-related group: 4 factors - working conditions for auditors; audit team staffing arrangements; audit methodology/procedures; quality control system of the audit; (iii) External group: 2 factors - factors related to the audited locality in local budget revenue management and factors related to the legal environment for auditing activities.

The degree of influence of each factor on local budget revenue audit in Vietnam, ranked in descending order, is as follows: (1) Audit skills; (2) Work experience; (3) Audit team staffing arrangements; (4) Professional competence; (5) Audit methodology/procedures; (6) Factors related to the audited locality; (7) Compliance with SAO standards; (8) Quality control system of the audit; (9) Factors related to the legal environment for auditing activities; (10) Working conditions for auditors.

3.3. OVERALL ASSESSMENT OF LOCAL BUDGET REVENUE AUDIT IN HANOI CITY BY THE STATE AUDIT OFFICE REGION I

3.3.1. Achievements: The audit content evaluating the management and administration of local budget revenue covers all aspects of revenue collection and is reflected in the three stages: estimation, budget execution, and final accounts of budget revenue. The focused and prioritized evaluation enables state auditors to highlight core issues in the management and administration of local budget revenue and to continue expanding the assessment to other related aspects.

3.3.2. Limitations and causes

3.3.2.1. *Limitations:* First, the survey and information collection on the management and administration of local budget revenue is sometimes not given due attention.

Second, the quality of audit planning with respect to the evaluation of local budget revenue management and administration remains low.

Third, the evaluation of local budget revenue management and administration has not received attention commensurate with its importance. Many audit teams continue to place heavy emphasis on tax reconciliation audits.

Fourth, current audit work still focuses heavily on detailed examination and tax reconciliation, resulting in audit findings that are fragmented, superficial, and fail to concentrate on assessing the overall management and administration of local budget revenue by the locality.

Fifth, the public disclosure of local budget revenue audit reports has not been fully implemented.

3.3.2.2. *Causes of the limitations*

Subjective causes

- Auditors, in performing their duties, have not fully evaluated the completeness, effectiveness, efficiency, reliability, and limitations of the internal control system as a basis for risk assessment and the determination of audit materiality.

- At present, the State Audit Office has not yet completed the construction of a database on audit entities; therefore, the survey phase still requires considerable time for gathering and exploiting information related to taxpayers.

- Coordination among audit groups and audit sub-teams within the audit team to produce an overall assessment of local budget revenue management and administration remains limited.

- The quality of input provided by the State Audit Office Region II on local budget revenue estimates is not high. The preparation and approval of local budget revenue estimates are mainly assessed by the State Audit Office during the annual budget final accounts audit.

- People's Councils at the local level have strengthened oversight of thematic activities related to state budget revenue collection. Following such oversight, the Standing Committee of the People's Council regularly monitors the implementation of oversight recommendations by the

People's Committee. The quality of oversight has improved and made a positive contribution to local budget revenue management and administration. However, the evaluation of the oversight activities of People's Councils and other entities in relation to local budget revenue management and administration has not received adequate attention from audit teams.

- The time allocated for the survey phase is short (5 to 7 working days), while data depend on information provided by the tax authority. Moreover, tax authority data are often statistical reports, so initial data provided are frequently inaccurate, leaving auditors without an immediate basis for verification and reconciliation during the survey. In some cases, information is not provided in a timely manner or is incomplete, which affects the quality of survey and information collection for audit planning.

- With regard to the monitoring of audit entities: there are no specific guidelines establishing clear criteria for the basic data and information that need to be collected, updated regularly, and applied uniformly across departments. Although the State Audit Office has developed audit entity monitoring software for the entire sector, it is still in the pilot stage and under refinement.

- Audit files from previous audits have been archived, making it difficult to exploit them for subsequent audits.

- The capacity of some state auditors remains limited in evaluating local budget revenue management and administration.

Objective causes

- Competent state agencies involved in the management and administration of local budget revenue, as well as many audited entities, are often slow in consolidating and providing information and data to state auditors, given the limited time frame for survey and audit execution.

- Auditors continue to encounter difficulties in tax inspection and reconciliation.

- In auditing localities with large budget scales and extensive geographical areas, time constraints pose significant challenges.

- There remains overlap between auditing and inspection/examination activities. In practice, duplication and overlap still exist between inspection/examination work and the audit activities of the State Audit Office.

- The management and administration of budget revenue are expressed through numerous decisions on budget management and utilization involving multiple agencies, departments, boards, and branches. Due to the limited audit timeframe and delays in the provision of information and documents by some audited entities, auditors sometimes face difficulties in forming comprehensive assessments of local budget revenue management and administration.

- The quality of input provided by other regional State Audit Offices on local budget revenue estimates remains low.

- In most local budget revenue audits, the oversight activities of elected bodies regarding local budget revenue management and administration and the public disclosure of local budget revenue have not been evaluated.

- Current legal documents still contain many provisions that are not specific or clear, while local governments apply diverse approaches to budget revenue management and administration based on their actual conditions.

- Difficulties persist in the inspection and reconciliation of taxes.

Chapter 4

DIRECTIONS AND SOLUTIONS FOR IMPROVING LOCAL BUDGET REVENUE AUDIT IN HANOI CITY

4.1. STRATEGIC DIRECTIONS FOR IMPROVING LOCAL BUDGET AUDIT TO STRENGTHEN THE BUDGET MANAGEMENT CAPACITY OF LOCAL GOVERNMENTS

4.1.1. New contexts influencing local budget revenue audit in Hanoi City First, the context of tax policy reform and state budget revenue management. Second, the context of digital transformation in state budget revenue management. Third, the context of adjustments to the policy on revenue-source decentralization between the central and local governments. Fourth, the context of economic fluctuations and the requirement to increase budget revenue. Fifth, the context of expansion in the scale and structure of budget revenue sources.

4.1.2. Strategic directions for improving local budget revenue audit in Hanoi City

4.2. SOLUTIONS FOR IMPROVING LOCAL BUDGET REVENUE AUDIT IN HANOI CITY BY THE STATE AUDIT OFFICE REGION I

4.2.1. Improving the audit planning phase First, enhancing the quality of information collection and analysis in support of audit planning.

- Expand sources of information collection for audit planning.
- Strengthen the analysis of budget revenue data by sector and by groups of revenue-paying entities.

Second, applying a risk-based audit planning methodology.

- Focus audit efforts on revenue items derived from land and the real estate market.
- Select for audit enterprises with large tax scales or high transfer-pricing risks.
- Pay special attention to revenue items arising from Hanoi's services and commercial markets.
- Prioritize the audit of business sectors with rapid growth rates.
- Select for audit revenue items showing signs of abnormal fluctuations.
- Give priority to auditing areas where violations have been detected in previous audit engagements.

Third, strengthening the analysis of the structure and fluctuations of Hanoi's budget revenue sources when developing the audit plan.

- Analyze the structure of Hanoi's major budget revenue items.
- Analyze trends in budget revenue fluctuations over the years.

Fourth, selecting key audit focuses linked to high-risk areas of budget revenue collection in Hanoi.

Fifth, strengthening the exploitation of data from state budget revenue management agencies to support audit planning.

Sixth, linking audit planning with the results of previous years' audits.

Seventh, enhancing the data analysis capacity of auditors during the planning phase.

Eighth, monitoring information on audit entities in local budget revenue audit.

Ninth, completing the preparation, approval, and dispatch of the survey outline.

4.2.2. Improving the organization and implementation of the audit plan First, assigning audit tasks in accordance with the professional expertise of auditors.

Second, developing detailed audit programs appropriate to each specific area of budget revenue.

Third, strengthening coordination with state budget revenue management agencies throughout the audit process.

Fourth, strengthening control over the progress and quality of audit plan implementation.

Fifth, flexibly adjusting audit content upon detection of new risk indicators.

4.2.3. Improving the termination of audit activities

4.2.4. Improving the follow-up and monitoring of the implementation of audit recommendations

4.2.5. Enhancing the professional competence and ethical qualities of auditors

4.2.6. Improving working conditions for auditors

4.2.7. Establishing a database and strengthening the application of technology in support of local budget revenue audit

CONCLUSION

In accordance with Resolution No. 15 of the Politburo dated 5 May 2022 on the orientation and tasks for the development of Hanoi Capital up to 2030, with a vision to 2045, the goal by 2030 is for Hanoi to become a city characterized by “Cultural Heritage – Civilization – Modernity.” It is to serve as a center and driving force for the development of the Red River Delta, the Northern Key Economic Region, and the entire country; to integrate deeply into the international community; to possess high competitiveness with the region and the world; and to strive to develop on a par with the capitals of developed countries in the region.

Hanoi Capital plays the most important role in the economic development of northern Vietnam. The city’s economy is the most developed in the services and tourism sectors and ranks as the second-largest generator of state budget revenue after Ho Chi Minh City. State budget revenue generated on the capital’s territory has created essential resources for the city’s socio-economic development while also contributing to the central budget. Although many positive results have been achieved, budget revenue in the locality has not yet reached its full

potential. For example, tax debt management has failed to meet the assigned collection targets, and decisive enforcement measures-such as suspension of invoices, asset seizure, revocation of tax codes, or recommendations for the withdrawal of business registration certificates-have not been applied to the fullest extent in accordance with legal provisions.

The principal achievements of the dissertation are as follows:

- The development of a set of criteria for evaluating local budget revenue audit.
- The empirical measurement of the impact of various factors on local budget revenue audit in Hanoi City, with the addition of the new factor “audit team staffing arrangements” as an influencing variable.
- A comprehensive analysis and evaluation of the current situation of local budget revenue audit in Hanoi City, integrated with an assessment of taxpayers’ compliance with tax policies and the tax authority’s revenue management practices; the identification of existing limitations; and the formulation of perspectives and solutions for the State Audit Office Region I to improve local budget revenue audit in Hanoi City.

In addition, the research results of the dissertation still have certain limitations due to constraints on data availability and data updating.

The study of the topic “Audit of Local Budget Revenue in Hanoi City” will continue to contribute to the refinement of audit activities aimed at increasing local budget revenue. At the same time, it will meet the increasingly high requirements for audit quality set by the State Audit Office Region I and will more effectively fulfill the task of supporting the National Assembly, People’s Councils, and state budget management agencies in the management and oversight of the local budget.

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