

Improve Accounting Laws in the Public Sector to Prevent Fraud and Corruption in Vietnam

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Abstract

Corruption in the field of accounting and finance is new topic that is of interest to many researchers because of the increase in the number and scale of fraud, corruption and similar acts. This article analyzes the nature of fraud and corruption in the field of public accounting, thereby identifying structural factors that contribute to fraud and corruption in the application of accounting laws in the public sector. Finally, there are recommendations to improve the accounting laws in the public sector to prevent fraud and corruption in Vietnam. The article uses bibliometric analysis and systematic literature review (SLR) methods to analyze fraud and corruption in the field of public accounting. The main result of this study is to identify structural factors that lead to fraud and corruption in the field of public accounting.

Keywords: *Accounting Law, Public Sector Accounting, Fraud and Corruption Prevention.*

Introduction

Literature Review

Corruption and Anti-Corruption

Corruption has drawn growing attention in development discourses over the recent years. It is perceived as a major obstacle to development, especially in developing countries. The World Bank holds a similar notion and has taken this issue very seriously in terms of research and granting aid to recipient countries. The corruption issue is no longer confined within national boundaries; it is rather concerned with multinational companies and aid agencies. While investing, multinational companies are affected by corruption in host countries. At the same time, there are events where multinational companies offer bribes to have contracts or other undue opportunities. Aid agencies are often found to be unsuccessful in bringing development outcomes owing to corruption in host countries.

Corruption may take various forms such as bribery, rent-seeking, kick-back, extortion, embezzlement and so on. It is, therefore, difficult to define corruption which may cover all the forms. Corruption is popularly defined as ‘misuse of public offices for private gains’ or ‘the behaviour that deviates from formal duties because of private gains. Definitions of corruption may have legal and moral dimensions as well.

Most of the studies conducted on corruption look mainly at the effects of corruption, but causes and remedies are more important. However, remedial measures certainly depend on the causes or, in other words, on the types of corruption. While there is no straightforward or universal solution to corruption, I discuss the remedial measures for the most common type of corruption.

Corruption is a social phenomenon associated with social class formation and the birth and development of the state apparatus. Corruption occurs in almost every country, regardless of political regime, whether the country is rich or poor, or what level of economic development it is; Corruption takes place in all economic, social and cultural fields, it appears into every aspect of social life and touches the interests of the people. Corruption is a dangerous disease, it causes extremely harmful economic, political, cultural, and

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social consequences, it sets barriers onto development of society, even leading to collapse of an entire system...

Corruption is a characteristic disease of every State. It is an innate defect of power and manifestation of the State power, it is an incurable disease. The thinker Montesquieu pointed out: "everyone who has power tends to abuse that power." The form, nature, level and methods of corruption change depending on the economic, political and social context, depending on the relationship between society's concern for corruption, especially in relation to democracy.

Although expressed in different ways, corruption is understood quite consistently in legal culture in countries around the world as taking advantage of position, power, and committing illegal acts for personal gain. Individuals, or in other words, corruption is the illegal use or appropriation of public power or collective resources.

Humans, no matter who they are, by nature seek out their own interests, so the risk of abusing power is also very large. Therefore, to fight corruption, it is necessary to have measures against greed, more precisely, to reduce human greed and strengthen control over the exercise of public or state power.

Theories on corruption have emerged in the process of examining the agency structure where there are three parties: principal, agent and client. Principal refers to the person or body which owns the commodity; agent refers to the person who is assigned to hand over the commodity, and client refers to the person who is seeking the commodity to have. However, the meanings of these terms will change according to cases or perspectives. Some examples would make the agency relationships clear.

In a situation where a government minister assigns bureaucrats to distribute licenses among the people interested in undertaking to sell, say, a fertilizer to farmers. The minister who truly represents the mass people, the real owners of the wealth of a nation and voted the minister to power, is the principal (in fact, the people of the state are the principal, but the minister can be considered the principal as long as he truly represents the people), the bureaucracy— for clarity's sake, the secretary of the concerned ministry is the agent, and the people interested in buying licenses are the clients. If the minister does not truly represent the people and takes bribes from the license seekers through the secretary, then he is no longer the principal, rather becomes a part of the agent, which consists of all government officials involved in the process of distributing licenses. Here the voters or the body which is overseeing the activities of the ministry, for example, the parliamentary committee, can be considered the principal.

In a case where a regulatory authority assigns an inspector to check the level of pollution caused by firms, the regulatory authority is the principal, the inspector, the agent and the firm, the client.

When the commissioner of a tax region is given a target of collecting taxes, the tax inspector is the agent, the taxpayer the client, and the commissioner the principal.

Police become the agent while criminals, the client and the members of the society seeking law and order are the principal.

Corruption is said to take place when the agent cheats the principal by gaining monetarily through doing monetary favours to the clients.

Before we go for discussing theoretical causes of corruption, it needs to be emphasised that the principal is the one who wants a hundred percent fairness in distributing commodities to true clients. As soon as the body or person who apparently acts the role of principal indulges in seeking private gains at the cost of public loss, can no longer be considered a principal in a theoretical analysis.

Lack of information, conflicts of interests and absence of accountability are the causes of corruption. The fact that the principal lacks information and the agent is well-equipped with information, which puts the

latter in an advantageous position, creates the scope for the agent to collude with the client and, thus, rent is extracted and shared between them.

In the agency structure, three categories of relationships between principal, agent and client usually exist on the basis of the amount of power and responsibilities enjoyed by the agent. First, the agent has the absolute power of information; the principal is in total darkness about the client. Regulatory enforcement, tax enforcement, policing, etc., fall into this category. Second, the principal has some power but allows the agent to choose an incentive mechanism for himself and also delegates the implementation plan to him. High-ranking bureaucrats enjoy this kind of opportunity, who exercise the power of policy design and fix their incentive packages. The third is a monopoly situation. Here all the power is transferred to the agent. Issuing licenses, permits, etc., fall in this category, where there are no guidelines about the distribution system, according to Mishra in 2005.

Corruption in Accounting of Public Sector

In our country today, in the process of implementing the reform process under the leadership of the Communist Party of Vietnam, corruption has been identified as a dangerous disease, a threat to the entire society and to the whole society. With the revolutionary cause that our entire Party and people have been working hard to build, corruption is contrary to the nature of the regime and must be fought fiercely to prevent and push back. In recent times, corruption has occurred in all areas of social life, causing great damage to State assets, money, time and effort of the people. A series of large and serious corruption cases have been discovered such as the Duong Chi Dung case; Vu Quoc Hao case; Huynh Thi Huyen Nhu case; Pham Cong Danh case; Ha Van Tham case; Giang Kim Dat case; Dinh La Thang case; Trinh Xuan Thanh case; Phan Van Anh Vu (Vu Nhom) case; Dinh Ngoc He (Ut Troc) case; Gambling and gambling organization cases occurred in Phu Tho and some localities involving a series of police generals. The value of damaged and lost assets in each incident reaches tens, hundreds, even thousands of billions of Vietnamese dong. Only cases related to finance and banking were handled by the Supreme People's Procuracy from 2013-2017. The total damages have reached 49,640 billion VND, of which the case of Pham Cong Danh and his accomplices in phase 1 and phase 2 is 15,264 billion VND, the case of Huynh Thi Huyen Nhu and his accomplices is 3,986 billion VND, the case of Pham Thi Bich Luong and accomplice 2,478 billion VND, case of Ha Van Tham and accomplice Pham 2,235 billion VND. Recently, the case of Van Thinh Phat and Ms. Truong My Lan, SCB Bank announced losses of more than 764,000 billion VND, leading to a series of acts of bribery, bribery, and fraud.

The amount of assets recovered through serious corruption and economic cases also shows the level of economic loss (Giang Kim Dat case more than 300 billion VND; Hua Thi Phan case more than 10,000 billion VND; Bank case East Asia more than 2,000 billion VND; AVG case more than 8,500 billion VND...). In the context of a developing country, all resources need to be mobilized to the maximum for the cause of industrialization and modernization, which requires saving for hunger eradication, poverty reduction and implementation of social policies. On the other hand, the waste and loss of property, money, time, and effort due to corruption must be considered a crime that must be strongly fought and handled.

With self-seeking motives, some people have taken advantage of their positions in the state apparatus or of certain powers assigned by law or competent State agencies to carry out acts aimed at taking over appropriate property or other benefits of the State, of groups or individuals. The consequences of corrupt acts are not only that the assets and interests of the State, a collective or an individual are turned into the private property of the person committing the corrupt act, moreover, the corrupt act also causing damage, loss, and waste of a large amount of State, collective, and citizen assets. In addition, in many cases, the State invested in a large-scale development program or invested in building roads, bridges, and dykes that were corrupted; On the one hand, increasing the price of the program or project much higher than the real value, moreover, it also slows down the progress and reduces the quality of the project. That leads to ineffective State investment while budget funding is very expensive. On the other hand, insider transactions for programs and projects that play an important role in the country's livelihood, such as agricultural development programs, health care, education or the construction of roads, bridges, etc. If the dyke does not meet quality requirements, it is necessary to increase investment capital to improve the quality of the

project, or even have to start over from scratch for poor quality programs and projects, which leads to a problem. a huge waste of State assets. Typical examples are the FLC Group case against Trinh Van Quyet, the Phuc Son Group case against Nguyen Van Hau, the Thuan An Group case against Nguyen Duy Hung, Tran Anh Quang for bribery, the AIC Group case against Nguyen Thi Thanh Nhan etc...

At a lower level, the fact that some officials and civil servants are bureaucratic, harassing people while performing public duties, and abusing their powers while performing public duties causes people to waste a lot of time. time, effort, and money to be able to perform your work such as applying for licenses, certificates, or other documents. If we consider each case individually, the wasted material value may not be too large, but if we aggregate incidents that take place regularly and continuously in daily life, the number appropriated is at a high level. serious.

In summary, practice shows that there are many acts of fraud and corruption arising in economic activities, especially in the current economic context of Vietnam; On the other hand, accounting is an economic management tool, it reflects and stores images of economic activities that have occurred, are taking place and may occur in the future (forecasting).; In addition, in Vietnam, corrupt acts use the criteria of causing mainly monetary damage to evaluate and judge corruption crimes; Corruption criminals often use financial and accounting tools to commit fraud, etc.

Theoretically: Vietnam's Law on Anti-Corruption (Anti-Corruption) and existing anti-corruption theories in the world can be considered a general theory of anti-corruption law. Anti-corruption in the field of finance and accounting in Vietnam serves as a basis for research, as well as improvements in the enforcement of anti-corruption laws in this field.; In addition, accounting laws in the public sector seem to focus on regulations for implementing technical accounting operations without comprehensively considering the aspect of anti-fraud and corruption in this field. Specifically, accounting laws in the public sector are targeting professional guidance such as documents, books, accounts and reports. These operations ensure compliance with current Vietnamese law and reference guidelines of Vietnamese accounting standards and international public accounting standards. Vietnam currently does not have a system of accounting standards in the public sector.

From these practical and theoretical requirements, limitations have been revealed in the process of developing and applying accounting laws in the public sector, requiring improvement to properly implement the Anti-Corruption Law in the new situation.

Methodology

Regarding Data Sources

- Books/newspapers/theses/dissertations/textbooks/monographs on anti-corruption in the fields of international and Vietnamese finance and accounting
- Laws and implementation practices Law on anti-corruption in the field of accounting in Vietnam
- Some Case Studies and Related Websites.

The author uses qualitative research methods, specifically: using descriptive statistics techniques, bibliometric analysis methods and systematic literature review (SLR) to point out research gaps; Combined with techniques of analysis, synthesis, document review, etc. to analyze and conclude.

Results

Accounting Professional

When promulgating additional legal documents regulating public accounting regimes, attention should be paid to the following contents to combat corruption:

Accounting documents need to be supplemented with guidance templates for public sector units. Specifically: Full names and signatures of relevant people on documents must be clear and independent to avoid collusion; Each person must have 1 copy of documents to compare and contrast when necessary; It is necessary to stipulate required documents to be prepared... to prevent fraud and insider transactions;

Accounting books must be fully and promptly updated with arising economic transactions, and must not be omitted or left out of the books to prevent fraud;

Accounting accounts are used flexibly. If economic operations arise that are difficult to classify, the unit head's opinion in written form is required;

Accounting reports must supplement data explanations, reports must be timely and include verification reports from functional units to ensure accountability, publicity and transparency.

Accounting Processes

The process of circulating documents, books, and reports must be specifically regulated to ensure that abuse of power is not or is difficult; ensure to minimize conflicts of interest; Those involved in enforcement can understand and monitor and limit insider transactions that cause loss of State investment capital;

The process of economic management from planning, implementation, inspection, supervision and reporting must ensure publicity (organizing meetings), clearly assigning responsibilities (stipulating accountability). submit and report regularly or unexpectedly). In addition, for public companies with state capital, strict regulations are especially designed to effectively monitor and avoid loss of state capital;

Regarding the inspection and supervision process, pay attention to staff capacity, inspection content (authority) and frequency during the implementation of the inspection and supervision process. Specifically, the implementer must have appropriate qualifications and be rotated regularly (by area, by content); content of planned inspection or monitoring according to negative signs; The frequency can be regular or irregular;

Summary and Evaluation

Periodically (according to the reporting period) or irregularly (according to negative signs or short-term plans), accounting units organize summary and evaluation conferences or press conferences to announce. Through that, promote democracy to limit corruption, increase transparency, and disclose information so that society can join in the fight and discovery, contributing to alerting and preventing corruption and negativity.

Improving of Laws on Public Accounting to Prevent Corruption

Corruption in the field of public finance and public accounting will still exist both in practice and in the law-making process due to the increase in financial technology, accounting technology, public demand and abuse. development until comprehensive and effective laws and regulations are in place. As the world becomes more integrated through 4.0 technology and more innovation, criminal financial accounting, money laundering and terrorist financing activities are increasingly easy.

Several studies indicate the main motivations for individuals to engage in corrupt activities in the field of public accounting. Factors such as age, gender, education level, political background, religion, peer group, geographical orientation, cultural factors, personality factors and psychological factors can be examined. destruction (Xu et al., 2018). Qualitative studies on this issue can bring new findings in this field with many

new factors to consider, hence. It will help manage or eliminate corruption from the world of public sector accounting.

In the process of developing laws on accounting in the public sector, attention should be paid to regulating the following issues to contribute to preventing corruption in this field, specifically as follows:

Detect Accounting Fraud Through Big Data, AI And Iot

Next generation technology, especially breakthrough technologies and applications such as artificial intelligence, cloud technology, internet of things in the financial ecosystem, can support public accounting in fraud investigations and audits.

Environmental, Social and Governance (ESG) Controversy

ESG controversy refers to potentially damaging activities for companies, public entities, and the media's dissemination of unfavorable ESG information, such as their involvement in scandals. Before investing or providing finance to a company or public entity, stakeholders can use ESG criteria to evaluate the performance of that organization or company and compare it with its peers. defense (Cole et al., 2021). Because of the controversy over ESG, businesses are criticized by the press, individuals of organizations are given unfavorable information, leading to investment doubts and even fraud and corruption investigations.

Develop anti-corruption laws in the field of finance in general and public accounting in particular.

This field of research focuses on anti-corruption measures, methods, regimes, programs and certification standards. Research can be conducted to explore measures that can help fight corruption in the financial sector, the effectiveness of such anti-corruption programs and its effects. Studies may also be conducted according to such program certification standards to ensure effectiveness and efficiency.

Blockchain Aims for Transparency

Future lawmakers can explore the integration of Blockchain technology in the public sector in general, and the public accounting sector in particular. Studies could investigate how Blockchain transparency contributes to fighting corruption in the world of financial accounting in the public sector.

Concerns about the relationship between regulation and corruption may exist but the increase in public sector accounting crime and fraud is a sign of the need to legislate on this subject more seriously. more widely. Specifically, corruption has a great impact on the functions, operations, profits, export ability and growth of businesses, disturbing healthy competitive markets and affecting the reputation of the state and businesses. Karma.

Concusion

Fighting corruption and negativity is a continuous, long-term, uncompromising struggle of our Party and State. All citizens and organizations have the responsibility to effectively prevent negative corruption. In the field of public accounting, accountants and related individuals and organizations have the primary responsibility in preventing corruption and fraud.

Therefore, in the process of developing laws on accounting in the public sector, attention should be paid to perfecting regulations on accountants; develop the Law on Anti-Corruption in the field of accounting; Use scientific and technical tools such as blockchain, IoT, IA, ESG to prevent corruption and fraud.

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