

Audit Law

Part I General provisions

Article 1. Objectives

The Audit Law determines the principles, rules and measures related to the conduct of audit aiming at making the management, the use of Government funds, the activities of business entities and not-for-profit entities in compliance with laws and regulations, efficient, economical, and to prevent from negative appearances in public finance and the State Budget, contributing to the reinforcement and the soundness of the State and economic management, encouraging local and foreign investment, and to promote the progressive and sustainable socio-economic development.

Article 2. Auditing

Auditing is a process of gathering information and actual evidence of auditees in order to certify the true and fair view and the regularity of the financial statements of the audited entity, while assessing its compliance with laws and regulations, as well as the efficiency in the management and the use of public funds and the operations of the business entities and the not-for-profit entities.

The audit is composed of two sectors: the State audit and the independent audit.

Article 3. Terminology

The terms used in the present Law must be read according to the meanings as follows:

1. **The Government funds** means the budget, money or property of the State;

2. **The State Property** means the assets financed directly by or originated from the State Budget, which are property of the State and under its control;
3. **The independent audit** means an external audit conducted by an audit firm or an independent auditor registered on the list of independent auditors and registered on the register of enterprises in accordance with laws;
4. **The auditees** mean the organizations which control and use the Government funds, the business entities, and the not-for-profit entities;
5. **The not-for-profit entities** mean social organizations, foundations, or funds which operate for the sake of public interests or social assistance;
6. **The audit recommendations** mean the opinions of the central and regional audit organizations concerning the weaknesses, deficiencies and the remedies presented in the audit report so that the auditees and other concerned organizations can consider resolutions;
7. **The Management Letter** means a document attached to the audit report of the independent auditor in order to make recommendations to the audited entities on methods and measures to solutions;
8. **The team of State audit** means a working unit of the State audit Organization appointed for conducting a mission of the State audit;
9. **The Audit Report** means a document of the State Audit Organization that evaluates, certifies and concludes on what was the subject of audit;
10. **The decision makers on the State Audit** mean the President of the Central State Audit Organization and the Chiefs of Regional State Audit Organizations;
11. **The administrator** means the owner of the company, the general manager and the board of directors, or other collective body that supervise the audited entity under the terms of the Enterprise Law.

Article 4. Policy of the State relating to the audit

The State encourages and creates conditions for conducting an audit missions in an independent and strict way with regard to any audited entity for the purpose of transparency, lawfulness and efficiency.

The State finances the development of technology, information, means and materials in order to ensure the performance of the State audit mission.

Article 5. Auditing principles

The State Audit shall conform to the following principles:

1. Independence in the conduct of audit and in the consideration of the audit findings;
2. Compliance with laws;
3. Authentic evidence;
4. Transparency;
5. Integrity.

The independent audit shall apply the following principles:

1. The auditor must have adequate qualification and competence as a professional auditor;
2. To be independent in the implementation of the audit engagements;
3. In the conduct of the audit and the preparation of the audit report, to exercise professional due care;
4. The audit work must be planned, assigned to staff members of the team, and strictly supervised;
5. The auditor should have a sufficient understanding of the internal control system of the audited entity in order to plan, to determine the contents, duration, and scope of audit to be performed;
6. Through physical controls, observations, investigations, and confirmations of the concerned parties, to gather sufficiently reliable evidence in order to have a reasonable basis for the presentation of opinions on the audited financial statements;
7. The data of the financial statements must be the subject of sufficient disclosures, except mentioned otherwise;
8. The audit report must determine whether the financial statements are prepared in accordance with the accounting policies defined in the Accounting Law;
9. The audit report must mention the case of non application of the consistency principle in the exercise of audit comparing with the preceding period;
10. The audit report must present the overall opinions on the financial statements, the compliance with laws and regulations, and the performance of the entity or cases of impossibility to certify while specifying the reasons.

Article 6. Audit standards

The State audit standards constitute a basic reference for the use and the assessment of the audit quality.

The State audit standards include:

1. Principles for conducting an audit mission;
2. Rules of auditing;

3. The qualifications, knowledge and competence of the auditor.

The detailed contents of State audit standards are decided by the Standing Committee of the National Assembly upon proposal of the President of the Central State Audit Organization.

The standards of independent audit are a framework of rules for conducting an independent audit.

The standards of independent audit are comprised of:

1. General standards on the qualification of the independent auditors;
2. Standards of field work;
3. Standards of reporting.

The detailed contents of the standards of independent audit are decided by the Prime Minister upon proposal of the Minister of Finance.

Article 7. The usefulness of the audit report

The audit report of the State audit is beneficial to:

- The National Assembly, to use for the consideration, the adoption of the State Budget estimates, the allocation of State Budget, those of the programs and projects of national importance financed by the State Budget; consideration and adoption of the final settlement of the State Budget of the year and to supervise the implementation of the State budget and monitor the financial and monetary policies of the State;

- The administrative agencies and other concerned organizations, to use for the administrative management and the performance of their duties, including control activities;

- The people's courts, the people's prosecutor offices and other investigative organizations, to use as data and evidence in the lawsuit process;

- The management bodies over the auditees, to use for the purpose of education or imposing sanctions over the audited entities;

- The audited entities, to use as reference for attesting and reinforcement of the effectiveness of the operations as well as improvement and resolution of the weaknesses and deficiencies mentioned in the audit report.

The audit report of independent auditors is beneficial to:

- The shareholders, to use as a basis for the adoption of the report on the activities performed of the period, and for the planning for the following period;

- The administrators, to use for the review on the strengths, weaknesses and deficiencies and to consider for improvement and resolution;

- The investors, to use for the evaluation on the management of the concerned audited entities, and the possible decisions for investment;

- The lenders, donors, and directors of projects, to use as a basis for the studies on whether the management efficiency is in compliance with the established plan and to study on the capacity of reimbursement;

- The other auditors, to use as a basis for the following-up of the execution of the recommendations of the preceding auditors and also to use as a starting point for planning and conducting the assigned audit missions;

- The administrative agencies and other concerned organizations such as : tax authorities, to use for the evaluation on the reliability of the information system and that of the basis for tax calculation and collection, and in addition to use as a basis for the provision of statistical information data;

- The people's courts, the people's prosecutor offices, to use as evidence for conducting legal proceedings;

Article 8. Fields of application

This present Law applies to:

1. The audited entities;
2. The State Audit Organization;
3. The Ministry of Finance;
4. The independent audit entities;
5. Other organizations and individuals concerned with the audit.

Article 9. International co-operation relationship

The State encourages the relationship and co-operation with foreign countries and international organizations through the sharing of experience, information, technology, training, and capacity building in the auditing profession in order to develop, strengthen and modernize the audit activities.

Part II Audit missions

Chapter 1 The State Audit

A. Procedures of audit

Article 10. Procedures of audit

The audit conforms to the following procedures:

1. Decision of audit;

2. Notice on the decision of audit;
3. Preparation of audit;
4. Conduct of the audit mission;
5. Conclusion and delivery of the audit report;
6. Disclosure of the audit findings.

Article 11. References for the decision of audit

The decision of audit is based on:

1. The annual audit plan of the State Audit Organization;
2. The requests from the National Assembly or its Standing Committee;
3. The requests of the Government or those of the Prime Minister;
4. The requests of the administrative agencies, management organizations of the audited entities, the Lao Front of National Edification, the mass organizations or other concerned organizations.

Article 12. The decision of audit

The decision of audit must be established in writing with main details as follows:

- Legal reference for the conduct of the audit;
- Name of the audited entity;
- Objectives, targets, nature and scope of the audit;
- Place of audit;
- Duration of audit;
- The audit team.

In the conduct of the audit, in case the audit team deems it necessary for the change of the audit's nature, its scope of application, place and duration of audit, the presidents of the central or regional organizations of the State Audit will issue officially an additional decision.

Article 13. Notice of audit

The decision of audit must be informed to the audited entity in written notice, within fifteen days prior to the conduct of audit, except the spontaneous audit.

Article 14. Preparation for the audit

Upon decision of audit, the team of the State audit must prepare their mission in which the essential operations are presented as follows:

1. To make survey, collect and gather data on the financial position, the internal control system, and other data related to the audited entity;

2. To assess the internal control system, and the data collected from the audited entity in order to determine the objectives, targets, contents, appropriate scope and methods of audit;
3. To prepare detailed audit programs after performing the operations 1 and 2 above-mentioned.

Article 15. The conduct of audit mission

The conduct of audit mission shall conform to the following procedures:

1. The team of audit must conduct its audit mission in accordance with the provisions of decision of audit and the detailed audit program;
2. The audit is carried out by the examination of the documents and the field work;
3. The audit must apply the standards of the State audit.

Article 16. The Audit Report

At the end of the audit mission, the auditor must establish conclusions on the audit findings, in which he/she must state clearly on the evaluation, certification and make recommendations on what was audited, drafting minutes of the audit findings which are to be sent to the audited entity for their written comments on the recommendations made. If there is no comments within fifteen days from the reception of the draft audit report, the draft report is considered as being approved; The audit report must be signed and certified by the President of Central State Audit Organization or the Chief of Regional (State) Audit Organization.

Article 17. Addressees of the audit report

The dispatch of the audit report shall conform to the following provisions:

1. The audit report on the statement concerning the implementation and final settlement of the annual State Budget must be submitted to the National Assembly and the Prime Minister;
2. The annual report on the performance of audit activities of the State Audit Organization must be submitted to the Standing Committee of the National Assembly and the Prime Minister;
3. The audit reports on requests of the concerned organizations must be sent to the audited entities and the former;
4. The spontaneous audit reports must be sent to the organizations who made requests for auditing.

Each audit report must be sent to the audited entity and the management organization of that audited entity.

Article 18. Disclosures of audit findings

The audit report can be divulged only after reporting to and after authorization of the concerned State authorities.

The President of the Central State Audit Organization or the Chiefs of Regional State Audit Organizations proceed to the disclosures, case by case as follows:

1. To organize a press conference;
2. To publish in newspapers, bulletins, televisions, radios and other mass media;
3. To insert in the Web site of the State Audit Organization.

Article 19. The resolution of the infringements

Any infringement of legal and regulatory provisions that was detected during the audit mission must be the subject of a strict and timely resolution, in the event of:

1. Minor infringements, the State Audit Organization shall send the audit report to the management organization of the audited entity for the purpose of education or imposing disciplinary sanctions;
2. Serious infringements which are subject to civil damage or penal offences, the State Audit Organization shall send the audit report to the concerned parties entitled to the resolution.

Article 20. Checking on the application of the recommendations and proposals for the improvement of the audit results

The State Audit Organization must check the state of execution of the recommendations in order to evaluate the strengths, weaknesses and insufficiencies in the execution of the recommendations made at the time of the preceding recommendations.

As for the audited entity, it must report in writing on the state of execution of the recommendations and the proposals submitted to the State Audit Organization.

B. Types, fields, targets, duration and place of audit

Article 21. Types of audit

The State Audit includes three types as follows:

1. The planned audit;
2. The audit on request;
3. The spontaneous audit (specific).

The planned audit is an audit carried out in accordance with the established plan and within a fixed period with prior notice to the audited entity.

The audit on request is an audit carried out on request of the management organization of the audited entity or on request of the latter.

The spontaneous audit is an audit carried out in case of necessity and urgency without prior notice to the audited entity.

Article 22. Fields of audit

The State audit includes three fields:

1. The audit of financial statements;
2. The compliance audit;
3. The performance audit.

Article 23. The audit of the financial statements

The audit of the financial statements is an examination of the annual financial statements: the balance sheet, the income statement, the cash flow statement, the statement of change in equity and other documents related to the audit in order to evaluate and certify the true and fair view and the law compliance of the results of the operations and the financial position of the audited entity in coherence with the legal and regulatory provisions and accounting standards.

Article 24. The compliance audit

The compliance audit consists of:

1. Verifying the state of implementation of laws such as: Laws on accounting, enterprises, commercial banks, customs, taxes, value added tax, and other concerned laws;
2. (Examining) the state of the observance of the acts, internal regulations of the audited entities.

Article 25. The performance audit

The performance audit consists of:

1. The attainment of the objectives and the feasibility studies or the control and measurement of the performance compared to the established objectives;
2. The control of the level of assurance in the management and the use of resources and other potentialities in an efficient, economical and sustainable way with environmental protection;
3. The efficiency of internal control of the audited entity;
4. The programs, projects and activities of the audited entity;

5. The impact of the external environment on the economic problems and efficiency in the activities of the audited entity.

Article 26. Audited entities

The entities being the subject of the State audit are:

1. The State organizations, the Lao Front of National Edification, mass organizations and other organizations which manage and use the public funds;
2. The political-social organizations which use the State Budget;
3. The organizations under the supervision of the armed forces;
4. The public investment projects financed by the local budget, loans, the Government contribution funds or grants from domestic or foreign resources;
5. State enterprises and joint-venture companies.

Article 27. The decision on the fields of audit

According to the objectives of each audit, the decision makers of the (State) audit determines the fields of audit, which could be one or several types as fixed in Article 22 of the present Law.

Article 28. Duration of audit

According to the objectives of each audit, the decision makers of the (State) audit determines the duration of audit. If the audit is not completed (on time), it can be extended.

Article 29. Place of audit

The audit must be carried out in the head-quarter of the audited entity. In case of necessity, the audit can be carried out out of the head-quarter of the audited entity but the latter must send the files of documents and other concerned data to the team of audit as requested.

Chapter 2 The Independent audit

Article 30. Fields and contents of the independent audit

The fields and contents of the independent audit conform to the provisions mentioned in Articles 22, 23, 24 and 25 of the present Law.

Article 31. Procedures of independent audit

The independent audit shall conform to the following procedures:

- Selection of the independent auditor;

- The audit engagements;
- The audit programs;
- The conduct of audit;
- The audit reports.

Article 32. Selection of independent auditors

The selection of the independent auditor is carried out according to two methods:

- The annual meetings of the shareholders;
- On request of the lenders, donors, investors or according to contractual provisions.

Article 33. Engagement of the independent audit

The independent audit can be carried out only on request of the audited entity on the basis of the audit engagement signed between the audited company and the independent auditor.

The contents of the audit engagement include the documentation and the approval of the auditor on the composition and the assignment of the tasks of members of the audit team, the objectives and scope of audit as well as the responsibilities of the audited entity and those of the auditor and the types of reports.

Article 34. The preparation of audit programs

The audit program is established according to the following procedures:

1. To carry out preliminary studies on the financial management, accounting, the internal control system and the tendencies of development of the concerned business sector;
2. To assess the internal control system and the audit risks;
3. To plan the audit, to determine the targets, to prepare questionnaires, to get information with the concerned parties in order to obtain appropriate and sufficient evidence and to determine the duration of audit.

Article 35. The conduct of audit

The conduct of audit conforms to the provisions of the audit engagement and the established plan and to clearly assign tasks within the team of audit with strict supervision of the chief auditor.

In the conduct of audit, the independent audit standards must be applied in order to audit each business cycle and to evaluate the obtained evidence.

Article 36. The audit report

The audit report includes:

1. The audit report of the financial statements is a report on true and fair view, law compliance and the degree of reliability of these financial statements;
2. The audit report on law compliance and performance audit is an evaluation report on the observance of the laws as well as the efficiency and the productivity of the operations carried out by the audited entity;

The draft audit report must be accompanied by the letter of recommendations on the methods and measures to be undertaken.

The draft audit report must be sent to the audited entity for their comments on each recommendation prior to the signing and submission to the concerned parties under the provisions of Article 17 of the present Law.

Article 37. The audit of Public Finance

The audit of public finance conforms to the following provisions:

1. To sign the engagement letter with the State Audit Organization and receive audit fees according to agreement;
2. To conduct the audit by applying the State Audit Standards;
3. To send the audit report to the State Audit Organization and in case of necessity, the State Audit Organization can review this report.

Part III Organization of audit

Chapter 1 The State Audit Organization

A. The system of organization and personnel

Article 38. Position and Role of the State Audit Organization

The State Audit Organization, an organization of control of the economy and public finance, created or dissolved by the National Assembly, has the role to audit the organizations which manage and use the Government funds in the fields of audit as being stipulated in Article 22 of the present Law.

Article 39. The organizational system of the State Audit Organization

The system of organization of the State Audit Organization is composed of:

- The Central Organization of (State) Audit
- The Regional Organization of (State) Audit

Article 40. The Central Organization of (State) Audit

The Central Organization of (State) Audit is a supreme organization of the State Audit Organization.

The Central Organization of (State) Audit has the rights and duties as follows:

1. To work out on the strategies, policies, legal and regulatory provisions, orientations plans, standards and measures regarding the audit activities and to submit to the Standing Committee of the National Assembly for its consideration;
2. To work out on the annual plan of audit and to carry out the implementation;
3. To organize the dissemination of the policies, legal and regulatory provisions and standards regarding audit activities;
4. To manage, lead and control the implementation of the policies, legal and regulatory texts and standards regarding audit activities of the organizations under its supervision;
5. To sign the audit engagement with the independent auditors;
6. To train and building capacity of staff for conducting audit missions;
7. To consider and address audit proposals, mainly the report on audit findings;
8. To coordinate with other related parties regarding the audit missions;
9. To cooperate with foreign and international organizations in the field of audit;
10. To draw up a semi-annual and annual audit reports under submission to the Standing Committee of the National Assembly and the Prime Minister.
11. To exert other rights and duties as fixed in legal and regulatory provisions.

Article 41. The organizational and personnel structure of the Central Organization of (State) audit

The personnel structure of the Central Organization of (State) Audit is composed of:

- A president;
- A certain number of vice-presidents;
- Auditors and technical staffs.

The structure of organization and the operations of the Central Organization of (State) Audit are given in a specific regulation.

Article 42. The President of the Central Organization of (State) Audit

The President of the Central Organization of (State) Audit is elected or dismissed by the sessions of the National Assembly upon proposal of the Standing Committee of the National Assembly, with a mandate of five years. This election must be done as soon as possible a year after the first Inaugural Session of the National Assembly.

The President of the Central Organization of (State) Audit has the rights and duties as follows:

1. To be directly responsible to the National Assembly and its Standing Committee for the organization and operations of the State Audit Organization;
2. To oversee and supervise the implementation of the activities of the State Audit Organization countrywide;
3. To issue decisions, orders, guidance and notices on the State audit missions;
4. To submit the drafts of audit acts for the consideration of the Standing Committee of the National Assembly;
5. To be responsible before the law concerning the contents of the audit reports of the State Audit Organization;
6. To attend the ordinary meetings of the National Assembly; those of its Standing Committee and the Government's meetings related to audit activities;
7. To submit to the National Assembly and the Prime Minister the audit report on the implementation of the annual State Budget and the annual report of performance of activities of the State Audit Organization;
8. To propose to the concerned parties to take measures toward the audited entities, e.g. the education on civic rights, the imposition of sanctions, legal proceedings of civil or penal offences;
9. To appoint, remove or dismiss the personnel of the State Audit Organization, from the ranks of directors downwards, including the personnel of the Regional Organization of State Audit, from the ranks of deputy-chiefs of the regional organizations;
10. To exert other rights and obligations under the legal and regulatory provisions.

Article 43. The Vice-President of the Central Organization of (State) Audit

The Vice-president of the Central Organization of (State) Audit is appointed, removed or dismissed by the President of the Republic upon proposal of the Standing Committee of the National Assembly.

The Vice-President of the Central Organization of (State) Audit has the rights and duties as follows:

1. Assist the President and in charge of any duty assigned by the President of the Central Organization of (State) Audit;
2. In the event of absence or inability of the President, the Vice-president who is assigned by the former will assume his/her duties.

Article 44. The Regional Organization of (State) Audit

The Regional Organization of (State) Audit is an organization under the direct supervision of the Central Organization of (State) Audit and conducts the audit of the organizations located in the area as well as other entities according to the assignment of the President of the Central Organization of (State) Audit.

The Regional Organization of (State) Audit has the rights and duties as follows:

1. To study and develop the policies, decisions and plans of the Central Organization of (State) Audit into detailed plans, programs, and projects and to implement them;
2. To disseminate the legal and regulatory provisions relating to audit, including the decisions, orders, instructions and notices of the President of Central Organization of State Audit;
3. To conduct audit missions according to the established plan and those assigned by the President of the Central Organization of (State) Audit;
4. To inform the audited entity on the audit findings;
5. To sign audit engagements with the independent auditors;
6. To consider and address the proposals related to audit, mainly the audit reports;
7. To coordinate with other parties involved in the audit missions;
8. To summarize and report on audit missions on a quarterly and annual basis under submission to the President of the Central Organization of (State) Audit;
9. To exert other rights and obligations under the legal and regulatory provisions.

Article 45. The organizational and personnel structure of the Regional Organization of (State) Audit

The personnel structure of the Regional Organization of (State) Audit is composed of:

- A chief;
- A certain number of deputy-chiefs;
- Auditors and technical staffs.

The organizational structure and activities of the Regional Organization of (State) Audit are given in a specific text.

Article 46. The Chief of the Regional Organization of State Audit

The Chief of the Regional Organization of State Audit is appointed, removed or dismissed by the Standing Committee of the National Assembly upon proposal of the President of the Central Organization of State Audit.

The Chief of the Regional Organization of State Audit has the rights and duties as follows:

1. To be directly responsible before the President of the Central Organization of State Audit on his/her organization and conduct of audit activities;
2. To direct and control the audit missions in accordance with the standards of audit;
3. To propose the restructuring of the organization, the manpower and the assignment of the personnel in his/her regional organization for the consideration of the President of the Central Organization of State Audit;
4. In the conduct of his/her mission, to coordinate with other concerned organizations located in the area;

5. To report regularly to the President of the Central Organization of (State) Audit on the performed audit missions;
6. To exert other rights and duties under the legal and regulatory provisions.

Article 47. The Deputy Chief of the Regional Organization of (State) Audit

The Deputy-Chief of the Regional Organization of (State) Audit is appointed, removed or dismissed by the President of the Central Organization of (State) Audit upon proposal of the Chief of Regional (State) Audit.

The Deputy-Chief of the Regional Organization of (State) Audit has the rights and duties as follows:

1. Assists the Chief and in charge of any duties assigned by him/her;
2. In the event of absence or inability of the Chief, the Deputy-Chief who is assigned by the former will assume his/her duties.

B. Auditors and the team of State Audit

Article 48. The State auditor

The State auditor is a civil servant of the State Audit Organization in charge of conducting audit missions.

The State auditor must have the profile required as follows:

1. To have revolutionary principles and virtues;
2. To master the political lines as well as legal and regulatory provisions;
3. To have a high sense of responsibility, a healthy way of life and be equitable;
4. To have knowledge, competence and qualified of a profession relating to the audit missions and to have at least a higher diploma;
5. To have been trained in auditing and have at least three years of experience in audit activities;
6. To keep the audit profession confidential;
7. To be free from any serious civil or penal sanctions following intentional infringements;
8. To be in good health.

Article 49. The Team of State Auditors

The team of State auditors, appointed by the President of the Central Organization of (State) Audit or the Chief of the Regional Organization of (State) Audit, is composed of a chief, a deputy-chief, and at least three members.

The team of State auditors has the duty to carry out audit missions according to the audit procedures and standards under the terms of the present Law.

Article 50. The independent audit collaborator

The independent audit collaborator is an audit firm or an independent auditor who signed a contract with the Central Organization or the Regional Organization of (State) Audit in order to carry out missions of independent audit.

The independent audit collaborator has the rights and duties as follows:

- To observe engagements in the audit contract;
- To strictly observe the Audit Law and other concerned laws;
- To be responsible before the Central Organization or the Regional Organization of (State) Audit on the performed audit findings.

The regulation relating to the independent audit collaborator is defined by the President of the Central Organization of (State) Audit.

C. The Council of State Audit

Article 51. The Council of State Audit

The Council of State Audit is an organization under the supervision of the Central Organization of (State) Audit and has the role of working out on audit regulations and giving technical advices on auditing to the State Audit Organization.

Article 52. Structure of organization and personnel

The composition of the personnel of the Council of State Audit is the followings:

- A President who is the Vice-President of the Central Organization of (State) Audit;
- A Vice-President, who is a director of the Central Organization of (State) Audit;
- A certain number of members;

The structure of organization and the functioning of the Council of State Audit are fixed in a specific regulation.

Article 53. Rights and duties of the Council of State Audit

The Council of State Audit has the following rights and duties:

1. To carry out research on auditing standards and regulations;
2. To provide technical advices to the State Audit Organization, mainly the control over the conduct of State audit missions, the audit reports and proposals;

3. To comment on the draft acts of State audit;
4. To take part in the activities of audit in the country and abroad according to the assignments;
5. To exert other rights and duties under the terms of laws and regulations;

Chapter 2

The organization of the independent audit

Article 54. System of organization of the independent audit

The system of organization of independent audit is composed of:

- The Association of Accountants and Independent Auditors;
- The independent audit entities.

Article 55. The Association of Accountants and Independent Auditors

The Association of Accountants and Independent Auditors is a social organization, a legal entity, under the supervision of the Ministry of Finance, having the role of gathering the independent auditors, managing, supervising and controlling the level of knowledge, competence and the practice of the audit profession as well as the observance of the code of ethics of the independent auditors.

Article 56. Rights and duties of the Association of Accountants and Independent Auditors

The Association of Accountants and Independent Auditors has the following rights and duties:

1. To work out on the medium and long term action plans;
2. To define the regulations of management relating to the independent auditors;
3. To organize vocational training, to raise the level of knowledge and competence of the professional independent auditors;
4. To safeguard the independence in the missions of independent audit and to safeguard the dignity of the independent auditors;
5. To take measures against those who infringe the professional code of ethics, the independent audit standards and the rules of procedures of the Association.
6. To report to the Ministry of Finance on the activities of the Association of Accountants and Independent Auditors;
7. To exert other rights and duties under the terms of laws and regulations.

Article 57. The structure of organization and the personnel of the Association of Accountants and Independent Auditors

The organization of the Association of Accountants and Independent Auditors is made up of:

- The Congress;
- The permanent office;
- The commissions.

The structure of personnel of the Association of Accountants and Independent Auditors is made up of:

- A President;
- A certain number of Vice-Presidents;
- Members of the permanent office;
- The heads and deputy-heads of the commissions;
- Members of the Association;
- Technical staffs of the office.

The functioning and the budget of the Association of Accountants and Independent Auditors are defined in a specific regulation.

Article 58. The independent audit entity

The independent audit entity is made up of audit firms and independent auditors having been registered on the list of the professionals of independent audit and having been registered to the register on the companies under the terms of the laws.

Article 59. The independent auditor

The independent auditor is an accounting consultant or accounting expert who exerts a public practice profession in auditing and having been registered on the list of the members of the Association of Accountants and Independent Auditors and on the register of the company under the terms of the laws.

Article 60. Rights and responsibilities of the independent auditor

The independent auditor has the rights, responsibilities and duties as follows:

1. To act as an auditor of an entity in which he (she) does not carry out the activities of accounting consultants;
2. To carry out the missions of contractual audit;
3. To conduct the audit missions according to the standards of independent audit or those of the State audit if a contract was signed with the State Audit Organization;

4. To record the performances and errors or the infringements of laws and regulations occurred from internal origin or outside while periodically reporting to and informing the person in charge of the audited entity on the concerned information and evidence;
5. To prepare the audit report;
6. To ensure the orderly safeguarding of the audited documents, to keep professional confidentiality and to be prohibited from the use to other ends.

Part IV

Rights and Obligations of the Audited Entity

Article 61. Rights of the Audited Entity

The audited entity of the State audit has the following principal rights:

1. To propose to the State Audit Organization on the appointment of the audit team;
2. To refuse to provide other documents or information unrelated to the contents of the audit decision;
3. To propose the change of the staff of the audit team in the event of infringements of the prohibitions mentioned in Articles 63 and 64 of the present Law;
4. To consult and give explanation in writing concerning the issues raised in the draft minutes on the audit findings;
5. To submit a request to the State Audit Organization on the acts of the State auditors or independent audit collaborators occurred during the conduct of audit, which were considered as infringements of laws;
6. To submit to the State Audit Organization and other concerned organizations the audit report that is regarded as infringements of laws and regulations;
7. To claim for damages caused by the auditor's infringements of laws and regulations.

The rights of the audited entity of the independent audit conform to the provisions fixed in the audit engagement between the auditor and the audited entity.

Article 62. Obligations of the audited entity

The audited entity has the following obligations:

1. To strictly conform to the provisions of the audit decision;
2. To cooperate, provide complete data and documents related to the audit on request of the audit team and to be responsible in front of the law on the data and documents that were provided;

3. To improve, solve strictly the weak points, deficiencies and errors noted in the recommendations of audit;
4. To submit a written report on the state of execution of the recommendations of audit;
5. To be responsible for the damages caused by the infringements of laws and regulations or those against the audit decision;
6. To sign the audit report.

The obligations and responsibilities of the entity that is subject to the independent audit conform to the audit engagement between the auditor and the auditee.

Part V

Prohibitions in the audit missions

Article 63. Prohibitions for the auditors

The principal prohibitions for the State auditors are:

1. To intentionally submit an audit report that does not conform to the reality;
2. Abuses of position, power and duties for personal interests;
3. To take bribes;
4. To reveal professional secrecy or data on audit findings without authorization;
5. To distort the truth, to threaten or to cause unnecessary difficulties to the audited entity.

The prohibitions for the independent auditors conform to the professional code of ethics.

Article 64. Prohibitions on the appointment of the auditors

It is forbidden to appoint the following auditors in the audit team or the independent auditors:

1. Those who have contributed capital to, purchased shares from or having relationship or other interests with the audited entity;
2. Those who worked in audited entities as leaders, chief accountants or accountants for less than five years before shifting to the new work;
3. Those who have been relatives with the leaders, chief accountants or accountants in the audited entity.

Article 65. Prohibitions for the auditees of the State Audit

The principal prohibitions for the auditees of the State audit are:

1. To refuse to provide data and documents related to the contents of the audit decision;
2. To report, provide untruthful data and documents, to dissimulate or destroy documents or objects related to the audit;

3. To obstruct, threaten the audit team, the providers of data to the audit work or other people involved in the audit;
4. To bribe the audit team, the providers of data to the audit work or other people involved in the audit.

Article 66. Prohibitions for the organizations and other people not involved in the audit

The principal prohibitions for the organizations and other people not involved in the audit are the followings:

1. To interfere in the audit missions;
2. To threaten the auditors, to block the conduct of audit or to protect the audited entity;
3. To provoke the audit or to resist to the audit missions of the State audit.

Part VI

Monitoring of the audit activities

Article 67. Internal control

The internal control is an inspection on the audit activities within the organization of audit.

In order to conduct the audit missions with effectiveness, transparency and equity, an internal control operation must be regular.

In the performance of these duties, the State Audit Organization of all levels, including the Association of Accountants and Independent Auditors must create an organization that carries out an internal control. In addition, a specialized inspection unit must be also created in order to carry out missions of internal control in the central and regional organizations of State audit and within the Association of Accountants and Independent Auditors.

Article 68. Monitoring of the National Assembly

The monitoring of the National Assembly toward the State Audit Organization is an external monitoring led by the sessions of the National Assembly, as well as the Standing Committee and the commissions of the National Assembly or the Committee of the members of the National Assembly of each electoral zone relating to the activities, the management and the use of funds of the State Audit Organization.

In the event of necessity, the sessions or the Standing Committee of the National Assembly can appoint a committee of experts in order to study and recheck the performances of the activities of the State Audit Organization.

Article 69. The control of the Ministry of Finance

The Ministry of Finance is an external controller of the Association of Accountants and Independent Auditors.

Article 70. The external audit

The Association of Accountants and Independent Auditors must recruit an external auditor for the audit of its annual financial statements in order to ensure their truthfulness as well as their compliance with laws and regulations and their reliability.

Part VII

Budget, uniforms, logo, auditor cards and seals

Article 71. Budget of the State Audit Organization

The budget of the State Audit Organization is a budgetary unit of first level of the State Budget in order to assist in the audit activities at the central level. The budget of the Regional Organization of (State) Audit is included in the budget of the Central Organization of (State) Audit.

Article 72. Uniforms, logo and auditor cards

The State Audit Organization has its uniforms and a logo decided by the Standing Committee of the National Assembly.

The State auditor has an auditor card and the independent auditor has a member card of the Association of Accountants and Independent Auditors.

Article 73. Seals

The seal of the State Audit Organization has the shape of a circle, in the center of which is the National Emblem, mentioning on the bottom border “Lao People’s Democratic Republic” and on the below border “Central Organization of State Audit” bordered by a star of pentagon form.

The seal of the Professional Association of Accountants and Independent Auditors is fixed in a specific regulation.

Part VIII

Rewards with regard to those with merits and sanctions with regard to those with infringements

Article 74. Rewards with regard to those with merits

Any individual or organization having achieved exemplar performance in the implementation of this Law, in particular in the exercise of the audit duties, the correct and efficient activities of the audited entities, the cooperation and the provision of information relating to the audit will be rewarded or will be granted other appropriate allowances.

Article 75. Sanctions against those with infringements

Any individuals or organizations who infringe this present Law and cause damage to the interests of the State, and those of the society or causing damage to the equitable rights and interests of the citizens will be subject to education as well as disciplinary sanctions, fines or penal sanctions according to the seriousness of infringements, including the reparation of civil damage.

Article 76. Educational measures on civic rights

Any individual who infringes this present Law concerning the management and the use of Government funds or while conducting his/her activities has caused minor damage to the organization or to other people but has reported in good faith, and has recognized their infringements will be subject to the education on civic rights or warning.

Article 77. Disciplinary sanctions and fines

Any individual who infringes this present Law concerning the management and the use of Government funds or while conducting his/her activities has caused minor damage to the organization or to other people but has not reported in good faith, or to dodge his/her faults will be liable to disciplinary sanctions as follows:

The State auditors and the audited Government entities will be liable to disciplinary sanctions as follows:

- To criticize, warn on the infringements made and to record those infringements in the bibliography of the concerned persons;
- To suspend promotion, wage increase or praise;
- To dismiss or remove to lower position;
- To cease the status of civil servants without receiving any allowances.

The independent audit entities and the auditees of the private sector are liable to fines according to the regulations and their licenses of professional practise and those of business registration could be possibly withdrawn.

Article 78. Civil sanctions

Any individual or organization who infringe this present Law relating to the management and the use of Government funds or while conducting their activities have caused damage to other organizations or individuals must entirely repair the damage caused.

Article 79. Penal sanctions

Any individual who infringes this present Law concerning the management and the use of Government funds or concerning the conduct of his/her work, which are penal offenses such as: to falsify the accounting figures, to destroy the financial statements concerning the audit, receiving bribes are liable to penal sanctions, and compensation for the civil damages included.

Part IX

Final provisions

Article 80. The implementation

The Government of the Lao People’s Democratic Republic is in charge of the implementation of this Law.

Article 81. Effectiveness

This present Law takes effect sixty days after the promulgation of the Decree of the President of the LAO People’s Democratic Republic.

All regulations, provisions which go against this present Law are repealed.

The President of the National Assembly

(Signed and Sealed)

Thongsing Thammavong