

IMPROVING THE PUBLIC SECTOR ACCOUNTING SYSTEM IN VIETNAM TOWARD INTERNATIONAL INTEGRATION

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ABSTRACT

In the context of increasingly deep globalization and international economic integration, improving the public sector accounting system has become an urgent requirement to enhance transparency, accountability, and the efficiency of public financial management in Vietnam. This paper focuses on analyzing the current state of the public sector accounting system, pointing out several limitations such as differences from international practices, limited financial disclosure, and inconsistent application of information technology. Based on this, the study refers to international standards such as the International Public Sector Accounting Standards and the experiences of several countries to propose solutions for improving Vietnam's public sector accounting system toward international integration. The proposed solutions include improving the legal framework, enhancing the quality of public sector accounting human resources, strengthening the application of digital technologies, and improving mechanisms for public financial disclosure. The research findings contribute both theoretical and practical foundations for the ongoing public financial reform process in Vietnam in the coming period.

Keyword: public sector accounting, international integration, Vietnam, public sector accounting standards

1. INTRODUCTION

In recent years, the trend of globalization and international economic integration has been strongly impacting all sectors of the economy, including public finance. For Vietnam, the integration process is not limited to expanding trade and attracting foreign investment but also requires profound reforms in the state management system, especially public financial management, toward greater transparency, efficiency, and alignment with international practices. In this context, the public sector accounting system plays a crucial role in providing financial information for budget management, administration, and enhancing accountability of government agencies.

The public sector accounting system in Vietnam has achieved significant progress in recent years, making an important contribution to controlling state budget revenues and expenditures as well as managing public assets. Legal regulations on accounting and auditing in the public sector have been increasingly improved, becoming more consistent with the requirements of a market-oriented socialist economy. However, in the context of deeper international integration, the

public sector accounting system still reveals several limitations. One of the most prominent issues is the significant difference between Vietnam's public accounting system and international standards, particularly those issued by the International Federation of Accountants through the International Public Sector Accounting Standards (IPSAS). These differences create difficulties in comparing, evaluating, and ensuring the transparency of public financial information at the international level.

In addition, the level of disclosure and transparency of public financial information in Vietnam remains limited and does not fully meet the requirements of investors, international organizations, and the public. Public sector financial reporting is still largely compliance-oriented and has not yet truly focused on providing useful information for decision-making purposes. Furthermore, the application of information technology in public sector accounting is still inconsistent, making it difficult to integrate data and improve management efficiency.

Globally, many countries have been implementing international public sector accounting standards

to improve the quality of financial information and strengthen transparency and accountability in public financial management. The adoption of IPSAS not only standardizes accounting systems but also facilitates comparability of financial information across countries, thereby enhancing national reputation and competitiveness in the international arena. Therefore, researching, assessing, and proposing solutions to improve Vietnam's public sector accounting system toward international integration is a matter of both theoretical and practical significance.

Based on these requirements, this paper aims to analyze the current state of Vietnam's public sector accounting system, identify its limitations and underlying causes, and propose feasible solutions to improve the system toward convergence with international practices. The study not only contributes to enriching the theoretical foundation of public sector accounting but also provides practical policy recommendations for management agencies in the process of public financial reform in Vietnam in the context of integration.

2. THEORETICAL FRAMEWORK

2.1. Concept and role of public sector accounting

Public sector accounting is a system for collecting, processing, providing, and disclosing financial information related to state budget revenues and expenditures, public asset management, and financial resources in the public sector. Unlike corporate accounting, public sector accounting does not only aim at profit maximization but also focuses on ensuring transparency, accountability, and efficiency in the management and use of public resources.

In the current context, the role of public sector accounting has been increasingly expanded. First, it provides information for budgeting, allocation, and control of the state budget. Second, the accounting system contributes to enhancing financial transparency, enabling government agencies and the public to monitor budget utilization. Third, accounting information serves as an important basis for evaluating public sector performance, thereby supporting decision-making and policy formulation.

In particular, in the context of international integration, public sector accounting also

functions as a "common financial language," helping to enhance comparability and integration among countries. This requires the standardization of accounting systems in accordance with international practices.

2.2. International public sector accounting standards and adoption trends

One of the key foundations of international integration in public sector accounting is the adoption of international accounting standards, most notably the International Public Sector Accounting Standards issued by the International Federation of Accountants. These standards are designed to guide countries in preparing and presenting public sector financial reports in a transparent, consistent, and highly comparable manner.

The International Public Sector Accounting Standards comprise two main accounting bases: the cash basis and the accrual basis. Among these, the global trend is shifting from the cash basis to the accrual basis in order to more fully reflect the financial position, assets, and liabilities of the public sector. The adoption of accrual accounting improves the quality of financial information and better supports performance evaluation and public financial management.

Globally, many countries such as New Zealand, Australia, the United Kingdom, and Canada have successfully implemented public sector accounting reforms based on the International Public Sector Accounting Standards or equivalent frameworks. These experiences show that the adoption of international standards not only enhances transparency but also strengthens investor confidence and the credibility of a country's public financial system in the international arena.

3. CURRENT STATUS OF THE PUBLIC SECTOR ACCOUNTING SYSTEM IN VIETNAM

3.1. Reform process and development of Vietnamese public sector accounting standards

In recent years, Vietnam has achieved significant progress in reforming its public sector accounting system, most notably through the development and issuance of the Vietnamese Public Sector Accounting Standards (VPSAS). This is considered a key pillar in the strategy to modernize public financial management, aiming to enhance

transparency, strengthen accountability, and improve the comparability of public sector financial information in line with international practices, particularly toward convergence with IPSAS.

The development of VPSAS has been implemented under the Scheme for issuing public sector accounting standards, promulgated together with Decision No. 1299/QD-BTC in 2019 by the Ministry of Finance. Accordingly, the standard-setting process has been carried out in a systematic roadmap with a cautious and gradual approach, ensuring alignment with Vietnam's institutional, legal, and socio-economic conditions. The period 2020–2023 was identified as the key phase, aiming to issue 21 public sector accounting standards in multiple batches in order to reduce transition pressure and enhance implementation feasibility.

By the end of 2024, Vietnam had issued 16 public sector accounting standards through three official batches, covering key areas such as financial statement presentation, cash flow statements, inventories, property, plant and equipment, intangible assets, revenue, borrowing costs, and non-exchange transactions. These standards play a fundamental role in forming an accrual-based public accounting system, gradually replacing the traditional cash-based accounting approach.

In parallel, regulatory authorities continue to research and finalize the remaining standards, while periodically reviewing and updating issued standards to improve their compatibility with IPSAS. This demonstrates that the convergence process in Vietnam is continuous, dynamic, and closely linked to the improvement of the legal framework and public financial management capacity.

3.2. Current application of accounting bases and financial reporting system

Despite progress in developing standards, public sector accounting practices in Vietnam still largely rely on the cash basis. This reflects the traditional characteristics of the state budget management system, which focuses primarily on controlling cash inflows and outflows rather than providing a comprehensive view of financial position.

The incomplete transition to accrual accounting leads to several limitations in information provision, particularly the failure to fully

recognize liabilities, long-term assets, and future financial commitments. In contrast, international practices and the requirements of IPSAS emphasize accrual accounting as a critical condition for improving transparency and comparability of public sector financial reporting.

The current public sector financial reporting system mainly serves budget management purposes, including budget settlement reports and state financial reports. However, these reports remain highly compliance-oriented and do not fully meet the diverse information needs of stakeholders such as policymakers, investors, and the public. Moreover, the reporting content lacks comprehensive elements reflecting the financial position under international standards, particularly accrual-based reporting components.

3.3. Compatibility between VPSAS and the existing legal framework

One of the major challenges in Vietnam's public sector accounting reform is the inconsistency between VPSAS and the existing legal framework. Current regulations under the State Budget Law, the Law on Public Asset Management and Use, and related legal documents are still primarily based on the cash basis, while VPSAS is oriented toward accrual accounting.

This lack of synchronization creates difficulties in legal harmonization and practical implementation. Public sector entities face a situation of "dual systems," where they must comply with the existing accounting regime while gradually adopting new standards. This not only increases compliance costs but also affects the efficiency of reform implementation.

However, the issuance of documents such as Circular No. 24/2024/TT-BTC on administrative and non-business accounting has initially integrated elements of VPSAS, helping to narrow the gap between the accounting regime and public sector accounting standards, thereby laying the foundation for a more modern accounting system in the future.

3.4. Implementation resources and system capacity

A significant limitation in Vietnam's public sector accounting reform is the issue of implementation resources. The number of professionals and experts in international public sector accounting

remains limited, both in quantity and in specialized expertise. Meanwhile, the application of standards such as IPSAS requires high-level technical accounting competencies, particularly in accrual accounting, fair value measurement, and financial statement consolidation.

In addition, technical and financial support from international organizations remains insufficient relative to reform requirements. This affects both the pace of standard development and the effectiveness of implementation.

Furthermore, although the information technology infrastructure in public sector accounting has improved, it is still not fully synchronized and does not meet the requirements for integrated processing of large-scale financial data. The application of advanced technologies such as Blockchain and artificial intelligence remains in the early stages.

Overall, Vietnam's public sector accounting system is undergoing a significant transformation from a traditional model to a modern one aligned with international standards. Achievements such as the development and issuance of VPSAS, improvements in the legal framework, and gradual enhancement of financial reporting quality demonstrate the government's strong commitment to public financial reform. However, this process still faces several challenges, including slow implementation progress, lack of synchronization between standards and legislation, limited human resources and institutional capacity, and insufficient application of technology. These issues require comprehensive and well-structured solutions to ensure sustainable convergence with IPSAS in the future.

4. SOLUTIONS FOR IMPROVING THE PUBLIC SECTOR ACCOUNTING SYSTEM IN VIETNAM TOWARD INTERNATIONAL INTEGRATION

Based on the analysis of the current situation of Vietnam's public sector accounting system in the context of reform and international integration, it can be observed that although significant achievements have been made such as the development and gradual issuance of VPSAS, improvements in the legal framework, and enhanced public financial transparency, the implementation process still faces several limitations in terms of consistency, enforcement capacity, and convergence with international

practices, particularly IPSAS. Therefore, proposing solutions to improve the public sector accounting system is necessary and urgent in order to achieve the modernization of public financial management, improve the efficiency of state resource utilization, and strengthen accountability.

Accordingly, the solutions should be implemented in a synchronized and phased manner and aligned with Vietnam's practical conditions, focusing on the following key areas:

First, improving the legal framework and ensuring consistency of the public sector accounting system

First and foremost, it is necessary to continue reviewing, revising, and improving legal documents related to accounting and public finance to ensure consistency and synchronization among existing laws such as the Accounting Law, the State Budget Law, and the Law on Management and Use of Public Assets. Currently, one of the major shortcomings is the lack of full compatibility between the existing legal framework and the development orientation of VPSAS, particularly in the context of convergence toward IPSAS.

Improving the legal framework should not only involve revising existing regulations but also establishing a unified legal mechanism that clearly defines the roles, scope of application, and implementation roadmap for each group of public sector accounting standards. In addition, detailed technical guidelines should be issued to support public sector accounting units in implementation in order to avoid inconsistencies in interpretation and application across different levels and agencies.

Second, accelerating the implementation roadmap and completing VPSAS

Another important solution is to continue accelerating the development, issuance, and completion of the VPSAS in accordance with the roadmap under Decision No. 1299/QD-BTC. In particular, it is necessary to ensure the issuance of all 21 public sector accounting standards in the initial phase while gradually updating and refining them to better align with Vietnam's practical context and the level of convergence with IPSAS.

However, the implementation process should follow a selective convergence approach meaning priority should be given to standards that have significant impacts on financial reporting quality such as financial statement presentation, public assets, liabilities, and non exchange transactions. This approach helps reduce the pressure of simultaneous transition while allowing public sector entities to gradually adapt to the new accounting system.

In addition, a periodic evaluation mechanism should be established to assess the implementation of VPSAS in practice in order to promptly identify difficulties and inconsistencies and make appropriate adjustments, ensuring that the convergence process with international standards is continuous and sustainable.

Third, gradually transitioning to accrual-based accounting

Currently, Vietnam's public sector accounting system is still primarily based on the cash basis which leads to limitations in fully reflecting the financial position of the public sector. Therefore, transitioning to accrual-based accounting is an inevitable trend to improve the quality of accounting information and align with international practices under IPSAS.

However, this transition should be implemented gradually to avoid major disruptions in the public financial system. In the initial stage, a modified accrual accounting model can be applied combining both cash and accrual bases to ensure budget control while gradually improving the recognition of assets and financial obligations in the public sector.

At the same time, it is necessary to develop standardized guidelines for the recognition, measurement, and presentation of financial elements, particularly long-term assets, liabilities, and future financial commitments in order to establish a foundation for full accrual accounting in the long term.

Fourth, improving the quality of public sector accounting human resources

One of the key factors determining the success of public sector accounting reform is human resource quality. Therefore, it is essential to enhance the professional capacity of accounting, auditing, and public financial management staff

through specialized training programs in international public sector accounting standards.

Training programs should be designed to update knowledge on accrual accounting, consolidated public sector financial reporting, and financial analysis for decision making purposes. In addition, cooperation with international professional organizations such as the International Federation of Accountants should be strengthened to access high quality international training programs and improve the integration capacity of domestic personnel.

Fifth, strengthening information technology application and digital transformation in public sector accounting

In the context of digital transformation, the application of information technology in public sector accounting is an inevitable requirement to improve data processing efficiency and enhance financial transparency. It is necessary to develop an integrated accounting information system that connects financial authorities, treasuries, and budget using units to ensure that data is updated fully, timely, and accurately.

In addition, greater emphasis should be placed on researching and applying modern technologies such as artificial intelligence, big data, and blockchain in public financial management and control. These technologies not only help automate accounting processes but also enhance monitoring capabilities, reduce errors, and improve transparency in public financial management.

Sixth, enhancing transparency and improving public financial disclosure

Financial transparency is one of the core objectives of public sector accounting reform. Therefore, it is necessary to further improve the financial disclosure mechanism in a way that ensures completeness, timeliness, and accessibility for relevant stakeholders including government agencies, investors, and the public.

Financial reporting systems should be standardized toward convergence with IPSAS, including the full set of accruals based financial statements such as the statement of financial position, statement of financial performance, and cash flow statement. This will contribute to enhancing transparency, strengthening

accountability, and improving the quality of public financial management.

5. CONCLUSION

In the context of increasingly deep international economic integration, the improvement of Vietnam's public sector accounting system toward convergence with international practices plays an especially important role in enhancing the quality of public financial management, strengthening transparency, and improving accountability of state budget-using entities. Based on theoretical and empirical analysis, it can be affirmed that Vietnam has achieved notable results in the reform of the public sector accounting system, particularly through the gradual development and issuance of VPSAS, improvements in the legal framework, and the promotion of information technology application in public financial management. However, the current public sector accounting system still has several limitations. Specifically, the level of consistency between public sector accounting standards and the existing legal framework remains low; accounting practices are still mainly based on the cash basis, which does not fully reflect the economic substance of public financial transactions; the financial reporting system has not yet fully met modern governance requirements; and the implementation capacity and readiness of different entities remain uneven. These limitations reduce international comparability and do not fully meet the requirements of convergence with international standards, particularly IPSAS. On this basis, the study has proposed several groups of solutions to improve Vietnam's public sector accounting system in the coming period, including: continuing to improve the legal framework and ensuring system consistency; accelerating the issuance and implementation of VPSAS toward selective convergence; gradually transitioning to accrual based accounting; improving the quality of public sector accounting human resources; strengthening the application of digital technologies in financial information processing and management; and enhancing transparency and public disclosure of financial information. Overall, the improvement of Vietnam's public sector accounting system is a long term and systematic reform process that requires coordinated efforts among institutions, human resources, and technology. Further promoting convergence with international

practices will not only enhance the efficiency of public financial management but also strengthen stakeholder confidence, improve national competitiveness, and promote sustainable development in the context of global integration.

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