

KINGDOM OF CAMBODIA
Nation Religion King

Non-bank Financial Services Authority
No. 035 F.S.A.P.K.

PRAKAS

On

**THE IMPLEMENTATION OF COMPLIANCE AUDIT GUIDELINE
OF INTERNAL AUDIT UNIT
OF NON-BANK FINANCIAL SERVICES AUTHORITY**

Deputy Prime Minister

Minister of Economy and Finance

And the Chairman of the Board of the Non-Bank Financial Services Authority

- Having seen the Constitution of the Kingdom of Cambodia;
- Having seen the Royal Degree No. NS/RKT/0918/925 on 06 September 2018 on the Appointment of the Royal Government of the Kingdom of Cambodia;
- Having seen the Royal Degree No. NS/RKT/0320/421 on 30 March 2020 on the Appointment and Modification to the Components of the Royal Government of the Kingdom of Cambodia;
- Having seen the Royal Kram No. NS/RKM/0618/012 on 28 June 2018 Promulgating the Law on the Organization and Functioning of the Council of Ministers;
- Having seen the Royal Kram No. NS/RKM/0169/18 on 24 January 1996 Promulgating the Law on the Establishment of the Ministry of Economy and Finance;
- Having seen the Royal Kram No. NS/RKM/0300/10 on 3 March 2000 Promulgating the Law on Audit of the Kingdom of Cambodia;
- Having seen the Royal Kram No. NS/RKM/0121/003 on 16 January 2021 Promulgating the Law on the conduct of Non-Bank Financial Services Authority;
- Having seen the Sub-Degree No. 113 SD.PK on 14 July 2021 on the Conduct of Unit under Non-Bank Financial Services Authority;
- Having seen the Sub-Degree No. 40 SD.PK on 15 February 2005 on Organization and Functioning of Internal Audit in Institutions, Ministries and Public Enterprises;
- Having seen the Prakas No. 009 FSA.PK on 01 October 2021 on the Conduct of Departments under Internal Audit Unit of Non-Bank Financial Services Authority;
- According to the need of the Internal Audit Unit of Financial Services Authority.

HEREBY DECIDE

Article 1.-

Implement the Guidelines on the Compliance Audit of the Internal Audit Unit of the Non-Banking Financial Services Authority (FSA) as attached in this prakas.

Article 2.-

This Prakas is applicable to the Internal Audit Unit of FSA.

Article 3.-

Head of Internal Audit Unit of **FSA**, Deputy Heads of Internal Audit Unit, Directors of Department, Deputy Directors of Department, Heads of Division, Deputy Heads of Division and all Internal Auditors of **FSA** shall comply with this Prakas from the date of signing.

Phnom Penh, 04 August 2022

Deputy Prime Minister

Minister of Economy and Finance

And The Chairman of the Board of Non-Bank Financial Services Authority

Akak Bandith Saphear Char AUN PONMONIROTH

Receiving Places:

- Cabinets of His excellence Akak
Bandith Saphearchar, Deputy Prime
Ministers and The Chairman of Board
of Non-Bank Financial Services
Authority
- Internal Audit Unit of **FSA**
- Archives-Records.

KINGDOM OF CAMBODIA
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GUIDELINE ON COMPLIANCE AUDIT

Unofficial Translation

Year 2022

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I. Introduction

Internal Audit Unit of FSA is an institution established by the Law on the Organization and Conduct of the Non-Bank Financial Services Authority, a sub-decree on the organization and conduct of units under Non-Bank Financial Services Authority, and Prakas on the organization and functioning of the departments under the Non-Bank Financial Services Authority.

Internal Audit Unit of FSA serves the board of FSA and chair of the FSA board on the audit and have the roles and responsibilities as stated in the sub-decree on the organization and functioning of units under Non-Bank Financial Services Authority and Parkas on the Organization and Conduct of Departments Under the Internal Audit Unit of the Non-Bank Financial Services Authority by reviewing the accuracy, appropriateness, and adequacy of the units under Non-Bank Financial Services Authority and report to the Minister of Economy and Finance and Chairman of the FSA board.

Compliance auditing is a type of audit that applied to the auditees for the implementation of laws and regulations, policies, ethics or agreements, such as the terms of a contract or the terms of a funding agreement. Similarly, the Internal Audit Unit of FSA is responsible for conducting an audit to determine whether units under FSA implemented operational risk management and good governance in accordance with criteria such as laws, sub-decrees, proclamations, regulations, policies, agreements, and other authority.

The purpose of the compliance audit is to provide the audit report users with an assurance result of the evaluation or measurement of the audit topic compared with appropriate criteria.

In order to implement tasks and duties effectively and professionally, the Internal Audit Unit of FSA introduced compliance audit guidelines, which serve to strengthen, guide, and provide permanent support to auditors in order to ensure effective and efficient performance.

The process of determining the audit criteria should take into account the materiality associated with the risk of potential non-compliance on each audit topic. Significance considerations include both quantitative (relevant amounts) and qualitative (levels of non-compliance or violation).

II. Mandate and Audit Framework of Internal Audit Unit of FSA

Internal Audit Unit of FSA provides consistent assurance that the operations of units under FSA comply with the laws, sub-decrees, proclamations, regulations, policies, agreements and other powers.

Mandate of the Internal Audit Unit of FSA on compliance audit is prescribed in the sub-decree on the conduct of the units under FSA and Prakas on the conduct of the departments of units under FSA.

Internal Audit Unit shall report the results of the compliance audit to the board of FSA and the chair of the board.

III. Compliance Audit Plan

Planning is not a separate phase of the audit, but it is a continuous and rotating process. If necessary, update the plan at all stages of the audit. The plan should also include considerations related to the leadership, management and review of the audit delegation.

1. Annual Audit Plan

Annual Audit Plan shall include:

- Audit Topic
- Objective, Scope, and Limitation
- Auditees and related parties
- Audit Period

2. Audit Plan Preparation

Compliance audits must be conducted in a high quality, economical, efficient, effective and timely manner.

The auditor shall ensure to carry out the audit successfully, the necessary preconditions should be prepared in advance in order to find any unintentional errors, irregularities and illegal acts. Prerequisites for a successful audit vary depending on the situation and the prerequisites that must be clearly defined in the audit topic and criteria.

At the time of the audit, the audit delegates are responsible for all matters such as audit planning, audit implementation, and completion of the audit report.

For audits conducted by multiple auditors, audit planning, audit implementation, and report writing are divided according to the number of auditors involved in the audit. The auditor who is the head of the audit delegates is the leader. The division of tasks shall take into account the knowledge and attention of each auditor.

Each audit plan shall include:

- Understanding of the auditee and the internal control system of the auditee, including laws, sub-decrees, prakas and regulations, policies, guidelines, contracts, etc.
- Risk assessment including non-compliance with laws and regulations
- Limiting audit scope
- Defining audit criteria
- Internal control system of auditee
- Arranging schedule for audit and preparation of audit report
- Appointing audit delegate members
- Preparing audit procedures (audit program, audit checklist and roles and responsibilities of the audit delegates)

The scope of the audit refers to the following:

- Select specific audit topics and determine audit criteria
- Auditor's responsibility for auditing
- Audit area
- Audit schedule

The purpose of the compliance audit is to consider whether the assessment of the audit topic complies with the criteria as prescribed in the law, sub-decree, prakas, regulations and agreements.

2.1. Audit Topics

Determining an audit topic is the first step to prepare the compliance audit plan. Audit topics can be quantitative (examples include income statement and balance sheet), or qualitative (example include appropriate or inappropriate officer behavior). Audit topics must be identified and evaluated against appropriate audit criteria. The audit topic should have a criterion that can gather evidence on the topic to support the conclusion.

2.2. Audit Criteria

Determining audit criteria or benchmarks for comparison is an essential step in the compliance audit planning process.

Formal audit criteria include laws, sub-decrees, proclamations, or regulations, circular, contracts or agreements etc.

The audit criteria shall be appropriate as following:

- **Relevance:** Relevant criteria provides important information and decision-making needs.
- **Trust:** a consistent and appropriate judgment criterion is used by another auditor in the same circumstances.
- **Completeness:** Comprehensive criteria are criteria that are sufficient for the purpose of the audit without eliminating the relevant factors. These criteria are important and can provide a practical perspective for information and decision-making needs.
- **Impartiality:** criteria are neutral and impartial to the auditor or to the auditee. This means that the criteria cannot be too informal because the evaluation of information in the audit topic is compared to the criteria and gives arbitrary results that can lead other auditors to draw different conclusions.
- **Comprehension:** Understandable criteria are clear, which brings clear and understandable judgment to the users of the audit report. These criteria cannot be interpreted differently
- **Comparability:** Comparable criteria are consistent with the criteria used in similar audits of different activities and with the criteria used in the previous audit.
- **Acceptability:** Acceptable criteria are generally agreed upon by auditee.
- **Sensitivity:** The recognizable criteria are understandable for report users who understand the nature of the audit work done and understand the basis for the audit report.

The process of determining the audit criteria should consider the significance associated with the risk of potential non-compliance on each audit topic. Significant considerations include quantitative (relevant amounts) and qualitative (levels of non-compliance or violation)

2.3 Understanding Auditees' Working Environment

When defining audit topics and criteria, auditors need to gain an in-depth understanding of the auditee and the audit environment, such as the legal basis of the auditee, human resources, finance, and new insights through the media and social media. This understanding gives the auditors within the framework access to the application of professional judgment in the entire audit process.

The auditor has access to information and insights from previous audits, as well as all documents such as laws, sub-decrees, proclamations, official regulations, and websites.

2.4 Understanding the auditee's internal control system

Understanding and evaluating the auditee's internal control system is an important part of planning and conducting audit work. Specific types of audits are assessed based on the audit topic, the nature, and the scope of the compliance audit.

The auditors should assess the risks that the control system cannot prevent or detect as a result of material non-compliance. The auditors should find out which internal control systems are relevant to the audit objectives and test those internal controls that they expect to be unreliable.

Appropriate assurance arising from the evaluation of the internal control system will enable the auditors to determine the level of reliability and may increase or decrease the scope of the audit procedure to be performed.

2.5 Materiality

Compliance audits are defined for the following purposes:

- Planning
- Evaluation of evidence obtained and the effects of non-compliance
- Reporting on the results of audit work.

Internal Audit Unit of FSA prepare plan and implement compliance audits to determine whether the audit topic meets the criteria that define all aspects essentially.

When preparing an audit plan, identifying materiality should be based directly on the nature of the situation, the law, the regulations, or the terms of the agreement.

Other issues that can be considered as the materiality are include:

- Fraud
- Illegal Intentional acts or non-compliant
- Providing inaccurate or incomplete information to the audit team (concealment of information)
- Unwillingness to comply with the auditor's request for review
- The transaction was carried out despite the lack of a legal basis.

2.6 Risk Evaluation

Risk assessment is an important part of a reasonable assurance audit. Since audits are always limited, compliance audits cannot guarantee absolute non-compliance. Limitations that come with an audit can include a number of factors, such as:

- Judgment may be applied with the interpretation of laws, sub-decrees, proclamations and regulations by the management of the auditees.
- Unintentional error of the auditors
- The system is not set up properly or the function of the system is not yet effective
- Avoidance of control
- Evidence can be concealed or eliminated.

The auditor must assess the risks and perform the necessary audit procedures at all stages of the audit. This work is done to reduce the audit risk to an unacceptably low level in certain situations, leading to a reasonable assurance, which is the basis for the auditor's conclusions.

Risk and other factors depend on the audit topic and the specific situation of audit work. In general, auditors should consider the following three components of risk related to the audit topic and specific situations:

- Existing risks
- Risk control and
- Risks sought / pursued.

In addition, the auditors must consider the risk assessment of potential problems and their consequences.

The Auditors must assess risks that the internal control system cannot prevent to prevent significant non-compliance.

Auditor must identify and assess the risks of fraud and gather sufficient evidence of fraud identified through audit procedure. When fraud is detected, auditor shall report it to the management of the Internal Audit Unit.

The risk of fraud and the critical assessment of fraud involved should consider the following aspects and circumstances:

- Giving gifts and benefits to third parties
- Performance of duties or authority of officials
- Intentional misrepresentation of results or information.

2.7 Audit Procedure Preparation

Planning of audit procedures involves the preparation of procedures to respond to identified risks of non-compliance. Nature, timing and scope of audit procedure to be performed varies from audit to audit. However, in general, the compliance audit procedure involves the development of relevant audit criteria, then measuring the audit topic by comparing it with the defined criteria.

IV. Compliance Audit Implementing

1. Audit Evidence Collection

The audit evidence is the information that the auditor uses to make a conclusion. In the implementation of compliance audit, the auditors must gather sufficient evidence that is strong, relevant, and reasonable to provide a basis for the Internal Audit Unit of FSA to make a judgment and conclusions related to the auditees. The internal control system evaluation and the auditee risk is to evaluate the control system that is unprevented and to find out the non-compliance.

The adequacy of evidence is related to the quality of the evidence. The solidity, relevance, reliability, and suitability of the evidence depend on the evidence quality. The auditors implement the judgement based on professionalism, solidity, relevance, reliability, and suitability in the process of evidence collection.

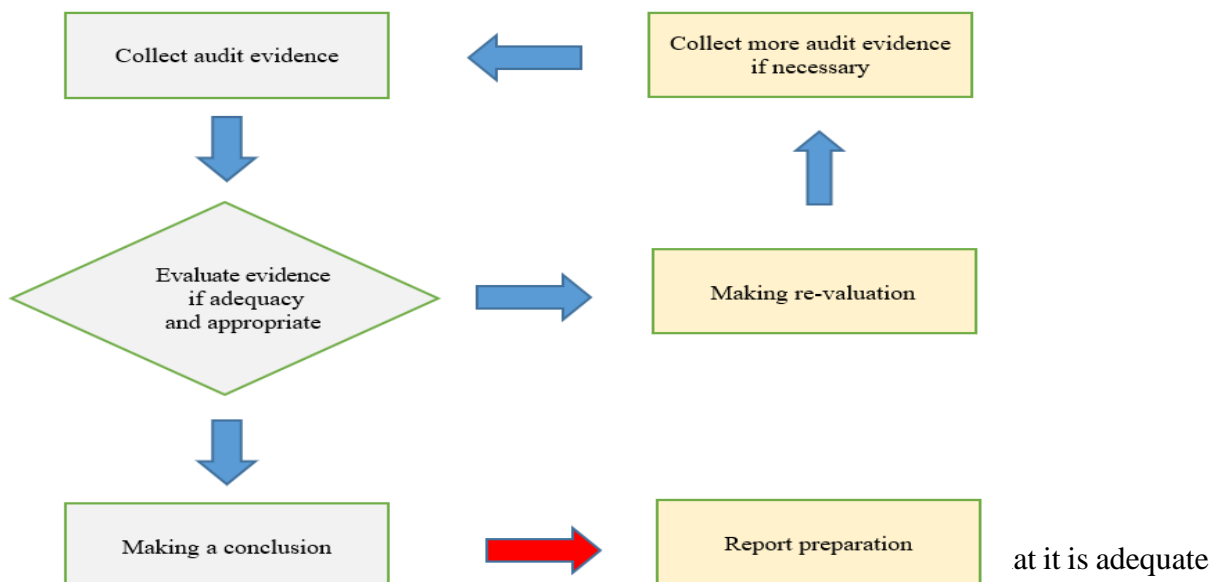
To avoid making conclusions based on personal opinion, the auditors shall make the audit conclusion based on official evidence recognized by the auditee.

The professional judgment of the auditor on adequacy, solidity, relevance, reliability, and suitability of evidence depends on some factors as follows ÷

- The main impact of non-compliance is the potential of information about audit objectives.
- Effectiveness response of officials responsible for expected risks occurring from non-compliance
- The outcomes from implementation of audit procedures through the accuracy of non-compliance

Collecting and evaluating evidence is the simultaneous processes that are cycle-systematic and relevant to ÷

- Collecting evidence by following appropriate procedures
- Evaluating the adequate evidence (quantity) and appropriate (quality)
- Re-evaluating the risk and collecting more evidence if necessary.



and appropriate to ensure a reasonable basis for making a conclusion.

Since the audit topic shall comply with the audit criteria and scope, the auditors cannot guarantee to find possible non-compliance in all cases.

Generally, the procedure for collecting audit evidence is divided into two main categories.

- Testing on the internal control system
- Essential tests such as analysis procedures or detail testing.

The performance of the audit procedure depends on the specific audit objectives and criteria, as well as the professional judgment of the auditor. When there is high risk of non-compliance, the auditors shall conduct the detailed test.

Audit evidence is collected by using different methods as follows ÷

- Observations
- Inspection
- Questioning
- Official letter
- Re-implementing
- Analysis procedure
- Other methods.

Observation is the reviewing of the process or implementing procedures in the compliance audit.

Inspection is the reviewing of the lists, records, and other documents or properties. The auditors consider the reliability of the inspected documents and expected fraud risk and the possibility that reviewed documents may be different from the original. In case of fraud, sometimes there are different lists and records are kept. The auditors can ask different officials about the source of documents or control the preparation and maintenance of those documents.

Questioning can be related to finding information both internal and external of the auditee. Questioning can start from an official question letter until discussion. Questioning can be related to interviews and asking questions to related officials and experts. This interview can be done in front of officials or any other way. (For example: by phone or online meeting). Questioning also can be done by preparing and sending the checklist or survey, etc. In general, questioning is often used extensively in audit procedures during the implementation of an audit. The results of questioning can be known and present the case of non-compliance in other implementing

procedures and different places. Questioning can be done to officials that are non-related to the audit function. In general, questioning can't be considered as strong, appropriate, and enough evidence. To obtain appropriate and enough evidence, questioning shall be done with other procedures. Highly efficient Questioning shall be done with knowledgeable and related officials who are in the positions of authority and have the right to provide information and opinions on behalf of the organization.

Confirming official letter is one kind of questioning related to the response from third party about the specific information that is independent from the auditee.

Confirming official written letters also receive a written letter response from the management of the auditee related to direct interpretation during the audit. For example, an official written letter interpretation from the management of the auditee can be related to ÷

- A. Confirmation from the organization's management on non-compliance related regulations and stated in agreement, etc.
- B. Disclosure of all cases of non-compliance known by the organization's management
- C. The auditee management provided the auditor with full information about the audit topic.

Re-implementing is the independent implementation of procedure or the same calculation that the auditee has already implemented. Re-implementing can be implemented by traditional or audit technology through computers. For example, some re-implementing are as follows ÷

- Conduct the study of documents by testing whether the auditees make the right decision or provide appropriate services through related criteria or not
- When there is a complex technical problem related to re-implementing, the expert is required to join. For example, the calculation of pension or engineering models, etc.

Analysis procedure is the way to compare the data or variable observation or variable relation. Trend analysis techniques or other mathematical methods can help the auditor to compare actual outcomes with expected outcomes.

2. Documentation

Collected audit evidence is properly complied with adequate. The audit evidence shows the essential evidence between action and the final audit report. An audit document is the important evidence to support audit findings, judgment, and conclusion of the final audit report.

The preparation of the audit documents must follow the principle as follow ÷

- Audit documents must support to all part in final report
- Audit documents are prepared for all audit steps as stated in the audit program
- Audit documents can help identify documents that have been reviewed, but unnecessary to include copies of all reviewed documents. However, some cases must use the copies for effectiveness.

Collected audit evidence is properly complied with adequate. Those documents shall be organized systematically and transparently and categorized according to each section or subject of the audit so that relevant documents and evidence can be easily identified.

Documentation should be done throughout the whole audit process with a clear and correct number system.

Compiling documents related to the compliance audit includes preparing enough documents of all occurring issue to provide essential evidence to support the judgment and preparing the report. Compiling audit documents must detail and complete to enable experienced auditors who did not participate in previous audits can understand what is being done to support the judgment. The auditor must prepare related audit documents before the audit report has been sent out.

Important audit documents includes the audit plans, mission letters, official document with the auditee, management documents and monitor the auditing, the audit finding documents, documents for professional judgment and conclusions, documents, detailed documents of the contract and related documents as audit evidence collected from the auditee, etc. The audit documents are kept for an appropriate period after the completion of the audit work.

3.Communication

A good communication with the auditees can help the audit process more effective. communications can occur at all stages and at all levels of the audit.

In the initial planning phase within the legal framework and the audit regulation, the audit delegate should request advice from the management of the Internal Audit Unit of FSA by

following the structure of the audit strategy, schedule, resources, responsibilities, and appropriate audit criteria and other elements of compliance audit plan.

Some of the major difficulties encountered during the audit, including significant non-compliance, were immediately reported to the management level or the person in charge on behalf of the auditee. The other non-significant audit finding is considered as insignificant or not included in the audit report and can be reported to the management of the auditee during the auditing. The reporting of insignificant audit findings can help the auditee to take action in case of non-compliance and avoid the same case occurring in the future.

In the audit phase, the auditor must keep a good relationship with the auditee to review initial findings with the related officials of the auditee and to make the findings clearer and stronger, as well as collect the evidence adequately and appropriately.

The auditors can communicate with the officials of the auditee while preparing the audit report such as officially sending the report on time to the auditees and report user with an agreement from the management of the Internal Audit Unit of FSA.

4. Audit Finding

During the performance of its audit work, the auditors should be aware of the possible signs of fraud and illegality. When faced with fraud and illegal acts, essential and potential regulations, it is not the primary purpose of the compliance audit, but the auditor should incorporate the risk factors of fraud into its risk assessment.

When the auditor encounters a case of non-compliance that may indicate fraud or illegality, the auditor must be careful and cautious so as not to jeopardize any possible investigation or upcoming legal complaint. The auditors shall report any suspicions (fraud or illegal acts) to their management or to the auditees' administrative officials in order to take appropriate actions.

Due to limited audits, the potential risks for auditors who find fraud, corruption, or conspiracy to conceal the wrongdoing of the perpetrators are unavoidable. Internal audit of FSA has no authority to investigate or the right to investigate an individual or institution.

If an illegality occurs, only a court can determine whether a particular transaction is comply or non-comply to the rules and regulations.

5. Audit Evidence Analysis

5.1 General Assumption on audit evidence

The auditors shall evaluate whether the evidence obtained is sufficient or appropriate to minimize the audit risk to an acceptable level. The assessment includes professional judgment and foreknowledge of doubt as well as consideration of consistent and inconsistent evidence of audit topic.

Evidence obtained is assessed according to a set level of substance to identify issues that may lead to material non-compliance. The determination of the key audit results is based on the fundamental principles set above.

On the basis of the evidence obtained by the auditor, it is necessary to evaluate whether the evidence is reasonable, that the information on the audit subject is substantially compliance with the audit criteria. Due to audit scope, the auditor cannot expect to detect all possible cases of non-compliance.

The auditor's assessment of what constitutes a gap in compliance is a matter of professional judgment, including contextual considerations as well as quantitative, operational or related issues. And the quality of a number of factors need to be considered in the application of professional judgment to determine whether or not there is a significant non-compliance. Those factors may include ÷

- A. Importance of relevant numbers
- B. Circumstances
- C. Characteristics of non-compliance
- D. Causes of non-compliance
- E. Consequences and possible consequences of non-compliance
- F. Visibility and sensitivity of ambiguous applications.

5.2 Written Confirmation to Auditees

In circumstances where it is necessary to evaluate the audit evidence and draw conclusions, the auditor may make additional written affirmations to the auditee to obtain additional evidence.

Some claims may describe the auditee's information and financial activities in accordance with its jurisdiction or specific control systems that function effectively during the audit.

5.3 Events After Auditing

The interval after the completion of the compliance audit until the issuance of the compliance audit report, events or transactions of material non-compliance may occur, causing a

change in judgment, or the auditor's report. Some events may lead to the need for an audit procedure if those events are to be included in the compliance audit report.

Procedures for monitoring events related to inquiries, receipt of written confirmation from the auditee management, review of correspondence on Related Minutes of Meetings, Reports or subsequently financial information published monthly and quarterly.

If a follow-up audit procedure can delay the issuance of an audit report, the auditor must ask management to approve the planned procedures.

V. Compliance Audit Report

1. Audit Report

The preparation of compliance audit reports is an important part of the audit and involves reporting the gaps of work implementation and non-compliance, therefore the constructive recommendation can be suggested and those in charge can be held accountable for recommendations. Eventually, the preparation of a compliance audit report at the conclusion of each audit includes the audit results in an appropriate format.

The principle of completeness, unbiased and timeliness is important for the preparation of audit reports. The auditor should be careful to ensure that the audit report is factually correct and that the results of the audit are presented in a timely, accurate and balanced manner. The audit report must include the opinion of the auditor on the subject matter of the auditee and the auditee's response.

An audit report should be written in a manner that is clear and understandable. Long sentences, irregular words and complex details should be avoided unless necessary to make sense in the report. The format of the report should make it look like a very interesting newspaper article, such as "two or three descriptions of what happened."

Audit results should be factual. Emotional words such as romance, embarrassing words, and the suffix "extremely" and the word form showing excessive levels of comparison should be avoided.

Important information should not be hidden in the sub-phrases, they should be told in the main or important sentences.

Verbs should be used in the form of active sentences. Inactive sentence forms should be avoided as much as possible because sentences containing verbs, active sentence forms, make the sentence more vivid.

Avoid boring content such as long, complicated sentences and carpers that try to make the report appealing, such as inserting tables and shapes in a reasonable and acceptable.

2. Compliance Audit Report form

Compliance audit reports take various forms depending on the circumstances. Although there are some variations in the audit report, it is possible for the report user to understand the audit work done and the judgments raised, as well as to clarify any anomalies that have occurred.

Factors influencing the compliance audit report format are numerous. Those factors include the mandate of the Internal Audit Unit of FSA. Laws or regulations, audit objective and complexity of reported issues. There are two major types of compliance audit report forms: long and short report. Generally, long-form reports detail the judgment and results of the audit, including potential consequences and constructive recommendations. Short-form reports are concise and standardized.

Long-form reports have many implications for operational reports, including observations, conclusions, and references arising from audits. Compliance Audit Report of The Internal Audit Unit of FSA will take a long form. The Internal Audit Unit of FSA should encourage the research of the websites of the top audit institutions to find an appropriate compliance audit report model.

Generally, compliance audit reports include the following sequential components:

- Title
- Content
- Summary
- Introduction, Objectives, Scope and Period
- Defining Audit Topics and Criteria (if Appropriate)
- Observations and audit findings
- Conclusion
- Annex
- Date and signature.

Title

The title page shall clearly state the title of the audit on the report and the name of the auditee as well as the internal audit unit of FSA that prepares the report.

Content

A report should have content, especially if the report has multiple sections, help structure the report and guide the reader to see which specific sections need attention. The content is used in the same way as the subheadings in the report. To write neutrally, the content should not use verbs and words that are criteria (judicial), abbreviations or descriptive words should be avoided.

Summary

- The summary is an important part of the report and also the part that auditee management read the most. The summary should fully and accurately reflect the main points of the report, while the summary should be clear and balanced. To be effective, the summary should be no longer than one page.
- The main focus in the summary is the audit criteria and the summary of the main judgments and recommendations related to those criteria. Contrary to the content, the summary may contain judgments, recommendations and complete sentences.
- In the case of complex and large amounts of information, graphics and diagram can present important judgments according to the order, making it easier for the report user to understand. In some cases, entering information in a graphical format can help the report user get better understand.
- Readers with a summary can find the full text by checking the footnote order.
- Summaries can be written as present or past sentences, depending on the context. Present tense should be used for key statements.

Introduction, Objectives, Scope and Period

- An introduction should be prepared in relation to the audit description, including the purpose, scope, duration of the audit, an explanation of the audit topics and criteria, as well as the responsibilities of the related parties and the audit standards to be applied in the audit work.
- Generally, the introduction should be short and not too detailed. If necessary, the relevant details can be included in the appendix.
- Introduction provides an opportunity for the Internal Audit Unit of FSA to inform the auditee about the audit process. This introduction strengthens the relationship between the Internal Audit Unit of **FSA** and the auditee.

Determining Audit Topics and Criteria

- Determining a clear audit topics and criteria in compliance audit reports is important to enable the report's user to understand the fundamental that is used in Audit work and conclusion.
- In cases where the audit criteria have not yet been determined or shall be determined from the relevant sources or the criteria applied in the audit that shall be clearly stated in the relevant sections of the report where the audit criteria are in dispute, that shall be explained. In some cases, potential consequences should be explained as much as possible and recommendations should be appropriately given.

Observations and findings

- Observations and findings are included in the main body of the compliance audit report. This section describes the results of the audit work done and the relevant findings. Usually, according to the audit criteria, parts of the observation and findings are designed in a reasonable way that helps the readers to see through the logical flow of a particular argument.
- When disclosing observations and findings, auditors should pay attention to the four elements as follows ÷
 - Criteria are benchmarks or metrics based on performance being compared or evaluated.
 - Condition is an observed situation.
 - Causes are sources and reasons that occur in observed conditions.
 - Consequence are the effects of the observed conditions.
- Observation and findings should describe the actual and unbiased problem. Evaluation-derived terms like "large," "important," or "often" should be avoided and substituted with explanations of real issues and expectations. In significant cases, assessments can be included if they are confirmed and noted. When there is a large amount of necessary data that needs to be included in supporting the results of that audit can be included in the appendix.

Judgments and Recommendations

- In this section, the Internal Audit Unit of **FSA** comments on the results and possible consequences of the audit work.

- The two primary objectives of the judgment and recommendations in the report are:
 - 1). Provide precise responses (judgments) to audit questions (defined criteria) and
 - 2). Provide practical and constructive recommendations for appropriate improvements.
- When judging past actions and recommendations regarding the future, judgments and recommendations should not be combined into a single sentence by writing two sentences or line breaks to make the meaning easier to understand.
- Recommendations are not perfect but must be realistic. Effective recommendations shall be oriented, clear and include what needs to be done.
- It is appropriate to highlight the auditee's improvement measure.
- When recommendations are constructive and practical, they promote good public sector management the auditor must be careful not to give too many detailed recommendations in order to fulfill the role of the auditee leadership, thereby reducing the auditee's personal biased recommendations should be written as consultant advice, not a superior order.
- Sometimes it is not necessary to include all possible recommendations in the judgments and recommendations section, but to keep the recommendations broad for the final conclusion section. This avoids the repetition of similar recommendations.

Auditee's response

- The principle of feedback is an important element of the compliance audit report, with consensus on practical issues and the integration of feedback. The auditee's response to the issues raised shall be included in the full or summary compliance audit report.
- The auditee's response is usually brief. This section must include sections related to the answer without adding or subtracting. In the opinion of the auditees, all relevant opposition in its letter should be reflected in the comments.
- The inclusion of the views of the officials in charge helps ensure the implementation of the recommendations and the officials in charge are responsible for taking their improvement measures.

Conclusion

- The Internal Audit Unit of **FSA** makes its final assessment of the findings and judgments in conclusion. Depending on the importance of the audit topic, the conclusions may be drawn up by a general formula or an evaluation of an upcoming audit.
- Compliance audit reports are multifaceted and consistent with how the readers can understand the audit work, audit results, and conclusions. The compliance audit report form is similar to financial audit report as follows:
 - **Unqualified Opinion** can be provided after the auditor did not find any non-compliant issues. For example, a summary statement could be written as: The Internal Audit Unit of **FSA** observes that audit topic complies with the defined criteria in all aspects.
 - **Qualified Opinion** can be provided after the auditor did not find any non-compliant issues except for minor deficiencies. For example, the Internal Audit Unit of **FSA** observes that the audit topic complies with the defined criteria in all aspects, except ... (describes the exempted issues above).
 - **Disclaimer of Opinion** can be provided after an auditor has identified non-compliant issues. For example, the Internal Audit Unit of **FSA** observes that the audit topic does not comply with the defined criteria.
 - **Adverse Opinion**
 - May be resumed after an audit is not possible. For example, The Internal Unit of **FSA** is unable to audit; therefore, the Internal Unit of **FSA** cannot give conclusions.
 - If the audit results are critical, the audit conclusions should be described in more detail. The Internal Audit Unit of **FSA** should take the opportunity to present their experience by recommending the auditee to improve their operations. Recommendations of the Internal Audit Unit of **FSA** may exceed the audit topic and have an impact beyond the recommendations provided.

- Conclusions should be prepared separately based on each audit topic. For example, to avoid violating future procurement regulations, the Internal Audit Unit of **FSA** requests for the implementation of the contract form to the departments of units under **FSA** the responsible for Procurement Implementation. The Internal Audit Unit of **FSA** found that some contract forms are being successfully implemented in the departments of units under the **FSA**.

Signature

The report shall be signed by the Head of the Internal Audit Unit of **FSA** or an official authorized by the head of the internal audit unit of **FSA** for signing the compliance audit report.

3. Unplanned Finding

Auditors may encounter many non-compliance issues related to audit work and other types of audits. These findings are beyond the scope of the audit. Although the findings are beyond the scope of the audit, the auditor may report those unplanned findings in the compliance audit report.

The auditor must report to management before including unplanned findings into the compliance audit report.

The auditor may not obtain or provide reasonable assurances regarding the existence or non-existence of situations involving unplanned findings unless the scope of the audit is reassessed or the unplanned findings are included into the ongoing compliance audit. However, it is possible to present a assurance judgment, with a sectional limit depending on the circumstances.

When unplanned findings are reported as important to inform the reader of the compliance audit report on the relevant assurance level, if any (reasonable assurance or limited assurance).

VI. The follow-up the implementation of audit recommendation

To strengthen the audit impact and improve future audit work, the Internal Audit Unit of **FSA** follow up on its recommendations on non-compliance with the regulations mentioned in previous reports.

After submitting the compliance audit report, the Internal Audit Unit of **FSA** allows the auditee to make appropriate adjustments in a timely manner. Then the auditor monitors the recommendations, noting whether the auditee has properly addressed the issues raised in accordance with the recommendations of the Internal Audit Unit of **FSA**.

The Internal Audit Units of **FSA** report the results of the follow-up the implementation of audit recommendation to the chair of the board of **FSA** and send a copy to relevant units.

VII. Compliance Audit Quality Management

The reputation of the Internal Audit Unit of **FSA** depends on the quality of the report as follows:

- Work of the Internal Audit Unit of **FSA** achieved the effectiveness, economy and efficiency
- Officials of the Internal Audit Unit of **FSA** must adhere to professional standards and perform their work professionally.
- The Internal Audit Unit of **FSA** operates with quality control system at all stages of the audit through reviewing, consulting, and training to be seen as a well-functioning and reliable unit.

Officials at all levels of the Internal Audit Unit of **FSA** are responsible for the quality of the report of the Internal Audit Unit of **FSA** and the administrative process as set out in the structure and decisions of the Internal Audit Unit of **FSA**. The auditors must follow the management's instructions, have the ability, knowledge, and skills on the audit work to the standard, such as risk identification, criteria selection, data collection and analysis, and professional judgment, and must perform the work assigned by the management responsibly with highest quality. Level-to-level quality improvement is available in all areas of the structure, management and responsibilities.