



ASIAN DEVELOPMENT BANK

**Detailed Examination  
of the  
Audit Report by EPFC,  
National Assembly of Lao PDR  
Possibilities for Growth**

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## Acronyms

ADB	Asian Development Bank
EPFC	Economic Planning and Finance Committee
INTOSAI	International Organization of Supreme Audit Institutions
IPU	Inter-Parliamentary Union
NA	National Assembly, also referred to as Parliament or Legislature in this document
OECD	Organization for Economic Co-operation and Development
PAC	Public Accounts Committee
SADCOPAC	South African Development Community Organization of Public Accounts Committees
SAI	Supreme Audit Institution; refers to the highest body / authority in a country responsible for audit of public sector
SAO	State Audit Organization
WB	The World Bank

## Executive Summary

### Conclusion of Audit Reports in the Parliamentary System of SAIs

I. The concept of audit is inherent in public financial administration. The management of public funds represents a trust. Audit is a means for correction, deterrence and for accountability of the holders of trust. Audit is not an end in itself; but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases; to make those accountable accept responsibility; to obtain compensation; or to take steps to prevent--or at least render more difficult such breaches.<sup>1</sup> Supreme Audit Institutions (SAIs) are the highest statutory bodies for public sector audit. There are basically two types of Supreme Audit Institutions (SAIs) namely judicial or the court model and parliamentary or the Westminster model. In the judicial model, the functions of SAIs combine those of the oversight and prosecution and have judicial authority to enforce its decisions. In the parliamentary model of SAIs, the audit reports of the SAIs are submitted to the parliament and they have no authority to enforce its recommendations. Thus, in the parliamentary model, the value and benefits of the audit report depends entirely on the follow-up action on the audit reports by the parliament, generally by the designated committee, called the Public Accounts Committee in most cases. In this context, it is considered that a healthy relationship and mutual support between the Parliaments and the SAIs, while respecting their individual independence contributes to effective financial oversight, strengthens the public financial management, and promotes governance and accountability.

II. Lao PDR has adopted the parliamentary model of the SAI. In order to make the audit report of the State Audit Organization (SAO) effective and realize the results, it is necessary that the parliaments have system to take the audit reports to finality. State Audit Organization of Lao PDR was established in 1998 through Prime Ministerial decree. National Assembly (NA) of Lao PDR approved the Audit Law 2007 that plays an important role in enhancing the effectiveness and independence of SAO. The law included provisions relating to independent audits also. In 2012, the Audit Law has been amended to incorporate only the public audit under it. Under the law, SAO has turned into an independent government institution that holds a mandate to report the result of audit to the President, National Assembly and the Prime Minister. President of the SAO is elected for five-year term and can be suspended by the National Assembly proposed by Standing Committee of National Assembly.

III. In pursuance to Lao PDR's Audit Law and other related regulations, SAO has a mandate to conduct financial, compliance and performance audit of its entities, among other things, state institutions, mass organizations, and other organizations that manage and use public funds, social political organizations that use state budget, various organizations public projects funded by local budget, loan, and government contribution or grant from domestic and overseas organizations and state enterprises or a company with joint capital. The audit report on final annual budget settlement is submitted to the National Assembly. Other audit reports are submitted to the auditee. The report on annual activities of the SAO is submitted to the Standing Committee of the National Assembly and the Prime Minister<sup>2</sup>.

### Audit Reports by SAO

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<sup>1</sup> Lima Declaration of INTOSAI-Guidelines on Auditing Precepts

<sup>2</sup> Source ASEANSI Website and Audit Law of Lao PDR

IV. The Economic Planning and Finance Committee (EPFC) is one of the six committees of the National Assembly and is established under Article 30 and 31 of the Law on the National Assembly. EPFC like other committees is the secretariat organ of the sessions of the National Assembly and the National Assembly Standing Committee, and have the role to assist the session of the National Assembly and the National Assembly Standing Committee in the implementation of the activities of the National Assembly in accordance with the rights and duties of each committee. The committee consists of a chairperson and a vice-chairperson and 28 members<sup>3</sup>. The chairperson represents the committee to report and propose activities to the Standing Committee and the session of the National Assembly.<sup>4</sup> EPFC has dual responsibility. Its role combines those of budget and finance committee and the public accounts committee. SAO submits one audit report to the National Assembly on the annual state budget settlement. The audit report is concluded with a resolution of the National Assembly, which endorses the recommendations and strengthens them. The resolution is processed in the EPFC. The existing system, though strong in terms of the authority, operates within a limited range of budget settlement, since the audit report does not include other issues of financial and program management on the subjects of audit of financial statement, compliance audit and performance audits, which are the mainstay of audit reports in most countries.

#### **Resolution of the Standing Committee of the NA**

V. The Standing Committee of the National Assembly is the permanent body of the National Assembly. It acts on behalf of the National Assembly between the sessions of the National Assembly. The National Assembly Standing Committee consists of the Chairman, Vice-Chairmen, and some members. The President and Vice-President(s) of the National Assembly are also the Chairman and Vice-Chairmen of the National Assembly Standing Committee<sup>5</sup>. The rights and duties of the Standing Committee of the National Assembly are defined under the Article 23 of the Law on National Assembly<sup>6</sup> and these include planning and approval of practically all functions of the National Assembly. The session of the National Assembly Standing Committee is held at least once a month, and is convened by the Chairman of the National Assembly Standing Committee and may be convened only with the quorum of at least two-thirds [of the total members].

VI. The Standing Committee of the National Assembly issued a resolution in January 2014, governing the coordination between the EPFC and the SAO.<sup>7</sup> The resolution contains procedures (i) coordination system between the EPFC and SAO for examination of the state budget proposals and large public investment projects, (ii) the procedure for approval of SAO's annual audit plan and draft audit report on annual budget settlement, (iii) role of the SAO in monitoring and reporting of the NA resolution on audit report, and (iv) examination of the audit report of SAO by the EPFC, including hearing. The resolution of the National Assembly introduces a system of formal procedures for detailed examination of the audit reports by the EPFC, which embraces several features of the international good practice. This paper explores the possibilities of further strengthening the system to render it consistent with the good practice and thus, more effective.

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<sup>3</sup> [http://www.na.gov.la/index.php?option=com\\_content&view=article&id=69&Itemid=207&lang=en](http://www.na.gov.la/index.php?option=com_content&view=article&id=69&Itemid=207&lang=en)

<sup>4</sup> Articles 30 and 31 of the Law on National Assembly

<sup>5</sup> Article 22 of the Law on National Assembly

<sup>6</sup> Extract of Article 23 of the Law on National Assembly is attached as Appendix 1.

<sup>7</sup> Resolution of the Standing Committee of the National Assembly issued in January 2014 governing the coordination between the EPFC and the SAO is attached as Appendix 2.

## **The Way Forward**

V. The policy and procedures for examination of the SAO's audit report(s) by the EPFC of the National Assembly of Lao PDR are consistent with several international good practices. However these are yet to be consistent with most of the contemporary good practices. In this context the new resolution by the Standing Committee is an important milestone and positive development in terms of introduction of formal procedure for examination of audit reports of the SAO by the EPFC. Prior to this resolution, the audit reports were concluded with the resolution of the National Assembly without hearing. Some procedures like selection of subject for hearing, selection of auditees, conduct of public hearing and report of the EPFC consistent with the international good practice have been formally introduced in Lao PDR through this resolution. The resolution can be the starting point for a policy that is more consistent with the internationally prevailing procedures in the parliamentary models of SAIs.

### **Detailed Examination of Audit Report**

VI. The provisions relating to the detailed examination of the audit report could be rendered more effective by:

- Increasing the scope of detailed examination beyond the budget settlement to other issues of financial and program management;
- Selecting larger number of auditees for examination of financial management and program management;
- Selecting subjects for own examination by the EPFC, with or without the involvement of the SAO;
- Encouraging the SAO to submit more reports or more issues of financial management, compliance, procurement audits and performance audits, etc. in their audit reports, if necessary by revisit to the audit Law;
- Submission of EPFC's report before the National Assembly;
- Formation of sub-committees to enable EPFC take up more subject and devote more time to the work of oversight; and
- Delegation of full powers to the EPFC in all matters relating to the detailed examination of the SAO's audit reports.

### **Processing of SAO's annual Audit Plan and Audit Report**

VII. The resolution of the Standing Committee of January 2014 governing the coordination between the EPFC and the SAO provides for formulation of annual operation audit plan by the SAO in consultation with the EPFC, which is inconsistent with the international good practice and globally endorsed INTOSAI<sup>8</sup> Standards. While EPFC and members of NA can always offer their suggestions to the SAO for selection of audits, the final authority to determine its audit plan should remain with the SAO. Since the chances of SAO not agreeing to the suggestion of EPFC are remote, the objective can still be served, without being viewed as compromise in their independence. SAOs world over generally accepts the recommendations of the legislature or its

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<sup>8</sup> The International Organisation of Supreme Audit Institutions (INTOSAI) operates as an umbrella organisation for the external government audit community. It has provides an institutionalised framework for supreme audit institutions to promote development and transfer of knowledge, improve government auditing worldwide and enhance professional capacities, standing and influence of member SAIs in their respective countries. INTOSAI is an autonomous, independent and non-political organisation. At present INTOSAI has 192 Full Members and 5 Associated Members. (<http://www.intosai.org/about-us.html>).

committee but the parliamentary committees do not approve the audit plan and the suggestions of the committee for modifications or inclusion of any audit is not binding on the SAOs, which upholds its independence. In other words the objective of adjustment to the audit plan can be met without compromising the independence of the SAO.

VIII. The SAO submit audit reports to the National Assembly as per the provision of the Audit Law. The audit reports are the submitted to the parliaments by the SAIs on audit of financial statements, and the result of compliance and performance audits undertaken by the SAIs. The audit reports are the inherently linked to the very purpose of the SAIs. The audit reports are produced with help of application of professional standards on public sector auditing and therefore are professional documents. Independence in reporting by the SAIs is universal and supported by the INTOSAI standards. While EPFC can hold the SAO to account on their audit reports by way of comments and questions after these have been submitted, the audit report must be left to be finally approved by the SAO for submission to the National Assembly.

### **Role of SAO in Approval of Annual State Budget Plan and Public Investment Plan**

IX. The resolution provides that the comments of the SAO shall be called by the EPFC on the annual budget proposals and public investment plan. Further, the SAO is to take part in the meeting convened by the EPFC to discuss the budget proposal. The provision is not consistent with the standards of independence of the SAI in terms of participation in management decisions. While past institutional memory and audit reports on performance of the entities are good source of information for the EPFC for decision on the future budget and investment proposals, there could be possibility to work around the provision to ensure that the SAO is not involved with the executive decision making process of approving the budget. Direct involvement of the SAO in budget making process runs the risk of conflict of interest while auditing them.

### **Moving Towards Consistency with the International Practice**

X. The resolution could be viewed as the foundation for moving closer to the internationally applicable policy and procedures of detailed examination of the audit reports and related subjects by the designated committees of the parliaments in the countries with the parliamentary model of SAIs. The uniformly accepted standards have evolved over time and stood the test of time. The policy and procedures are also generally environment neutral, which means all or most of the standards can be applied irrespective of the typical local political environment. Given the scope of the existing audit law and the resolution of January 2014 of the Standing Committee of the National Assembly, this report suggests several measures as the possibilities of enhancing the effectiveness of EPFC in the short term. The way forward could be by benchmarking the norms of effective committee or the objectives of the oversight of the committee. Section V provides a detailed discussion on these measures. The recommended measures can contribute to improve the functions of the EPFC and consequently the audits by the SAO significantly.

## Section I

### Introduction

1.1 Supreme audit institutions (SAIs) are the lead public sector audit organization in a country. Their principal task is to examine whether public funds are spent economically, efficiently and effectively in compliance with existing rules and regulations. Well-functioning SAIs can play an important role in confirming that controls are operating effectively, identifying waste and suggesting ways in which government organisations can operate better. Based on historical, cultural and political factors, the elements of the relationships between national audit institutions and parliaments vary from country to country. In the parliamentary model of SAIs, also called the Westminster model, the audit reports are presented to the parliament and a committee of the parliament, mostly called the Public Accounts Committee further examines the audit reports and concludes the process of accountability.

### Aid Effectiveness and Role of Parliaments

1.2 Greater public scrutiny of aid in donor as well as recipient countries has led to calls for greater effectiveness in the use of these resources. The Paris Declaration and the Accra Agenda for Action agreements<sup>9</sup> reached at the international level to increase aid effectiveness lay special emphasis on accountability. The Accra Agenda, in particular, stresses that Parliament has responsibilities to ensure national ownership of development policies and accountability in the use of aid.

### Common Agenda

1.3 Parliaments and SAIs have a common agenda in ensuring oversight of government with a view to satisfying on the proper use of resources, i.e. spending that is in accordance with authorizations given in the budget and that is economical, efficient and effective. Parliament is the primary institution entrusted by the people to hold government to account but cannot achieve this without the support of SAIs. The report of the SAI constitutes the main source of information for parliament, in particular to the Public Accounts Committee in its audit oversight work. Seventy-nine of the 88 parliaments surveyed receive reports from the SAI.<sup>10</sup>

1.4 Parliaments have a shared interest in ensuring that they allocate the necessary resources to SAIs and design a legislative framework that enables SAIs to function effectively and independently.

1.5 To make the cooperation and coordination between the parliament and SAI better, it is equally important to build the capacity of the designated committee with help of various measures, that include the strengthening the secretariat.

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<sup>9</sup> At the Second High Level Forum on Aid Effectiveness (2005) it was recognized that aid could - and should - be producing better impacts. The Paris Declaration was endorsed in order to base development efforts on first-hand experience of what works and does not work with aid. It is formulated around five central pillars: Ownership, Alignment, Harmonization, Managing for Results and Mutual Accountability.

In 2008 at the Third High Level Forum on Aid Effectiveness an even greater number and wider diversity of stakeholders endorsed the Accra Agenda for Action (AAA). The AAA both reaffirms commitment to the Paris Declaration and calls for greater partnership between different parties working on aid and development.

<http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

<sup>10</sup> Yamamoto, H. 2007. Tools for Parliamentary Oversight – A Comparative Study of 88 National Parliaments. Inter-Parliamentary Union, Switzerland.



1.6 There could be several models of interaction and cooperation between parliament and SAI. Yet the core objective remains as effective financial oversight of the legislature with help of the audit reports of the SAI.

### **PACs and SAIs**

1.7 PACs are usually the main recipients of audit reports produced by the SAIs, to which their purpose is to add value through questioning witnesses, making recommendations and following up the implementation of those recommendations by government. PACs thereby assist the process of public audit and at the same time help to achieve the parliamentary objective of ensuring the government is held to account on behalf of the electorate, in particular for its use of public money.

1.8 In the parliaments where the committees may be entrusted with the dual role of budget examination as well as the ex-post scrutiny of the financial management, the knowledge gained in ex-post examination of the audit reports and other matters of financial management adds value to the ex-ante budget scrutiny by the committee. The EPFC in Lao PDR National Assembly has combined responsibility of budget and finance committee and the Public Accounts Committee.

### **The National Assembly and SAO**

1.9 The SAO in Lao PDR, as any other SAO, requires support of the committee of the National Assembly to realize the potential of its audits.

The National Assembly of Lao PDR with the assistance of the EPFC and the Standing Committee has a practice of issue of the NA resolution on the SAO's audit report on final budget settlement.

1.10 Recently in January 2014, the Standing Committee has issued a landmark resolution consisting of the procedure for approval of SAO's audit plan and draft audit reports by the EPFC, role of SAO in examination of the allocation in the annual budget and investment project proposals and examination of SAO's audit report.

1.11 This paper explores the possibilities of further strengthening the procedures to render it consistent, as closely as possible, with the international good practice, which includes detailed examination of audit reports, more audit reports by SAO on financial, compliance and performance audits in addition to existing budget settlement report, increase in the scope of the examination of the audit report by the EPFC, selection of additional subjects for examination etc.

## Section II

### International Standards: Contemporary Good Practice

#### Fundamental Precepts for SAIs

2.1 The International Organization of Supreme Audit Institutions (INTOSAI), presently consisting of 192 full members and five associate members, has established, among several others, the standards containing the fundamental precepts and independence of the State Audit Institutions (SAIs) termed as the Lima Declaration and the Mexico Declarations<sup>11</sup> of the SAI Independence respectively. These standards are the desirable standards for all SAIs.

#### Lima Declaration of Guidelines on Auditing Precepts

2.2 The INTOSAI Lima Declaration for the independent government sector auditing *inter alia* contains the standards on the the relationship of the Supreme Audit Institution with the Parliament.

#### Institutional and Operational Independence for SAIS

2.3 The Lima Declaration provides that Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence. The law should guarantee a very high degree of initiative and autonomy, even when the Supreme Audit institutions act as an agent of parliament and perform audits on its instructions. The relationship between the Supreme Audit Institution and parliament shall be laid down in the constitution according to the conditions and requirements of each country.

#### Lima Declaration on Independence in Audit Planning

2.4 Section 11 of the Lima Declaration of Fundamental Precepts provides that Supreme Audit Institutions shall have the functional and organisational independence required to accomplish their tasks. Section 13 provides that the Supreme Audit Institutions shall audit in accordance with a self-determined programme.

#### Lima Declaration on audit reports

2.5 In regard to audit reports the Lima Declaration provides, 'The Supreme Audit Institution shall be empowered and required by the constitution to report its findings annually and independently to parliament or any other responsible public body; and this report shall be published. This will ensure extensive distribution and discussion, and enhance opportunities for enforcing the findings of the Supreme Audit Institution. The Supreme Audit Institution shall also be empowered to report on particularly important and significant findings during the year.

#### The Mexico Declaration of SAI Independence

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<sup>11</sup> Lima Declaration of 1977 by the members of the INTOSAI contains the guidelines on auditing precepts in the public sector and the Mexico Declaration of Independence of the SAIs of 2007 contains the principles of the independence of SAIs

2.6 The provisions relating to independence of the SAIs in the Lima Declaration of fundamental auditing precepts, including the standards on relationship with the parliaments have been further elaborated in Mexico Declaration of INTOSAI in 2007. These declarations consist of eight principles of SAI independence.

2.7 Principle 3 of the Mexico Declaration of SAI Independence provides the following desirable standards of independence:

### **Mexico Declaration and Independence in Planning and Reporting**

2.8 While respecting the laws enacted by the legislature that apply to them, SAIs should be free from direction or interference from the legislature or the executive in the

- selection of audit issues;
- planning, programming, conduct, reporting, and follow-up of their audits;
- organization and management of their office; and
- enforcement of their decisions where the application of sanctions is part of their mandate.

### **Involvement of SAIs in the Management of Organizations under Audit Mandate**

2.9 Principle 3 also of Mexico Declaration of SAI Independence provides that SAIs should not be involved or be seen to be involved, in any manner, whatsoever, in the management of the organizations that they audit.

### **Content and Timing of SAI's Audit Report**

2.10 Principle 6 of the Mexico Declaration provides that SAIs should be free to decide the content of their audit reports and to publish and disseminate their reports, once they have been formally tabled or delivered to the appropriate authority—as required by law. Some of the features of freedom to report are as under:

SAIs should be free to make observations and recommendations in their audit reports, taking into consideration, as appropriate, the views of the audited entity.

- Legislation specifies minimum audit reporting requirements of SAIs and, where appropriate, specific matters that should be subject to a formal audit opinion or certificate.
- SAIs should be free to decide on the timing of their audit reports except where specific reporting requirements are prescribed by law.
- SAIs may accommodate specific requests for investigations or audits by the Legislature, as a whole, or one of its commissions, or the government.

### **Follow-up on Audit Reports**

2.11 Principle 7 of the Mexico Declaration provides for the existence of effective follow-up mechanisms on SAI recommendations:

- SAIs submit their reports to the legislature, one of its commissions, or an auditee's governing board, as appropriate, for review and follow-up on specific recommendations for corrective action.

- SAls have their own internal follow-up system to ensure that the audited entities properly address their observations and recommendations as well as those made by the legislature, one of its commissions, or the auditee's governing board, as appropriate.
- SAls submit their follow-up reports to the Legislature, one of its commissions, or the auditee's governing board, as appropriate, for consideration and action, even when SAls have their own statutory power for follow-up and sanctions.

## **International Good Practice**

2.12 The cardinal principles of independence of the SAls in relation to the relationship and support of the parliaments to their work and in the process, strengthening their own financial oversight has been the subject of several research and surveys by international and multilateral bodies, notably among them being the Inter-Parliamentary Union, Organization for Cooperation and Economic Development; the World Bank Institute, and SADCOPAC etc. They have come to more or less similar conclusions that a healthy relationship and mutual support between the Parliaments and the SAls, while respecting their individual independence contributes to effective financial oversight, strengthens the public financial management and promotes governance and accountability. Some of the more important features of the research on parliament-SAI relationship emerging from these papers are summarized below:

- Committee is independent of the executive and reports directly to parliament;
- There are documented procedures and guidelines for carrying out committee roles and responsibilities;
- Sufficient and regular meetings are scheduled and held to discharge the committee's responsibilities;
- Suitable briefing material is available to committee members prior to hearings;
- Formal agendas are prepared for distribution well ahead of each meeting and hearing;
- Advance preparation by all members before hearings;
- Clear objectives and work plan for hearings;
- Prioritization of items to be reviewed by the committee, within one audit report or out of several audit reports;
- Committee holds briefing meetings with the SAI prior to public hearings;
- Committee has sub-committees for examination of larger number of reports or subjects and special area by each sub-committee;
- Public hearings are open to the media and the public, as far as possible;
- Transcripts and minutes of all meetings and public hearings are kept and accessible to the public;
- Committee reports are tabled in parliament;
- Committee reports are available to the public after submission to the parliament;
- Committee meetings and public hearings are recorded;
- Sufficient time allocated to public hearings;
- Specified time-frame for submitting reports to parliament;
- Specified time frame for the SAI to submit audit reports to parliament;
- Power to request Auditor General to perform specific reviews or tasks;
- Power to initiate own inquiries;
- Power/right to access cabinet and other privileged documents;
- Power to compel witnesses to answer questions;
- Power to choose subjects of examination without government direction;
- A say in the appointment of the Auditor General;

- Power to meet and call hearings at the discretion of the chair, including outside the legislature's session;
- Power to request government to table a comprehensive response to the PAC's report within a specified time frame;
- Power to summon witnesses;
- Powers to obtain independent evidence from other sources;
- Longer tenure of the Committee for institutional knowledge;
- Technical and research support to the committee; and
- Follow-up to committee's reports and maintenance of inventory or recommendations and review of acceptance and implementation.

2.13 The policy and procedures for examination of the SAO's audit report(s) by the EPFC of the National Assembly of Lao PDR are consistent with several of the above good practices but not with all or most of them. The new resolution by the Standing Committee is a positive development. In the background of the political environment in which hearing of the auditee by the EPFC followed by their report was not prevalent, introduction of the international practice of hearing is a step in the right direction. This has potential to promote the accountability of the executive in a demonstrable manner and has the potential to develop into a policy and procedures consistent with the contemporary good practice.

## **Section III**

### **Prevailing Procedures**

#### **Audit Report of the SAO to the National Assembly**

3.1 The laws and conventions prevailing in Lao PDR in relation to submission of the audit report by the SAO to the National Assembly and subsequent follow-up action by the designated committee of the National Assembly provides scope for conclusion on the audit reports with help of the resolution of the National Assembly. As stated earlier, the National Assembly of Lao approved the Audit Law 2007. In 2012, the Audit Law has been amended to incorporate only the public audit under it. Under the law, SAO has turned into an independent government institution that holds a mandate to report the result of audit to the President, National Assembly and the Prime Minister. President of the SAO is elected for five-year term and can be suspended by the National Assembly proposed by Standing Committee of National Assembly. In pursuance to Lao PDR's Audit Law and other related regulations, SAO has a mandate to conduct financial, compliance and performance audit of its entities, among other things, state institutions, mass organizations, and other organizations that manage and use public funds, social political organizations that use state budget, various organizations public projects funded by local budget, loan, and government contribution or grant from domestic and overseas organizations and state enterprises or a company with joint capital. The audit report on final annual budget settlement is submitted to the National Assembly. Other audit reports are submitted to the auditee. The report on annual activities of the SAO is submitted to the Standing Committee of the National Assembly and the Prime Minister. Article 7 of the Audit Law provides for extensive use of the audit report of the SAO by the National Assembly in terms of 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, to supervise the implementation of the state budget and monitor the financial and monetary policies of the State; etc. A system of conclusion of the audit report of the SAO on the final annual budget settlement exists in the form of a resolution of the National Assembly reiterating and strengthening the recommendations in the SAO's audit report.

3.2 Articles 16 and 17 of the Audit Law provide that upon completion of audit the SAO will send an audit memorandum to the auditee, followed by audit report.

3.3 The audit report on the statement concerning the implementation and final settlement of the annual state budget must be submitted to the Prime Minister for the purpose of reporting, and afterward to the National Assembly latest by 15 months after the year ending.

3.4 The audit reports on requests of the concerned organizations must be sent to the organizations who made requests for auditing and the spontaneous audit reports must be sent to the organizations who made requests for auditing.

#### **Dissemination**

3.5 Article 18 of the Audit Law on dissemination states that the audit report can be divulged only after reporting to and authorization of the concerned State authorities.

## **Types of audits**

3.6 On the types of audit to be conducted by the SAO, Article 22 provides that the audits by the SAO shall include audit of financial statements, compliance audits and performance audits.

## **Duties of SAO President for Attending National Assembly, etc.**

3.7 Article 35 provides that the SAO President's duties, among others, include attending the ordinary meetings of the National Assembly; those of its Standing Committee and the Government's meetings related to audit activities and to report on and answers to questions to be raised on the audit report on the final settlement of the annual state budget to the National Assembly sessions

## **National Assembly Law**

3.8 National Assembly Law provides for submission of report by the SAO to the National Assembly containing the subjects of audit operation, plan and audit report on final annual budget settlement for consideration and adoption.

## **Resolution if the Standing Committee of 21 January 2014**

3.9 The Standing Committee of the National Assembly issued a resolution on 21 January 2014 termed the Coordination Rules between the Economic, Planning and Finance Committee of the National Assembly and the State Audit Organization. The Resolution consists of the procedures for audit plan and audit report processing by the SAO for endorsement of the National Assembly, follow-up on SAO's audit report on final budget settlement to the National Assembly, follow-up on the resolution of the National Assembly on the SAO's audit report and role of SAO in annual state budget and public investment plan are as stated in the following paragraphs.

## **Article 8: Formulation of the Annual Audit Plan**

3.10 The State Audit Organization is to submit to EPFC by 15<sup>th</sup> March of each year its annual operational and audit plan in order for EPFC to study and report to the Standing Committee of the National Assembly. After the NA's Standing Committee having considered and provided comments to the annual operational and audit plan, the EPFC will inform the SAO for improving and preparing for tabling to NA's session.

## **Articles 10, 13 and 14: Submission of Audit Report on Final State Budget Settlement**

3.11 The State Audit Organization submits draft audit report on final budget settlement to EPFC of the National Assembly 30 days prior to the opening of the National Assembly's Ordinary Session. The draft audit report of SAO shall contain supporting documents as follows:

- i. Draft audit report on final budget settlement;
- ii. Copy of minutes and relevant evidences;
- iii. Risk analysis report on violation of financial disciplines; and
- iv. Recommendations for improvement of weakness and remaining issues that allow the violation of financial disciplines occurred.

3.12 The EPFC is responsible for examining and providing comments on audit report on final budget settlement and return it to the SAO within 15 days.

#### **Article 14: Submission of Audit Report**

3.13 The SAO is to revise the audit report on the suggestion of the EPFC and submit the formal report which has been presented to the Government and coordinated with EPFC to the NA's Standing Committee 10 days before the opening of 2<sup>nd</sup> Ordinary Session of the National Assembly.

#### **Coordination on Discussion of Annual State Budget Plan and Large public Investment Plan**

##### **State Budget**

3.14 As per Article 15 of the Standing Committee Resolution, upon EPFC receiving the draft annual budget plan from Ministry of Finance and draft public investment plan from Ministry of Planning and Investment, EPFC sends a copy of the draft to SAO for comment on the allocation of revenue-expenditure for various budget entities based on the audit findings that SAO had in the course of its previous audits and return to EPFC within a specific time period.

3.15 Upon receiving comments from SAO, EPFC will convene a meeting with 3 parties (SAO, Ministry of Finance and Ministry of Planning and Investment) to provide comments on the draft and report to NA's Standing Committee.

##### **Large Public Investment Project**

3.16 The Resolution contains similar provision for coordination between EPFC and SAO in Article 16 for large public investment plan received from Ministry of Planning and Investment. Upon EPFC receiving the draft annual investment plan containing large investment projects with a value of more than Kip 500 billion from Ministry of Planning and Investment, EPFC sends a copy of the draft to SAO for comment and return to EPFC within a specific time period.

3.17 Upon receiving comments from SAO, EPFC will convene a meeting with SAO and relevant parties to exchange opinions and harmonization in order to submit to NA's Standing Committee and NA's session for approval.

#### **Article 18: Coordination on Oversight of the Implementation of NA's Resolutions and Recommendations of State Audit Organization**

3.18 SAO is responsible for submitting reports on examination of NA's resolutions, comments and recommendations of SAO to EPFC at least 10 days before submitting to NA Standing Committee's meeting. EPFC is responsible for reviewing and providing comments on the assessment of SAO on the implementation of resolutions, comments and recommendations including reasons, compliance of the report compared to the resolutions issued in each period of time and then return it back to SAO within 5 official days for modifying as final report. In case there are any unclear or remaining issues in the report, EPFC has the right to request for additional documents or convene a meeting to exchange opinions for a more consensual understanding.



## **Article 20: Selection of Audited Entities for Hearing**

3.19 SAO reviews the implementation of the resolutions of NA's session and report findings to EPFC. Subsequently, the EPFC will arrange meeting with SAO to assess the implementation of NA's Resolutions. The EPFC and SAO will select some budget entities or audited entities which could not implement NA's Resolutions and SAO's recommendation and comments for clarification and submit to NA's Standing Committee requesting a decision to invite those audited entities for audit hearing.

## **Article 21: Hearing of Audited Entities on Report**

3.20 EPFC in coordination with NA's cabinet will issue a notice to invite audited entities to provide clarification on audit report within 5 official days. EPFC will determine list of participants including discussion topics, date and venue of the meeting by informing the participants 3 days in advance.

3.21 The meeting with audited entities will be held in National Assembly attended by the following persons:

- EPFC Chairperson;
- Vice President of SAO;
- Vice Chairperson of Law Committee and Vice Chairperson of other relevant Committees;
- Deputy Minister of Finance and Deputy Minister of relevant ministries;
- Provincial Governor or Deputy Governor (in case of calling provincial entities); and
- Representatives of other parties according to decision of NA's Standing Committee.

## **Article 22: Meeting with Audited Entities**

3.22 Audited entities will report in the meeting the situation of their implementation of NA's resolutions, recommendations and other comments as well as clarifications, additional evidence. The participants can question on some unclear issues presented by audited entities. EPFC and SAO will jointly prepare report on clarifications provided by audited entities and remedy measures to be submitted to NA's Standing Committee for approval.

3.23 Apart from the provisions for submission of the annual audit plan and draft audit report to the EPFC for approval by the Standing Committee and role of SAO in approval process of the annual budget allocations in state budget and large public investment projects, the resolution also provides the following summarized features discusses above for the examination of the audit reports upon submission.

- i. Selection of audited entities for hearing by the EPFC;
- ii. Selection of method of hearing;
- iii. Approval of the Standing Committee for convening the hearing;
- iv. Issue of notice for hearing;
- v. Selection of participants, topics, date and venue for hearing;
- vi. List of permanent invitees to the hearing meetings;
- vii. Broad scope of hearing of the audited entities;
- viii. Clarifications that can be sought from the audited entities;

- ix. Additional evidence for the EPFC;
- x. Joint responsibility of EPFC and SAO for preparation of the report of the EPFC;  
and
- xi. Submission of the report of the EPFC on the audit report to Standing Committee  
for approval.

## Section IV

### Limitations of the Existing System of NA Oversight

#### Existing System of Conclusion of Audit Report

4.1 Prior to the issue of the recent resolution of January 2014 of the Standing Committee on Coordination Rules between the Economic, Planning and Finance Committee of the National Assembly and the State Audit Organization, the policy and procedures for the concluding action on the audit report of the SAO has been as given in the following paragraph.

#### Audit Report on annual State Budget Settlement

4.2 The SAO submits one audit report annually to the National Assembly, which is a summary of the audit findings on the final annual budget settlement. The audit report is presented by the President of the SAO in person before the National Assembly. The EPFC discusses the audit report with SAO and recommends a resolution on the audit report by the National Assembly. The National Assembly in its resolution, endorses, emphasizes and adds to the recommendations contained in the audit report of the SAO. The SAO reports on the action taken on the resolution of the National assembly on the audit report on the annual budget settlement. English translation of the 2013 resolution of the National Assembly on the audit report on final budget settlement is given in Appendix 3.

#### Strong Existing System in Terms of the Authority of the Resolution

4.3 In view of the final decision on the audit report being taken under the resolution directly issued by the National Assembly, rather than by the designated committee of the National Assembly, as prevailing in most countries in the parliament model of the SAIs, the system prevailing in Lao PDR is, in fact, stronger in terms of the legal standing, yet it operates in a limited range. The existing system operates in the limited range of budget settlement and other matters of financial oversight and program management are not included. It is stronger in terms of its authority, being the resolution of the National Assembly.

#### Objectives of Financial Oversight by the Parliaments

4.4 The objectives of the financial oversight of a National Assembly are:

- Expenditure conforms to appropriations voted by the NA;
- Revenues are collected as per the acts and brought to account;
- Financial statements and performance information are complete and correct;
- The existence of assets are verified and the assets are safeguarded;
- The expenditure and revenue management is in compliance to rules made for governing public expenditure and collection of taxes;
- The taxpayers money is used economically, efficiently and effectively;
- Results are achieved. Expected outputs and outcomes are derived out of the expenditure voted by it; and
- Policy approved by the competent authority are implemented effectively, and
- Exceptions to the norm are reported and corrected.

4.5 Parliamentary oversight over public financial management with help of SAI's audit reports, thus, has a wide range of issues and subjects either from within the subjects included in the audit report or on related subjects independently examined by the committee.

## **Resolution of January 2014 on Coordination and Cooperation**

4.6 The recent Resolution of the National Assembly on the coordination and cooperation between the EPFC and the SAO is a significant milestone and an encouraging policy initiative for strengthening the oversight of the National Assembly with the examination of the audit reports of the SAO<sup>12</sup>. It affords opportunity to introduce the contemporary system of detailed examination of the audit report and related issues with the help of SAO's audit report, which has been introduced for the first time.

4.7 The existing system of the conclusion of the audit report of the SAO directly by the National Assembly is indeed challenging. Some of the limitations of the existing system including the recent resolution on the examination and hearing on the audit reports are as stated in the following paragraphs.

### **Selection of Auditees and Subjects for Hearing**

4.8 The Standing Committee Resolution provides for selection of the audited entities and therefore, the subject for hearing that are limited to those who did not implement the recommendations in the National Assembly resolution on the previous audit reports. The resolution, thus, may not facilitate a free choice to the EPFC in selection of the subjects for examination and therefore, the invitees for hearing.

### **Limitations In Terms of Number of Audit Reports and their Subjects**

4.9 In view of the prevailing practice of submission of one annual audit report on final annual state budget settlement and the practice of limiting the selection of subjects to the audit reports followed by the subsequent resolution of the National Assembly on the audit report, the range of subjects for discussion may be limited within a thin band of issues relating to budget appropriations or settlements.

### **Delegation of Powers to the EPFC**

4.10 The resolution prescribes that the EPFC would obtain the approval of the Standing Committee of the National Assembly for most of the major decisions in implementation of the resolution of January 2014. These include selection of subjects for hearing, selection of list of invitees to the meeting, method of hearing and report of the EPFC on the subjects of examination. The contemporary international practice in similar situations provides complete autonomy to the committee in all matters under its jurisdiction.

### **Report of the EPFC**

4.11 The resolution provides that the report of the EPFC, jointly prepared by the SAO and the EPFC should be submitted to the Standing Committee for approval. It is silent on whether the report of the EPFC is to be placed on the Table of the National Assembly. Moreover, the Standing Committee resolution containing the procedure for examination of the SAO's audit report does not supersede the existing system of conclusion of the audit report with the resolution of the National Assembly. The resolution is intended to strengthen the existing policy

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<sup>12</sup>Resolution of National Assembly's Standing Committee on Coordination Rules between the Economic, Planning and Finance Committee of the National Assembly and the State Audit Organization

and procedure. This may require a review when the volume of work increases and the number of SAO audit reports and resultant EPFC reports are more varied. It is not a common practice to issue the resolution of the parliaments to conclude the audit reports, nor is it possible if the number of audit reports and number of issues in the audit report increases.

### **Variety of Audit Reports and Subjects**

4.12 With full range of functions, the mandate of the SAO extends to audit of fanatical statements of the whole government besides of the other bodies and authorities, compliance audits of its own separate type across all auditable entities, which may include procurement audits of all public sector procurements; and several performance audits on different programs, projects and entities; besides higher maturity level audits of environment, public-private partnership projects, lease/license of sovereign assets, audit of public debt, various tax audits, etc. The audit reports on them could be in on or more volumes. With progressive increasing range of audits by the SAO and more complex nature of subjects and, therefore, of the audit reports, it will not be possible for the National Assembly to devote time to discuss the subjects even on selective basis.

### **Concluding the Audit Report with the Resolution of the National Assembly**

4.13 The audit report of the final budget settlement is concluded with a resolution of the National Assembly. NA being the supreme law making institution, cases of non-compliance or partial compliance with the recommendations in the its resolution on the audit reports runs the risk undermining the exalted position of the National Assembly. The reports of the committees, on the other hand, though having the status of the report of the full National Assembly, are not the resolution of the National Assembly.

4.14 The scope of the recommendation in the resolution by the National Assembly is largely limited to what is reported in the audit report, which itself is in a rather slender band of the appropriations audit. The existing system does not afford opportunity to expand the scope of examination to wider cover subjects of audit reports across several entities or a more focused further detailed examination of the issue. The existing system is not likely to afford opportunity for expansion in the scope of the subjects considered more important or even critical due its inherent limitations.

4.15 For the same reason, the existing system of examination of the audit reports by the National Assembly does not afford opportunity of examination of an altogether new subject that may emerge out of the audit reports or related issues, with direct or indirect assistance of the SAO. This may severely limit the free choice option of the Legislature to select subject of its own choice for detailed examination, attributable to the current practice of examination of the audit report and resolution by the National Assembly.

### **Direct Technical Support for Examination of the Subjects**

4.16 In the existing system, the National Assembly does not have the benefit of the direct technical support of either the SAO, except while presenting the audit report or of additional technical support as per the requirement in each case. On the other hand, EPFC can call any expert help at its discretion.

## **SAO's Audit Reports to the National Assembly**

4.17 The SAO's audit report to National Assembly consists of the following main findings and recommendations on them.

The audit report on the final budget settlement is generally in four parts:

- I. Audit Result on final settlement of annual state budget for fiscal year;
- II. Result of review on implementation of the resolution of NA;
- III. Audit result of State Owned Enterprises; and
- IV. Audit result of loan and grant projects.

4.18 In part I, the actual revenue and expenditure is presented against the budget, both for the Central and Provincial governments along with percentage variation. A few specific examples in terms of the auditable entities are also provided. This is followed by the positive findings and adverse findings in budget execution in terms of amount. The findings are stated on the basis of analysis of the figures of the actual as compared to the approved budget. The recommendations are also therefore based on the result that the compilation of account discloses. This section also contains state revenues not credited into national treasury as well as off-budget item expenditure.

4.19 Part II of the audit report contains the follow-up on the resolution of the National Assembly on similar audit report of the previous year.

4.20 Part II contains the summary results of state owned enterprises and consists of audit findings; mainly on the amount of dividend paid by the state owned enterprises against the budget estimates.

4.21 Part IV consists of general observation on the grants and loan projects.

4.22 The audit report of the SAO to the National Assembly in terms of the scope and the range of audit are limited. As stated earlier, the SAO submits its audit report to the National Assembly on the annual final budget settlement, which contains comparison of the approved budget of the government as a whole and the actual expenditure and revenue, cases of major deviations, extra budgetary expenditure, cases of failure to credit the revenue in the treasury, asset management, action taken on the NA resolution on previous audit reports, result of audit of the state enterprises and summary result of the audit of loan and grant projects etc. The audit report does not contain issues audit opinion financial statement audit, compliance audit of its own separate type, including procurement audit and performance audit. These oversight functions of an SAI is the mainstay of its report to the parliament and are important for the effectiveness of the legislative oversight over the wide range of financial and program management.

## **Impact on SAO's Effectiveness**

4.32 Inherent within the system of examination of the audit reports by the legislative committee is some measure of accountability of the SAOs towards fulfilment of their role as the primary source of data and report for effective oversight of the National Assembly.

4.33 Limitation of the range of audit report to budget execution imposes a constraint on the extent of the reach of the oversight by the National Assembly Committee The limitation is both

in terms of range of financial and program management issues under the oversight of the Committee as also in terms of free choice of topical and high risk subjects for detailed examination by the EPFC. The existing policy is, therefore, largely within the range of 'what is being done' rather than exploring 'what more can be done', since the audit report of the SAO does not contain wide ranging financial and program management issues.

4.34 The supply driven limitation in the range of oversight functions reported to the National Assembly in the audit report on final budget settlement has led to the SAO continuing to devote large part of its resources to audit of final budget settlement for reporting to the National Assembly. Other matters relating to compliance, internal control, audit of procurements, tax audit undertaken by the SAO are reported to the auditee organizations. This has an impact in terms of range of subjects reported to the National Assembly

4.35 The coordination and cooperation between the SAO and EPFC on examination of a range of audit reports has significant potential to raise the quality of audit planning, presently largely based on auditable unit planning (who) to the audit assurance sought to be derived through audits – financial statement, compliance and performance (what) and further to the result of audits (outputs/ outcome). This can raise the audit planning from the existing largely numeric unit planning to value audit planning, in which the values and level of assurance to be derived by audit guide the units for audit and the types of audit. This approach is consistent with the fundamental precepts of audit in Lima Declaration, which states that the audit is not an end by itself but a means to achieving certain values. While compliance with the budget and financial laws is the guiding principle in budget settlement audit and the audit report on budget settlement, there is scope for enhancing the values to be achieved through audit report to the National assembly in terms of compliance and value for money etc.<sup>13</sup>

### **Accountability of the Executive**

4.36 Accountability of those accountable is established by calling to account and holding to account. While the first part may be served by appropriate financial and performance reporting, the second part of holding to account depends to a great extent, on the spread, depth and quality of the audits reports by the SAIs. The SAI's reports, being the main source of the basis of holding the executive to account, limitations in the range of its audit reports directly impacts the capacity of the parliamentary committee's effectiveness to hold the executive to account.<sup>14</sup>

### **Freedom to Act**

4.37 The resolution is not enabling for the EPFC to act entirely on its own within the delegated authority under the rules.

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<sup>13</sup> As would be viewed, the audit law and the prevailing system permits only one audit report on budget settlement. The other report is on annual performance of SAO. Expanding the scope of audit to other and more important areas of compliance, procurement and value for money audits has potential to enhance the value of the EPFC's examination.

<sup>14</sup> Largely a consensus based system. The concept of accountability in its true sense can be introduced by formal hearing by the parliamentary committee on wide ranging subjects of **oversight, report of the EPFC and compliance to its recommendations. The result of hearing introduced now could promote the accountability.**

## **Features Compromising Independence of SAO**

### **Audit Plan**

4.38 The Standing Committee Resolution provides that the draft annual operational and audit plan of the State Audit Organization should be submitted to EPFC by 15<sup>th</sup> March of each year in order for EPFC to study and report to the Standing Committee of the National Assembly. After the NA's Standing Committee having considered and provided comments to the annual operational and audit plan, the EPFC will inform the SAO for improving and preparing for tabling to NA's session.

4.39 This provision in the resolution is not consistent with the INTOSAI standards of independence in audit planning and selection of the issues in Lima and Mexico Declarations.

### **Processing and Approval of Audit Report**

4.40 The State Audit Organization submits draft audit report on final budget settlement to EPFC of the National Assembly 30 days prior to the opening of the National Assembly's Ordinary Session.

4.41 The examination of draft audit report on final state budget settlement will be carried out by EPFC based on rules, existing evidence and will be finalized with consensus between EPFC and SAO

4.42 The SAO will revise the audit report and submit the formal report which has been presented to the Government and coordinated with EPFC to the NA's Standing Committee by 10 days before the opening of NA's 2<sup>nd</sup> Ordinary Session.

4.43 This provision is inconsistent with the INTOSAI standards on reporting independence of SAs in the Lima and Mexico Declarations and contemporary good practice.

### **Budget Approval Process**

4.44 EPFC sends a copy of the draft budget proposal to SAO for comment on the allocation of revenue-expenditure for various budget entities based on the audit findings that SAO had in the course of its previous audits and return it back to EPFC within a specific time period. Upon receiving comments from SAO, EPFC will convene a meeting with 3 parties (SAO, Ministry of Finance and Ministry of Planning and Investment) to provide comments on the draft and report to NA's Standing Committee.

### **Project Investment Proposal: Role of SAO**

4.45 Upon EPFC receiving the draft annual investment plan containing large investment projects with a value of more than Kip 500 billion from Ministry of Planning and Investment, EPFC sends a copy of the draft to SAO for comment and return it back to EPFC within a specific time period.

4.46 Upon receiving comments from SAO, EPFC will convene a meeting with SAO and relevant parties to exchange opinions and harmonization in order to submit to NA's Standing Committee and NA's session for approval



### **Participation in Management Decisions Impacts the Independence of SAO**

4.47 The policy of participation in the management process of the auditee organizations in terms of comments and participation in the approval procedures of budget and investment plan entails the risk of compromising the independence of the SAO.

## Section V

### Possibilities of Enhancing the Effectiveness of EPFC

#### Combination of the Roles in EPFC

5.1 In Lao PDR, the role of budgetary and finance committee and that of the public accounts committee are merged. Similar position prevails in Cambodia and Socialist Republic of Vietnam. While combination of the role of approval of the budget and plans and *post-facto* oversight could have potential risk of conflict of interest in the two stages of functions, the existing policy has some advantages too. The advantages are in terms of more depth of knowledge of the subjects at the stage of policy planning and inputs. The supporting technical staff also has similar advantage of institutional memory of the subject. The knowledge gathered at the time of approval of the budget can provide insight later in the oversight function through audit report. The existing combination of the role of the input decision and later oversight function can, therefore, put to significant advantage both at the budget approval stage and later at the stage of oversight function. The audit report of the SAO on annual final state budget settlement is concluded with the resolution of the National Assembly in the sense that the National Assembly issues a resolution on the audit report supporting the recommendations and further strengthening them. This practice of conclusion of the audit report with the resolution of the National Assembly is not a common practice, since the audit reports are concluded with the report of the parliamentary committee in most countries, which are placed in the Parliaments by the committee.

#### Effective Function but Within a Limited Range

5.2 The EPFC carries out intensive work of oversight over the limited range of final budget settlement issues. It has a system of meetings with the SAO and the government, in which the findings of the audit report on final budget settlement are discussed, may not be not exactly in the formal hearing and witness mode. The EPFC assists the Standing Committee and the National Assembly in finalizing the resolution on the audit report. The EPFC also examines the draft audit plan and draft audit report of the SAO.<sup>15</sup>

#### Scope for Enhancing the Role

5.3 In the short term, within the scope of the existing audit law and the recent (21 January 2014) resolution of the Standing Committee of the National Assembly, the EPFC's functions and consequently of the audits by the SAO can be significantly improved with the following measures.

#### Encourage SAO to Enhance the Range of Reporting in the Audit Report

5.4 The audit report on final annual budget settlement has significant scope of wider and deeper coverage to include the findings on internal control, compliance with other relevant laws and rules, in addition to the budget law, human resource, procurement, extravagance, wastes and cases of suspected fraud, misrepresentation and misappropriation etc. This will provide

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<sup>15</sup> Based on an unofficial English translation of only 2009-10 audit report and NA resolution of December 2013 which were made available. These documents and knowledge gained in discussions by the technical experts with SAO over the implementation of an ADB supported CDTA .

wider scope of subjects and selection of auditees for examination of the budget settlement audit report to the EPFC.

5.5 In the medium term, SAO can be encouraged to increase the range of audits to include the mandated financial statement audits, compliance audits of various laws and rules and performance audits. This will provide a wide range of issues to the EPFC to broad base its oversight. If necessary, the audit law could be revisited to specifically include reporting on all types of audits to the National Assembly

### **Mandatory Hearing**

5.6 The public or private hearings by the public accounts and other committees of parliaments mandated to examine the audit reports are either comprehensive or selective, depending upon the workload the hearings can generate and the capacity of the committee to examine the subjects. Since, as of now, there is one audit report of the SAO on final budget settlement, EPFC could introduce public or private hearing on all matters and of as many auditees as required on the basis of the findings included of the audit report or otherwise.

### **Expanding the Scope of Examination**

5.7 The examination of the audit report could be expanded to the subjects of financial management with significant emphasis of holding to account. While the nature of the audit findings are in a limited range of budget performance, revenue not credited to the Government treasury and off budget expenditure, these can form basis of wider scope for examination of the general and specific financial management subjects.

### **Comprehensive Standing Orders or Rules of Procedures**

5.8 The recent NA resolution is a good policy initiative and the system of examination of the audit reports and other financial and program management subjects can be undertaken for examination, there exists an opportunity to gradually make the procedures in Lao PDR fully consistent with the best practices either by working around the resolution or issue of comprehensive updated regulations for the entire process.

### **Benchmarking With the Good Practice**

5.9 With the introduction of the new policy, a good opportunity exists to revisit it sooner, rather than later to make it consistent with the contemporary practice. The good practice espoused by the Inter-Parliamentary Union and other multilateral agencies is a tried and tested policy of strengthening the financial oversight by the designated parliamentary committee with help of the audit reports of the SAIs. The policy and procedures are also neutral to the political environment, given that the SAI is modelled on the parliamentary model. With the acceptance of the good policy of detailed examination of the audit reports, hearing, evidence and report of the committee to the Standing Committee, a beginning has already been made to move in the direction of contemporary good practice. The discussions during the implementation of the ADB TA project 7857 (Lao) and study tours afforded opportunity for the committee and the secretariat to appreciate the full range of possibilities.

## Effective Committees

5.10 There is thus, an opportunity to benchmark the EPFC policy and procedures with the contemporary good practice to achieve the following broad norms of an effective committee, many of which may be consistent with the existing procedures. The checklist of an effective committee below may be utilized for benchmarking and can be adjusted to the local environment, keeping the objective of each in view.

- *Committee is independent of the executive and reports directly to Parliament;*
- There are documented procedures and guidelines for carrying out committee roles and responsibilities;
- Sufficient and regular meetings are scheduled and held to discharge the committee's responsibilities;
- Suitable briefing material is available to committee members prior to hearings;
- Formal agendas prepared for distribution well ahead of each meeting and hearing;
- *Advance preparation by all members before hearings;*
- Clear objectives and work plan for hearings;
- Prioritization of items to be reviewed by the committee, within one audit report or from out of several audit reports;
- Committee holds briefing meetings with the SAI prior to public hearings;
- Committee has sub-committees for examination of larger number of reports or subjects and special area by each sub-committee;
- Public hearings are open to the media and the public, as far as possible;
- Transcripts and minutes of all meetings and public hearings are kept and accessible to the public;
- Committee reports are tabled in parliament;
- Committee reports are available to the public after submission to the parliament;
- Committee meetings and public hearings are recorded;
- Sufficient time allocated to public hearings;
- Specified time-frame is followed for submitting committee reports to parliament;
- *Specified time frame for the SAI to submit audit reports to Parliament;*
- *Provision to request Auditor General to perform specific reviews or tasks;*
- Power to initiate own inquiries;
- Power/right to access cabinet and other privileged documents;
- Power to compel witnesses to answer questions;
- Power to choose subjects of examination without government direction;
- A say in the appointment of the Auditor General;
- *Power to meet and call hearings at the discretion of the chair of the committee, including outside the legislature's session;*
- Power to request government to table a comprehensive response to the PAC's report within a specified time frame;
- Power to summon witnesses;
- Powers to obtain independent evidence from other sources;
- *Longer tenure of the Committee for institutional knowledge;*
- Technical and research support to the committee; and
- Follow-up to committee's reports and maintenance of inventory or recommendations and review of acceptance and implementation.

5.11 The EPFC procedures are consistent with several of these, but not all of these. While many procedures, particularly on hearing may be introduced once these are taken up in

compliance with the Standing Committee Resolution, those in italics are followed with varying degree of conformity with the contemporary practice. While complete conformity with the good practice may be a desirable condition, there is scope of closer consistency with these norms within the local environment context also.

### **Realizing the Objectives of Committees' Oversight**

5.12 Another method of benchmarking the committee's role is to compare its functions and objectives with the desirable objectives that an oversight committee like PAC strives to attain. The objectives of the financial oversight of a National Assembly are:

- Expenditure conforms to appropriations voted by the NA;
- Revenues are collected as per the acts and brought to account;
- Financial statements and performance information are complete and correct;
- The existence of assets are verified and the assets are safeguarded;
- The expenditure and revenue management is in compliance to rules made for governing public expenditure and collection of taxes;
- The taxpayers money is used economically, efficiently and effectively;
- Results are achieved- expected outputs and outcomes are derived out of the expenditure voted by it;
- Policies are implemented with help of the appropriate programs; and
- Exceptions to the norm are reported and corrected.

5.13 The audit report of the SAO addresses the first, and partially the second and third objectives. Other objectives are of evolving nature and it may require some time before these are included in the scope of audit reporting. To the extent the functions of the EPFC fall short of the broad norms, steps could be taken to include them in its functions, including in the matters of the range of SAO's audit reports. This would include wide ranging and varied audit reports by the SAO followed by the examination and report by the EPFC, selection of subjects for examination and hearing on the subjects outside the audit report, tabling of the EPFC reports in the NA and follow up system on the recommendations in the EPFC reports.

### **Prospect with Larger Number of Audit Reports and Subjects**

5.14 As of now, the scope of the audit reports presented to the National Assembly is limited largely to the final budget settlement, which is largely compliance audit with the budget and tax laws.

5.15 With full range of functions of the SAO audit reports could be in one or more volumes with several subjects. With progressive increasing range of audits by the SAO and more complex nature of subjects and therefore the audit reports, it will most likely not be possible for the National Assembly to devote time to discuss the subjects even on selective basis. On the other hand, the EPFC, not bound by the sessions of the NA and with help of formation of subcommittees can devote more time and take up more subjects.

### **Concluding the Audit Report with the Resolution of the National Assembly**

5.16 The findings of the audit report of the final; budget settlement are National Assembly being the supreme law making institution, cases of non-compliance or partial compliance with the recommendations in the resolution of the National Assembly runs the risk undermining the exalted position of the National Assembly. The reports of the committees, on the other hand,

though having the status of the report of the full National Assembly, are not the resolution of the National Assembly.

5.17 The scope of the resolution by the National Assembly is largely limited to what is reported in the audit report, which itself is in a rather slender band of the appropriations audit. The existing system does not afford opportunity to expand the scope of examination to wider coverage of the subject of audit reports across several entities or a more focused further detailed examination of the issue in selective auditees. For the same reason, the existing system of examination of the audit reports by the National Assembly does not afford opportunity of examination of an altogether new subject that may emerge out of the audit reports or related issues, with direct or indirect assistance of the SAO.

5.18 In views of these limitations there can be a case for revisiting the procedures and align them with the international practice in the medium term and introduce PAC procedure in full.

### **Full range of SAO's role**

5.19 Since the effectiveness of the committee has direct relationship to the range of audit work by the SAO, it would be desirable to encourage the SAO to expand its range of coverage and audit type to complete audits of different types that provide reasonable assurance on the financial and program management by the government.

5.20 In its full range of the mandated role, following are some of the broad measures for SAI's effectiveness in terms of inputs, outputs and outcomes, some of which may be overlapping in scope due to various dimensions of looking at them:

- Spread of audit functions against the audit universe; i.e. financial and compliance audits during the year against the mandated audit universe, i.e., the total number of auditable units;
- Audit oversight coverage (spread) in terms of the amount of total expenditure;
- Number of audit of major public procurements;
- Value of the procurements covered in audit in terms of the total amount of procurements;
- Number of major projects, including donor funded projects audited;
- Audit oversight coverage of tax assessment, demand and collection in terms of the total number of assessments and the number of tax assessing officers;
- Audit oversight in terms of the percentage of the tax collection;
- Performance audits of programs in terms of the number of public sector programs;
- Number of substantive recommendations accepted and recommended by the audited entities;
- Laws, rules and administrative orders changed / modified as a result of audit;
- Number and value of errors detected in the budget execution, financial and compliance audits;
- Amounts recovered from public servants as a result of audit;
- Excess expenditure and waste pointed out in audits during the year;
- Timeliness of audit reports;
- Number of audit reports examined in detail by the EPFC; and

- Professional auditing standards consistent with contemporary good practice (INTOSAI) developed and put to practice.<sup>16</sup>

### **Policies Impacting the Independence of the SAO**

5.21 As stated elsewhere in this document, the EPFC in Lao PDR has dual mandate. It functions both as the budget and finance committee and the public accounts committee prevailing in most parliaments. Due to historical reasons the resolution of the Standing Committee of January 2014 on Coordination Rules between the Economic, Planning and Finance Committee of the National Assembly and the State Audit Organization contains following features that are inconsistent with the recognized principles of SAI's independence. These are as under:

- (i) SAO's annual operational and audit plan is to be finalized taking into account the comments of the EPFC and Standing Committee. The international standards consist of complete independence to the SAIs in audit planning. In doing so, SAIs take into account various factors, including the suggestions of the members of parliaments and committees, the most important being the public accounts committee. But the good practice advocates that the final decision on audit plan should rest with the SAI.
- (ii) SAO's audit reports are to be submitted to the National Assembly in two stages. The draft audit report on final annual state budget settlement is submitted for examination of the Committee and the final audit report is required to be prepared in coordination with the EPFC for submission to the National Assembly. The international standards provides that the SAIs should have complete freedom in reporting in terms of form, content and timing, except where the time-frame is prescribed by law.
- (iii) The role of SAO in approval of the annuals state budget and public investment projects by the EPFC is not fully consistent with the Lima and Mexico Declarations. The SAIs independence is deemed to be compromised if they take part in the management decisions of the organizations under their audit mandate.

### **Segregation the two roles in EPFC**

5.22 To begin with, the two roles of the EPFC of budget and finance related matters and oversight functions with help of SAO's audit reports could be segregated in two distinct parts within the scope of the existing procedure. The supporting staff may also be divided with the separated responsibilities of the two functions. This will facilitate internal separation of the functions and is likely to lead to looking at the two by the EPFC itself as two distinct functions.

### **Modification in SAOs Role in Budget and Public Investment Plan Approval**

5.23 The resolution of the Standing Committee on Coordination Rules between the Economic, Planning and Finance Committee of the National Assembly and the State Audit Organization provides for comments of the SAO on the state budget proposals and public investment plan to the EPFC and later participation in the meetings for budget and investment approval. While the previous audit reports are good source of information for the subsequent

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<sup>16</sup> SAO has not yet maintained the audit universe data containing these information, except the number and names of auditees, state enterprises and loan and grants projects.

annual budget and plan approval, participation of SAO affects its independence. Within the framework of the existing resolution, EPFC could consider a procedures under which while the information on any subject or auditee as available in the past audit reports, if any, are highlighted by the SAO but their direct participation by way of comments on the budget proposals and participation in the meetings in the future budget approval process is avoided.

5.24 In the short term, within the scope of the existing regulations, the possibilities of mitigating the inconsistency with the international standards of independence of the SAIs could be explored and implemented. Gradually, the SAO's participation in the budget and investment plan approval could be discontinued.

### **Audit Plan Approval**

5.25 It is generally accepted that the SAIs do take into positive considerations the suggestions by the PACs for their annual audit plans. But the good practice does not make it mandatory for the SAI to include them in their audit plan. This feature underscores the de-jure and de-facto independence of the SAIs in selecting their audits. The final decision on the annual operational audit plan could rest on the SAO, without much compromise in its quality or agreement with the EPFC's views. Alternatively, informal channels of discussions could be introduced to diminish the compromise on independence of the SAO.

### **Audit Report Approval**

5.26 Audit Reports are the culmination of the SAI's work. These are professional communication of what needs to be communicated. The audit reports are produced as per the mandate, with help of auditing standards, professional procedures, credible evidence and appropriate dialogue with the auditees. The audit reports are primarily addressed to the National Assembly and in turn the EPFC. The international standards give high importance to the reporting freedom to the SAIs. The audit report is not a joint effort between the SAI and the PAC. The draft report concept is internal to SAI and processing stage for comments of the auditees. International good practice supports submission of only the final audit reports to the parliaments. EPFC could take up discussions on any matter relating to the audit report after the submission of the audit report by the SAO, including clarifications etc. now being sought at the draft report stage.



**Extract of Article 23 of the Law on National Assembly**

**Article 23 (New) Rights and Duties of the Standing Committee of the National Assembly**

The National Assembly Standing Committee has the following rights and duties:

1. To study a strategic plan for upgrading the quality of the activities of the National Assembly;
2. To develop its work plan for each period, [and] the plan for development and adjustment of laws of the National Assembly, to present [them] to the session of the National Assembly for consideration and approval, and then to implement them;
3. To prepare for the National Assembly sessions and to ensure that the National Assembly implements its work plan;
4. To interpret and explain the provisions of the Constitution and the laws;
5. To study and prepare draft laws under its responsibility to present to the session of the National Assembly for consideration; and to study and draft presidential decrees or ordinances<sup>8</sup> [and to] propose them to the President of the State for consideration;
6. To issue instructions relating to the implementation of laws and presidential ordinances developed by the National Assembly;
7. To study draft laws presented by other organisations, and then to present [them] to the session of the National Assembly for consideration[;] to study draft presidential ordinances or decrees presented by other organisations and then to present [them] to the President of the State for consideration[;] and to study other important draft legislation;
8. To propagate and disseminate the Constitution, laws and other legislation;
9. To instruct other concerned organisations to elaborate on and implement laws that have been promulgated, and to evaluate the implementation of such laws;
10. To determine the structure, rights, and duties of Committees, Committees of Members of the National Assembly in the Constituencies, [and] the Cabinet of the National Assembly;
11. To prepare the election of the members of the new National Assembly;
12. If necessary, to consider and approve the appointment, transfer or removal of any minister or the chairman of any ministry-equivalent organisation, and then to report [such action] to the next session of the National Assembly for its consideration and approval;
13. To propose to the President of the State [that the President] consider and approve the granting of amnesties;
14. To monitor and enhance the implementation of the Constitution, laws, resolutions of the session of the National Assembly, resolutions of the National Assembly Standing Committee, socio-economic development plans, the State budget plan, [and] important national projects of the government, the people's courts, the offices of the public prosecutor, and the provincial or city administrative authorities, between the sessions of the National Assembly;
15. To study the summary of the final accounts of the State budget relating to the implementation of the State budget plan for the previous fiscal year, and then to present [it] to the session of the National Assembly for consideration and approval;
16. To suspend the implementation of legal acts of the government, the Prime Minister, the People's Supreme Court, the Office of the Supreme Public Prosecutor, the Lao Front for National Construction, mass organisations at the central level, provincial governors and

city mayors that are in conflict with the Constitution, laws or resolutions of the session of the National Assembly, and then to present to the next session of the National Assembly for consideration. [In this provision,] legal acts of the People's Supreme Court and the Office of the Supreme Public Prosecutor [refers] only to legal acts that are not related to case proceedings;

17. To decide on matters relating to the acquisition and relinquishment of Lao nationality;
18. To appoint, transfer, or remove the Chairman, Vice-Chairman of any committee of the members of the National Assembly in the constituencies;
19. To appoint or remove the Deputy Director of the Cabinet of the National Assembly, permanent members of committees and heads of departments of the Cabinet of the National Assembly;
20. To appoint, transfer or remove judges of the People's Supreme Court, Presidents and Vice-Presidents of the people's courts at local level and of the military courts;
21. To direct and lead the activities of, and to receive reports and feedback from, the Committees, the Committees of Members of the National Assembly in the Constituencies and the Cabinet of the National Assembly;
22. To examine and consider petitions for justice of citizens according to its role;
23. To issue resolutions and instructions;
24. To report to the National Assembly session on its activities performed between the sessions of the National Assembly;
25. To establish ad hoc committees to implement certain activities, when necessary;
26. To coordinate and cooperate with Party organisations, the government, the People's Supreme Court, the Office of the Supreme Public Prosecutor, the Lao Front for National Construction and mass organisations at the central level in the implementation of its activities;
27. To liaise and cooperate with parliaments and organisations of foreign countries, or at regional and international levels;
28. To exercise such other rights and perform such other duties as provided in the laws and regulations.

**Lao People's Democratic Republic**  
**Peace Independence Democracy Unity Prosperity**

National Assembly  
Standing Committee

No.024/SC  
Vientiane Capital, 21/01/2014

**Resolution of National Assembly's Standing Committee**  
**on**  
**Coordination Rules between the Economic, Planning and Finance Committee**  
**of the National Assembly and the State Audit Organization**

- Pursuant to the Law on National Assembly No. 04/NA, dated 15 December 2010;
- Pursuant to the Law on Audit (amended) No. 16/NA, dated 06 July 2012.

To be used as reference for the coordination between the Economic, Planning and Finance Committee of the National Assembly and the State Audit Organization in the development and preparation of audit report.

The National Assembly's Standing Committee agrees:

**Part I**  
**General Provisions**

**Article 1: Objective**

This Resolution determines principles, procedures and method for coordination between the Economic, Planning and Finance Committee (EPFC) of the National Assembly and the State Audit Organization (SAO) in examination of documents related to audit work to complete the preparation of audit findings and reporting process in a good quality and timely manner in order to ensure an economy, transparency and compliance with law and regulations.

**Article 2: Coordination between EPFC and SAO**

The coordination between EPFC and SAO is a connection and cooperation or joint meeting between the National Assembly's Economic, Planning and Finance Committee and the State Audit Organization in preparing audit report on annual final state budget settlement to be submitted to National Assembly.

**Article 3: Principles of Coordination**

The coordination between EPFC and SAO will follow the key principles as follows:

- Proceeding under the roles, rights and duties as specified in the laws and regulations of each party and the mutual agreed plan.
- Ensuring the independence in performing activities of each party;
- Sharing necessary information for carrying activities of each party.

**Article 4: Coordination in other areas**

EPFC coordinates with SAO in the following areas:

- Request for approval of annual audit plan;
- Examination of audit report on final state budget settlement;
- Oversight of implementation of National Assembly's resolutions, SAO's comments and recommendations;
- Hearing on the report of budget units and audited entities;
- Annual meeting between EPFC and SAO.

**Article 5: Coordination in discussion on other areas**

EPFC coordinate with SAO to discuss and exchange opinion on the following areas:

- Consideration of annual budget plan;
- Consideration on approval of large public investment projects;

**Article 6: Application**

This resolution is applied for the coordination between EPFC of National Assembly, SAO and audited entities.

**Part II**

**The Substance of Coordination**

**Chapter 1**

**Request for approval of Annual Audit Plan**

**Article 7: Information provided to SAO by EPFC**

The Economic, Planning and Finance Committee of the National Assembly shall provide information on oversight plan of National Assembly's standing committee and EPFC to the State Audit Organization to be used in the formulation of its annual audit plan in March of each year.

**Article 8: Formulation of the Annual Audit Plan**

The State Audit Organization is proactive in completing the formulation of its annual operational and audit plan and send to EPFC by 15<sup>th</sup> March of each year to submit to the Standing Committee of the National Assembly for approval.

If the NA's Standing Committee and the Government find any entities needed for SAO to conduct an audit, the EPFC will consider and send it back to SAO within 10 days.

The SAO will modify its annual audit plan as a final plan and re-submit to the NA's Standing Committee through EPFC within 10 days.

**Chapter 2**  
**Coordination on Examination of Audit Report on Final Budget Settlement**

**Article 9: Coordination on the content of audit report on final budget settlement.**

The coordination on the content of report on final budget settlement is to review the correctness of revenue-expenditure and debts figures in the audit report including evaluation of audit findings and recommendations provided to audited entities.

**Article 10: Examination of content of audit report on final budget settlement.**

The examination of audit report on final state budget settlement will be carried out based on rules, existing evidence and consensus between EPFC and SAO. In the course of the examination, meetings will be held to exchange some opinions on the remaining points. In the meetings, EPFC or SAO can call relevant audited entities and parties concerned to provide clarifications and explanations.

**Article 11: The topics of scrutiny of audit report on final state budget settlement**

1. Review in detail the completeness of audit report's substance;
2. Review correctness, compliance and effectiveness of the implementation including other matters generally affecting the management of audited entities;
3. Request for additional information and evidence from audited entities;
4. Any other matters relating to topics mentioned in audit report.

**Article 12: Submission of Audit Report on final state budget settlement**

The State Audit Organization submits draft audit report on final budget settlement to EPFC of the National Assembly 30 days prior to the opening of the National Assembly's 2<sup>nd</sup> annual Ordinary Session.

The draft audit report of SAO on the final budget settlement to be sent to EPFC shall contain supporting documents as follows:

1. Draft audit report on final budget settlement;
2. Copy of minutes and relevant evidences;
3. Risk analysis report on violation of financial disciplines;
4. Recommendations for improvement of weakness and remaining issues that allow the violation of financial disciplines occurred.

**Article 13: Timeline of the examination of audit report on final budget settlement**

The Economic, Planning and Finance Committee of National Assembly is responsible for examining and providing comments on the completeness of the audit report on final budget settlement and return it to the SAO within 10 days.

**Article 14: Submission of Audit Report**

The SAO will revise the audit report and submit the formal report which has been presented to the Government in coordination with EPFC to the NA's Standing Committee by 10 days before the opening of NA's 2<sup>nd</sup> annual Ordinary Session.

**Chapter 3**  
**Coordination on discussion of Annual State Budget Plan and Large Public Investment Projects**

**Article 15: Coordination on Discussion of Annual State Budget Plan**

Upon EPFC received the draft annual budget plan from Ministry of Finance and draft public investment plan from Ministry of Planning and Investment, EPFC sends a copy of the draft to SAO for comment on the allocation of revenue-expenditure for various budget entities based on the audit findings that SAO had in the course of its previous audits and return it back to EPFC within a specific time period.

Upon receiving comments from SAO, EPFC will convene a meeting with SAO, Ministry of Finance and Ministry of Planning and Investment to provide comments on the draft and report to NA's Standing Committee.

**Article 16: Coordination on approval of large public investment projects**

Upon EPFC received draft annual investment plan containing large investment projects with a value of more than Kip 500 billion from Ministry of Planning and Investment, EPFC sends a copy of the draft to SAO for comment and return it back to EPFC within a specific time period.

Upon receiving comments from SAO, EPFC will convene a meeting with SAO, Ministry of Finance, Ministry of Planning and Investment, and relevant parties to exchange opinions and harmonization in order to submit to NA's Standing Committee and NA's session for approval.

**Chapter 4**

**Oversight of the Implementation of National Assembly's Resolutions, Comments and Recommendations of State Audit Organization**

**Article 17: Coordination on Oversight of the Implementation of National Assembly's Resolutions.**

The examination of the Implementation of National Assembly's Resolutions is coordination for reviewing the implementation of the Resolutions in relation to recommendations and other measures requesting the Government or relevant audited entities to implement or improve as stated in the Resolution of NA's Ordinary Session in order to evaluate political accountabilities of those entities in implementation of the Resolutions.

EPFC in coordination with NA's Cabinet will issue notices to the Government's Office regarding the remaining issues that audited entities have not completed, audit recommendations and timeline for audited entities' improvement.

**Article 18: Responsibilities of both parties in overseeing of the implementation of National Assembly's Resolutions, comments and recommendations of State Audit Organization.**

SAO is responsible for submitting reports on examination of NA's Resolutions, comments and recommendations of SAO to EPFC at least 10 days before submitting to NA Standing Committee's meeting.

EPFC is responsible for reviewing and providing comments on the assessment of SAO on the implementation of Resolutions, comments and recommendations including reasons, compliance of the report compared to the Resolutions issued in each period of time and then returns it back to SAO within 5 official days for modifying as final report.

In case there are any unclear or remaining issues in the report, EPFC has the right to request for additional documents or convene a meeting to exchange opinions for a more consensual understanding.

**Chapter 5  
Hearing on Report of Budget Units and Audited Entities**

**Article 19: Coordination on Hearing**

Coordination on hearing from budget units and audited entities is the cooperation between EPFC and SAO in examination, selection of audited entities that violated financial disciplines to provide their clarification in order to submit to NA's Standing Committee for approval.

**Article 20: Selection of Budget Units and Audited Entities for hearing**

SAO reviews the implementation of the Resolutions of NA's session and report findings to EPFC. Subsequently, the EPFC will arrange meeting with SAO to assess the implementation of NA's Resolutions. Subsequently, EPFC and SAO will select some budget entities or audited entities which could not implement NA's Resolutions and SAO's recommendation and comments for clarification and submit to NA's Standing Committee requesting a decision to invite those audited entities for audit hearing.

**Article 21: Hearing on report of budget units and audited entities**

EPFC in coordination with NA's cabinet will issue a notice to invite budget units and audited entities to provide their clarification;

EPFC will determine list of participants including discussion topics, date and venue of the meeting by informing the participants 3 days in advance.

The meeting with budget units and audited entities as stipulated in article 20 of this Resolution will be held in National Assembly attended by the following persons:

- EPFC Chairperson;
- Vice President of SAO;
- Vice Chairperson of Law Committee and Vice Chairperson of other relevant Committees;
- Deputy Minister of Finance and Deputy Minister of relevant ministries;

- Provincial Governor or Deputy Governor (in case of calling provincial entities);
- Project Director, Director General of enterprise and Department responsible for the audited entities;
- Representatives of other parties according to decision of NA's Standing Committee;

**Article 22: Conduct of Meeting**

The budget units and audited entities will report in the meeting the situation of their implementation of NA's Resolutions, recommendations and other comments as well as clarifications, additional evidence.

The participants can question on some unclear issues presented by budget units and audited entities.

EPFC and SAO will jointly prepare report on clarifications provided by budget units and audited entities and remedy measures to be submitted to NA's Standing Committee for approval.

**Part 6  
Annual Meeting between EPFC and SAO**

**Article 23: Meeting held by EPFC**

EPFC will invite SAO to attend EPFC's meeting to present its audit report on annual final budget settlement, EPFC will also invite SAO to attend seminars and other training programs.

**Article 24: Meeting held by SAO**

SAO will invite EPFC to attend SAO's annual opened meeting, seminars and other training programs.

**Part III  
Final Provision**

**Article 14: Implementation**

The Economic, Planning and Finance Committee and the State Audit Organization shall strictly implement this resolution.

**Article 15: Effectiveness**

This Resolution shall come into effect from the date of signature.

National Assembly's Standing Committee  
President



**National Assembly  
No. 027/NA  
Vientiane Capital, dated 27 December 2013**

**RESOLUTION  
of National Assembly on  
endorsement of Audit Results of Final State Budget Settlement for the fiscal year 2011-  
2012**

By following the roles, right and duties of the NA stipulated in the Constitution and Law on National Assembly;

In the 6<sup>th</sup> Ordinary Session of the NA-7<sup>th</sup> legislature , the audit report on final budget settlement for the fiscal year 2011-2012 has been presented by SAO;

Upon examination and comments from NA's members to the audit report, the 6<sup>th</sup> Ordinary Session of the NA-VII<sup>th</sup> legislature issues the Resolution as follows:

**Article 1:** Endorse the audit report on final budget settlement for the fiscal year 2011-2012 and audit report on reviewing the implementation of audit recommendations according to the Resolution No.01/NA dated 26 July 2013.

**Article 2:** The NA express the concern regarding the situation of financial disciplines violations of various budget execution entities and enterprises audited in the fiscal year 2011-2012 which have continuously made their mistake. For example: still continued to maintain 2 different accounting records, professional service fee, funds and sales of timbers have not been centrally collected to the national budget and expenditure in excess of the budget plan approved by the NA.

The Session requests the Government to direct the Government Inspection Authority to conduct a detailed inspection and consider implementing necessary measures with audited entities based on relevant law process.

**Article 3:** The Government Inspection Authority and Ministry of Finance are assigned to monitor the implementation of audit recommendations of audited entities and enterprises in central and provincial level based on 8 measures proposed by the SAO with the timeline and report the results to the Government in order to present them to the 7<sup>th</sup> Ordinary Seccession of NA-VII<sup>th</sup> legislature.

The MOF is assigned to continue to implement 9 proposed measures of SAO; especially it is to finalize revenue-expenditure trial balance account, assets and liabilities of the National Treasury and Provincial National Treasury within the fiscal year 2013-2014 in order to present it in the 8<sup>th</sup> Ordinary Session of the NA-VII legislation.

**Article 4:** The Session has assigned MOF to coordinate with relevant ministries and agencies in central and provincial level to add up the revenue from the professional fee and funds with a total amount of Kip 389.95 billion discovered by

the SAO in the budget plan of the fiscal year 2011-2012 into the budget plan of the violated entities for the fiscal year 2014-2015.

- Article 5:** EPFC is assigned in coordination with SAO and MOF to review in detail the amount of Kip 2,274.41 billion discovered by SAO in the fiscal year 2011-2012 that was disbursed for public investments in excess of budget plan approved by the NA.
- Article 6:** The Government is requested to direct the Ministry of Finance to create and improve its legal instruments on management of revenue-expenditure, professional service fees, funds and reserves of ministries and provincial authorities to be in place for revenue-expenditure budget management in the fiscal year 2013-2014.
- Article 7:** The NA Standing Committee, EPFC, other committees, NA members in various constituencies and NA members are assigned to strengthen their oversight and support the implementation of this Resolution in an effective manner.
- Article 8:** This Resolution is effective from the date of signature.