KINGDOM OF CAMBODIA

Nation Religion King

Non-bank Financial Services Authority

NO. 015 FSA.P. K

PRAKAS

ON

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

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Minister of Economy and Finance

and the Chairman of the Non-Bank Financial Service 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/0230/421 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/0196/18 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 the 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 units under Non-Bank Financial Services Authority;
- Having seen the Sub-Degree No. 113 SD.PK on 14 July 2021 on the Conduct of Units under Non-Bank Financial Services Authority;
- Having seen the Sub-Decree No. 40 SD.PK on February 15 2005 on the Organization and Functioning of Internal Audit in Organization, 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 requirements of the Internal Audit Unit of the Non-Bank Financial Services Authority.

HEREBY DECIDE

Article 1.-

Implement the guideline on the financial audit of the Internal Audit Unit of the Non-Bank 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 audtiors of the Internal Audit Unit of FSA shall comply with this Prakas from the date of signing.

Phnom Penh, …...August 2024

Deputy Prime Minister

Minister of Economy and Finance

And The Chair 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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FINANCIAL AUDIT GUIDELINE

Year 2024

Arranged by the Internal Audit Unit of FSA

Contents

Introduction

The Internal Audit Unit of **FSA** is an organization established by the Law on the Conduct of the Non-Bank Financial Services Authority, the Sub-Decree on the Conduct of the unit under **FSA** 's Supervision, and the Prakas on Conduct of Departments under the Internal Audit Unit of **FSA**.

Internal Audit Unit of FSA is established to 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. The Internal Audit Unit of **FSA** has the role and duty to audit the accuracy, appropriateness, and adequacy of compliance, performance, finance, human resources, assets, information technology systems, implementation of internal regulations and commands, and to review the functions, work programs, activities, and operations of the unit under **FSA** and report to the Minister of Economy and Finance and the Chair of **FSA** Board as stipulated in the Sub-Decree on the Conducting of The unit under **FSA** and the Prakas on Conducting of Departments under the Internal Audit Unit of **FSA** .

Financial Audit is a type of audit conducted on the unit under **FSA** through an independent examination with a scope covering **4** (Four) aspects: Compliance, Effectiveness, Efficiency, and Economy. The objective of financial audit does not absolutely require the examination scope to cover all 4 (**Four**) aspects. Auditors can clearly define any scope to set the direction for conducting the financial audit to evaluate the achieved objectives compared to the budget plan and compliance.

The purpose of the Financial Audit is to ensure that budget planning, revenue management, expenditure management, cash management, budget execution, accounting entry preparation, account closing, and financial statement preparation are effective, efficient, economical, and compliant with the Law on Public Financial System, Government Accounting Policies, Principles, and Prevailing Regulations.

The Internal Audit Unit of **FSA** issues this Guideline on Financial Audit with the objective of making the audit practices of the auditors of the Internal Audit Unit of **FSA** professional, ensuring effectiveness and efficiency, by providing directional guidance to strengthen and provide mental support to auditors in their work, as well as ensuring for report users about the evaluation results or measurement of the audit subject by comparison with criteria, accurate, appropriate, and adequate.

SECTION I
GENERAL ASPECTS OF FINANCIAL AUDIT

1.1 Financial Audit

The general aspects of financial audit include:

(a) **Compliance Audit**: This is an independent review by auditors of budget planning, revenue management, expenditure management, cash management, budget execution, accounting entry preparation, account closing, and financial statement preparation to conclude whether they are accurate, appropriate, and compliant with the Law on Public Financial System, Government Accounting Policies, Principles, or Public Sector Accounting Standards (IPSAS) and prevailing Regulations.

(b) **Effectiveness Audit**: Refers to achieving the budget objectives of the unit under **FSA** and auditing the actual impacts compared to the expected impacts.

(c) **Efficiency Audit**: Refers to measuring and verifying the results of the use of the planned budget compared to the results achieved in the past.

(d) **Economy Audit**: Refers to reviewing the use of the budget to its full potential to achieve maximum results and using less budget than before, but achieving the expected objectives.

The scope of financial audit includes the following:

(a) **Budget Planning**: Refers to the preparation of strategic budget plans and annual budget projects, responding to the needs of the annual action plan, the organization's development plan, and the policies of the unit under **FSA** with accuracy, appropriateness, and adequacy.

(b) **Revenue Management**: Refers to revenue planning, revenue collection implementation, and monitoring of revenue collection performance of the unit under **FSA.** Auditors shall examine whether the person in charge of revenue or the revenue management structure is accurate, appropriate, and adequate. Furthermore, auditors shall also examine revenue clearance, revenue vouchers, revenue receipt, revenue recording, revenue tracking, and revenue performance reporting in accordance with prevailing regulations.

(c) **Expenditure Management**: Refers to expenditure planning, expenditure execution, and monitoring of expenditure performance of the unit under **FSA**. Auditors shall examine whether the person in charge of expenditure or the expenditure management structure is appropriate and adequate. Furthermore, auditors shall also examine the implementation of expenditure procedures, expenditure recording, expenditure performance tracking, and expenditure performance reporting in accordance with prevailing regulations.

(d) **Cash Management**: Refers to the treasury management of the unit under **FSA** in operations of collection, receipt, cash revenue management, and cash expenditure payments, in accordance with the general regulations of public accounting and cash management. Auditors shall examine whether the person in charge of expenditure or the expenditure management structure is accurate, appropriate, and adequate.

(e) **Budget Execution**: Refers to monitoring and reviewing budget performance, coordination, tracking, and promoting various operations to achieve the planned results of the unit under **FSA**. Whether the budget execution of the unit under **FSA** is effective, efficient, and economical.

(f) **Preparation of Accounting Entries**: Refers to recording in journals, preparation of ledgers, and preparation of trial balances.

(g) **Account Closing Preparation**: Refers to closing accounts in compliance with the Government of Cambodia's public sector accounting standards or Public Sector Accounting Standards (IPSAS) and the Law on Public Financial System.

(h) **Preparation of Financial Statements**: Refers to the preparation of financial statements of the unit under **FSA** in compliance with the Government of Cambodia's public sector accounting standards or Public Sector Accounting Standards (IPSAS) and the Law on Public Financial System, enabling auditors to draw audit conclusions.

1.2 Fundamental Perspective of Financial Audit

Public accountability means that the unit under **FSA** shall be accountable for their work performance in terms of compliance, effectiveness, efficiency, and economy. Financial Audit can also provide answers to some questions, such as: Did we get value for money spending, or could we spend money better? The characteristic of accountability is that every public service or every program of the unit under **FSA** shall be subject to audit.

Legitimacy and reliability are important values in the work activities of the unit under **FSA** and financial audit can contribute to strengthening these values by creating public information and reliability on the compliance, effectiveness, efficiency, and economy of the budget use of the unit under **FSA**. Through this method, we can obtain independent opinions and reliability on the conduct of the use of the audited budget or audit subject. Financial Audit does not serve any isolated interests and does not focus solely on financial or non-financial issues regarding the audit subject.

The fundamental perspectives of conducting financial audit are as follows:

- It is important to evaluate the performance of compliance, effectiveness, efficiency, and economy of budget execution compared to the budget plan of the unit under **FSA**. For this purpose, an audit is required to review, evaluate issues, and can contribute to improve the budget performance of the unit under **FSA**, while having accountability and transparency in the provision and management of public service delivery.

- To ensure whether the unit under **FSA** have prepared budget plans, managed revenue, managed expenditure, managed cash, executed budget, prepared accounting entries, accounts closing, and prepared financial statements effectively, efficiently, economically, in accordance with the Government's public accounting or IPSAS, and prevailing regulations.
- Financial information shall be reliable and trustworthy.

1.3 Audit on Compliance, Effectiveness, Efficiency, and Economy

Financial Audit primarily focuses on controlling **4** (Four) aspects: **Compliance, Effectiveness, Efficiency, and Economy**. Financial Audit aims to examine one or more of these four aspects.

Compliance: Refers to budget planning, revenue management, expenditure management, cash management, budget execution, preparation of accounting entries, account closing, and preparation of financial statements, compliant with the Law on Public Financial System, Policies, Principles, Government Public Accounting, or Public Sector Accounting Standards (IPSAS) and prevailing regulationns.

Effectiveness: Refers to achieving the set objectives or work goals compared with the planned financial resources. Auditing effectiveness is not only about checking the achievement of set goals but also focuses on achieving the purpose of the budget to be used. Are the methods used and the results achieved consistent with the budget purpose. And the observed impact is the result arising from the achievement of the purpose of the defined activities and not from other circumstances. Auditors can evaluate or measure effectiveness by comparing achieved results and outputs received, or impacts, or the status of issues with policy objectives. This paradigm is called "**Analysis of Goal Achievement**". When auditing effectiveness, auditors shall try to determine the level of contribution of the measures to achieve the policy objectives, which is the audit of effectiveness in its "true" course and requires finding evidence to confirm that the observed results are indeed caused by the implemented measures, rather than other factors. Furthermore, auditors can focus on the scope of financial audit to determine the financial audit subject on effectiveness aspects, including: budget planning, revenue management, expenditure management, cash management, budget execution, preparation of accounting entries, account closing, and preparation of financial statements.

Effectiveness audits include:

- Assessing whether the budget of the unit under **FSA** is prepared and formulated effectively and whether the budget is clear and realistic.

- Assessing whether the objectives and provided means (such as regulations, finance, etc.) for new or ongoing programs are accurate, appropriate, adequate, realistic, or relevant.
- Assessing the effectiveness of the structure of the unit under **FSA**
- Having decision-making processes, and management systems on budget execution.
- Assessing whether there is additional or duplicate use of the budget with other relevant budgets.
- Assessing whether the quality of budget use responds to the set purposes and objectives in the plan.
- Assessing the adequacy of systems for measuring, tracking, and reporting on the effectiveness of the budget.
- Assessing the effectiveness of investment and use of the budget of the unit under **FSA** to confirm whether the purposes and objectives have been achieved.
- Assessing whether the direct or indirect impacts on society, economy, and environment of the defined action plans are due to the defined action plans or other various reasons.
- Identifying factors hindering the achievement of objectives.
- Analyzing root causes of issues to find ways to make the activities and budget use of the unit under **FSA** more effective.

Efficiency: Achieving budget objectives or defined subjects, or achieving by using fewer resources. "Efficiency" is related to economy, and the key issue is also related to the use of resources. Therefore, efficiency is specified in 2 (two) ways: (1) Achieving higher goals than planned using determined resources, and (2) Using fewer resources but achieving the planned goals (in terms of quantity and quality of results). Results on efficiency can be found by comparing with similar activities, with different dates, or with standards, best practices, or expert opinions can also be used. Evaluation of efficiency can also be based on conditions, not related to any standard (when the issue is complex or there is no standard), in this case, the evaluation shall be based on the best information and arguments and in accordance with the analysis done during the audit. Auditors can focus on the scope of financial audit to determine the financial audit subject on efficiency aspects, including: budget planning, revenue management, expenditure management, cash management, budget execution, preparation of accounting entries, account closing, and preparation of financial statements.

Aspects of efficiency audit shall note that:

- Financial resources and other resources are used efficiently.
- The budget of the unit under **FSA** is managed, monitored, administered, executed, tracked, and evaluated efficiently and accurately.

- The use of the budget of the unit under **FSA** is in accordance with the purpose and needs.
- The purpose of using the budget of the unit under **FSA** has provided added value.
- Financial resources are used to the best extent to prepare or provide public services in a timely manner, with appropriate quality and quantity.
- Complied with the requirements of regulations for management of procurement, maintenance, and use of resources of the unit under **FSA** and established a control system over management.

Economy: Refers to using the budget to its full potential to achieve maximum results and using less budget than before, but achieving the expected objectives. Although the concept of economy is clearly explained, auditing economy is not easy. Often, the difficult challenge for auditors is to evaluate whether the selected inputs demonstrate economical use of public funds? Are the available resources used economically? The greater difficulty is in providing recommendations to reduce expenditures without affecting the quality and quantity of public services. Auditors can focus on the scope of financial audit to determine the financial audit subject on economy aspects, including: budget planning, revenue management, expenditure management, cash management, budget execution, preparation of accounting entries, account closing, and preparation of financial statements.

In summary, although a specific audit practice may not necessarily conclude on all four aspects (Compliance, Effectiveness, Efficiency, and Economy), it may be of little use to examine only the efficiency or economy of budget use in summary without considering the compliance and effectiveness of budget use. Conversely, in auditing efficiency, auditors shall also consider the aspects of compliance, efficiency, and economy.

Generally, evaluating the results or impacts of activities is important when reviewing compliance and effectiveness. To evaluate the impacts of activities of the unit under **FSA**, it is necessary to collect information not only from the unit under **FSA** but also from other relevant parties. This is particularly beneficial when auditors are confident that the activities of other relevant parties can influence the unit under **FSA**.

1.4 Outcome-Oriented and Issue-Oriented Approaches

Financial audit has different traditions and ambitions, with two distinct approaches: the outcome-oriented approach and the issue-oriented approach.

Outcome-Oriented and Issue-Oriented Approaches

The **outcome-oriented approach** is mostly concerned with questions such as: What are the achievements, and have the objectives been achieved? With this approach, the auditor studies the use of the budget (concerning compliance, efficiency, effectiveness, and economy) and links the observations to certain norms, goals, objectives, regulations, etc., or to audit criteria (which must be clearly defined before starting the study). If it is difficult to determine the criteria, the auditor shall work with experts in that field to develop criteria that are reliable, valid, relevant, reasonable, and achievable when applied. Audit criteria allow the evaluation to determine the results. In this approach, deficiencies can be deviations from norms or criteria. Recommendations are made with the aim of eliminating these deviations.

In contrast, the **issue-oriented approach** concerns the verification and analysis of issues that generally do not refer to pre-defined audit criteria. To evaluate an issue, one must first understand the issue, along with its root causes and potentially complex consequences. When analyzing complex issues related to efficiency and effectiveness, it is usually not possible to define audit criteria during the planning phase. For this approach, the deficiency and issue, or at least the signs of issues, are the starting point for conducting the audit, not the conclusion. The primary task of the financial audit is to verify the raised issues and analyze the root causes from various perspectives (issues related to compliance, efficiency, effectiveness, and economy in the use of the budget by the unit under **FSA**).

The issue-oriented approach concerns questions such as: Does the raised issue actually exist, and if so, how can we understand it, and what are its root causes? Assuming an issue exists, the auditor conducts the audit on the root causes and consequences of the issue.

A **perspective** is an analysis and a tool aimed at providing new information about the raised issue and ways to solve it. The auditor is not restricted in their analysis; all potential major causes must be considered (except for general goals). Therefore, we must include proposals for amending laws, regulations, and the work structures of the entity under the unit under **FSA**, if it is observed and confirmed that the current structures have serious issues.

Typically, financial audit involves issues of accountability—it is a judgment on the level of achievement by responsible parties within the hierarchy concerning relevant goals and other requirements (factors outside the control of the entity under the authority of the **NRFA** are expected not to influence the outcomes). Another approach focuses on understanding and explaining the actual observations made during the audit. Instead of trying to find someone at fault, it involves analyzing the factors behind the discovered issues and discussing how to address these issues. This approach reflects the view of the general purpose of financial audit: to enhance compliance, efficiency, effectiveness, and economy. The two approaches present different perspectives on financial audit. One view holds that accountability (in audits of compliance and performance) is the main point of the audit, while the other view (focusing on compliance, efficiency, effectiveness, and economy) is primarily concerned with the audit subject regarding the root causes of observed issues (even if accountability is not the main focus, audit recommendations typically include issues of responsibility allocation as well). The focus of financial audit for the unit under the unit under **FSA** is different. The two approaches are distinctly different: the outcome-oriented approach and the issue-oriented approach. The outcome-oriented approach deals with questions like, "Have the operations achieved the objectives?" The issue-oriented approach mainly concerns issue analysis, such as, "Does the raised issue actually exist? If so, what are its root causes?" Typically, audit focuses on accountability issues, but financial audit does not always focus on that. Financial audit shall not follow standards that are overly detailed and simplistic, as this can impair professionalism and creativity.

SECTION II
MANDATE AND FRAMEWORK OF FINANCIAL

2.1 Mandate and Audit Framework of the Internal Audit Unit of the NRFA

The Internal Audit Unit of the **FSA** functions as a staff advisor to the Board of Directors of the unit under **FSA** and the **Chair** of the Board of **FSA** on audit work in strengthening the internal control systems of the unit under the unit under **FSA** through professional monitoring and review, ethics, independence, integrity, responsibility, and development of the internal audit function. The Internal Audit Unit of **FSA** has the role and duty to audit the accuracy, appropriateness, and sufficiency of compliance, performance, finances, human resources, assets, information technology systems, implementation of statutes and internal regulations, and to review the functions, work programs, activities, and operations of the unit under the unit under **FSA**.

The Internal Audit Unit of the **FSA** provides reasonable assurance that the operations of the unit under the authority of the **FSA** are conducted in accordance with applicable laws, sub-decrees, proclamations (Prakas), and other regulations. The mandate of the Internal Audit Unit of the **FSA** in conducting financial audits is defined in the Sub-decree on the Organization and Functioning of the unit under the Authority of the Non-Bank Financial Services Authority and the Proclamation (Prakas) on the Organization and Functioning of Departments under the Authority of the Internal Audit Unit of **FSA**. The Internal Audit Unit of **FSA** shall report the results of financial audits to the Minister of Economy and Finance and the Chair of the Board of Directors of **FSA**.

2.2 Implementation of Financial Audit Principles

General Goals of Financial Audit

Financial audit will not examine the basis of the policy of programs of the unit under the unit under **FSA**. In this case, the financial audit does not question in detail the value of the policy's objectives, but it will examine the implementation activities or evaluate the results of the policy, and it may review the adequacy of information relevant to policy decisions. The overall objective of the financial audit is to evaluate and improve the performance of the roles of the unit under the unit under **FSA**. However, the Internal Audit Unit of **FSA** is not required to be responsible for its recommendations, and the auditor cannot claim that their recommendations are the only reasonable solution (even if those recommendations are reasonable and clear, there are always other options). The recommendations of the Internal Audit Unit of **FSA** can merely be an assessment of what has occurred that could potentially be a reasonable solution.

Assurance and Promotion of Professional Quality

Professional work quality shall be assured and promoted. The Internal Audit Unit of **FSA** shall establish audit procedures to ensure the effective performance of responsibilities for financial audit reports without affecting the independence of auditors.

The Internal Audit Unit of **FSA** shall establish systems and procedures to ensure that:

- The work of the Internal Audit Unit of **FSA** is achieved in a manner that is compliant, effective, efficient, and with the best economy.
- Officials of the Internal Audit Unit of **FSA** adhere to professional standards and perform their work with professional competence.
- The Internal Audit Unit of **FSA** operates with a quality control system according to standards at every stage of the audit, through review, recommendation, and training.

Officials at all levels of the Internal Audit Unit of **FSA** are responsible for the quality of the reports of the Internal Audit Unit of **FSA** in accordance with performance standards and prevailing regulations, as stipulated in the structure and decisions of the Internal Audit Unit of **FSA**. Auditors shall follow the guidance of management, have the capacity, knowledge, and skills for audit work according to standards, such as risk determination, criteria selection, data collection and analysis, and the use of professional judgment, and shall perform the work assigned by management with the highest responsibility and quality. Quality improvement from one level to another exists in all parts according to the management hierarchy and accountability.

2.3 General Requirements for Financial Audit

Professional Competence, and Due Audit Care

Professional competence and responsible care shall lead in audit work. Auditors shall clearly define financial audit work and appropriate audit patterns.

Financial Audit shall be done meticulously, with relevant, reliable, and sufficient evidence to ensure that anyone would draw the same conclusions as the financial audit report. This requires proper judgment when deciding on audit objectives, subjects, and timing, methodological patterns, audit scope, issues to report, and overall audit conclusions. Good communication with the unit under **FSA** supervision and experts with different experiences is important throughout the entire audit process. Similarly, auditors shall be cautious, and the accuracy of the basis relying on the facts of the description, analysis, and final recommendations is important. Reports shall be verifiable, balanced, and with correct and clear wording, with the additional purpose of adding value to the unit under **FSA** supervision. Performance standards and prevailing regulations shall be consistently adhered and the audit process shall be well documented. Major decisions made during the audit and key considerations shall be recorded in writing. Usable documents and tracking books shall be properly maintained. The main purpose of documentation (besides assisting the audit delegates) is to help record audit evidence supporting conclusions and decisions, as well as providing records to assist in managing and reviewing the audit and for auditors to be able to re-examine audit work. Information obtained during the audit shall be kept confidential.

2.4 Other Important Safeguards

Although this guideline shows the basis for conducting financial audit, professional judgment (in accordance with relevant rules and procedures) remains an essential component in implementing financial audit. Auditors shall adhere to a high level of skepticism and caution during the audit, considering that there may be material misstatements in financial information due to various circumstances. Various safeguards, which may be principles and practical applications, shall be used to prevent misreporting.

Reasonableness of Information Quality

Financial Audit relies heavily on the quality of information provided by the unit under **FSA** supervision and other parties, and generally, this information is stored in various media. The level of "reasonableness" depends on the actual situation of the evidence that auditors have and the conclusions based on that evidence.

Auditor's Work

The auditor's work shall be properly reviewed according to the hierarchy and each stage of the audit during the audit work. When tasks are assigned to auditors, the audit delegates leader shall lead, monitor, and review meticulously. All audit delegates shall understand the audit objectives, the assigned work conditions, and duties.

The audit delegates leader's supervision of audit delegates includes leadership, support, and work monitoring to ensure the achievement of audit objectives. The audit delegates leader's review is to ensure that:

- All audit delegates clearly understand the audit objectives.
- Audit procedures are adequate and properly implemented.
- Audit evidence is relevant, reliable, accurate, appropriate, adequate, and recorded, and supports the audit results and conclusions.
- Audit work achieves according to budget, time, and audit work schedule.

SECTION III
AUDIT PLANING

The purpose of this part is to show the preliminary study before audit and audit planning.

3.1 Preliminary Study Before Audit Planning

Before proceeding to information collection work to prepare the audit plan, the audit delegates and auditors in charge shall:

- Understand the scope of financial audit, including: budget planning, revenue management, expenditure management, cash management, budget execution, preparation of accounting entries, account closing, and preparation of financial statements in advance, enabling auditors to determine audit criteria.
- Consider whether the unit under **FSA** supervision have prepared accounting entries and financial statements in compliance with relevant laws and prevailing regulations.
- Consider whether the unit under **FSA** supervision have determined the budget and budget execution effectively, efficiently, and economically.
- Consider the capacity, professional skills, and experience of the audit delegates and auditors in charge.
- Auditors shall implement the professional code of ethics in accordance with the relevant proclamation on the professional code of ethics related to integrity, impartiality, independence, conflict of interest, maintaining professional confidentiality, professional competence, and professional behavior. At the same time, the audit delegates and auditors in charge shall also study and evaluate threats to independence and protective measurement.
- Prepare a notification letter regarding information collection and audit implementation, attached with appendices showing the purpose and scope of the audit, the responsibilities of the management of the unit under **FSA** supervision, and the responsibilities of auditors, etc.
- Opening audit meeting, to inform the management of the unit under **FSA** supervision about a number of points, as shown in the appendices of the above notification letter. The audit delegates and auditors in charge shall prepare minutes of the opening meeting to commence the audit.

3.2 General Steps in the Financial Audit Cycle

This guideline establishes criteria or a common framework for auditors to follow so that activities or work steps are fully purposeful, systematic, and balanced.

The financial audit cycle includes several steps, such as: the planning process, the implementation process, and the monitoring process. In the planning process, it is divided into different phases, such as: the initial phase is strategic planning, which involves analyzing concepts and potential audit topics, and once audit topics is selected for audit, it is studied to gather information for preparing the main study proposal (providing a work plan for the main study).

During the main study, auditors focus on preparing the draft audit report which will be considered by the unit under **FSA** supervision. The report writing process is a continuous process after the process of creating tests and refining ideas about the audit topics. Various issues, such as expected impacts and the value of the audit, shall be considered during the audit work. Monitoring procedures determine, and record audit factors, and the progress of implementing audit recommendations.

3.3 Strategic Planning

Financial Audit shall focus on areas where auditors can add value in promoting compliance, effectiveness, efficiency, and economy as noted above. The Internal Audit Unit of **FSA** has the freedom to select financial audit subjects and audit patterns.

Strategic audit planning is the basis for selecting audit topics and preliminary studies and can be implemented by creating selection criteria. The main criteria may be the significant contribution of the audit to the evaluation and improvement of the functions of the unit under **FSA** supervision.

General criteria for selection are as follows:

Added Value: The expectation of improved audit performance is beneficial and of good quality, and audits or various reviews on parts or audit topics related to the policies of the unit under **FSA** supervision are fewer, leading to more added value, and adding value is providing new knowledge and perspectives.

Issue or Important Parts of Issues: Risks to compliance, effectiveness, efficiency, and economy, or public trust increase, making the issue more important, or one can determine it is important or material if it influences the users of the audit report. Active and issue-oriented review makes it easier for the Internal Audit Unit of **FSA** to determine issues or parts of issues.

Risk or Uncertainty: Strategic audit planning can be based on risk analysis or analysis of existing or potential issue signs. The increasing public interest related to suspicions of ineffectiveness leads to higher risk (less knowledge) and more uncertainty. Aggregating indicators or various factors related to the unit under **FSA** supervision or programs of the unit under **FSA** supervision can be important signs, and the Internal Audit Unit of **FSA** shall plan audits whose scope depends on the finding signs. Factors indicating higher risk (or uncertainty) include:

- The involved cash or budget is large in amount, or there is a strong change in the amount of involved cash.
- Relevant parts that are easily exposed to risk.

- New or urgent activities, or changing conditions.
- The management structure is complex, and there may be confusion about responsibilities.
- There is no reliable, independent, and up-to-date information about the effectiveness or efficiency of programs of the unit under **FSA** supervision.

Thus, the strategic audit plan provides a major purpose and different decisions. Linked to the annual planning system of the Internal Audit Unit of **FSA**. The strategic audit plan can be a very useful modeling tool in determining existence and selecting potential audits to be implemented in another context and the audit strategy can serve as a mechanism to determine audit sites by sector which are the basis for making more detailed plans and decisions on audit strategy policies regarding future audit targets.

3.4 Audit Planning

The Internal Audit Unit of **FSA** shall prepare an audit plan that ensures high-quality audit with effectiveness, efficiency, economy, and timeliness. Generally, in conducting financial audit, good planning shall be considered. Before starting the audit, audit objectives, scope, and various methods to achieve those objectives shall be determined. Often, audit planning is the preliminary study.

The purpose of the preliminary study is to determine whether the audit conditions exist or not, and if the auditor create audit proposal along with a work plan. The operational plan is a tool for leading, implementing the audit process, and providing necessary knowledge and historical information in understanding the organization, program, or function. Having an appropriate audit work plan can facilitate to ensure that the audit scope is comprehensive and achievable. Generally, the preliminary study shall take only a short time.

The key steps in creating an audit proposal are 3 (three) as follows:

- Define specific issues for study and audit objectives.
- Determine the scope and develop audit procedures.
- Determine quality assurance, time, and audit resources.

In practice, it is not necessary to separate these steps completely and follow them in order.

3.4.1 Defining the Specific Study Issues and Audit Objectives

The first step is to clearly define the subject or issue to be audited, along with the reasons and purposes of the study. This is a difficult and important step that requires in-depth examination of the subject through (1) studying relevant research documents, records, and statistics, (2) interviewing relevant parties and key experts, and (3) analyzing potential issues from various perspectives, etc. The above determination shall be clear and avoid ambiguity or uncertainty. Even minor changes to the audit questions or issues to be studied can have a strong impact on the audit scope.

In summary, this step involves two key questions:

-What is the audit question or the issue?

-What is the audit objective?

The determination of the audit question is a critical aspect of the audit implementation process and is a key decisive factor for the audit outcome. This subject can be a fundamental research question within the program of the auditee **(-Name of the unit under FSA)** that the auditor shall seek to answer, based on rational and objective consideration.

The audit objective relates to the reason for conducting the audit, in order to identify the issues that are subject to audit and reporting. When setting the objectives, the audit delegates shall consider the roles and expectations as defined in the strategic audit plan.

The audit objectives and scope are interrelated and shall be considered together. Prior discussion with the auditee **(-Name of the unit under FSA),** the audit scope is a best practice. Furthermore, clearly stating points that are not audited (those not included in the audit plan) is beneficial for reducing misunderstandings or incorrect expectations among relevance stakeholders.

A key criterion in defining the audit objective is the effective contribution of the audit. To determine this contribution, the expected conclusions shall be defined. If the audit is conducted upon request, the audit objective may be pre-determined or clearly apparent.

3.4.2 Determining Scope and Designing Audit Procedures

This stage involves developing the scope and designing the audit procedures. Financial audits shall be prepared in advance during which auditors study documents and theories related to the audit subject or the questions to be answered.

Defining the scope and the specific subject or operations

Defining the scope sets the boundaries of the audit by focusing on the specific subject matter for which an answer is required, the type of study to be conducted, and the nature of the investigation. Furthermore, defining the scope also includes the collected information and the analyses.

The audit scope is determined by answering the following questions:

- What are the specific subjects to be audited?
- What appropriate audit procedures shall be applied?
- Who are the key stakeholders and the unit under the unit of **FSA**?
- Is there a limitation on the number of locations to be audited?

- Is there a limitation on the time frame to be audited?

After determining the rationale, objectives, and the audit subject or issues to be considered, the auditor shall identify the specific subjects, operations, and action plans to be examined (the root causes of issues) as a basis for selecting data collection methods. The auditor shall also define the nature of the audit, such as: What type of audit shall be conducted to answer the audit questions?

Field auditing is a continuous learning process, more than just data collection, and the questions (or operations and action plans) may change as the auditor gains more understanding during the audit work. The goal in the planning stage is to systematically direct attention to the points the auditor wants to know, the location, and the method for obtaining the information.

Audit feasibility is a crucial condition in the implementation planning process, determining whether a suitable audit topic can be audited. Because audit objectives and scopes differ from one another, the audit delegates shall assess whether the audit is feasible to define an audit scope that is both subject-relevant and valuable. The auditor can consider management, strategies, and relevant criteria, and determine that the required information or evidence can be collected effectively, truthfully, and reliably. Other considered aspects are compliance with the mandate, resources, professional audit skills, and time constraints.

Understanding the Program

The auditor shall fully understand the unit under **FSA** to properly plan and conduct the audit according to audit standards. During audit planning, the auditor collects data and information to understand the operations of the auditee, including its mission, strategy, inherent risks, risks of intentional error, and internal controls. Understanding the operations of the auditee during the audit planning process will help the auditor determine risk assessments and develop audit programs that respond to the assessed risks. Furthermore, internal control is a process (influenced by the leadership and officials of the audited **unit**) that is designed to provide reasonable assurance regarding the achievement of objectives, including:

- Planning budgets, managing revenue, managing expenditure, managing cash, executing budgets, preparing accounting entries, closing accounting records, and preparing financial reports with compliance, effectiveness, efficiency, and economy.
- Producing reliable and timely financial audit reports.
- Compliance with laws and regulations.

Understanding the internal control system of the auditee involves reviewing the components and key principles of internal control, including:

A. Control Environment

- Demonstrates commitment to integrity and ethical values.
- Exercises oversight responsibilities.
- Establishes structure, authority, and responsibility.
- Demonstrates commitment to competence.
- Enforces accountability.

B. Risk Assessment

- Identifies relevant objectives.
- Identifies and analyzes risks.
- Assesses the risk of intentional error.
- Identifies and analyzes significant changes.

C. Control Activities

- Selects and develops control activities.
- Selects and develops general controls.
- Deploys controls through policies and procedures.

D. Information and Communication

- Uses relevant information.
- Internal communication.
- External communication.

E. Monitoring of Controls

- Conducts ongoing and/or separate evaluations.
- Evaluates and communicates control deficiencies.

The auditor shall understand the components of internal control, especially the control environment, which is the foundation of internal control. A good control environment helps other components function well, and if the control environment is poor, it negatively impacts other components.

After understanding and assessing the control environment, the auditor shall understand the controls over key processes, including: budget planning, revenue management, expenditure management, cash management, budget execution, preparation of accounting entries, closing of accounting records, and preparation of financial reports. Subsequently, the auditor shall test the controls to ensure that the established controls are implemented effectively and authoritatively. To save time during control testing, the auditor shall determine which control activities are most critical.

To help determine which control activities are critical, the auditor shall ask:

- Could the risk of material misstatement occur in the absence of this control activity?

- Can this control activity prevent or detect the risk of material misstatement?

Audit Risk

Auditors often speak about different risk perspectives in an audit. **Audit risk** is an overall perspective that includes the risk of material misstatement and the risk of non-detection (e.g., the risk that the auditor's audit methods will not detect a material misstatement).

The risk of material misstatement can be divided into two parts: **inherent risk** and **control risk**. These are risks of the auditee related to the preparation of accounting entries and financial reporting.

- **Inherent risk** indicates the risk associated with an operation or data; for example, complex calculations have a high level of inherent risk.
- **Control risk** depends on the effectiveness of control activities performed within the audited **unit**. If controls function satisfactorily, control risk decreases.

Understanding the audit program of the unit under **FSA** is useful for achieving audit objectives, facilitating the identification of major audit issues, and fulfilling the assigned audit role.

This understanding includes:

- The nature of the program of the auditee (roles and functions, activities and general processes, development trends, etc.)
- Relevant laws, regulations, general programs, operations, and action plans.
- Structure and responsibilities, internal and external environment, and relevant stakeholders.
- External constraints affecting program outcomes.
- Results of previous investigations in the field.
- Management processes and resources.

Setting audit questions is an important aspect in the audit process and is a key factor in determining the audit results. This audit topics can serve as a fundamental research question in the program of the unit under **FSA**. That the researcher shall find answers based on rational consideration and objectivity.

The purpose of the audit relates to the reasons for conducting the audit, in order to identify the reported and audited issues. In setting objectives, monitoring audit delegates shall consider the roles and expectations as defined in the monitoring strategic plan. the purpose and scope of the audit are interrelated and shall be considered together. Pre-discussion with the unit under **FSA** in terms of scope, auditing is a dynamic process and clearly identifying the points that have not been audited (not included in the audit plan) useful in reducing misunderstandings or false expectations of the involved parties.

A key principle in setting audit objectives is the effective participation of the audit and in order to determine this contribution is necessary to establish the expected estimates. If an audit is conducted upon request, the purpose of the audit is likely predetermined or can be clearly seen.

3.4.2 Determination of Scope and Organization of Review Procedures

At this stage, it is the development of scope and the establishment of audit procedures. Financial audits shall be prepared with a predetermined auditing methodology, during which the auditor studies documents and theories related to the audit or questions that need to be answered.

Defining the scope objectives or specific operations

Defining the scope involves setting the boundaries of the investigation by focusing on specific objects to be answered, the type of study to be conducted, and the nature of the research. Furthermore, setting the scope also includes the collection of information and the analysis that needs to be carried out.

The scope of the audit is determined based on the answers to the following questions:

- What specific tasks need to be audited? What auditing procedures are appropriate to implement?
- Who are the key characters involved and the unit under **FSA** ?
- Is there a limit on the number of locations that need to be inspected?
- Is there a set timeframe within which the inspection shall be carried out?

After the reasons and objectives as well as the audit subject or issues to be considered have been determined, the auditor shall identify the subject or process and a specific action plan to be reviewed (The root of the issue) as a basis for selecting data collection methods. The auditor shall also determine the nature of conducting the audit, such as: How shall an investigation be conducted to respond to interrogation questions?

Conducting a survey is a continuous study process rather than just filling out a questionnaire (operations and action plans) may change as the auditors gain more understanding during the auditing process. The purpose in the planning stage is to systematically focus on the points that researchers want to know, the places, and the methods for obtaining this information.

The feasibility of implementation is an important condition in the planning process, which can determine whether a audit topics is suitable for implementation. Because the objectives and scope of the audit vary from one to another therefore, audit delegates shall assess whether the audit is feasible in order to determine the scope of the audit, which is the subject matter and valuable for conducting the audit. The investigator can consider the hierarchical methodology and related judgment criteria to determine whether the required information or evidence can be collected effectively, reliably, and credibly. Other aspects that the auditor shall consider include compliance with authorities, resources, auditing expertise, as well as time constraints.

Understanding the program

The auditor shall obtain a complete understanding of the unit under **FSA** in order to plan and perform the audit in accordance with auditing standards. In planning the audit, the auditor collects data and information to understand the operations of the unit under **FSA** including the mission, strategy, inherent risks, the risk of intentional error, and internal controls. Understanding the operations of the unit under **FSA** in the audit planning process will help the auditor to determine the risk assessment and prepare an audit program that responds to the assessed risks.

In addition, internal control is a process (influenced by the management and officers of the unit under **FSA**) designed to provide reasonable assurance that objectives are achieved, including:

- Budget planning, revenue management, expense management, cash management, budget implementation, accounting preparation, budget preparation, and financial reporting preparation in a compliant, effective, efficient, and economical manner.
- Reliable and timely financial audit reporting
- Comply with laws and regulations.

Understanding the internal control system of the unit under **FSA** unit requires examining the components of internal control and key principles, including:

A. Control environment

- Demonstrates commitment to integrity and ethical values
- Carry out inspection work
- Establish a structure of authority and responsibility
- Demonstrate commitment to competence
- Encourage responsibility.

B. Risk assessment

- Specify the relevant subject
- Define and describe the dangers.
- Assess the risk of intentional error
- Identify and analyze key changes.

C. Inspection activities

- Select and organize inspection activities
- Select and arrange technical inspections

- Establish controls through policies, mechanisms, and procedures.

D. Information and Communication

- Use relevant information
- Internal communication
- External relations.

E. Follow up on inspections

- Conduct regular and/or occasional assessments
- Assess and communicate control deficiencies.

Auditors need to understand the components of internal control, especially the control environment, which is the foundation of internal control. A good control environment helps other components function well, and if the control environment is poor, it negatively affects the other components. Points that auditor shall examine when evaluating the control environment include: The structure of the professional ethics code, the conduct of managers regarding internal audits, recruitment, retention, and remuneration of senior officials, and the oversight of operations by managers. The auditor shall prepare questions related to the components of internal control and the key principles of the internal control system of the unit under **FSA** to understand and assess risks.

After understanding and evaluating the control environment, the auditor shall gain an understanding of the control over key processes, including: Budget planning, revenue management, expense management, cash management, budget implementation, preparation of accounting instructions, account closing, and preparation of financial reports. In addition, the auditor shall seek to understand the persons in charge for the work, including: Revenue officer, Expense officer, Cash management officer for revenue, and Cash management officer for expenses, treasurer, accountant are important individual who performs financial operations, prepares budget plans, manages income and expenses, handles cash management, implements budgets, performs accounting entries, prepares account closing, and compiles financial reports. In addition, the auditor shall understand the workflow, reference work conditions, work implementation mechanisms and procedures, as well as mechanisms and procedures for monitoring work implementation mechanisms and procedures for reporting on work performance and the capabilities of officials involved in financial management. Thus, together, the auditor shall understand the policies and regulations regarding the determination of sources and the management of financial resources of the unit under **FSA** that have been approved by **FSA** board and chair of board.

The purpose of studying the control over key processes (or main account) is to help auditors to identify risks in those key processes and determine whether controls (or control activities) have been established to prevent or detect risks of errors in those key processes. Furthermore, the auditor shall examine the organization of controls over key processes to ensure that the controls are established by the unit under **FSA** are complete and adequately cover the risk of material misstatement. After the auditor has examined the preparation of the audit, the auditor shall conduct a test on the audit to ensure that the prepared audit is carried out effectively and efficiently. To save time on performing inspection tests, the auditor shall determine which audit activities are the most important among the audit activities in those critical processes. Next, the auditor shall use sampling methods to test the significant control activities that have been identified.

Assistance in identifying key control activities in the audit process to determine which control activities are important. The auditor shall ask the question:

- Can the risk of material misstatement occur in the absence of this control activity?
- Can this control activity prevent or detect risks of errors in a systematic manner?

After the auditor has identified the risk of material misstatement, the auditor shall record it in the risk of material misstatement table, both at the financial statement level and in the risk of material misstatement table.

Auditors always talk about different perspectives on risk in auditing. Audit risk is a general concept that involves the risk of material misstatement and the risk that the audit procedures will not detect such misstatements. For example, the risk that the auditor's methods will not identify material errors. The risk of errors as a source can be divided into two parts: inherent risk and control risk. These risks are risks of the unit under **FSA** and will arise in connection with the preparation of accounting records and financial reports. Existing risks indicate the risks of operations or data, for example, existing high-level risks in complex calculations. The risk of inspection is based on the effectiveness of the control activities carried out in the unit under of **FSA**. If the inspection performs its functions acceptably, the risk of inspection will decrease. ISSAIs always distinguish between inherent risk and audit risk, but usually only refer to errors as a medium of risk. In order to organize an effective auditing method, it is important to identify where the risks determined are located.

Understanding the audited programs of the unit under **FSA** is useful for achieving audit objectives, facilitating the identification of major audit issues, and fulfilling the assigned audit roles.

This understanding includes the following:

- Characteristics of the programs of the unit under **FSA** that are subject to audit (roles and functions, activities and general processes, development trends, etc.)
- Legal provisions, general programs, operations, and action plans

- Structure and responsibilities, internal and external environment, and stakeholders
- External obstacles affect the program outcomes
- Research results in the field conducted previously
- Management and resources
- Budget planning, revenue management, expense management, cash management, budget implementation, preparation of accounting instructions, preparation of accounting closing, and preparation of financial reports
- Core functions or characteristics of the unit under **FSA**
- Complex operations and
- The Turnover of key officials.

The goal at this stage is to establish a fundamental understanding of the program that needs to be audited. Acquiring the necessary knowledge is an ongoing process of gathering and evaluating information and linking it to evidence-based outcomes at every stage. It is important for researchers to clarify the costs involved in collecting information along with the added value obtained.

Sources of information include:

- Statements of the ministers, proposals, and decisions of the Royal Government
- Audit report, inspection, evaluation, and recent inquiries
- Scientific study and research (including studies from other countries)
- Strategic plan, mission statement, and annual report
- Policy documents and board meeting minutes
- Organization number, internal guidelines, and operations manual
- Program and Plan Evaluation
- Reports and meeting minutes of the unit under **FSA**
- Expert perspectives in the relevant field
- Discussions with the management of unit under **FSA**, auditees, and other key stakeholders
- Information Management System
- Official related statistics
- Management of the unit under **FSA**
- The unit manager responsible for key programs
- Involved officials

- Budget planning, revenue management, expense management, cash management, budget implementation, preparation of accounting instructions, preparation of accounting closing, and preparation of financial reports

- Annual consolidated performance report of the unit under **FSA**

- Financial report (or income/expense statement)

- Other relevant sources of information include research conducted by organization and professional experts, as well as data maintained by the relevant organization various tasks carried out by the unit under **FSA** and the government, and media reports.

The results of past inspections are a useful source of information that can help avoid unnecessary work on areas that have already been reviewed and highlighted unresolved deficiencies. Discussing with senior management to gain a shared vision of the entire program is also important.

Determining the Characteristics of Auditing Judgment

The purpose of the audit evaluation criteria is to provide guidance for assessment (helping auditors answer questions such as: What are the reasons for evaluating the specific nature of the audit objectives? What is needed or expected? What outcomes shall the budget achieve? and in what way?) Audit criteria are standards used to determine whether funds are responsive or yield results beyond expectations. The characteristics of audit judgments shall be reliable, truthful, fully useful, and acceptable.

Regarding financial auditing, generally, the auditing judgment options are open (negotiable) and are created by the auditor as mentioned earlier, many judgment characteristics are not very important in the issue-solving framework. In issue-solving frameworks, creating testable (verifiable) outcomes on potential root causes is more important for complex issues.

Therefore, in conducting a financial audit, the general concepts are compliance, effectiveness, efficiency, and economy, which shall be explained in relation to the subject matter, and as a result, the evaluative nature will differ from one audit to another. In determining the characteristics of an audit judgment, the auditor shall ensure that it is relevant, reasonable, and acceptable. Finally, all evaluation criteria are explained in the form of questions. These questions are focused on issues that have already occurred and are intended to describe or assess the actual situation that needs to be investigated.

The characteristics of the investigation judgment can be obtained from the following sources:

- Law on the Public Financial System
- Law on Finance for Annual Management
- Law on Public Procurement

- Guidance letter on the implementation of financial law for annual management
- Accounting standards for public administrative institutions
- Policies and various regulations on the management of financial resources of the unit under the supervision of **FSA**
- Budget plan of the organization under **FSA**
- Mechanisms and procedures for preparing accounting instructions, closing accounting records, and preparing financial reports
- Laws and related regulations and
- Guidelines and various circular that the unit under **FSA**

3.4.3 Assurance on Financial Statements in Auditing

The auditor's planning is to ensure that the audit can provide responses related to various assertions on accounting records and financial statements. Purpose of asserting accounting policies and financial reports, it is to assist the auditor in preparing a plan to connect the risk of various assertions in accounting records and financial reports with the selection of audit procedures a point may be considered high risk based on one assumption about the financial report, but it is not considered high risk based on another assumption. In this case, the auditor focuses their audit on areas of high-risk financial reporting, which makes their auditing work more effective.

Regarding the contributions on the financial report that pertain to multiple events during the accounting period, the auditor performed a comparative audit against contributions as follows:

Effectiveness means that assets and liabilities exist on a specific date**.**

Rights and Duties mean assets and liabilities belong to the **unit** under **FSA** accounting framework on a specific date.

The occurrence means that an operation or event has occurred involving a unit under the unit of **FSA** during the relevant reporting period.

Fullness means that all transactions and accounts that need to be included in the financial report are accurately recorded and entered in the correct amounts. Therefore, the management asserts that all purchases of goods and services are recorded and accounted for, and that funds not used in the financial status report truly were not utilized by the unit under **FSA**' s supervision.

Evaluation Refers to assets, liabilities, income, and expenses that are accurately recorded in the financial statements with fair value. For example, the management asserts that the intangible property is recorded at cost and recognized systematically by including it in the financial statements in the form of depreciation over the asset's useful life and the account receivable is recorded not over the expected amount to be received.

Accuracy means that commercial transactions or events are recorded in the correct amounts, and income or expenses are allocated in the correct time periods.

Presentation and Demonstration means that the accounts in the financial statements are properly classified and described, and any necessary additional disclosures have been made. The risk assessment for different donations on financial reports may vary for different types of information and across different the unit under **FSA**. Therefore, the auditor shall evaluate any allowances that the auditor focuses on during the audit to manage the identified risks. Those related allowances shall be specified in the risk table.

3.4.4 Determination of Permanence

In the audit report, the auditor concludes on the preparation of the budget plan, revenue management, expenditure management, cash management, budget implementation, the preparation of accounting schedules, preparation of account closing, and financial statements in compliance with the law on the Public Financial System, policies, government accounting principles, or Public Accounting Standards (IPSAS) and legislation also exist, and has the budget of the unit under **FSA** been implemented effectively, efficiently, and economically according to the audit plan. As a basis for the auditor's conclusions, it requires the auditor to obtain reasonable assurance about whether budgeting, revenue management, expense management, cash management, and budget implementation, the preparation of accounting instructions, the closing of accounting records, and the preparation of complete financial reports are freely default. High probability guarantees are not absolute guarantees this means that the auditor has received sufficient audit evidence to make a conclusion on the preparation of the budget plan, revenue management, expenditure management, cash management, budget implementation, and the preparation of accounting schedules, preparation of accounting ledgers and the preparation of financial statements of the unit under **FSA**. The perspective of being systematic is very important for carrying out an audit that involves planning, implementation, and reporting.

Determining the confidentiality is based on the audit's assessment of the information requirements of **FSA** and the head of **FSA** and the parties involved are legally compliant as usual. However, the auditor concluded on the preparation of the budget plan, revenue management, expenditure management, cash management, and budget implementation the preparation of accounting vouchers, the preparation of closing accounting entries, and the preparation of complete financial reports do not take responsibility for detecting insignificant errors. When auditors prepare plans and perform audits, they shall exercise professional judgment on the information obtained and evaluate the audit evidence collected. In case the auditor cannot obtain reasonable assurance that the preparation of the budget plan, revenue management, expenditure management, cash management, budget implementation, and preparation of accounting schedules the preparation of closing the accounts and the preparation of the complete financial statements is flawless and it is not sufficient to express an opinion except to state that the auditor is responsible for concluding a disclaimer on the financial statements.

In this case, if the auditor judges that the internal control system of the unit under **FSA** is good, the auditor will select a small number of accounts to assess the risk. Conversely, if the internal control system is poor, all accounts are selected to assess the risk, regardless of materiality.

Clearly minor misstatements are of such low level that the auditor does not need to spend time searching for them and do not need to include them in the list of errors that the auditor sends to the management of the unit under **FSA**. However, exceptions are made in cases where there are indications of fraud or events of public interest, in which case such errors shall be reported to the relevant management of the unit under **FSA**.

The Internal Audit Unit of the unit under **FSA** has decided to calculate the number of immaterial misstatements equal to 1% of the total materiality.

Specific materiality in some cases, the auditor may expect that errors could influence the decisions made by users of the financial statements, even if the errors are below the materiality level determined by the auditor. In part, the auditor needs to determine the specific materiality level by calculating the amount of 0.5% of the accounts that are less than the materiality level of the transaction.

- Materiality when applying audit methods

When performing an audit work, the auditor shall use materiality to select an audit sample, the audit method requires the auditor to record and evaluate all errors found, except for those that are minor. Once the auditor has recorded all errors in a list, the auditor will conclude on each error or the aggregate of minor errors whether they are material.

3.4.5 Determining Quality Assurance, Schedule, and Resources

The final step is to determine the quality assurance measures to be applied in the audit, the schedule, and the financial budget.

Quality Assurance

Quality control procedures shall be established to ensure that all audits are conducted in accordance with relevant standards and policies.

The audit delegates are responsible for managing the audit engagement, including the audit planning and conducting the audit report to management.

Work Activity Plan

The audit delegation leader and the audit delegation shall prepare a work activity plan. The timing and resources for the audit is important factors. Relevant factors include the organization of the audit work (both staffs based on predetermined rates and support facilities) and the time frame shall be documented. Progress against these goals shall be monitored.

Compliance with Laws and Regulations

When laws, regulations, and compliance requirements applicable to the unit under the **FSA** are material to the audit objective, the auditor shall design the audit to provide reasonable assurance about compliance with the requirements of laws and regulations. In a financial audit, the auditor shall be alert to situations or indications of illegal acts or violations of the law.

Primary Pre-study Results

The audit preparation phase provides results consistent with the audit proposal and work plan. The quality of the work is ensured before the decision to start the primary study is made.

Before starting a financial audit study, it is necessary to determine the criteria, scope, and audit methodology to achieve the objectives. This work is done in the form of preliminary studies. The purpose of this preliminary study is to determine whether the conditions for the main study are met. If so, an audit proposal with a work plan is developed. The main steps in developing an audit proposal include: defining the specific issues and the audit objectives, establishing the audit framework and organization, and determining quality assurance, organizing the audit delegation, time, and resources. The auditor shall inform the unit under **FSA** of the objectives, scope, and schedule of the audit.

The purpose of preparing an audit plan is to help the auditor conduct an audit effectively, efficiently, and on time. The process of preparing an audit plan will begin with understanding about the operations of the unit under **FSA**, the implementation of preliminary legal analysis, understanding of the internal control of the unit under **FSA** determining materiality and responding to risks.

SECTION IV
FINANCIAL AUDIT PRATTICE

4.1 Data Collection Process

The quality of data collection and documentation is important because financial audits are open to judgment. Audit evidence is strong, relevant, and reasonable, and collected to support the auditor's judgments and conclusions regarding the unit under **FSA** program, activity, or function. While evidence in a financial audit is often indirect, this is rarely the case in a financial audit. In general, financial audit evidence is appropriate.

Auditors need to be creative, flexible and careful in seeking evidence, and when performing an audit work, auditors shall select evidence of a suitable nature rather than evidence of a definite nature. This approach reduces the risk of misunderstanding and can speed up the audit process. Auditors shall seek information from a variety of sources because individuals, experts and stakeholders of the unit under **FSA** have different perspectives and opinions.

Data, information and knowledge are generally similar and related in concept. Data is the primary tool. Data that is from collected transformed to information. Information that is analyzed and understood becomes knowledge. Quantitative and qualitative data are collected for different purposes during an audit, whether as part of a learning process or to describe and analyze results or issues.

Auditors need to know the difference between the components in the information and gathering process:

- Questions designed to elicit responses through the study
- Study design is the type of study necessary to answer the identified questions (time management, cost, benefits, and study to achieve objectives, etc.)
- Audit program is the type of investigation necessary to collect data (such as case study selection, additional analysis, "before and after" interviews, comparative evaluation
- Data collection techniques are necessary to answer the identified questions (document review, meetings, questionnaires, and interviews) and
- Quantitative and qualitative analysis of the collected data (in-depth analysis of the collected information).

Data collection can be done once or through continuous measurements (such as time frame). A time frame is a set of measurements at a certain time interval. Information can be collected on the basis of physical evidence, documents (including written statements), oral inquiries (interviews), or by other means, depending on the purpose of the audit. Often, it is necessary to collect data of both quantitative and qualitative nature. The type of data to be collected shall be able to be explained and interpreted in terms of adequacy, validity, reliability, relevance, and moderation. Financial audits can prepare primary data (documents obtained from personal sources), by using questionnaires, surveys, and direct observations, etc. The best information shall be collected. However, the auditor shall not be too strict in his requirements for accuracy, as this may be unnecessary and costly. The auditor shall use the main methods and maintain impartiality with the provided information. At the same time, the auditor shall be aware of the views and opinions of others. Auditors need to be able to understand an object from different perspectives and maintain an open and honest attitude towards different views and opinions. If the auditor does not pay attention to the opinions of others, the auditor may lose the best insight. This also highlights the importance of reasonable evaluation, by the auditor not considering his own preferences and those of others. Therefore, it is important for the auditor to engage in unbiased consideration and analysis, rather than believing that some position is correct. In the case of computer-generated data that is very important to the audit findings, the auditor shall be extra careful to obtain sufficient, strong and relevant evidence about the validity and reliability of the data. In addition, when assessing the reliability of the information system, which is the primary objective in performing the audit work, the auditor shall examine the general controls system and the programs.

Quality in data collection and documentation are crucial. Auditors shall be creative, flexible, and careful in finding sufficient evidence, especially in maintaining an impartial stance towards the provided information and shall be sensitive to the views and opinions of others, and seek information from various sources and stakeholders.

4.2 Nature of Evidence and Findings

Evidence can be physical, formal documents, testimonials or analyses. Direct examination or observation of people, property or events are physical evidence. Formal documentary evidence includes information such as letters, contracts, accounting records, invoices and management information about transactions. Testimonial evidence is obtained through interviews or questionnaires. Analytical evidence includes calculations, comparisons, decomposition of information into components and reasonable arguments. Evidence shall be accurate, sufficient, appropriate, robust and relevant. Evidence is considered sufficient if it can support the findings. Supporting evidence reflects the relevance of the findings and the evidence is closely related, reasonable and consistent with the facts. Findings are specific evidence that the auditor has gathered to meet the audit objectives, to be able to respond to the audit objective and verify the stated transactions, etc. Conclusions are statements that the auditor draws from those findings and recommendations are procedures for resolution that the auditor proposes in relation to the audit objectives. Findings consist of the following elements: the "what" situation, the "what shall be" criteria, the root cause of the issue, "why there is a deviation from the standard or criteria," and the "what are the consequences" of the observed and future impacts. However, all four elements are not always required in every audit. The diagram below summarizes the process of analysis, evidence, findings, and recommendations.

After determining the findings, the auditor makes an assessment in two complementary forms:

Audit evidence (what is it)

↓

Findings ("what is" versus "what shall be")

↓

Audit criteria (what shall be)

↓

Identify the root cause of the issue and the implications of the findings

↓

Audit conclusions and recommendations

↓

Estimate the potential impact of the recommendations, if possible

Evaluation is important for the findings and the root cause of the issue (is the budget implementation compliant or not and is it effective, efficient and economical?).

The auditor may also attempt to assess the consequences of the findings. In many cases, the impact of the findings can be quantified (in cash). In addition, the impact of the findings may be non-compliance with budget planning, revenue management, expense management, cash management, budget implementation, accounting closing, and financial reporting in accordance with applicable regulations. In addition, the impact of inefficient processes, such as idle resources or poor management, may be evident as delays or waste of resources. At the same time, lack of control, poor decision-making or lack of attention to work execution are also important. The impact shall indicate the need for corrective action. The impact can also have occurred in the past, is occurring at present or may occur in the future. If the impact occurred in the past, we shall ensure that the situation has not been resolved for the findings. If the impact has not yet been identified, the auditor can assert the potential impact.

Evidence can be physical, documentary, testimonial, or analytical. Evidence shall be accurate, sufficient, appropriate, robust, and relevant. The findings provide answers to the audit questions.

Conclusions are statements that are drawn from the findings. Comparisons of audit observations with established audit criteria produce findings. Once findings have been determined, the auditor makes two complementary evaluations. Evaluation is essential to the findings, determining the root cause of the issue, and making recommendations.

4.3 Addressing a Changing and Conflicting Environment

The practice of financial auditing can be a long-term process, so understanding and reality may differ from when it first began. Financial audits often find it difficult to choose between the direction set out in the work plan, the audit format description and the learning interests that arise later. To avoid getting too details and too much information, the auditor shall make a detailed assessment of information needs both before and during the audit. A detailed assessment makes it easier to eliminate irrelevant approaches and to respond to or manipulate the information collected. Therefore, the auditor shall not be rigid and avoid any unplanned data collection.

To avoid unnecessary conflicts, auditors shall listen and learn and try to understand the specifics of the activities of the unit under **FSA**. Auditors shall consider the activities from different angles and maintain a reasonable and respectful attitude to the perspectives and objections raised. Regular meetings and discussions with the unit under **FSA** are an important part of the audit process. If conflicts arise, efforts shall be made to express opinions in order to obtain a final opinion that is true and appropriate. Auditors shall try to establish broad cooperation and communication to build trust with the unit under **FSA** Given the importance of independence in the audit process, auditors shall maintain an impartial stance and adhere to professional ethics.

A well-designed audit plan can help the auditor obtain detailed information and avoid unnecessary conflicts and overlaps. Therefore, the auditor shall strive to understand the specifics of the activities of the unit under **FSA**.

4.4 Analysis and Evaluation

Most audit practices involve analysis to understand or explain what has been observed. Auditors may use a variety of analytical models or methods. This analysis may take the form of detailed statistical analysis, discussion of results within the audit delegates study of documents and writings, etc. Sometimes analysis requires comparing the results.

The final stage in data analysis involves integrating results from different sources. There is no general method for this integration yet, but it is essential that auditors work systematically and carefully on interpreting the data and insights gathered. This stage involves weighing the evidence and assertions, consulting with experts, and making comparisons and analyses. As the audit work progresses, a draft report is prepared gradually, and if the analysis is based on sound scientific knowledge and theory, the report is more robust and interesting.

SECTION V
FINANCIAL AUDIT REPORT

5.1. Audit Report

Financial audit report is an achievement that enables the Chair of **FSA** and unit under **FSA** evaluate the audit function of Internal Audit Unit of **FSA.**

Due to the many tasks involved in preparing reports during the audit, compliance with report writing procedures can help. The report writing process can begin at the beginning of the audit with a draft which shall become a discussion paper, then be combined into a preliminary report and further refined for the final audit report. The auditor shall prepare a written audit report according to established procedures.

5.2. Reliable Audit Report

The audit report shall be reliable and include the objectives, scope, methods, and sources used, as well as the conclusions and recommendations of the audit findings. The report shall include comparison with criteria and analysis of the gap between observations and criteria, including the causes and consequences of this difference.

The report shall enable the readers to easily understand the audit objectives and interpret the audit findings correctly. The report shall be complete, accurate, reliable, clear, and as short as possible depending on the audit topics.

Completeness of the report refers to the completeness of the information and arguments to meet the audit objectives, promote understanding of the issues and situation reported accurately, sufficiently and reasonable to meet the requirements of the report content. The final audit report shall describe the starting point of the audit, the methods used, the main source of documents, and the conclusion. The relationship between the audit objectives, criteria, findings and conclusions shall be verifiable and fully explained. Recommendations provided need to be clearly linked to the analysis or conclusions. The auditor shall report based on the audit objective and the significant errors found during the audit or in connection with the audit.

Accuracy requires that audit evidence need to be accurate and complete, and that all findings be presented fairly. The need for accuracy is to assure readers of the reliability and trustworthiness of the reported information. A single misstatement in a report can cast doubt on the validity of the entire report and can divert attention from the importance of the report's content. The reports issues shall be accurate and reasonable. Proper disclosure means describing the scope and methods of the audit properly and presenting the results and conclusion in a consistent manner with the scope of the audit.

As mentioned above, fairness is the presentation of the entire in a balanced manner, both in content and wording. The credibility of the report is enhanced when the report presents evidence in an unbiased manner. The report shall be appropriate and not misleading and include all audit findings, meaning that it presents the audit findings in an unbiased manner and avoids the tendency to exaggerate or gloss over shortcomings. The interpretation shall be based on a thorough understanding of the facts and circumstances, rather than reporting only one side of the issue. Although the nature of auditing is to focus on gaps, the presentation of both positive and negative findings and assessment in the financial audit report really has an important message.

A reliable report requires that the findings respond to the audit objectives and are consistent with the conclusions. The findings and recommendations shall be logically or analytically sound and shall be presented separately from the audit opinion. The language shall be unbiased or unambiguous, and the presented information shall be sufficient to encourage the readers to recognize the validity of the findings, the reasonable conclusions, and the benefits of the following the audit recommendations, Opinions and arguments shall also be mentioned in the report.

The clear report is easy to read and understand (clearly consistent with the audit topics). Technical terms and abbreviations shall be clearly explained. Organizing the document in a logical order by presenting facts and drawing conclusions accurately is essential to the clarity and understanding of the report. Although the audit findings shall be clearly presented, the auditor shall remember that one of the auditor is to provide reasons by avoiding the use of objection and argument language.

A concise report means that the message conveyed and supported is no longer than necessary. Although the scope of the audit shall be used as criteria in determining the content of the report, the more complete the content, the better the results. At the same time, the auditor shall be aware that the financial audit report is not written only for readers with financial knowledge, but also for readers who needs additional information to understand a specific audit topic.

A complete audit report allows readers to better understand the basis for drawing conclusions, which adds value and credibility to the audit report.

Financial audit report shall be credible and provide useful information, appropriate recommendations, and clarity regarding the audit objectives and findings. The auditor shall report based on the audit objective, scope, methods, and sources of information, as well as audit finding, conclusions and recommendations.

5.3. Financial audit report

A good financial audit report shall add value to stakeholders and meet the stated objectives. The report shall provide information that is easy to understand, concise and up-to-date and can be used to improve compliance, efficiency, effectiveness and economy in the public sector and to contribute to knowledge and improvement. The form and content of an audit report shall be prepared according to general principles: appropriate title, properly signed, clearly stating the purpose and scope, complete, clearly defining and presenting the subject matter. A good financial audit report shall be reader-focused, well-structured, use unambiguous language and present the results in a clear and appropriate manner.

The financial audit report shall:

- Present results and conclusions separately
- Present and explain facts objectively
- Describe different ideas and perspectives
- Include finding and all relevant evidence
- Is constructive and presents positive conclusions

The structure of the financial audit report can be in the following format:

1. Title
2. Content
3. Summary
4. Introduction, Objectives, Scope and Date
5. Defining audit topics and Criteria (if Appropriate)
6. Observation and audit findings
7. Judgments and recommendations
8. The auditee’s explanation
9. Conclusion
10. Signature
11. Appendix

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

The report shall have a table of contents, especially if it has multiple sections. It helps to structure the report and direct the readers to specific areas of focus. The table of contents is used in the same ways as the subheadings in the report. To be written in a neutral manner, the table of contents shall avoid verbs and adjectives that are judgmental. Abbreviations or long explanations shall be avoided.

Summary

- The summary is an important part of the report and also the part that auditee management read the most. The summary shall fully and accurately reflect the main content of the body of the report. The summary shall be clear and balanced. To be effective, the summary shall be no longer than one page.
- The main focus in the summary is the audit criteria and the main recommendation related to those criterial (answers to the questions). Contrary to the content, the summary may contain judgements, recommendation and complete sentences.
- In the case of complex and large amounts of information, graphics and diagram can present important judgment in a format that is easy for report users to understand. In some cases, entering information in a graphical format can help the report users to get better understanding.
- With a summary, readers 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 shall be used for key statements.

Introduction, Objectives, Scope and Date

- An introduction shall 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 shall 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. The introduction strengthens the relationship between the Internal Audit Unit of **FSA** and the auditee.

Determine Audit topics and Criteria

- Determining a clear audit topic and criteria in financial audit report is important to enable the report users to understand the basis that is used in Audit work and conclusion's the Internal Audit Unit of **FSA**
- In cases where the audit criteria have not yet been determined or shall be determined from the relevant sources or the criterial applied in the audit 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 shall be explained as much as possible and recommendation shall be appropriately given.

Observations and findings

- Observation and findings are included in the main body of the financial audit report. This section describes the results of the audit work performed and the relevant findings. Typically, according to the audit criteria, parts of the observation and findings are organized in a logical manner in a way that helps the reader follow the flow of the report.
- When disclosing observation and findings, auditors shall pay attention to the four elements that clearly presents to report users, helping them to better understand the audit work, key findings, and implication. Which are as follows:
    - Criterial are benchmarks or metrics based on which performance is compared or evaluated
    - Condition is an observed situation
    - Causes are sources and reasons that occur on observed conditions.
    - Impacts, effects and consequences of the observed conditions
- Parts of the observation and findings shall describe the actual and impartial essay. Words that result from an evaluation, such as large, important, or frequent, shall be replaced with description of actual issues and foresight shall be avoided. In very important cases, assessment can be included if they are confirmed and clearly noted. When there is a large amount of important data that needs to be included to support the results of the audit, that data can be included in the appendix.

Judgments and Recommendations

- In this section, the Internal Audit Unit of **FSA** Comment on the result and possible consequences of the audit work.
- The primary objectives of the judgement and recommendation in the report are:

- Providing clear answers (judgements) to audit questions (defined criteria)
- Providing practical and constructive recommendation for appropriate improvement

- When judging past actions and inferences about the future, judgment and recommendations shall not be combined in to a single sentence by writing two sentence or line breaks to make the meaning easier to understand.
- Recommendations shall be realistic, but not perfect. Recommendations are effective when they get the positive result, and provide result with a clear orientation to what, when and whom to be done.
- It's right to confirm the auditee's remedial action.
- When recommendations are constructive and practical, they promote good public sector management. Auditors need to be careful of giving too detailed recommendation in order to carry out the role of the auditee leadership, thus reducing the auditee's personal impartiality. Recommendation shall be written in the manner of an advisor, but not a superior.
- Sometimes it is not necessary to include all possible recommendation in the judgment and recommendation section, but to keep a wide range of recommendations for final conclusion. This avoids repetition of similar recommendation.

Auditee's responses

- The principle of feedback is an important element of the financial audit report, with consensus on practical issues and inclusion of feedback. The auditee's response to the issues raised shall be included in full or summary of the financial audit report.
- The auditee's response is usually brief. This section shall include sections related to the answer without adding or subtracting. In the opinion of the auditee, all relevant protests in its letter shall be reflected in the comments.
- Incorporating the views of the officials in charge helps ensure the implementation of the recommendation and the officials in charge take action to improve themselves.

Conclusion

- The Internal Audit Unit of **FSA** makes its final evaluation of the findings and judgments in conclusion. Depending on the importance of the audit topics, the conclusions may be drawn up by a one-to-one formula or an evaluation of an upcoming audit.
- Conclusions can be based on quantitative evidence obtained by using scientific or experimental methods. Drawing conclusions requires significant measure of judgment

and interpretation in response to audit questions, citing that audit evidence can be reliable rather than concluding whether it is correct or incorrect. Before drawing the conclusion, it is necessary to consider context and relevant arguments as well as to consider the advantages, disadvantages, and other perspectives. The need for precision shall be balanced with reasonableness, economy, and relevance to the purpose.

- Financial audit reports may have many forms, but they still need to be consistent to help readers understand audit work, audit results, and conclusions. Financial audit reports generally do not expect auditors to be able to make overall conclusion on unqualified opinion, qualified opinion, disclaimer opinion and adverse opinion focus on the compliance, efficiency, effectiveness and economy of the unit under **FSA**. In the case of the auditor, it can be seen that unqualified opinion, qualified opinion, disclaimer opinion and adverse opinion can be achieved when the audit binding object, the audit object, the evidence obtained and the extraction of the audit result can be used to make a conclusion. The financial audit report is in the form of an audit of the financial statements, including the following:

- **Conclusion: Unqualified Opinion**

Can be given after the audit did not find any issues that are not compliance or efficiency or effectiveness or economy in essence. For example, a concluding statement can be written as: The Internal Audit Unit observed that (then audited audit topics) is an **Unqualified Opinion** as defined in (defined criterial) all aspects are essential.

- **Conclusion: Qualified Opinion**

Can be made after the audit did not find any issues that compliance or efficiency or effectiveness or economy in essence, unless the shortcomings are insignificant. For example, the Internal Audit Unit **FSA** observed that (the audited audit topics) is a **Qualified Opinion** defined in (defined criteria) all aspects are essential except… (describe the exempted issues above).

- **Conclusion: Disclaimer Opinion**

Can be provided after an audit has identified issues that are not compliance, efficiency or effectiveness or substantially economy. For example, the Internal Audit Unit of **FSA** observed that (the audited audit topics) was not **Disclaimer Opinion** as defined in (defined criteria).

- **Conclusion: Adverse Opinion**

Can be provided after an audit is not possible. For example, the Internal Audit Unit of **FSA** unable to audit, therefore, the Internal Audit Unit of **FSA** cannot give conclusions.

- If the audit results are critical, the audit conclusion shall be described in more detail. The Internal Audit Unit of **FSA** shall 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 topics and have an impact beyond the recommendations provided.
- Conclusions shall be clearly linked to the audit objectives. Conclusions are often used as short sentences, summarizing the results and reflecting the auditor's direct evaluation or opinion based on the audit results. Conclusions are based on appropriate and sufficient criteria and evidence, drawn from the audit results. By the argument section give the auditor the opportunity to point out the whole issue behind the audit results or to draw conclusion based on the audit results.

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 financial audit report.

SECTION VI
MONITORING THE IMPLEMENT OF FINANCIAL AUDIT RECOMMENDATION

To strengthen the audit impact and improve future audit work, the Internal Audit Unit of **FSA** shall follow up on its recommendations on non-compliance, efficiency, effectiveness and economy that are found in previous reports.

After submitting the financial audit report, the Internal Audit Unit of **FSA** allow to the unit under **FSA** to implement appropriate improvements within a reasonable time. Then the auditor can follow up the implementation of the financial audit recommendations, highlighting whether the unit under **FSA** has properly addressed the issues raised in accordance with the recommendation of the Internal Audit Unit of **FSA.**

The Internal Audit Unit of **FSA** reports the results of the follow-up of financial audit recommendation to chair of **FSA** and copies them to the unit under **FSA and** related unit.

The monitoring process can facilitate the implementation of financial audit recommendations and provide feedback on the effectiveness of the report to the Internal Audit Unit of **FSA**. In monitoring reports, auditors shall maintain impartiality and independence and focus on whether deficiencies are corrected rather than whether recommendations are implemented. It is difficult to isolate the impact of an audit report in the context of significant changes. A key factor in determining impact is compliance with financial audit recommendations, and this may be the only measurable indicator of impact. Priority of following-up work shall be considered in the context of the overall financial audit strategy as defined in the achievement audit strategic planning process.

Following up on financial audit recommendations has three main objectives:

- Increase the effectiveness of the audit report: the main purpose is to increase the likelihood that the recommendations will be implemented.
- Assist the unit under **FSA** in monitoring and valuing the activities of the unit under **FSA**
- Creating motivation for learning and developing following-up activities which can contribute to better knowledge and practice.

The results of monitoring the financial audit recommendations are recorded. Deficiencies and improvements identified in the monitoring of the implementation of the financial audit recommendations shall be reported to the unit under **FSA** and if necessary, it will facilitate the implementation of audit recommendation more effectively.

Phnom Penh: February 21, 2024

Deputy Prime Minister

Minister of Economy and Finance

And Chair of the Non-Banking Financial Services Authority

Akak Bandith Saphear Char AUN PORNMONIROTH

Receiving Places:

- Cabinets of His / Her Excellencies Deputy Prime Ministers
- Deputy Chairman and Council Members of Non-Bank Financial Services Authority "For Information"
- General Secretariat of Non-Bank Financial Services Authority
- All units under Non-Bank Financial Services Authority
- Internal Audit Unit of Non-Bank Financial Services Authority
- Archives-Records.