



Non-Banking Financial Services Authority
Internal Audit Unit
Nº: 005/22 IAU/Circular

CIRCULAR
of
Preparation of Compliance Audit Reports

To ensure the efficiency and effectiveness of the preparation of compliance audit reports, audit delegates and auditors in charge shall prepare compliance audit reports in accordance with the following contents:

1. Summary

The summary is an important part of the audit report that is the most read by users of the report and stakeholders. Therefore, to enable users of the report to easily understand and clearly understand the contents of the audit report, the summary shall be prepared into six main points as described below.

A- Point 1: Describe the audit background that is conducted by Internal Audit Unit of the Non-Bank Financial Services Authority (FSA) on the units under FSA for the audit period. The auditor in charge can describe this point by dividing into three paragraphs by the following sample:

Regarding to the integration of management and supervision mechanisms for the Non-Bank Financial Sector, including the insurance and private pension sectors, the securities sector, the social security sector, the trust sector, the accounting and auditing sector, and the real estate and pawnshop sector, the Non-Bank Financial Services Authority (FSA) was established by the Law on the Conduct of the Non-Bank Financial Services Authority with the aim of strengthening and ensuring the effectiveness of management, supervision, and development of the Non-Bank Financial Services sector, along with promoting the development of financial technology in the Non-Bank Financial Services Sector in Cambodia.

To ensure that the mission of the **FSA** is successful, the Sub-Decree on the Conduct of the Non-Bank Financial Services Authority has indicated the establishment of an Internal Audit Unit of **FSA**, serve the board and the chair of **FSA** on audit work, to strengthen the internal control system of the units under **FSA** through monitoring, professional supervision, ethics, independence, integrity, accountability and development of the internal audit function, as well as training for the units under **FSA**.

In accordance with this release, the Internal Audit Unit of **FSA** has developed its rolling three-year action plan [2022-2024] in line with the Internal Audit Development Plan for the period of five years [2021-2025], which was launched [on 19 January 2022], the Internal Audit Unit of **FSA** shall carry out the audits to units under **FSA** from the date of this release, 2022 onwards. Based on the above action plans, the Internal Audit Unit of **FSA** conducted a compliance audit at [Auditee] for [date of release] as part of the annual audit plan [or unscheduled audit] of the Internal Audit Unit of **FSA**, which was approved by His Excellency the Deputy Prime Minister and the chair of **FSA** board

B- Point 2: Shall describe the objectives of the audit and the factors that led to the achievement of the audit objectives to ensure that the users would understand the audit objectives of the Internal Audit Unit of **FSA**. The auditor in charge can describe this point by dividing into three paragraphs by the following sample:

In general, a compliance audit refers to a type of audit performed on the institution for the implementation of laws and regulations, policies, codes of ethics, or agreed-upon conditions, such as the terms of contracts or the terms of funding agreements. The purpose of the compliance audit of the Internal Audit Unit of **FSA** for monitoring and evaluating whether the work of [the institution] is in accordance with the laws, sub-decrees, proclamations, regulations, and agreements as stated in force.

To ensure the achievement of the objectives of the annual compliance audit, the auditor in charge shall first determine specific audit topics to serve as a basis for examining and evaluating the performance of the auditee. In this sense, audit topics refer to the topics that the auditor in charge has determined as a basis for conducting the audit after examining whether the auditee's performance in any area is deficient or may lead to a risk of non-compliance.

In addition, to ensure the effective and efficient measurement of [the auditee's] performance, the auditor in charge shall select specific audit criteria to be verified with the audit findings, until the compliance or non-compliance of the auditee's performance is determined. In this sense, audit criteria refer to the performance standards that are relevant to the performance of the auditee,

whereby the auditor in charge will use these performance standards as audit criteria in assessing the compliance of the auditee's performance.

C- Point 3: Shall describe the process of identifying key compliance risks, audit topics, and audit criteria that the auditor in charge found during the audit process. The auditor in charge can describe this point by dividing into three paragraphs by the following sample:

In accordance with the audit objectives and to ensure the effective and efficient implementation of the annual audit work, [on.....2021], the audit delegates of the Internal Audit Unit of **FSA** conducted a study of the audit environment, collecting relevant data and information that are important inputs for the auditor in charge to prepare the audit plan for the year [2022] of the Internal Audit Unit of **FSA**. Through this, the auditor in charge reviewed the data and information collected and carefully evaluated the audit performance based on specific and sufficient audit criteria, as a result of which the auditor in charge identified several key compliance risks: 1), [Key Compliance Risk 1] 2). [Key Compliance Risk 2] 3..... It should be noted that compliance risk refers to the possibility that one or more work activities do not comply with laws and regulations.

After identifying the key audit risks, the auditor in charge continued to determine the audit topics, using specific and sufficient audit criteria for comparing and evaluating the compliance of the auditee's work implementation. Accordingly, the auditor in charge determined a number of audit topics for the compliance audit at [Auditee], which included: 1), [Audit Topic 1] 2). [Audit Topic 2] 3.....

After determining the specific audit topics and criteria, the Internal Audit Unit prepared its annual audit plan, including key elements such as: objectives, annual audit plan with a clear work schedule, audit scope and limitations, legal framework, risk assessment, audit topics, audit criteria, audit methodology, audit risks, and audit resources to request for review and approval from **His Excellency the Deputy Prime Minister and the Chair of FSA**.

D- Point 4: Shall briefly describe the findings of the audit delegates and the auditor in charge during the audit. The auditor in charge may describe this point in two paragraphs, by the following sample:

After receiving the approval in principle of the audit plan for the fiscal year [2022], the audit delegates and the auditor in charge continued to carry out their duties to conduct a compliance audit at [audit site] [from 2022 to 2022.] During the period of days at the audit site, the audit delegates and the auditor in charge thoroughly reviewed the data and information

collected through the checklists that the Internal Audit Unit of FSA provided to the auditee prior to the audit and conducted direct inquiries with relevant personnel of the auditee and requested other relevant work standards documents for further review to ensure a professional, clear and comprehensive assessment. The audit delegates and the auditor in charge found that the work performance of [Audit Office] for the fiscal year [2022] still had some deficiencies as described below:

1.[Findings 1]

2.[Findings 2]

3.....]

After conducting a compliance audit at [Auditee], the auditor in charge prepared his draft compliance audit report, including key elements such as an overview of the Internal Audit Unit of FSA and the audit site, audit topics, audit criteria, audit procedures, audit findings, the auditor in charge's analysis and evaluation, and audit conclusions and recommendations. In addition, the auditor in charge submitted draft of compliance audit report to the task force committee for review and evaluation of the auditor in charge at the auditee for the fiscal year [2022]. After receiving the committee's approval in principle, the auditor in charge continued the procedure by preparing a request for review from the Head of the Internal Audit Unit of FSA before sending the draft of compliance audit report to the auditee for review and comments as well as written suggestions to the Internal Audit Unit of FSA.

E-Point 5: Shall include a summary of the auditor's conclusion after completing the compliance audit at the auditee. Generally, the conclusion first describes the positive aspects of the auditee's performance and then highlights any negative aspects that the auditor has identified during the audit process. The auditor may describe this point as follows:

After receiving comments and suggestions from the auditee and conducting a final analysis and evaluation of the findings, the auditor has observed that [the auditee] has performed its duties and responsibilities with a high sense of responsibility and in accordance with the laws, regulations, and guidelines, which led to satisfying results. However, there are still some shortcomings in [the control system] that may affect the effectiveness and efficiency of the results, although at this time they do not affect the whole working process of entity. On the other hand, [the control system.....] has not yet fully functioned.

F- Point 6: The auditor in charge should briefly describe the audit recommendations and indicate to the users of the audit report that these recommendations will be used as an important

part of the follow-up procedure for the next audit period. The auditor in charge can describe this point as follows:

In order to improve the internal control system of [Auditee], the auditor in charge has included the audit recommendations in point 14 of this audit report, which recommendations as described have been agreed by the Auditee in writing. In addition, the above point also highlights the management's response to the audit recommendations and findings. In the future, the Internal Audit Unit of **FSA** will monitor the progress of the implementation of the recommendations provided as part of the follow-up procedure for previous audit recommendations.

2. Introduction

The introduction is a section that provides an opportunity for the Internal Audit Unit of **FSA** to inform the users about the authority and the audit process. Therefore, the introduction should be organized into three main points as described below:

A- Point 1: Shall describe the background that led to the establishment of the Internal Audit Unit of **FSA** and the various work standards that the unit has prepared to respond to its functions and roles. The auditor in charge can describe this point by dividing into two paragraphs as shown in the following sample.

According to Sub-Decree No. 113. ANKR BK dated 14 July 2021 on the conduct of the Non-Bank Financial Services Authority, the Internal Audit Unit of **FSA** was established to serve the **FSA** Board and the Chair of **FSA** on audit work to ensure the effectiveness, efficiency and legal performance of its functions, the Internal Audit Unit of **FSA** has prepared a five-year Internal Audit Development Plan [(2021-2025)] and a three-year rolling action plan [2022-2024] to guide its work. In accordance with this plan, Internal Audit Unit of **FSA** will conduct compliance audits on units under **FSA** for the fiscal year [2022].

In accordance with Prakas No. 009 **FSA**.PK on 01 October 2021 on the Conduct of Departments under Internal Audit Unit of Non-Bank Financial Services Authority, Audit Department 1 and Audit Department 2 serve the Internal Audit Unit on audit work as prescribed by the Sub-Degree No. 113 SD.PK on 14 July 2021 on the Conduct of Unit under Non-Bank Financial Services Authority. This Prakas has set the role and responsibilities of Audit Department 1 to perform audit work on 4 regulators as: Social Security Regulator, Accounting and Auditing Regulator, Real Estate Business and Pawnshop Regulator and Insurance Regulator of Cambodia. In addition, Audit Department 2 response on 3 regulators as: Secretary General of **FSA**, Securities

and Exchange Regulator of Cambodia and Trust Regulator. In accordance with the set Prakas, [Audit Division....] shall perform the compliance audit on [Auditees].

B-Point 2: Shall describe the working process before performing the compliance audit at auditee for each audit period. Auditor in charge shall describe this point by the following sample:

Before performing the compliance audit process on units under **FSA**, auditor delegates have done the process of understanding the environment control of units under **FSA** to define the internal control risks that led to defining the audit topic and audit criteria to prepare the clear annual audit plan. In addition, Internal Audit Unit of **FSA** has also reported the results of understanding the environment control of units under **FSA** and Annual Audit Plan to His excellency chair of the **FSA** board to request permission in principle to conduct audit work as following plan.

C-point 3: Shall describe the process of performing compliance audit. Auditor in charge shall describe this point by the following sample:

After getting permission in principle from His excellency chair of the **FSA** board on [letter no.... on], audit delegates and auditor in charge have conduct the open meeting with representatives of auditee on [date of meeting]. After meeting, auditor in charge has conducted the audit work at [auditee] in days starting from [date] to [date]. Audit delegates and auditor in charge have followed the audit procedure by reviewing the collected data related to set audit topics and direct interviewing with the core person of auditee and has found some uncertainty that may lead to high risk in the future for auditee. All audit findings, audit delegates and auditor in charge have been reviewed and evaluated carefully and professionally by comparing the actual performance of auditee with the set audit criteria. In addition, those audit findings and recommendations will be used as important input in the audit reports and for the following-up work in the next audit period.

3. Information of Auditee

Information of Auditee is one of the important parts that show the user regarding the background, functions, roles, responsibilities, structure, human resources, and persons in charge of the Auditee. This part shall be organized into four main points, as described below:

A-Point 1: shall describe the background, functions, roles and responsibilities of auditee. Auditor in charge shall describe this point by the following sample:

According to the law on the conduct of Non-Bank Financial Services Authority and Sub-Degree on the Conduct of Units under Non-Bank Financial Services Authority, [Auditee name] serve In accordance with the law and sub decree, [Auditee] has role and responsibility to..... [Auditee] has set into place their Organizational Development

Plan for ... years [...] and Rolling Action Plan [...] as road map to ensure the effectiveness and efficiency of work implementation.

B-Point 2: Shall describe the organizational structure and human resource of auditee. Auditor in charge shall describe this point by the following sample:

According to the Prakas on the Conduct of Departments under [Auditee], [Auditee] have organizational structure as [Name] by the Secretary General/Director General, [Name] and [Name] by the Deputy Secretary General/Director General and consist of [...] Department/Center as follows:

1.Department..... Lead by [Name] consist of [...] Divisions as [Division....], [Division....] and [Division....].

2.Department..... Lead by [Name] consist of [...] Divisions as [Division....], [Division....] and [Division....].

3.Center..... Lead by [Name] consist of [...] Divisions as [Division....], [Division....] and [Division....].

Currently, [Auditee] has a total of [...] officials, including [...] as female officials. In addition, [...] officials are [...], [...] officials are [...] and [...] officials are [...].

There are [...] Director of Departments/ Centers, [...] Head of divisions and [...] Deputy head divisions.

C-Point 3: Shall describe the person in charge of auditee. Auditor in charge shall describe this point by the following sample:

Currently, [Auditee] has appointed Mr./Ms..... [his/her role and responsibility] by the person in charge of [auditee].

D-Point 4: Shall describe the current address of Auditee. Auditor in charge shall describe this point by the following sample:

Currently, [Auditee] has an address at [FSA building/ MEF Building], Building No... Floor.... Road.... District.... Commune.... Phnom Penh.

4. Information about Audit Delegates and Auditor in charge

Information about Audit Delegates and Auditor in charge is one of the important parts that show the user regarding the decision on the appointment, hierarchy, functions, roles and educational background of the audit delegates and the auditor in charge. This part shall be organized as described below:

In accordance with the permission in principle of his excellence chair of board, Internal Audit Unit of FSA has started its audit work on [beginning date]. According to letter No.....

I.A.U. on the list of Audit Delegates and Auditor in charge in [Auditee], Internal Audit Unit of **FSA** has a total member of As follows:

a- [Name] by the head of audit delegate. In accordance with Sub-decree on.... and Sub-decree on [Name] has been appointed as head of the Internal Audit Unit of **FSA** with the rank and privileges equivalent to, in addition to his/her current duties. He/her holds a master's degree in Management and Strategy from the University of Lyon 3, France. According to decision on appointment no..... I.A.U., He/her has been appointed by the head of the audit delegate for [audit period].

b- [Name] by the deputy head of audit delegate. In accordance with Sub-decree on.... and Sub-decree on [Name] has been appointed as deputy head/Director General/Deputy director general of the Internal Audit Unit of **FSA**. He/her holds a master's degree.... According to decision on appointment no..... I.A.U., He/her has been appointed by the deputy head of the audit delegate for [audit period].

5. Audit Topics

Audit Topic is one of the important parts that show the user regarding the working process of the auditor in charge in defining the audit topic. This part shall be organized into two main points, as described below:

A-Point 1: Shall describe the working process of determining the audit topic based on the procedure of Understanding the environmental control of auditee. Auditor shall describe this point by the following sample:

According to [...] Action Plan, Internal Audit Unit of **FSA** shall conduct the compliance audit on Units under **FSA**. To ensure the effectiveness and efficiency of audit work and with the support and guidance of the Head of Department [Audit 1], the audit delegates shall conduct the process of understanding the environmental control of units under **FSA** with a clear checklist. According to results of understanding the environmental control of units under **FSA**, the audit delegates and auditor in charge shall determine the audit topic and audit criteria in order to prepare the annual audit plan. According to letter no... audit delegates have started the process of understanding the environmental control of units under **FSA** on [date] to identify the material risks based on the environmental control, risk management, the communication of information, Operational control, and follow-up the process of control environment. In the process of understanding the environmental control of units under **FSA**, audit delegates have done direct interview with

management and technical team of auditee such as Director general/Deputy Director General/Director of Department/ Deputy Director of Department/Head of Division].

B-Point 2: Shall describe the identified risks and conduct a risk assessment to determine the compliance audit topic. Auditor in charge shall describe this point by the following sample:

After the process of understanding the environmental control of units under FSA, Audit delegates conducted a risk assessment and summarized the assessment results based on risk identification, collection of risk-related documents and measurements, prioritize risks, and the collection and compiling risks by identifying internal control compliance risks of [auditee]. After determining the material risks which are the main objective of process, audit delegates have determined the primary audit topics and audit criteria to discuss in internal division meetings. After the internal division meeting, audit delegates proceeded to discuss many times in internal department meetings and inter-department meetings to review, evaluate and discuss in the purpose of getting more inputs. After meeting process, audit delegates have processed the audit topic and audit criteria to the head of internal audit unit of FSA to have final review, evaluate and discuss until getting approval. After getting approval from head of Internal Audit Unit of FSA, Auditor in charge has a total of audit topic as follows:

Example:

A-Audit Topic 1: Management Structure

-Risk: Some management structures have not yet met the regulations.

B-Audit Topic 1: Incentive System

-Risk: The incentive system may be unequal.....

6. Criteria

Criteria is a section that informs users of the audit report about the auditor's procedures for determining audit criteria for each audit topic. Therefore, the criteria is organized into two sections as described below:

A- Point 1: Shall describe the procedure for determining criteria, starting from the stage after determining the audit topic and meetings to discuss documents related to office-level criteria until receiving instructions and approval from Head of the Unit. The auditor in charge can describe this point as in the following sample:

To ensure accurate and clear definition of audit topics, the Internal Audit Unit of FSA conducted thorough discussions and reviews to determine the audit criteria for comprehensiveness and accuracy in accordance with established audit technical standards. Determining audit criteria

is the stage after determining the risks of the internal control system. After this, each audit delegates begin to define audit topics through the results of the audit interviews in line with the audit criteria. After determining the audit topic, the auditor in charge prepared a checklist specifying the criteria or documents to be reviewed, such as regulations and related documents for each topic. This checklist has been submitted to division, departmental, and inter-departmental meetings, with several rounds of discussions and detailed reviews to obtain inputs before requesting a meeting with the Head of the Unit, review and reach an agreement. After receiving approval from the Head of the Unit of **FSA**, the auditor in charge shall send the checklist to the person in charge of audit work.

B-Point 2: Shall describe the audit criteria for each identified audit topic. The auditor in charge can describe this point as in the following sample:

As a result, the unit decided to select a number of criteria....., divided by audit topic, as described below:

A- Topic 1 [Include the title of the topic and describe the audit criteria according to the hierarchy of applicable regulations]

- Laws
- Sub-decrees
- Prakas
- Guidelines
- Various decision

7. Audit Scope

The audit scope is a section that informs users of the audit report of the limits and scope of the audit. The auditor in charge may describe this point as follows:

The scope of the compliance audit at [Auditee] is in accordance with circular No. 011/2001 on 4 August 2022 on compliance audit mechanisms and procedures, which specifically defines the mechanisms and procedures in compliance audits, the audit delegates and the auditor in charge shall use the checklist to collect information, data, and explanations related to the assigned audit topic. The audit checklist and program specify the time, type of documents, individuals or technical experts of the audit institution involved, especially the specialized departments, specialized division to provide in the explanations related to the subject of the interview, together with the documents, evidence and reports of the person in charge of audit work of the units under of **FSA** shall provide to the auditor in charge and any relevant individuals whom the auditor in charge may

need to meet to collect important data and information that serves to assess the compliance of units under **FSA** with respect to the designated audit topics. In addition, the audit delegator can request more documents if necessary.

8. Audit Procedures

Audit procedures are a part that shows the users of the audit report about the mechanisms and various working procedures that the auditor in charge has implemented in the audit process. Therefore, it shall be organized into four points as described below:

A- Point 1: Shall describe the regulatory framework that allows the Internal Audit Unit of **FSA** to conduct compliance audits. The auditor in charge can describe this point as follows:

According to Sub-Decree No. 113 on 14 July 2021 on the conduct of units under the Non-Banking Financial Services Authority, the Internal Audit Unit of **FSA** shall prepare and propose to implement strategies and plans as well as mechanisms and principles to assist in the implementation of audit work.

In accordance with the Internal Audit Unit's strategic plan, it is clearly stated that the Internal Audit Unit of **FSA** will conduct compliance audits for fiscal year 2022 in which is also indicated to develop guidelines and circulars on mechanisms and procedures to assist auditors in charge and auditees in carrying out compliance audits effectively, efficiently and economically.

B-Point 2: Shall describe the main content of the compliance audit guidelines. The auditor in charge can describe this point as follows:

In accordance with Prakas No. 035 on 4 August 2022 on the implementation of the guidelines on compliance audits of the internal audit units of Non-Bank Financial Services Authorities this guideline clearly defines the framework for conducting compliance audits, requiring internal auditors to prepare their work in key stages such as preparing a compliance audit plan, conducting compliance audits, preparing compliance audit reports, and monitoring the implementation of compliance audit recommendations, etc.

C-Point 3: Shall describe the main contents of the instructions on compliance audit mechanisms and procedures. The auditor in charge can describe this point by the following sample:

In addition to following the guidelines on compliance audits, the auditor in charge shall also follow the circular No. 001.F.S.A.S.N.N. on 4 August 2022 on compliance audit mechanisms and procedures that specifically defines the mechanisms and procedures for conducting compliance audits, starting with an initial understanding of the audit environment to identify risks and challenges and concerns to be used as a basic for preparing the annual audit plan.

The Internal Audit Unit of **FSA** has prepared an annual audit plan, which defines the audit topic, audit criteria, objectives, scope, and limitations of the audit, as well as preparing an audit program. Before doing the data and information collection stage, the auditor in charge prepared a checklist based on criteria that were appropriate and relevant to the assigned topic and prepared a list of audit delegates and auditors in charge of conducting compliance audits. After receiving the highest approval from His Excellency, the Deputy Prime Minister and Chair of the board of **FSA**, the Internal Audit Unit of **FSA** has provided the audit plan for the fiscal year [2022] and the checklist to the auditees and organized an open meeting with each auditee before performing the audit work. During data and information collection, the auditor in charge used a basic checklist to collect data, determine the timing, types of documents, and reports that the auditee shall provide to the auditor in charge and reviewed other relevant documents as requested during the audit work, and made direct inquiries to the person in charge of the audit in each department. After completing the data and information collection at the auditee, the auditor in charge analyzed and assessed the compliance or non-compliance of the auditee based on the collected data and information compared to the criteria.

D-Point 4: Shall describe the preparation of the compliance audit report in accordance with Circular No. 002/22 I.A.U.S.N.N on compliance audit reports form and Decision 226/22 I.A.U. on 11 August 2022 on the establishment of a task force committee to review and evaluate the compliance audit reports of the auditor in charge of the Internal Audit Unit of **FSA**. The auditor in charge can describe this point as follows:

The auditor in charge shall prepare a compliance audit report after completing the collection of data and information at the auditee. The preparation of this report shall comply with the content as defined Circular No. 002/22 I.A.U.S.N.N on compliance audit reports form. After completing the report, the auditor in charge shall submit the audit report to the sub-task force committee for review and preliminary assessment of the auditor in charge's preparation. The sub-task force committee was established through circular 226/22 I.A.U. on 11 August 2022 on the establishment of a sub-task force committee to review and evaluate compliance audit reports of the auditor in charge of the Internal Audit Unit of **FSA**.

After submitting the report to the sub-task force committee, the auditor in charge shall submit the audit report for further review and evaluation. The task force committee shall prepare an evaluation report on the conclusions of the auditor in charge regarding the compliance or non-compliance of the auditee on each audit topic. After receiving the task force committee's

approval, the auditor in charge shall prepare a draft compliance audit report based on the task force committee's evaluation report and proceed with the procedure for sending the audit report to [Auditee] to conduct reviews as well as provide comments and suggestions to the auditor in charge. After discussing with the auditee, the auditor in charge shall prepare a report incorporating the audit committee's comments and personal conclusions to be submitted to the task force committee to review and decide. The task force committee shall hold a meeting to evaluate the evidences and conclusions of the auditor in charge regarding the audit findings. The auditor in charge shall prepare a compliance audit report using the basic of the committee's decision on the matter at the report review meeting and the discussion between the auditor in charge and the auditee on the findings. The final procedure is for the Internal Audit Unit of FSA to compile an audit report of units under FSA for the fiscal year 2022 to the Chair of the FSA board.

9. Observations

Observations are a section that presents to the users of the audit report the auditor's observations related to the audit process at the auditee. Therefore, Observations shall be organized into five points as described below:

A- Point 1: Shall describe the observations on the auditee's response after receiving documents from the audit delegates, including the audit program, checklist, and composition of the audit delegates, mission letter, and so on. The auditor in charge can describe this point as in the following:

Consensus Case: After [Auditee] receives documents from the auditor in charge, including the audit program, compliance audit checklist, list of audit delegates and auditor in charge mission letter and so on [Auditee] agreed upon the time of requesting an auditor by the audit delegates.

Disagreement Case: After [Auditee] receiving documents from the audit delegates, including the audit program, checklist, composition of the audit delegates, mission letter, and so on [Auditee] requested the audit delegates to coordinate a change in the time of the audit because [auditee] has necessary work to complete.

B-Point 2: Shall describe the observations on the documents received from the auditee. The auditor in charge can describe this point as follows:

During the audit work on the subject of, the auditee prepared documents in an organized manner that made it easy for the audit delegates to review and spend less time to complete

information collection. The audit delegates observed that some documents were prepared in different formats, indicating inconsistency in defining a specific format

C- Point 3: Shall describe the observations on the examination of documents received from the auditee. The auditor in charge can describe this point as in the following sample:

During the data collection on the audit topic of, the auditor in charge checked that the documents prepared by the auditee were completely correct, in accordance with the checklist before carrying out the data collection, which enabled the auditor in charge to collect sufficient data for analysis and evaluation.

Regarding the audit topics, the auditor in charge noted that the data in the document [Document Title] contained irregularities, such as the absence of proper signatures, etc., which required the auditor in charged to be unable to use it as audit evidence....

D - Point 4: Shall describe the auditee's clarification process. the auditor in charge can describe this point as follows:

When The auditor in charged inquired at the auditee about the audit topic, it was observed that the auditee provided clarifications very openly without displaying any behavior intended to conceal information from the audit delegates.

E - Point 5: Shall describe the challenges faced during the audit implementation. The auditor in charged can describe this point by using the following sample:

During the audit mission, the audit delegates observed that the provision of documents by the auditee was delayed, causing interruptions in the audit delegate's work. Furthermore, the audit delegates observed that the auditee's location was cramped, leading to a lack of space for the audit delegates to review documents.

F - Point 6: Shall describe the cooperation provided regarding the provision of space for document review, the provision of documents, and clarifications during the audit implementation. The auditor in charge can describe this point by using the following sample:

Case of Suitable Location: When collecting data and information at [the Auditee], the audit delegates observed that the environment of [the Auditee] was well-organized, even though [the Auditee] has a somewhat small and cramped location. [The Auditee] arranged and provided a space for the audit delegates to review documents and assigned responsible officials to provide documents. The audit delegates commend [the Auditee] for its high level of cooperation in providing space for the audit delegates to review documents and providing documents in a timely manner, which led to the smooth completion of the audit work for the fiscal year 2022 with good results.

Case of Unsuitable Location: When collecting data and information at [the Auditee], the audit delegates observed that the environment of [the Auditee] was not very well-organized due to many documents being stored in a disorderly manner. Along with this, the auditee did not have its own dedicated space for the audit delegates to review documents, so [the Auditee] requested a meeting room of the FSA for the audit delegates instead. Specifically, [the Auditee] also had not clearly assigned responsible officials to hand over documents, even though the auditor in charge had to contact persons in charge directly according to departments each time. Despite these challenges, the audit delegates commend [the Auditee] for providing high cooperation in finding a suitable space for the audit delegates to review documents and providing documents to the audit delegates, which led to the smooth completion of the audit work for the fiscal year [2022] with good results.

10. Audit Findings

audit findings are a part that shows the users of the audit report the results that the auditor in charged is covered during the audit process. Therefore, the audit findings shall be prepared by the following sample:

Through the obtained collection and examination of the evidence above, the auditor in charge discovered the following results:

A. Audit Topic 1

A.1. Audit Finding 1.....

A.2. Audit Finding 2

B. Audit Topic 2

B.1. Audit Finding 1.....

B.2. Audit Finding 2

11. Analysis and Evaluation by the Auditor in Charge

The analysis and evaluation by the auditor in charge is a part that allows the user to know about the process of determining the analysis and evaluation of the Audit Findings by the auditor in charged during the audit process. Therefore, the analysis and evaluation by the auditor in charge shall be written by describing the evidence collection process and showing the users of the audit report such as the audit topics, audit findings, criteria, root cause, and consequences. The auditor in charge can describe this point as follows:

To ensure accurate and complete evaluation, the auditor in charge collected evidence at the auditee by using the audit procedures established in the general guideline of compliance audit,

including inquiry, observation, and inspection of original documents, utilizing the audit checklist provided by the Internal Audit Unit of **FSA** to the auditee before the auditor in charge took them for collecting evidence during the audit process. The results of the analysis and evaluation by the auditor in charge are based on evidence and audit findings as follows:

A. Audit Topic 1

1. Audit Finding 1..
2. Audit Finding 2
3. Criteria:
4. Root Cause: The auditor in charge shall write the root cause for each audit finding.
5. Consequences: The auditor in charge shall write the consequence according to each audit finding.

12. Analysis and Evaluation by the Task Force Committee

The analysis and evaluation by the task force committee is a part that shows the user the composition, mechanism, and procedure by which the task force committee reviews the compliance audit report of the auditor in charge. Therefore, it shall be prepared in three points, as described below:

A - Point 1: Shall describe the regulatory framework that allows the Internal Audit Unit of **FSA** to establish a task force committee to review the results of the compliance audit report of the auditor in charge and the composition of the task force committee. The auditor in charge can describe this point by using the following sample:

According to Part 7 of the Circular on the Mechanism and Procedures for Compliance Audit "The Head of the Internal Audit Unit of **FSA** shall establish a task force committee to review and evaluate the compliance audit reports of the auditor in charge." **His Excellency the Head of the Unit** issued Decision No. 226/22 **I.A.U.** on 11 August 2022 on the establishment of the task force committee to evaluate the compliance audit reports of the auditors in charge of the Internal Audit Unit of **FSA**. The composition of the task force committee is as follows:

1. His Excellency **Chhun Sambath**, Head of the Internal Audit Unit, Chairman
2. Mr. **Chhum Sereyvuth**, Deputy Head of the Internal Audit Unit, Vice Chairman
3. Mr. **Lim Channa**, Director of the General Affairs Department, Member
4. Mr. **Uon Rithy**, Director of the Audit Department I, Member
5. Mr. **Im Sophal**, Director of the Audit Department II, Member
6. Mr. **Nuon Samratana**, Deputy Director of the General Affairs Department, Member
7. Mr. **Yim Virak**, Deputy Director of the Audit Department I, Member

8. Mr. **Srun Chansetha**, Deputy Director of the Audit Department II, Member
9. Mr. **Chhay Vannarith**, Head of the Planning and Training Division, Secretary
10. Mr. **Seng Chheanglay**, Head of the Audit Division I, Auditor in Charge
11. Ms. **Dum Phanit**, Head of the Audit Division II, Auditor in Charge
12. Mr. **Sok Chettra**, Head of the Audit Division III, Auditor in Charge
13. Mr. **Tep Sopheak**, Head of the Audit Division IV, Auditor in Charge
14. Ms. **Kem Sereiboth**, Deputy Head of the Audit Division I, Auditor in Charge
15. Ms. **Prem Lina**, Deputy Head of the Audit Division II, Auditor in Charge
16. Mr. **Than Samnang**, Deputy Head of the Audit Division III, Auditor in Charge

B - Point 2: Shall describe the key audit foundations on which the task force committee reviews and evaluates the results of the compliance audit report of the auditor in charge. The auditor in charge can describe this point by using the following sample:

The task force committee reviews and evaluates the compliance audit report of the auditor in charge based on the guidelines on compliance audit and the circular on the mechanism and procedures for compliance audit, by examining a number of points: the implementation of audit procedures, the observation process, audit evidence of compliance audit for each audit topics, the conclusions for each audit topics, and the conclusions and recommendations of the auditor in charge for each audit topics.

C - Point 3: Shall describe the date of the minute meeting of the task force committee and the results of the review and evaluation of the compliance audit report of the auditor in charge according to the minute meeting of the evaluation meeting of the task force committee. The auditor in charge can describe this point by using the following sample:

The minute meeting of the task force committee on the draft compliance audit report of the auditor in charge was organized on date....., 2022 at location...at time..... under the leadership of His Excellency **Chhun Sambath**, Head of the Internal Audit Unit and Chairman of the task force committee, or under the authorization from the high level of **His Excellency the Head of the Unit**. This minute meeting of the task force committee was led by Mr..... According to the minutes report of the evaluation meeting of the task force committee on the draft of compliance audit report of the auditor in charge, the results are:

- The implementation of audit procedures by the auditor in charge
- The observation process of the auditor in charge
- Evidence regarding compliance audit for each audit topics...

- The conclusions of the auditor in charge for each audit topics...
- The recommendations of the auditor in charge for each audit topics.....

13. Comments and Requests from the Auditee

Comments and requests from the auditee are a written presentation to show the user about the response or non-response of the auditee to the draft of compliance audit report, requests, or the presentation of contrary evidence by the auditee, and requests regarding the possibility of implementing audit recommendations. Therefore, it shall be prepared by dividing into two different cases, as described below:

- Case where there is a response from the auditee: Shall describe the date of submission of the draft of the compliance audit report to the auditee, the written comments and requests of the auditee, or the presentation of various contrary evidence into the audit report, avoiding officially including the opinions and perceptions of the auditor in charge. Also, describe and show requests regarding the possibility of implementing recommendations. The auditor in charge can describe this case using the following sample:

The Internal Audit Unit of FSA submitted the draft of compliance audit report to Mr./Ms....., who is the person in charge for audit work for [the Auditee] on date... month... year 2022. After submitting the audit report within a period of... (under 20 working days) days, [the Auditee] raised comments and requestsor [the Auditee] presented contrary evidence regarding the conclusions of the auditor in charge on the audit topics of..... wherein..... Additionally, regarding the auditor's recommendations on audit topics... [the Auditee] requested to schedule for the following-up recommendations within [a specific week in a specific month].

- Case where there is no response from the auditee: Shall write about the date of receipt of the audit report, the absence of comments or requests from the auditee, or not receiving any comments or requests within a period of **20 days**, which assumes that the auditee agrees with the content of the audit report. The auditor in charge can describe this case using the following sample:

The audit report of the auditor in charge was submitted to Mr., who is the person in charge for audit work of [the Auditee] on date, month....., year 2022. After submitting the audit report within a period of... (under 20 working days), the auditee confirmed that there were no comments or requests, or the auditor in charge did not receive any comments or requests from [the Auditee]; therefore, the auditor in charge can assume that [the Auditee] agrees with the draft of compliance audit report.

14. Conclusion and Recommendations of the Auditor in Charge

The auditor in charge conclusion and recommendation is a written statement expressing the auditor's conclusion, describing the standard operating procedures for conclusions, the merits or achievements of the auditee, summarizing any gaps or non-compliance issues, or providing justification and consequences for uncompleting the recommendations. Therefore, the conclusion and recommendation of the auditor in charge shall be organized into four main points as described below:

A- Point 1: Shall describe the criteria used by the auditor to conclude on the compliance or non-compliance of each auditee for which the auditor in charge is responsible. The auditor in charge may describe this point as in the following sample:

According to the Guidelines on Compliance Audits issued by Prakas No. 035, FSA.P.K on 4 August 2022, it is clearly stated that the auditor in charge shall use four bases of conclusion as shown below:

1. The conclusion is Unqualified Opinion: May be given after there are no non-compliance findings.
2. The conclusion is Qualified Opinion: May be given after there are a few non-compliance findings.
3. The conclusion is Disclaimer Opinion: May be given after there are all non-compliance findings.
4. The conclusion is Adverse Opinion: May be given after audit cannot be performed.

B-Point 2: Shall describe the results of the review of the auditee's achievements, good points, efforts, and notable progress in the areas or points, which are the overall view of the auditee. The auditor in charge can describe this point as in the sample below:

After data collection at the auditee, the auditor in charge observed that [the auditee] had made efforts to prepare many work achievements such as...with the high responsibility and consistent with laws, regulations, and principles with proud results.

C- Point 3: Shall describe the results of the auditor's review and evaluation based on basis of conclusion, using any of the conclusion sample specified in the basis of conclusion. The auditor in charge may describe this point as follows:

After reviewing and evaluating the data, the auditor in charge observed that:

1. [Topic number ...] complies with [specified criteria] in all material aspects.
2. [Topic number...] complies with [specified criteria] in all material aspects except....
[describe the matters excluded above) or
3. [Topic number....] does not comply with [specified criteria] or`
4. Auditor in charge cannot perform the audit work, therefore the auditor in charge cannot provide a conclusion.

Point 4: Shall describe the recommendation that the auditor in charge has provided to auditees. auditor in charge shall show the auditee benefit and value add of these recommendations. In addition, auditor in charge should demonstrate what negative consequences would arise for the internal control system of auditees [weakened control system, legal penalties, impact on work processes, etc.] if the auditee did not implement or comply with the recommendation. The auditor in charge can describe three points as follows:

In addition, based on the non-compliance issues, the auditor in charge has provided a number of recommendations that will provide significant value to [Auditee] such as A)..... B)..... and C) Moreover, these recommendations have been analyzed and categorized by the auditor in charge and have agreed to implement by auditees. Auditor in charge shall describe these points by the following sample:

1. Topic 1:

- Overall recommendation: [auditee] shall preparein.....Auditor in charge will follow up the implementation of audit recommendation in [Audit Period]

- Overall Impact: In the case that [Auditee] does not comply with the given recommendation, internal control system of auditees or [Auditee] may face problems such as.....

15. Annex

The auditor in charge shall include annexes related to the audit process.

Receiving this circular, the Audit Delegates, the Auditor in charge, the Deputy Head of the Internal Audit Unit of FSA, the Director of Department and the Head of the Division under the Internal Audit Unit of FSA shall effectively implement this circular from the date of signing.

Phnom Penh: September 13th, 2022

Internal Audit Unit

Head of Unit

H.E. Chhun Sambath