



MINISTRY OF EDUCATION YOUTH AND SPORT

BUILD BRIGHT UNIVERSITY

POSTGRADUATE STUDIES AND RESEARCH

LONG ATICHBORA

**THE ROLE OF THE NATIONAL AUDIT AUTHORITY
OF
CAMBODIA IN PUBLIC ACCOUNTABILITY**

**THESIS SUBMITTED FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY (Ph.D.)**

**SPECIALIZATION
ECONOMICS**

PHNOM PENH, 2016



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**UNDER THE GUIDANCE OF
PROF. (DR.) MANARANJAN BEHERA**

PHNOM PENH, 2016



BUILD BRIGHT UNIVERSITY

"The Role of the National Audit Authority of Cambodia in Public Accountability"

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DECLARATION

I would like to honestly declare that the thesis entitled " The Role of the National Audit Authority of Cambodia in Public Accountability " is based on my own original research works carried out by using primary and secondary data collected during January, 2010 to October 2014, and the same has not been submitted either in part or in full for the award of any other degree of any other university.



LONG ATICHBORA

Place: Phnom Penh

Date : 16 February, 2016



BUILD BRIGHT UNIVERSITY
POSTGRADUATE STUDIES AND RESEARCH
PHNOM PENH, CAMBODIA

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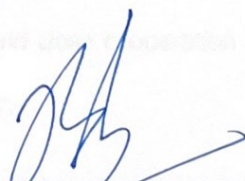
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CERTIFICATE

This is to certify that Mr. Long Atichbora, a candidate for Ph.D. degree in Economics of Build Bright University, has prepared his thesis on " The Role of the National Audit Authority of Cambodia in Public Accountability " under my supervision and guidance.

To the best of my knowledge, the present research work contains materials, which have not at any time been submitted for the award of any degree. This thesis deserves meritorious consideration.


MANARANJAN BEHERA

(Supervisor)

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TABLE OF CONTENTS

Topics	Page No.
Declaration	i
Certificate	ii
Acknowledgements	iii
List of Tables	xi
List of Figures	xv
List of Abbreviations	xix
Abstract	xx
CHAPTER I INTRODUCTION	1
1.1 Statement of the Problem	1
1.2 Research Questions	5
1.3 Objectives of the Study	5
1.4 Hypotheses of the Study	6
1.5 Significance of the Study	7
1.6 Scope and Limitations of the Study	7
1.7 Layout of the Study	8
CHAPTER II LITERATURE REVIEW	10
2.1 Concept of Audit	10
2.1.1 Financial Statement Audit	11
2.1.2 Performance Audit	14
2.1.3 Compliance Audit	15
2.1.4 Types of Auditors	15
2.2 Concept of Public Accountability	19

2.3	Functions of Supreme Audit Institutions in the World	20
2.3.1	Nature of Supreme Audit Institutions	22
2.3.1.1	The Westminster Model	22
2.3.1.2	The Judicial Model	24
2.3.1.3	Collegiate Model	26
2.3.2	International Organization of Supreme Audit Institutions	29
2.3.3	Roles of Supreme Audit Institutions (SAIs) in Promoting Public Accountability	31
2.4	The Roles of Supreme Audit Institutions in Selected Countries	32
2.4.1	United Kingdom National Audit Office (UK NAO)	32
2.4.2	Government Accountability Office of United States of America (GAO)	34
2.4.3	Sweden National Audit Office (SNAO)	35
2.4.4	Austria Court of Audit	36
2.4.5	Board of Audit of Germany	38
2.4.6	Swiss Federal Audit Office (SFAO)	40
2.4.7	Office of the Auditor General of Norway	40
2.4.8	Account Chamber of the Russian Federation	42
2.4.9	Australia National Audit Office (ANAO)	44
2.4.10	Office of the Auditor General of Canada (OAG)	45
2.4.11	Office of the Auditor and Comptroller General of New Zealand	47
2.4.12	Office of the Auditor General of South Africa	48
2.4.13	Comptroller and Auditor General of India (CAI)	49

2.4.14	Office of the Auditor General of Pakistan	50
2.4.15	China National Audit Office (CNAO)	51
2.4.16	Board of Audit of Japan	52
2.4.17	Board of Audit and Inspection of Korea (BAI)	54
2.4.18	National Audit Department of Malaysia (NAD)	55
2.4.19	Commission of Audit of the Philippines (COA)	56
2.4.20	Board of Audit of Indonesia	57
2.4.21	National Audit Office of Singapore	58
2.4.22	National Audit Office of Thailand	59
2.5	The Empirical Reviews	60

CHAPTER III FUNCTIONS OF FINANCIAL CONTROL BODIES

	IN CAMBODIA	90
3.1	Inspectorate General of Ministry of Economy and Finance	90
3.2	Ministry of National Assembly-Senate Relations and Inspection	93
3.3	Internal Audit Departments	97
3.4	Anti-Corruption Unit	102
3.5	National Audit Authority of Cambodia	107
3.6	The Relationship between the National Audit Authority of Cambodia and Commission on Economy, Finance, Banking and Audit of Parliament	154
3.6.1	Preparation of Audit Reports	154
3.6.2	Review by Commission on Economy, Finance, Banking and Auditing of Parliament	155

CHAPTER IV	RESEARCH METHODOLOGY	161
4.1	Type of Research	161
4.2	Type and Sources of Data	161
4.3	Sample Size and Sampling	162
4.4	Statistical Tools	164
4.5	Data Gathering Procedures	164
4.6	Coverage of the Study	164
CHAPTER V	DATA PRESENTATION AND ANALYSIS	166
5.1	Profile of the Respondents	166
5.1.1	Gender	166
5.1.2	Age-Group	168
5.1.3	Education	169
5.2	Experience of Auditors	171
5.2.1	Audit Experience	171
5.2.2	Work Experience	172
5.3	Training Courses Attended	174
5.4	Expertise of Auditors	176
5.5	Salary of Staff	178
5.6	Audit Operations of the National Audit Authority of Cambodia	179
5.6.1	Audit Reports Completed	179
5.6.2	Time Taken to Complete Audit Report	181
5.6.3	Outsourcing of Experts	183
5.6.4	Amendment of the Audit Law of the Kingdom of Cambodia	184

5.6.5	Establishment of Audit Guidelines	186
5.6.6	Dissemination of the Audit Law to Stakeholders	188
5.6.7	Establishment of Audit Quality Assurance Mechanism	190
5.6.8	Satisfaction on the Audit Queries Response from Audited Entities	191
5.6.9	Satisfaction with the Implementation on Recommendations of National Audit Authority by Audited Entities	193
5.6.10	Opinion on the Funding to the National Audit Authority of Cambodia	194
5.6.11	Satisfaction with the Financial and Material Supports for Carrying out Audit Work	196
5.6.12	Influence of the Financial Support on Auditor Performance	198
5.6.13	Independence of the National Audit Authority of Cambodia	199
5.6.14	Budget of the National Audit Authority of Cambodia	201
5.6.15	Supports from Development Partner to the National Audit Authority of Cambodia	204
5.7	Opinion on Government, Parliament, Ministry of Economy and Finance, and Anti-Corruption Unit	204
5.7.1	Setting up Public Accounting Standards by Government	204
5.7.2	Consolidated Financial Statement of Government Summitted to the National Audit Authority for Audit	205

5.7.3	Sufficient Staff and Lawmakers Having Experiences in Accounting and Auditing to Work for the Commission on Economy, Finance, Banking and Audit of Parliament	207
5.7.4	Cooperation between National Audit Authority of Cambodia and Anti-Corruption Units	209
5.8	Reliance of the National Audit Authority of Cambodia	211
5.8.1	Level of Reliance of the National Audit Authority on Financial Statements Prepared by the Executive Arms of Government	211
5.8.2	Level of Performance of Auditors depending on Financial Statements Prepared by the Executive Arm of Government	212
5.8.3	Level of Reliance of the National Audit Authority of Cambodia on the Financial Statements prepared by the Executive Arms of Government and Level of Performance of Auditors in Audit Works	214
5.9	Performance of the Commission on Economy, Finance, Banking and Audit of Parliament	216
5.9.1	Performance of the Commission on Economy, Finance, Banking and Audit of Parliament in Controlling Public Funds	216
5.9.2	Influence of the Commission on Economy, Finance, Banking and Audit of Parliament in Audit Works	218

5.9.3	Opinions on the Performance of the Commission on Economy, Finance, Banking and Audit of Parliament and Influence in Audit Works	219
5.10	Professional Qualification and Audit Report Production	221
5.10.1	Audit Reports Completed by Auditors of the National Audit Authority of Cambodia	221
5.10.2	Educational/Professional Qualification and Number of Audit Reports Prepared during the Last Five Years	223
5.11	Problem Faced by the National Audit Authority of Cambodia	225
5.11.1	Operational Problems	225
5.11.2	Audit Problems	227
CHAPTER VI	CONCLUSION AND RECOMMENDATIONS	230
6.1	Main Findings of the Study	230
6.2	Conclusion	239
6.3	Recommendations	241
BIBLIOGRAPHY		247

LIST OF TABLES

Table No.	Titles	Page No.
2.1	Summary of the Models of Supreme Audit Institutions (SAIs)	28
3.1	Numbers of Auditors of the National Audit Authority of Cambodia from 2001 to 2011	128
3.2	Summary of the Number of Audits Conducted by the National Audit Authority of Cambodia from 2002 to 2011	131
3.3	Summary of the Names of Audited Entities from 2002 to 2011	132
4.1	Total Number of Staff and Number of Sample Staff to be Surveyed from different Departments of the National Audit Authority of Cambodia	163
5.1	Distribution of Respondents as per Gender	167
5.2	Distribution of Respondents as per Age-Groups	168
5.3	Distribution of Respondents as per their Educational Qualifications	170
5.4	Distribution of Respondents as per their Audit Experience	171
5.5	Distribution of Respondents as per their Work Experience	173
5.6	Distribution of Respondents as per their Attendance in different Training Courses Provided by the NAAC	175
5.7	Percentage Distribution of Respondents as per their Expertise	177
5.8	Distribution of Respondents as per Different Salary Groups	178
5.9	Distribution of Respondents as per the Audit Reports Prepared by them During the Last 5 years	180
5.10	Distribution of Respondents as per the Time Taken to Complete an Audit Report	182

5.11	Distribution of Respondents as per their Opinions on the Need of Outsourcing Experts to Assist in Audit Works	183
5.12	Distribution of Respondents as per their Opinions on Amendment of the Audit Law of the Kingdom of Cambodia	185
5.13	Distribution of Respondents as per their Opinions on the Establishment of Different Audit Guidelines	187
5.14	Distribution of Respondents as per their Opinions on the Dissemination of the Law on Audit of Kingdom of Cambodia	189
5.15	Distribution of Respondents as per their Opinions on Establishment of Audit Quality Assurance Mechanism	190
5.16	Distribution of Respondents as per their Opinions on Satisfaction on the Audit Queries Response from Audited Entities	192
5.17	Distribution of Respondents as per their Opinions on Satisfaction with the Implementation on Recommendations of National Audit Authority of Cambodia by Audited Entities	193
5.18	Distribution of Respondents as per their Opinions on the Funding to the National Audit Authority of Cambodia	195
5.19	Distribution of Respondents as per their Opinions on Satisfaction with the Financial and Material Supports for Carrying out Audit Works	197
5.20	Distribution of Respondents as per their Opinions on Influence of the Financial Support on Auditor Performance	198
5.21	Distribution of Respondents as per their Opinions on the Independence of the National Audit Authority of Cambodia	200

5.22	Distribution of Respondents as per their Opinions on the Independence and Direct Provision of Budget made by Parliament for the National Audit Authority of Cambodia	201
5.23	Distribution of Respondents as per their Opinions on Supports from Development Partners to the National Audit Authority of Cambodia	203
5.24	Distribution of Respondents as per their Opinions on Setting up Public Accounting Standards by Government	204
5.25	Distribution of Respondents as per their Opinions on Timely Submission of Consolidated Financial Statement by Government to the National Audit Authority of Cambodia	206
5.26	Distribution of Respondents as per their Opinions on Sufficient Staff and Lawmakers Having Experiences in Accounting and Auditing to Work for the Commission on Economy, Finance, Banking and Audit of Parliament	208
5.27	Percentage Distribution of Respondents as per their Opinions on Cooperation between the National Audit Authority of Cambodia and Anti-Corruption Unit	210
5.28	Distribution of Respondents as per their Opinions on the Level of Reliance of the National Audit Authority on Financial Statements Prepared by the Executive Arm of Government	211
5.29	Distribution of Respondents as per their Opinions on the Level of Performance of Auditors depending on Financial Statements Prepared by the Executive Arm of Government	213

5.30	Distribution of Respondents as per their Opinions on the Level of Reliance of the National Audit Authority of Cambodia on the Financial Statements prepared by the Government and Level of Performance in Audit Works	215
5.31	Distribution of Respondents as per their Opinions on the Performance of the Commission on Economy, Finance, Banking and Audit of Parliament in Controlling Public Funds	217
5.32	Distribution of Respondents as per their Opinions on the Influence of the Commission on Economy, Finance, Banking and Audit of Parliament in Audit Works	218
5.33	Distribution of Respondents as per their Opinions on the Performance of the Commission on Economy, Finance, Banking and Audit of Parliament and Influence of the Commission in Audit Works	220
5.34	Distribution of Respondents as per the Number of Audit Reports Completed by them during the Last Five Years	222
5.35	Distributions of Respondents as per their Educational/ Professional Qualifications and Number of Audit Reports Prepared during the Last Five Year	224
5.36	Distribution of Respondents as per their Opinions on Operational Problems at the National Audit Authority of Cambodia NAA	226
5.37	Distribution of Respondents as per their Opinions on Audit Problems at the National Audit Authority of Cambodia	227

LIST OF FIGURES

Figure No.	Titles	Page No.
2.1	Relationship Leading to the demand for Auditing (Private sector)	18
2.2	Relationship Leading to the Demand for Auditing(Public sector)	18
2.3	The Westminster Accountability Model	23
2.4	The Judicial Model	25
3.1	Organization Chart of Inspectorate General of the Ministry of Economy and Finance	92
3.2	Organization Chart of the Ministry of National Assembly-Senate Relations and Inspection	96
3.3	Organization Structure of Internal Audit Departments	98
3.4	Organization Structure of Anti-Corruption Unit	104
3.5	Organizational Structure of the National Audit Authority of Cambodia	111
5.1	Percentage Distribution of Respondents as per Gender	167
5.2	Percentage Distribution of Respondents in Different Age-Groups	169
5.3	Percentage Distribution of Respondents as per their Educational Qualifications	170
5.4	Percentage Distribution of Respondents as per their Audit Experience	172
5.5	Percentage Distribution of Respondents as per their Total Work Experience	173

5.6	Percentage Distribution of Respondents as per their Attendance in Different Training Courses Provided by the National Audit Authority of Cambodia	176
5.7	Percentage Distribution of Respondents as per their Expertise	177
5.8	Percentage Distribution of Respondents as per different Salary Groups	179
5.9	Percentage Distribution of Respondents as per the Number Audit Reports Prepared by them During the Last 5 years	181
5.10	Percentage Distribution of Respondents as per the Time Taken to Complete an Audit Report	182
5.11	Percentage Distribution of Respondents as per their Opinions on the Need of Outsourcing Experts to Assist in Audit Works	184
5.12	Percentage Distribution of Respondents as per their Opinions on Amendment of the Law on Audit of the Kingdom of Cambodia	185
5.13	Percentage Distribution of Respondents as per their Opinions on the Establishment of Different Audit Guidelines	188
5.14	Percentage Distribution of Respondents as per their Opinions on the Dissemination of the Law on Audit of Kingdom of Cambodia	189
5.15	Percentage Distribution of Respondents as per their Opinions on Establishment of Audit Quality Assurance Mechanism	191
5.16	Percentage Distribution of Respondents as per their Opinions on Satisfaction on the Audit Queries Response from Audited Entities	192

5.17	Percentage Distribution of Respondents as per their Opinions on Satisfaction with the Implementation on Recommendations of National Audit Authority of Cambodia by Audited Entities	194
5.18	Percentage Distribution of Respondents as per their Opinions on the Funding to the National Audit Authority of Cambodia	196
5.19	Percentage Distribution of Respondents as per their Opinions on Satisfaction with the Financial and Material Supports for Carrying out Audit Works	197
5.20	Percentage Distribution of Respondents as per their Opinions on the Influence of the Financial Support on Auditor Performance	199
5.21	Percentage Distribution of Respondents as per their Opinions on the Independence of the National Audit Authority	200
5.22	Percentage Distribution of Respondents as per their Opinions on the Independence and Direct Provision of Budget made by Parliament for the National Audit Authority of Cambodia	202
5.23	Percentage Distribution of Respondents as per their Opinions on Supports from Development Partners to the National Audit Authority of Cambodia	203
5.24	Percentage Distribution of Respondents as per their Opinions on Setting up of Public Accounting Standards by Government	205
5.25	Percentage Distribution of Respondents as per their Opinions on Timely submission Consolidated Financial Statement by Government to the National Audit Authority of Cambodia	207

5.26	Percentage Distribution of Respondents as per their Opinions on Sufficient Staff and Lawmakers Having Experiences in Accounting and Auditing to Work for the Commission on Economy, Finance, Banking and Audit of Parliament	209
5.27	Percentage Distribution of Respondents as per their Opinions on Cooperation between NAAC and Anti-Corruption Unit	210
5.28	Percentage Distribution of Respondents as per their Opinions on the Level of Reliance of the National Audit Authority on Financial Statements Prepared by the Executive Arm of Government	212
5.29	Percentage Distribution of Respondents as per their Opinions on the Level of Performance of Auditors depending on Financial Statements Prepared by the Executive Arm of Government	213
5.30	Percentage Distribution of Respondents as per their Opinions on the Performance of the Commission on Economy, Finance, Banking and Audit of Parliament in Controlling Public Funds	217
5.31	Percentage Distribution of Respondents as per their Opinions on the Influence of the Commission on Economy, Finance, Banking and Audit of Parliament in Audit Works	219
5.32	Percentage Distribution of Respondents as per the Number of Audit Reports Completed by them during the Last Five Years	222
5.33	Percentage Distribution of Respondents as per their Opinions on Operational Problems at the National Audit Authority of Cambodia	226
5.34	Percentage Distribution of Respondents as per their Opinions on Audit Problems at the National Audit Authority of Cambodia	228

LIST OF ABBREVIATIONS

ACA	Austria Court of Audit
ANAO	Australia National Audit Office
ASOSAI	Asian Organization of Supreme Audit Institution
BAI	Board of Audit and Inspection of Korea
CNAO	China National Audit Office
GAO	Government Accountability Office
INTOSAI	International Organization of Supreme Audit Institutions
NAAC	National Audit Authority of Cambodia
NAO	National Audit Office
OACG	Office of the Auditor and Comptroller General of New Zealand
OAGN	Office of the Auditor General of Norway
PAC	Public Accounts Committee
SAI	Supreme Audit Institutions
SFAO	Swiss Federal Audit Office
SNAO	Sweden National Audit Office
UKNAO	United Kingdom National Audit Office

ABSTRACT

Every year, the Royal Government of Cambodia collects billions of US dollars as revenues from various sources and expends for government's operations such as payment of civil servants' salaries, administrative works, construction of roads, provision of irrigation facilities, defense and security provision, health and education services and so on. The management of national budget is the responsibility of the Executive Arms of Government to ensure that all revenues and expenditures are collected and allocated effectively and legally. Also, the public want to know how well the Royal Government of Cambodia manages national resources for the benefit of the country and they expect that the government will carry out developmental activities to meet their needs.

In this regard, it is globally recognized that an independent control body must be established to evaluate and control the use of national resources used by the government. In Cambodia, the National Audit Authority plays a crucial role as an independent control institution that has function as the watchdog and guardian of government for managing public funds and enhancing public confidence with regard to the public accountability of the country. Therefore, the present study has examined the role of the National Audit Authority of Cambodia in public accountability.

The study answers the following research questions as follows:

- i. How does the National Audit Authority of Cambodia fulfill its functions as per legal frameworks?

- ii. What are the duties and functions of other relevant financial control bodies such as Inspectorate General of Ministry of Economy and Finance, Internal Audit Departments of line ministries, Ministry of National Assembly-Senate Relations and Inspection, and Anti-Corruption Unit?
- iii. How does the legislative (The Commission on Economy, Finance, Banking and Audit) control the public budget?
- iv. What are the kinds of opinions or conclusions that the Auditor General expresses on the financial statements of the government?
- v. What are the procedures that the legislative oversights over the performance of the National Audit Authority of Cambodia?
- vi. What are the challenges of the National Audit Authority of Cambodia in fulfilling its functions?

The objectives set for the study are as follows:

- i. To review the related literatures of the study.
- ii. To analyze the workings of various financial control bodies in Cambodia such as the Inspectorate General of Ministry of Economy and Finance, Internal Audit Departments of line Ministries, Ministry of National Assembly-Senate Relations and Inspection, Anti-Corruption Unit, the Commission for Economy, Finance, Banking and Audit of the National Assembly, and National Audit Authority of Cambodia.

- iii. To know the reliance of the Auditor-General's opinions and conclusions on the financial statements prepared by the executive arms of the government.
- iv. To examine the quality of legislative oversight function on the performance of the National Audit Authority of Cambodia.
- v. To find out the importance of the qualifications of the National Audit Authority's auditors on the quality and numbers of audit reports produced.
- vi. To identify the problems faced by the National Audit Authority of Cambodia in auditing public accounts and operations.
- vii. To provide recommendations on how to improve public accountability of the National Audit Authority of Cambodia.

In the study, the following three null hypotheses have been tested as follows:

Ho 1: The performance of the National Audit Authority of Cambodia is not significantly dependent on the financial statements prepared by the executive arms of government.

Ho 2 : The National Audit Authority of Cambodia's performance is not significantly dependent on the quality of legislative financial oversight.

Ho 3: There is no significant association between the qualifications of the National Audit Authority's auditors and numbers of audit reports prepared.

To achieve the objectives and test the hypotheses, the study has used both descriptive and quantitative approaches to answer the research questions. In descriptive approach, the study has relied on relevant literatures, whereas, quantitative approach of the study has used tables, graphs and statistical models for the analysis of the data. Both primary and secondary data have been collected for the data. Secondary data have been collected from both internal sources and external sources. Internal sources of collecting the data are in-house publication, databases, website, and library of the National Audit Authority of Cambodia. External sources of secondary data are Ministry of Economy and Finance, Government of Cambodia, National Assembly and Senate, National Archives and websites of international professional organizations relevant to public audits. Primary data have been collected from the selected staff of the National Audit Authority of Cambodia. For collecting primary data, direct personal interview method and well-structured questionnaires have been used. The study has taken into account the information of the last nine years (from 2002 to 2011) of operations of the National Audit Authority of Cambodia. Further, the study has taken the views of 174 staff of the National Audit Authority of Cambodia.

First, the analysis of the reviews of literature shows that the role of Supreme Audit Institutions is to audit all revenues and expenditures as well as operations of government. Based on literature reviews, there is no doubt that the role of Supreme Audit Institutions in the public sector has significantly enhanced the government's accountability in managing and using public funds and other public resources for providing better benefits and services to the

public. The review also has revealed that for the improvement of audit works, the Supreme Audit Institutions need to have adequate number of skilled human resources, publication of audit reports, and access to all government's information. The Parliament should play active roles on audit reports and implementation of audit recommendations of the Supreme Audit Institutions.

Secondly, the study has used the detail research methodology , which includes type of analysis, type and sources of data, sample size and sampling, procedure of collecting data, statistical tools, and coverage of the study and procedure of analyzing data.

Thirdly, the National Audit Authority of Cambodia is an independent institution playing a role as the Supreme Audit Institution which conducts external audit of the government. At the same time, there are many similar bodies that play their roles in inspecting, controlling and reviewing on financial operations of public institutions of Cambodia. These institutions are Inspectorate General of the Ministry of Economy and Finance, Ministry of National Assembly-Senate Relations and Inspection, Internal Audit Departments and Anti-Corruption Unit. According to the audit law of the Kingdom of Cambodia, the National Audit Authority of Cambodia has duties to conduct audits of all ministries and public institutions and sends the audit reports to the National Assembly and Senate directly and also sends the audit reports to the government for information. The National Assembly and Senate can use the audit reports for reviewing and taking actions on the government's institutions to follow audit recommendations. The National Audit

Authority of Cambodia conducts its audit works in compliance with generally accepted auditing standards and government auditing standards in order to ensure the quality of audit works. It has taken its effort to implement successfully its major objectives and has cooperated closely with the National Assembly and senate and the Royal government.

Fourthly, though the National Audit Authority of Cambodia is independent in conducting the audit works as per law and this was mentioned very clearly in the law on audit of the Kingdom of Cambodia but in practice it was partially independent in its operation.

Fifthly, the budget of the National Audit Authority of Cambodia was not adequate to cover all audit works. The National Audit Authority of Cambodia was taking minimum audit assignments as per the budget. Therefore, the audit operation of the National Audit Authority of Cambodia was not running properly due to lack of fund.

Sixthly, the Commission on Economy, Finance, Banking and Audit of parliament had no staff with accounting and auditing skills to review audit reports of the National Audit Authority of Cambodia.

Seventhly, the operational problems faced by the National Audit Authority of Cambodia were insufficient budget, low salary and unclear organizational structure. Average annual budget of the National Audit Authority of Cambodia was around two million USD, which was very less compared to that of similar audit and inspection institutions such as Anti-

Corruption Unit and Ministry of National Assembly-Senate Relations and Inspection. The organization structure of the National Audit Authority of Cambodia was created 13 years ago and it was found not to be suitable for proper audit works and use of Government funds.

Eighthly, the audit problems faced by the National Audit Authority of Cambodia were limited knowledge of the auditors on audit skills, non-compliance with code of ethics and restriction in accessing information. Auditors were lacking audit experiences and professional knowledge because the National Audit Authority of Cambodia did not have adequate training programs for all auditors to improve their capacities. Some auditors failed to comply with code of ethics and they accepted gifts, incentives, and bribes from audited entities. The reasons were payment of insufficient salary and lack of proper assessment staff performance. Also, Auditors were facing difficulty to carry out their works as per audit standards because some audited institutions did not provide enough documents and information.

Ninthly, the reliance of the National Audit Authority of Cambodia on the financial statements prepared by the Executive Arms of Government significantly enhances his job performance. This means that the performance of the National Audit Authority of Cambodia as government auditors was dependent of his reliance on the financial statements prepared by the Executive Arms of Government for the audit. When the government had strong internal control system to prepare fair and true financial statements,

the Auditor General relied on it significantly and reduced sample size of audit tests according to degree of reliability on the financial statements.

Tenthly, the National Audit Authority's performance was significantly dependent on the quality of legislative financial oversight. In other words, the Parliament's oversight role as well as the Commission on Economy, Finance, Banking and Audit had a significant effect on the performance of the National Audit Authority of Cambodia.

Eleventhly, there was no significant association between the qualification of the National Audit Authority's auditors and the number of audit reports prepared by them. The top management of the National Audit Authority of Cambodia was the decision maker who decided the number of audit assignments for auditors.

The study concluded that for strengthening the role of the National Audit Authority of Cambodia in public accountability, the NAAC should take into account as follows:

1. The Law on Audit of the Kingdom of Cambodia should be widely disseminated to relevant stakeholders such as public institutions, local authorities and ordinary people.
2. Organizational Structure of the National Audit Authority of Cambodia should be restructured to fit with the scope of work and the development of public audit in the world.

3. The National Audit Authority of Cambodia should be empowered to recruit, promote and maintain discipline of its staff.
4. The National Audit Authority of Cambodia should be funded directly by the government after the approval of parliament. The Ministry of Economy and Finance should cease to do pre audit on the expenditure of the National Audit Authority of Cambodia in order to keep independent and timely external audits of government institutions.
5. All audit queries issued should be copied to inform to the Commission of Economy, Finance, Banking and Audit of parliament for taking actions on ministries which failed to respond to the audit query within the time schedule.
6. The National Audit Authority of Cambodia should have close cooperation with parliament and Anti-Corruption Unit to take actions on serious irregularities in audit reports or add up the investigation of audit.
7. The publication of audit reports on website or through other means of media should be made timely.
8. The National Audit Authority of Cambodia should encourage auditors to pursue professional audit training, especially to study certified public accountancy.
9. The National Audit Authority of Cambodia should have good cooperation with parliament, and support technical audit skills to parliament so that it can understand the audit reports.

10. The National Audit Authority should sign Memorandum of Understanding (MOU) with Anti-Corruption Unit in order to share information, and jointly investigate fraud and corruption occurring in the government's institutions.
11. The National Audit Authority of Cambodia should increase annual audit budget to cover large amounts of audit assignments to be carried out.
12. The National Audit Authority of Cambodia should create audit quality and audit assurance mechanism to sustain audit works as per international standards on auditing for public sector and help auditors to abide by code of ethics.
13. The National Audit Authority of Cambodia should seek to have support from development partners to improve capacity building of the organization because of shortage of state budget fund.
14. The Law on Audit of the Kingdom of Cambodia needs to be amended in order to make full functions of the National Audit Authority of Cambodia.

CHAPTER I

INTRODUCTION

1.1 Statement of the Problem

The Royal Government of Cambodia has recognized that the public financial management system in Cambodia is still weak and good governance in managing public finance is still a major concern of the Royal Government (Hun, 2008). Therefore, the Royal Government of Cambodia has started to embark on reform in all sectors, especially a comprehensive macroeconomic policy and structural reform program and integration of Cambodia's economy into the region and the world. Amongst all reforms, the most important reform is the Public Financial Management Reform Program, which was set out in "Royal Government of Cambodia's Rectangular Strategy for Growth, Employment, Equity and Efficiency in Cambodia". The aim of the Public Financial Reform Program is to install much higher standards of management and accountability in the mobilization of all government current and capital resources and effectiveness and efficiency in the use of resources in their application to the operation of the Government. The Public Financial Reform program is steadfastly built up upon four sequenced and prioritized platforms: (i) A more credible budget; (ii) Effective financial accountability; (iii) The RGC policy agenda becomes fully affordable and prioritized; and (iv) RGC managers become fully accountable for program performance (Hun, 2008).

To achieve the Financial Management Reform, the role of the financial control needs to be in place to help enforcement, follow up and provide

recommendations for improvement. In Cambodia, there are many bodies playing roles as financial controls such as, the Inspectorate General of Ministry of Economy and Finance, Ministry of Senate and National Assembly Relationship and Inspection, Internal Audit Departments of line ministries, Anti-corruption Unit, the Commission for Economy, Finance, Banking and Audit of the National Assembly and the National Audit Authority of Cambodia (NAAC).

Paralleling the global economic crisis, starting from the collapse of a series of corporations, followed by the spreading over the public debt crisis in a number of European countries, has given rises to various discussions regarding role and responsibility of auditors. Also, the governments of many countries have announced the review of the crisis issues so that various questions have been raised concerning roles of public audit, headed by auditor general, and once again put under the re-review.

In a number of different jurisdictions, Auditor-Generals have emerged as highly effective champions of public accountability, standing up for values such as transparency, probity and good governance. They have become central figures in the new, more pluralist version of public accountability, which seeks to supplement the traditional chain of ministerial accountability with alternative channels of accountability (Buchanan, 2006).

With the steady growth of public sector activities and spending by governments in pursuit of development and increased public consciousness, the demand for public accountability of persons and bodies managing public

resources has become increasingly evident so that there is a greater need for ensuring that the accountability process is in its rightful place and is effective. Therefore, the Supreme Audit Institutions (SAIs) have accordingly become increasingly concerned with the need for proper mandates, systems, controls, checks and balances in the discharge of functions in the planning, programming, implementing and delivering processes in addition to the traditional forms of audit, and the need for ensuring value for money in the management of public resources. Supreme Audit Institutions are also of the view that there is a need for increasing the public accountability awareness in all sections of society.

For Cambodia, however, despite the challenges and unstable economy, public audit activities have always been playing a key role in maintaining and enhancing public confidence with regard to the public accountability of the country. The public audit institution in Cambodia, namely called the National Audit Authority of Cambodia (NAAC), plays a vital role in strengthening public financial management and performance by enabling oversight, accountability and governance.

Under the Law on Audit of the kingdom of Cambodia, NAAC as government audit or external audit has started operating its activity since 2002 and it shall be an independent entity that is responsible for executing the external auditing function of the Government. The Auditor General is empowered to conduct an audit of transactions, accounts, systems, controls, operations and programs of government institutions, in accordance with generally accepted

auditing standards and Government auditing standards. The main duty of NAAC is to audit the draft of annual state budget settlement law and certify opinion on the fairness of revenues and expenditure of the government (Law on Audit, 2000).

More importantly, all public financial operations, regardless of whether and how they are reflected in the national budget, are subject to audit by the National Audit Authority of Cambodia. The concept and establishment of public audit is inherent in public financial administration as the management of public funds represents a trust. The public expects that those responsible for handling public money are held fully accountable for the use of that money. Making audit results transparent enables the public to understand how government is performing duties and whether the performance is being improved. It is an important channel and 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 and to make public accountability. Therefore, the present study has examined the role of the National Audit Authority of Cambodia in public accountability.

1. 2 Research Questions

The study has answered the following research questions:

- i. How does the National Audit Authority of Cambodia fulfill its functions as per legal frameworks?

- ii. What are the duties and functions of other relevant financial control bodies such as the Inspectorate General of Ministry of Economy and Finance, Internal Audit Departments of line Ministries, Ministry of Senate and National Assembly Relationship and Inspection, and Anti-Corruption Unit?
- iii. How does the legislative (The Commission for Economy, Finance, Banking and Audit) control the public budget?
- iv. What are the kinds of opinions or conclusions that the Auditor General expresses on the financial statements of the government?
- v. What are the procedures that the legislative oversights over the performance of the National Audit Authority of Cambodia?
- vi. What are the challenges of the National Audit Authority of Cambodia in fulfilling its functions?

1.3 Objectives of the Study

The study has the following objectives:

- i. To review the related literatures of the study.
- ii. To analyze the workings of various financial control bodies in Cambodia such as the Inspectorate General of Ministry of Economy and Finance, Internal Audit Departments of line Ministries, Ministry of Senate and National Assembly Relationship and Inspection, Anti-corruption Unit, the Commission for Economy, Finance, Banking and Audit of the

National Assembly, and the National Audit Authority of Cambodia.

- iii. To know the reliance of the Auditor General's opinions and conclusions on the financial statements prepared by the executive arms of the government.
- iv. To examine the quality of legislative oversight function on the performance of the National Audit Authority of Cambodia.
- v. To find out the importance of the qualifications of the National Audit Authority's auditors on the quality and numbers of audit reports produced.
- vi. To identify the problems faced by the National Audit Authority of Cambodia in auditing public accounts and operations.
- vii. To provide recommendations on how to improve public accountability of the National Audit Authority of Cambodia.

1.4 Hypotheses of the Study

The study has tested the following three null hypotheses.

Ho1: The performance of the National Audit Authority of Cambodia is not significantly dependent on the financial statements prepared by the executive arms of government.

Ho2: The National Audit Authority's performance is not significantly dependent on the quality of legislative financial oversight.

Ho3: There is no significant association between the qualifications of the National Audit Authority's auditors and the numbers of audit reports prepared.

1.5 Significance of the Study

The study would benefit the auditors and managements of the National Audit Authority of Cambodia, the policy makers, top management of Royal Government of Cambodia, relevant institutions, and relevant development partners in strengthening and enhancing governance and accountability in public sector as a whole.

This study would also provide useful information to the National Audit Authority of Cambodia and the government, which would help them to take more attention on the implementation of its operations and provide legislatures to play oversight roles in coordination with the National Audit Authority of Cambodia.

Further, the academic community would be benefited tremendously from this research. Other researchers may use this research to investigate further issues on public finance control.

1.6 Scope and Limitations of the Study

The study is confined to the role of the National Audit Authority of Cambodia in public accountability. However, similar studies can be done for other controlling organizations such as Inspectorate General of Ministry of Economy and Finance, Internal Audit Departments of line Ministries, Ministry of National

Assembly and Senate Relationship and Inspection, Anti-Corruption Unit and the Commission for Economy, Finance, Banking and Audit for the National Assembly. Further, the study has taken the views of only 174 staff of the National Audit Authority of Cambodia. The study would have been better if the opinions could have been taken from the staff and officials of some ministries such as Ministry of Economy and Finance; Ministry of Agriculture; and Forestry and Fisheries; and Ministry of Health which are audited by the National Audit Authority of Cambodia.

1.7 Layout of the Study

The study consists of seven chapters, which are as follows:

Chapter I introduces the topic. This includes background of the study, statement of the problem, research questions, objectives of the study, and hypotheses of the study, significance of the study and scope and limitation of the study.

Chapter II reviews the related literatures of the study.

Chapter III analyzes the details of workings of various financial control bodies in Cambodia including the National Audit Authority of Cambodia.

Chapter IV explains the detail research methodology of the study. This discusses the points such as types of analysis, types and sources of data, sample size and sampling, statistical tools, data gathering procedures and coverage of the study.

Chapter V is data presentation and analysis. This chapter meets objectives iii, iv, v and vi as well as tests hypotheses of the study. The chapter also

highlights the problems faced by the National Audit Authority of Cambodia while auditing public accounts and operations of the royal government.

Chapter VI summarizes the main findings of the study, draws conclusion, and suggests policy recommendations for the improvement of public accountability of the National Audit Authority of Cambodia.



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CHAPTER II

LITERATURE REVIEW

In this chapter, various literatures relevant to the topic are reviewed. All the reviews are classified into five sections. The first section deals with the concept of audit. The second section explains about the concept of public accountability. The third section discusses about the functions of supreme audit institutions in the world. The fourth section highlights the roles of public audit in selected countries. The fifth section focuses on selected empirical reviews of similar researches.

2.1 Concept of Audit

Audit is derived from sources similar to "Audio", which means "Listening" or "Listener". More traditionally, audit is the process by which the annual accounts of public and private sector bodies are subjected to external scrutiny to provide independent assurance that they have been prepared in accordance with relevant legal and professional standards and give "a true and fair" view of the financial performance and financial position of the audited body (Carmichael, 1989).

Now, the term "Audit" is increasingly coming to be used in a general sense, to mean any form of scrutiny or review of system, processes or outputs. Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the

degree of correspondence between those assertions and established criteria and communicating the result to interested users (ibid).

There are many types of audits. Generally, they are divided into three types of audits as follows:

- Financial statement audit
- Performance audit and
- Compliance audit

Also, there are some types of audit which are commonly used such as Forensic Audit, Environment Audit, IT Audit, Heritage Audit, and Accountability Audit (INTOSAI, 1992).

To broadly understand the concept of audit, these three main types of audits are discussed below:

2.1.1 Financial Statement Audit

Financial statement audit is the examination of the financial statements of an audited entity with the primary objective of expressing an opinion on whether the financial statements present fairly financial position, results of operations, and cash flows in conformity with generally accepted accounting principles (ibid). The auditor should therefore thoroughly analyze the financial statements and ascertain whether:

- (a) Financial statements are prepared in accordance with acceptable accounting standards;
- (b) Financial statements are presented with due consideration to the circumstances of the audited entity;

(c) Sufficient disclosures are presented about various elements of financial statements; and

(d) The various elements of financial statements are properly evaluated, measured and presented.

An audit opinion given to financial audit is normally in a standard format.

There are four types of audit opinions as follows (ibid):

1- Unqualified opinion

2- Qualified opinion

3- Adverse opinion

4- Disclaimer

An unqualified opinion is given when the auditor is satisfied in all material respects that:

(a) The financial statements have been prepared using acceptable accounting bases and policies which have been consistently applied;

(b) The statements comply with statutory requirements and relevant regulations;

(c) The view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and

(d) There is adequate disclosure of all material matters relevant to the financial statements.

An auditor may not be able to express an unqualified opinion when any of the following circumstances exist and, in the auditor's judgment, their effect is or may be material to the financial statements:

- (a) There has been limitation on the scope of the audit;
- (b) The auditor considers that the statements are incomplete or misleading or there is an unjustified departure from acceptable accounting standards; or
- (c) There is uncertainty affecting the financial statements.

A qualified opinion should be given where the auditor disagrees with or is uncertain about one or more particular items in the financial statements which are material but not fundamental to an understanding of the statements.

An adverse opinion is given where the auditor is unable to form an opinion on the financial statements taken as a whole due to disagreement which is so fundamental that a qualified opinion would not be adequate. The wording of such an opinion makes clear that the financial statements are not fairly stated, specifying clearly and concisely all the matters of disagreement.

A disclaimer is given where the auditor is unable to arrive at an opinion regarding the financial statements taken as a whole due to an uncertainty or scope restriction which is so fundamental that a qualified opinion would not be adequate. The wording of such a disclaimer makes clear that an opinion cannot be given, specifying clearly and concisely all matters of uncertainty.

Financial audit in the public sector is more complex than simply adopting the best practice of the private sector. The complexity of the public sector, with hierarchical relationships between entities at different levels, also poses conceptual and methodological challenges in financial auditing.

2.1.2 Performance Audit

The INTOSAI Auditing Standards defines that Performance Audit is “an audit of the economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities.”

Economy, so called Spending economically, is minimizing the cost of resources used for an activity, having regard to the appropriate quality. It is focusing on the cost of the inputs and processes and occurs where equal-quality resources are acquired at lower prices.

Efficiency is the relationship between the output, in terms of goods, services or other results, and the resources used to produce them’. Efficiency exists where the use of financial, human, physical and information resources is such that output is maximized for any given set of resource inputs, or input is minimized for any given quantity and quality of output. Efficiency Indicators relate to resource inputs to resulting outputs, showing the agency’s productivity.

Effectiveness, so called spending wisely, is the extent to which objectives are achieved and the relationship between the immediate result and the actual impact of an activity (ibid).

2.1.3 Compliance Audit

Compliance audit determines the extent to which rules, policies, laws or governmental regulations are followed by the entity being audited. In compliance auditing for public sector, the auditor checks whether government

revenue and spending have been authorized and used for approved purposes. Transactions are reviewed to determine if government departments and agencies have conformed to all pertinent laws and regulations. This process includes checking the spending authority in the annual budget and any relevant legislation (ibid).

2.1.4 Types of Auditors

There are a number of different types of auditors. However, auditors can be classified into three categories (Hayes and Roger, 2005).) as follows:

- Internal Auditors
- External Auditors (Independent Auditors or Certified Public Accountants)
- Government Auditors

Internal auditor is an auditor employed by individual companies, partnerships, government agencies and other organizations. Internal auditors must be objective oriented and independent. Internal auditors conduct an audit in accordance with Internal Audit Standards (The Professional Practice Framework), developed by The Institute of Internal Auditors (IIA). Internal audit, by definition, is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal audit is to assist members of the organization in the effective discharge of their obligations. Internal audit furnishes the organization with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.

External auditors are often referred to as independent auditors or certified public accountant (CPAs). Such auditors are called "External auditors" because they are not employed by the organization being audited. External auditors mostly conduct financial statement audits. They may also conduct compliance and operational audits. These auditors carry out their works in accordance with International Standards on Auditing (ISA) or Generally Accepted Auditing Standards developed by their own countries.

Government auditors are employed by agencies, states and local government. They perform their functions under state's laws. When the audit is of the government agencies that employed the auditors, they function as internal auditors. When they audit recipients of government funds and government revenues, they act as external auditors of government auditing. Government auditing is the objective, systematic, professional and independent examination of financial, administrative and other operations of a public entity, made subsequently to their execution for the purpose of evaluating and verifying them, presenting a report containing explanatory comments on audit findings together with conclusions and recommendations for future actions by the responsible officials and in the case of examination of financial statements, expressing the appropriate professional opinion regarding the fairness of the presentation (U.N., 2000).

Government auditing is also sometimes referred to as public auditing, public sector auditing, or state audit. Public sector audit has its own characteristics, which differentiate it from private sector. These include:

- A wider scope, including reviewing the regularity, probity and value for money with which public-sector services are provided.
- Auditors are not appointed by the organization itself and thus generally have a higher level of independence than in the private sector.
- The audit reports are sent to parliament and made available publicly.

The demand of government auditing result from criticism from citizens on issues concerning public accountability including:

- The misuse of public funds
- Evaluation of the effectiveness and outcomes of government programs
- Information disclosure based on the “right-to-know”
- Requests for disclosure of government financial data through balance sheets.

The needs of government auditing are to:

- Promote accountability and good governance
- Promote good practice, and
- Support institutional capacity building

The relationship leading to the demand for auditing both private and public sectors is shown in Figures 2. 1 and Figure 2.2 below:

Figure 2.1: Relationship Leading to the demand for Auditing (Private sector)

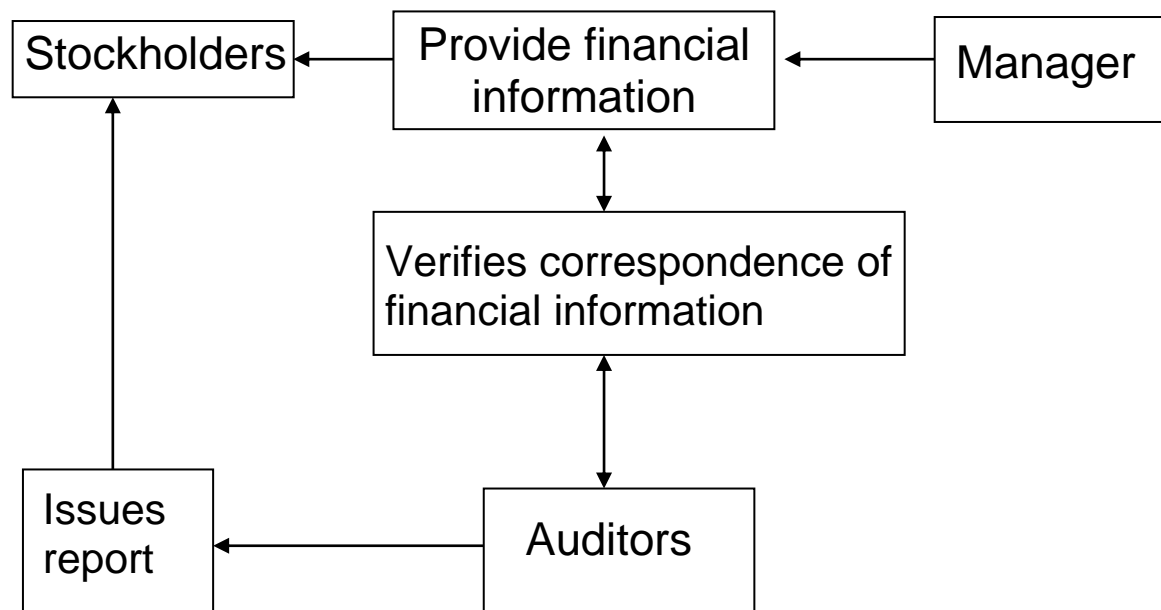
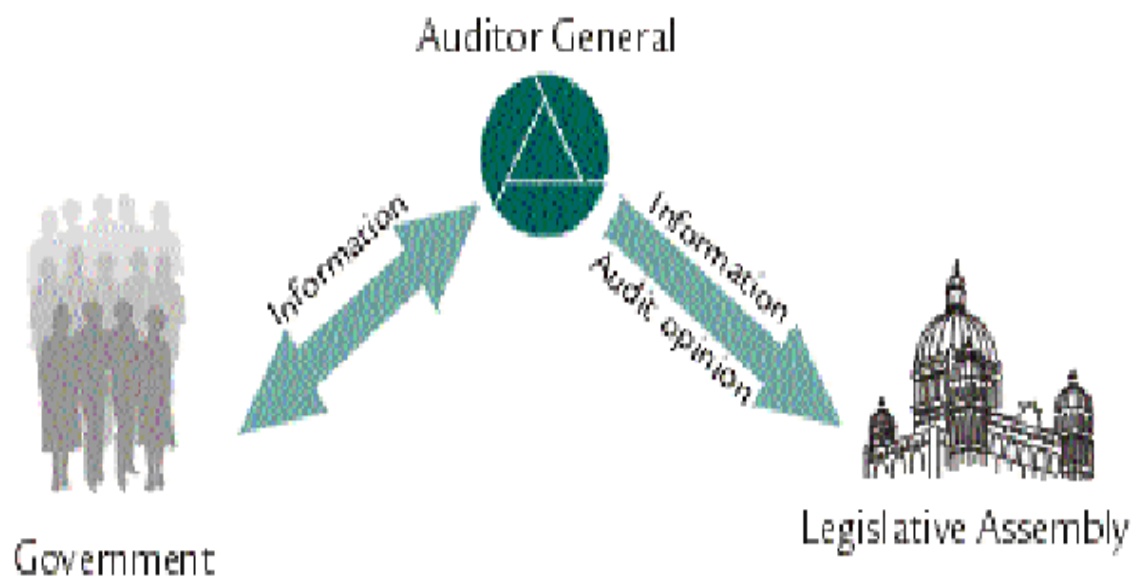


Figure 2.2: Relationship Leading to the Demand for Auditing (Public sector)



2.2 Concept of Public Accountability

The dimensions of public accountability have now been extended to over greater horizons with the steady growth of public sector activities and spending by governments in pursuit of development, and with the expansion of public enterprises, greater autonomy in local authority administrations and trends at privatization in some countries (ASOSAI, 1985).

With increased public consciousness, the demand for public accountability of persons and bodies managing public resources has become increasingly evident so that there is a greater need for ensuring that the accountability process is in its rightful place and is effective. Deficiencies in the process will require the introduction of reforms and innovations to strengthen it (ibid).

The word 'Public' relates to a number of different aspects. In the first place, used in this context, public should be understood to mean "openness". Public accountability mainly regards matters in the public domain, such as the spending of public funds, the exercise of public authorities, or the conduct of public institutions.

The International Organization of Supreme Audit Institutions called INTOSAI (www.intosai.org, 16.3.2013) determined the definition of public accountability as follows:

Public accountability pertains to the obligations of persons or entities entrusted with public resources to be answerable for the fiscal, managerial and program responsibilities that have been conferred on them, and to report to those that have conferred these responsibilities. The elements of public

accountability should be: (1) the recognition of the responsibility (2) the provision of information on performance in a manner which users can interpret accurately and (3) the potential to impose sanctions. Tools of public accountability should be: (1) legislative overview (2) judicial review (3) internal audits (4) external audits (5) media and (6) Civil society organizations.

2.3 Functions of Supreme Audit Institutions in the World

Accountability for the use of public funds is important for good public financial management. Government audit is a crucial element of an effective accountability framework, which is a cornerstone of all democratic governments. The elected legislature, acting on behalf of the citizens, authorizes the government (the executive) to: (i) raise revenues, receive grants and raise loans through legislative resolutions or laws; and (ii) authorize the use of resources for implementing programs and activities approved through the budget process (www.intosai.org, 16.03.2013).

The government, in fulfilling its accountability obligation, submits to the legislature annual financial statements and other reports on programs and activities. In order to hold the government accountable, the legislature needs independent, professional, objective and reasonable assurance that the financial statements and reports are correct and further that all policies, laws and regulations relating to government financial operations have been complied with. Through their professional work, auditors provide independent

information, opinions and assurances that enable the legislature to fulfill its oversight responsibility and close the accountability loop.

Generally, Supreme Audit Institutions (SAIs) are the national bodies responsible for scrutinizing public expenditure and providing an independent opinion on how the executive has used public resources. The four objectives of public sector auditing are to promote: (1) the proper and effective use of public funds, (2) the development of sound financial management, (3) the proper execution of administrative activities, and (4) the communication of information to public authorities and the general public through the publication of objective reports (ibid).

Modern public sector audits are primarily geared towards the needs of the legislature; however, they add significant value to public sector management by providing an objective and professional appraisal of the efficacy of the financial management system and of the economy, efficiency and effectiveness of government operations.

Also, Government Audit can be called in similar different names such as state audit, public audit, public sector audit or external audit of government. The body that plays a role as government audit called Supreme Audit Institutions (SAIs). There are different names of Supreme Audit Institutions in the world. For instance, The Supreme Audit Institution of Cambodia named The National Audit Authority, whereas, in United Kingdom, they called National Audit Office (www.nao.uk, 22.04.2013).

SAIs carries out independent audits of public resource management and the ensuing activities of governments, public administration, as well as other administrators of such resources. They submit information to the parliaments of their respective countries, and express opinions on issues related to financial reports, the implementation of programs and projects, and other actions performed by the government (www.intosai.org, 16.03.2013).

2.3.1 Nature of Supreme Audit Institutions

In most countries, a supreme audit institution (SAI) conducts public sector auditing. The structure, functions, and the status of the SAI may vary from country to country due to their respective historic development, political systems, culture, language and regional affiliations. Some Supreme Audit Institutions have long traditions, developed over hundreds of years, while others, particularly in developing countries and countries with transition economies, are fairly new.

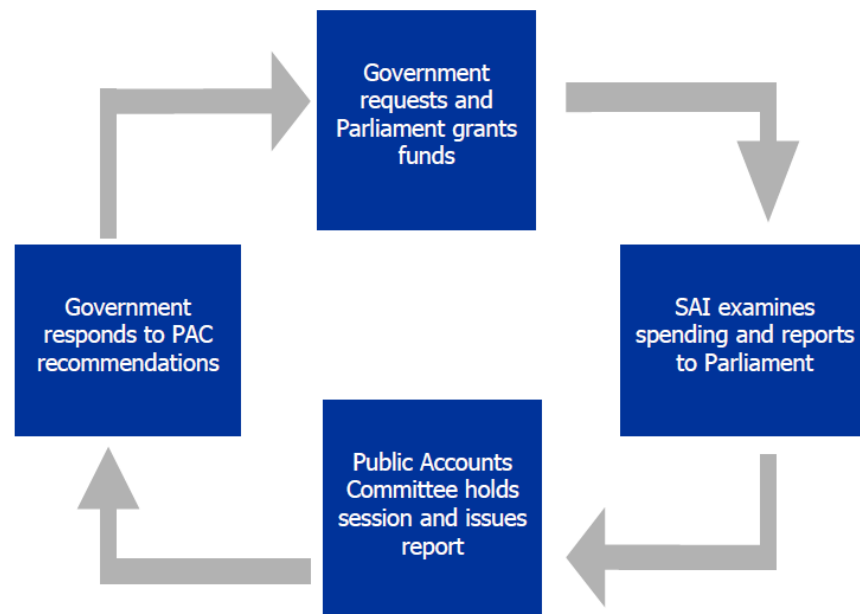
There are three major types of Supreme Audit Institutions as follows: (1) Westminster model, also known as the Anglo-Saxon or Parliamentary model (2) Judicial or Napoleonic model, and (3) Board or collegiate model (DFID, 2004).

2.3.1.1 The Westminster Model

Under a Westminster model, the work of the Supreme Audit Institution (SAI) is intrinsically linked to the system of parliamentary accountability. The basic elements of such a system are: (1) authorization of expenditure by Parliament, (2) production of annual accounts by all government departments and other public bodies, (3) audit of those accounts by the SAI, (4) submission of audit

reports to Parliament for review by a dedicated committee – normally called the Public Accounts Committee (PAC), (5) issue of reports and/or recommendations by the PAC, and (6) government response to PAC reports (ibid).

Figure 2.3: The Westminster Accountability Model



Principal characteristics of the Westminster accountability systems typically have: (1) a National Audit Office (NAO) with a single head, often called the Auditor General, who may be an officer of Parliament; (2) all rights, powers and responsibilities vested in the Auditor General personally, rather than in the NAO as an institution; (3) strong safeguards to ensure the independence of the Auditor General, for example, it may require an Act of Parliament to remove him/her; (4) the Auditor General should be able to appoint his/her own staff and submit the NAO's budget directly to Parliament for approval; (5) the Auditor General should be free to decide on his/her programs of work and to report findings directly to Parliament; (6) staff who have a professional financial background – accountants and auditors; (7) a strong focus on

financial audit and on the value for money with which audited bodies have used their resources, with less emphasis on compliance with detailed legislation and regulations; (8) an active Public Accounts Committee which works closely with the NAO and can examine any and all areas of government expenditure. The Committee typically is chaired by a member of the opposition and executes its work based on the reports of the Auditor General; and (9) a mechanism, whether formal or by convention, whereby the Government is required to respond to PAC reports and state the actions it is taking to implement recommendations (DFID, 2004).

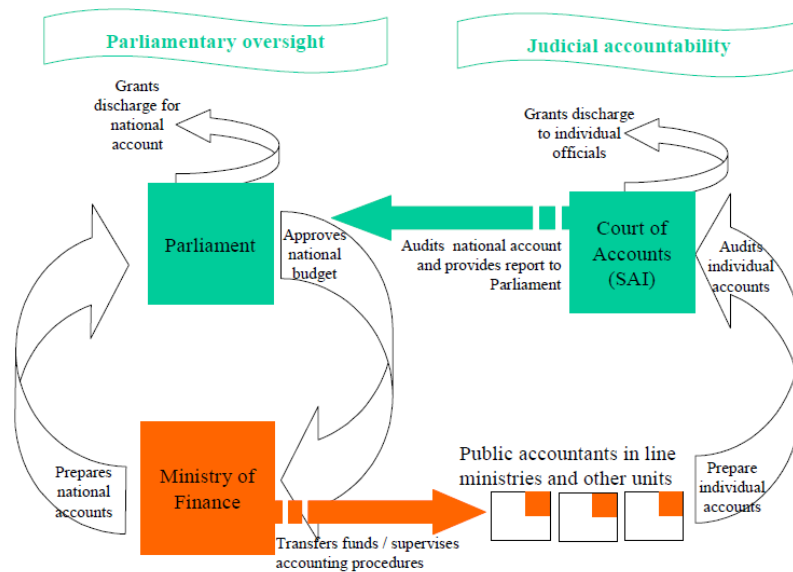
At the same time, under a Westminster system, the role of Auditor General may be combined with that of Comptroller. The Comptroller function is one of control rather than audit and is performed in advance of expenditure being incurred. The Comptroller is required to authorize Ministry of Finance requisitions from central funds to departmental accounts. Before authorizing such requisitions, the Comptroller must obtain assurance that credits are requested for purposes which have proper statutory authority and are within the financial limits approved by Parliament. Checks relating to the Comptroller function are normally carried out at a high, aggregated level and do not involve a detailed review of individual expenditure items (ibid).

2.3.1.2 The Judicial Model

Under this model, the SAI is an integral part of the judicial system operating independently of the executive and legislative branches. It is likely to have only a limited relationship with the national Parliament. A key aspect of

judicial accountability systems is that relevant government officials are personally liable for unauthorized or illegal payment they made. In addition to the SAI's judicial role, a complementary high level system of parliamentary accountability for public expenditure is normally in place (White and Hollingsworth, 1999).

Figure 2.4: The Judicial Model



The basic elements of a judicial system are: (1) at the national level, Parliament authorizes public spending in the annual budget; (2) ministry of finance officials, based in line ministries and other bodies act as public accountants; (3) ministry of finance normally plays an active role both in setting rules for public accountants and other officials to follow and in checking that these rules are being compiled with; (4) SAI audits the annual financial statements prepared by public accountants; (5) SAI judges the legality of the public accountant's actions; (6) at the end of the budget period, the Ministry of Finance draws up the State Account, reporting on

public expenditure as a whole; (7) SAI is a court and its Members are judges who can impose penalties or corrections on audited officials; (8) there are strong safeguards over the independence of the Members of the Court who are usually appointed for a non-time-limited term until a fixed retirement age; (9) the Court normally selects a member to act as its president on a first among equals basis; (10) the main focus of the audit work is to verify the legality of the transactions which have taken place; (11) professional staff in the SAI tend to have legal rather than accounting or auditing backgrounds; (12) there is often no Public Accounts Committee in the national Parliament as the detailed task of holding officials to account is carried out by the Court; and; (13) there is limited follow up of the Court's reports by Parliament (ibid).

2.3.1.3 Collegiate or Board Model

Under the collegiate system, the SAI has a number of members who form its college or governing board and take decisions jointly. Collegiate audit bodies normally are part of a parliamentary system of accountability. Reports and opinions agreed by the college are submitted to Parliament, where there is usually some form of Public Accounts Committee to act on them. Collegiate bodies do not have judicial functions. The basic structure of the accountability model is thus similar to the Westminster model, with the key differences being in the internal structure of the audit institution (McGee, 2002).

Principal characteristics of Collegiate Supreme Audit Institutions (SAIs) typically have:(1) a governing board consisting of the members of the college and headed by a President; (2) depending on the size of the office, there may be a series of colleges or sub-committees each having the power to decide on

the audit matters within their area of responsibility; (3) members normally have considerable freedom in determining their working methodologies and there may be a variety of audit approaches between different colleges within the same institution; (4) members of the college are normally appointed for a fixed term of office by a vote of Parliament, with their period in office often being limited to a maximum of two terms; (5) the focus of the SAI's work – financial or legal – is less influenced by the fact that it is a collegiate institution, than by the general legislative and historical context of the country it operates in; and (6) the professional background of staff varies to reflect the SAI's main audit focus (ibid).

Table 2.1: Summary of the Models of Supreme Audit Institutions (SAIs)

Model	Distribution
Westminster model, also known as the Anglo-Saxon or Parliamentary model	The United Kingdom and most Commonwealth countries, including many in sub-Saharan African, the Caribbean, a few European countries such as Ireland and Denmark, Latin American countries such as Peru and Chile, and some Asian countries.
Judicial or Napoleonic model	Europe countries such as France, Spain and Italy, Turkey, Francophone countries in Africa and Asia, several Latin American countries, including Brazil and Colombia
Board or Collegiate model	Some European countries, including Germany and the Netherlands, Argentina, Asian countries including Indonesia, Japan and the Republic of Korea

Source: DFID, 2004.

2.3.2 The International Organization of Supreme Audit Institutions (INTOSAI)

The International Organization of Supreme Audit Institutions (INTOSAI) was founded in 1953 as an autonomous, independent, and non-political organization with the aim of promoting the exchange of ideas and experience between its members, the Supreme Audit Institutions (SAIs) of countries around the globe, in the field of government audit. INTOSAI's time-proven principles have always been the equality of all members and their voluntary participation in INTOSAI (www.intosai.org, 16.03.2013).

INTOSAI is the global professional organization of Supreme Audit Institutions (SAIs) in all countries that belong to the United Nations. SAIs play a major role in auditing government accounts and operations and in promoting sound financial management and accountability in their governments. INTOSAI supports its members in this task by providing opportunities to share information and experiences about the auditing and evaluation challenges faced by them in today's changing and increasingly interdependent world.

INTOSAI has set high standards with the Lima Declaration of Guidelines on Auditing Precepts, adopted in 1977 in Peru. Meeting these high standards, of which SAIs' independence from other government institutions and a democratic environment deserve particular emphasis, is one of the permanent aims constantly pursued by INTOSAI and its members. INTOSAI was founded in 1953 in Cuba, having original members of 34 SAIs and now there are over 180 SAIs members of INTOSAI (ibid).

As the internationally recognized leader in public sector auditing, INTOSAI issues international guidelines for financial management and other areas, develops related methodologies, provides training, and promotes the exchange of information among members. INTOSAI achieves its mission and goals through a variety of bodies, programs and activities such as:

1- International Congress of Supreme Audit Institutions (INCOSAI)

Hosted by a member SAI, the triennial congress offers all INTOSAI members a unique opportunity to gather at one time in one place to share experiences, discuss issues, and pass recommendations aimed at improving government accountability worldwide. Participation at congresses by the United Nations, the World Bank and other international and professional organizations reflects INTOSAI's relationship with these world bodies.

2-Governing Board of INTOSAI

The sixteen-member Board meets annually to provide leadership and continuity between congresses. To ensure balanced representation of all member countries, each of INTOSAI's seven regional working groups and the main types of public auditing systems are represented on the Board. The Chairman of the Board is the head of the SAI which hosted the last congress.

3-General Secretariat of INTOSAI

The General Secretariat of INTOSAI, Located in Vienna, Austria, provides central administrative support to INTOSAI, manages the INTOSAI budget, assists the Board and Congresses, facilitates communications among members, and organizes seminars and special studies.

4-Seven Regional Organizations

INTOSAI has seven regional organizations that provide members with opportunities to focus on the context of public audit works for each region.

The seven regional organizations are as follows:

- 1-AFROSAI (African Organization of Supreme Audit Institutions)
- 2-ARABOSAI (Arab Organization of Supreme Audit Institutions)
- 3-ASOSAI (Asian Organization of Supreme Audit Institutions)
- 4-CAROSAI (Caribbean Organization of Supreme Audit Institutions)
- 5-EUROSAI (European Organization of Supreme Audit Institutions)
- 6-OLACEFS (Organization of Latin American and Caribbean Supreme Audit Institutions)
- 7-SPASAI (South Pacific Association of Supreme Audit Institutions)

2.3.3 Roles of Supreme Audit Institutions (SAIs) in Promoting Public Accountability

With the steady growth of public sector activities and spending by governments in pursuit of development, and with the expansion of public enterprises, greater autonomy in local authority administrations and trends at privatization in some countries, the character, scope and dimensions of public accountability have now extended over greater horizons. The demand for public accountability of persons and bodies managing public resources has become increasingly evident so that there is a greater need for ensuring that the accountability process is in its rightful place and is effective. Deficiencies in the process will require the introduction of reforms and innovations to strengthen it (ASOSAI, 1985).

The Supreme Audit Institutions (SAIs) have become increasingly concerned with the need for proper mandates, systems, controls, checks and balances in the discharge of functions in the planning, programming, implementation and delivery processes in addition to the traditional forms of audit, and the need for ensuring value for money in the management of public resources. SAIs are also of the view that there is a need for increasing the public accountability awareness in all sections of society (ibid).

Therefore, in the light of the above considerations, the Third ASOSAI Assembly meeting in Tokyo, Japan from 15 to 21 May 1985, adopted "The Statement of Guidelines on the Role of Supreme Audit Institutions in Promoting Public Accountability" or namely the Tokyo Declaration of Guidelines on Public Accountability.

2.4 The Role of Supreme Audit Institutions (SAIs) in Selected Countries

Over the world, there are approximately more than 191 countries having Supreme Audit Institutions playing roles of public auditing. The roles of these institutions of public audit may vary depending on contexts of each country. The present section has analyzed in brief the roles SAIs of 22 selected countries.

2.4.1 United Kingdom National Audit Office (UKNAO)

The Supreme Audit Institution in United Kingdom is called National Audit Office. The National Audit Office (UKNAO) scrutinizes public spending on behalf of Parliament. UKNAO's vision is to help the nation spend money

wisely. It promotes the highest standards in financial management and reporting, the proper conduct of public business and beneficial change in the provision of public services. UKNAO audits the financial statements of all central government departments, agencies and other public bodies and report the results to Parliament. In 2011-12, it audited expenditure and revenue amounting to over £1 trillion across 458 accounts (www.nao.org.uk, 22.04.2013).

In addition, UKNAO conducts value for money audits about 60 audits each year; looking at how government projects, programs and initiatives have been implemented. The reports contain recommendations on how services can be improved. UKNAO's work programs are focused on three areas that impact on all departments' performance in achieving value for money: improving financial management and reporting; making better use of information; and ensuring that services are delivered cost-effectively (ibid).

UKNAO is headed by the Comptroller and Auditor General, who is an Officer of the House of Commons. UKNAO employs some 900 staff and is totally independent of Government. UKNAO certifies the accounts of all Government departments and a wide range of other public sector bodies; and it has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Its work leads to savings and other efficiency gains worth many millions of pounds: in 2008 over £10 for every £1 spent running the Office

and over £1.1 billion in 2011, the equivalent of £16 for every £1 spent on the UKNAO (ibid).

UKNAO's audit of central government has two main aims. By reporting the results of audits to Parliament, it holds government departments and bodies to account for the way they use public money, thereby safeguarding the interests of taxpayers. In addition, its works aims to help public service managers to improve performance and service delivery.

2.4.2 Government Accountability Office of United States of America (GAO)

The Supreme Audit Institution of the United States is called The U.S. Government Accountability Office (GAO), an independent, nonpartisan agency that works for Congress. Often called the "congressional watchdog," GAO investigates how the federal government spends taxpayer dollars. GAO is headed by the Comptroller General of the United States, who is appointed to a 15-year term by the President from a slate of candidates Congress proposes (www.gao.gov, 25.05.2013).

GAO's mission is to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people. It provides Congress with timely information that is objective, fact-based, nonpartisan, no ideological, fair, and balanced (ibid).

GAO's works are done at the request of congressional committees or subcommittees or are mandated by public laws or committee reports. It also

undertakes research under the authority of the Comptroller General and supports congressional oversight by:

- auditing agency operations to determine whether federal funds are being spent efficiently and effectively;
- investigating allegations of illegal and improper activities;
- reporting on how well government programs and policies are meeting their objectives;
- performing policy analyses and outlining options for congressional consideration; and
- issuing legal decisions and opinions, such as bid protest rulings and reports on agency rules.

Government Accountability Office advises Congress and the heads of executive agencies about ways to make government more efficient, effective, ethical, equitable and responsive. The GAO had 3,350 employees in 2010 (ibid).

2.4.3 Sweden National Audit Office (SNAO)

The Supreme Audit Institution of Sweden is called the Swedish National Audit Office (SNAO). The Swedish National Audit Office has approximately 300 staff and is managed by three Auditors Generals appointed by the parliament. The Auditor Generals together decide on how the audit areas shall be divided between them, but each Auditor General then decides what audits that shall be carried out, how this shall be done and what conclusions that are to be drawn within his/hers field of responsibility. The independence of the three Auditor Generals are protected by the constitution. The Auditor Generals is

appointed for a term of seven years and they cannot be re-appointed and are expected to stay on the post until end of term (www.riksrevisionen.se, 20.04.2013).

The parliament executes its control of the Swedish Government through the Swedish National Audit Office (SNAO). The task of SNAO is to ensure good use of resources and effective state administration. The SNAO has a strong mandate that allows it to conduct independent audits of executive power. The SNAO is uniquely placed to provide an overall view of the efficiency of state undertakings and the extent to which the parliament's objectives have been implemented and achieved. The SNAO evaluates the results of central government operations and assesses the extent to which social initiatives reach their intended target groups (ibid).

2.4.4 Austria Court of Audit (ACA)

Austria Court of Audit (ACA) was set up by the federal constitution as an independent auditing institution on a federal, provincial and municipal level. Its function is to verify that state funds are being correctly administered, including state spends by public institutions and state funds used by private institutions. The ACA audits on behalf of the chosen representatives of the citizens of the country, within the framework of its constitutionally defined independence, whether their budgets are being utilized economically, efficiently and effectively. The ACA is responsible for auditing all public sectors on all institutional levels and carries out its tasks in an objective, independent, professional and fair way. The areas which may be audited by the ACA are

mainly governed in the Federal Constitution and the Court of Audit Act (www.rechnungshof.gv, 24.05.2013).

The Austria Court of Audit (ACA) is headed by a President and is divided into five directorates-general, which are currently made up of 35 departments. Under the Constitution, the President is elected by the National Council following nomination by the Standing Committee of the National Council. The term of office is currently 12 years and re-election is not possible. In 2010, the ACA had 312 staff, of whom 233 were auditors and the remainder administrators and clerical staff (ibid).

The ACA is directly subordinate to the National Council. Its audit work is carried out at federal and provincial level. In matters relating to federal financial operations, it is considered to be an organ of the National Council; for the audit of provincial operations or local government it is an organ of provincial government. The ACA reports to the legislative bodies at both levels. The ACA has a wide remit, auditing all economic operations of the Federal Government and the provinces, as well as local communities with at least 20,000 inhabitants. Local communities of fewer than 20,000 inhabitants can only be audited at the request of the competent provincial government. The ACA's remit at each level covers all directly administered bodies, as well as foundations, funds and institutions administered by government agencies. It also audits the activities of enterprises in which government bodies have at least a 50 per cent share in the capital stock or property capital, along with subsidiary enterprises. At both federal and provincial levels, the ACA also

examines the activities of public corporate bodies and their use of funds from the Government (ibid).

Under the Constitution, the ACA must submit an Annual Report of its activities in the previous year to the National Council no later than 31 December of every year. The report includes summarized findings, observations and recommendations from audits. The report is submitted simultaneously to the Federal Chancellor and is published once it has been presented to the National Council. The ACA can also report to the National Council at any time on the discharge of individual duties. The Annual Report is in two parts with an introduction discussing general problems across the whole of government, followed by the results of audits conducted during the year. Recommendations from previous years are also listed, with an indication of whether or not they have been heeded. A press conference is held when the Annual Report is presented by the ACA and a short version is prepared for the press (ibid).

2.4.5 Board of Audit of Germany

The Board of Audit of Germany, namely Bundesrechnungshof, is the external audit of the federal government and had total workforce 1,300 in 2011. It is an independent body subject only to the law and this status is enshrined in the German Constitution. The Governments of the Federal States are audited by independent audit courts within each federal state, which have structures and rights similar to the board of audit of Germany (www.bundesrechnungshof.de, 12.06.2013).

The President and Vice President of the board of audit of Germany are appointed by the legislature on recommendation from the executive and their appointments are for a fixed period. The board of audit of Germany is composed of nine audit divisions and 48 audit units. Administrative functions are incumbent on the Presidential Division.

The board of audit of Germany examines federal financial management and audits both revenue and expenditure totaling over 500 billion Euros. Its audit mandate also includes social security institutions and the activities of the Federation in private-law enterprises of which it is a shareholder. Its audit functions in a wide array of areas such as defense, road works, taxation, or the Federation's activity as a shareholder of German, the Post and Telecommunication Office (ibid).

The board of audit of Germany makes recommendations on the basis of the lessons learnt from earlier audit work and provides advice to the audited bodies, to Parliament and the Federal Government. Its consultancy activities have continuously increased and set out significant recommendations for quality improvement, pointing up the potential for savings or increases in revenue. The board of audit of Germany reports on its audit findings in an audit report that are sent to the audited bodies for comment. Also, it submits an annual report to both Houses of the German Parliament, as well as to the Federal Government. The annual report is also used as a basis for Parliament granting discharge to the Federal Government. It is presented to the public at a federal press conference (ibid).

The board of audit of Germany does not only provide advice to the executive and legislative branches by including recommendations for improvement in its management letters and annual reports, but also by commenting – orally or in written form – on topical issues such as government bills and major procurement projects, or in the course of the annual budget procedure (ibid).

2.4.6 Swiss Federal Audit Office (SFAO)

The Swiss Federal Audit Office (SFAO) is the supreme audit institution of the Confederation, and it has duty to assist parliament. The Federal Council SFAO is independent and is bound only by the Constitution and the law. Its mandate is set out in the Federal Audit Office Act (www.efk.admin.ch, 21.03.2013).

The SFAO audits the financial statement of the Federal Administration and numerous semi-government bodies and international organizations. The decisive criteria in its audit activities are economic efficiency and efficacy, as well as regularity and legality (ibid).

The SFAO is a government agency that is assigned to the Federal Department of Finance for administrative purposes but is not, however, subject to its instructions. It had a staff of around 25 female and 70 male employees in 2012, with various occupations such as chartered accountants, auditors and bookkeepers, lawyers, economists, political scientists, IT auditors and construction industry specialists (ibid).

2.4.7 Office of the Auditor General of Norway (OAGN)

The Office of Auditor General (OAGN) of Norway was established in 1816 and its tasks are laid out in the Norwegian Constitution, and the Auditor General Act. The OAGN is led by a Board of five Auditors General who are elected for a term of four years and had approximately 500 employees in 2012. The Office of the Auditor General is a monitoring agency in Norwegian society. The OAGN is subordinate to the parliament, and monitors the Government's compliance with the parliament's decisions. The OAGN is the parliament's most important external monitoring body. The parliament can appoint an external auditor to audit the OAGN (www.riksrevisjonen.no, 20.04.2013).

The Office of the Auditor General of Norway has the role to ensure that the community's resources and assets are used and administered in keeping with the parliament's decisions. It does this through auditing, monitoring and guidance to contribute efficiently and effectively to the parliament's supervisory activities and to promote good government administration.

The OAGN has an independent status in relation to government administration, and reports the results of its auditing and monitoring activities to the Norwegian parliament. The OAGN performs three types of audit: (1) financial audits; (2) performance audits; and (3) corporate control (ibid).

The OAGN's tasks are

- to audit the central government accounts (financial auditing);
- to audit the accounts for the various ministries and government agencies (financial auditing);

- to perform a systematic investigation of economy, efficiency and effectiveness (performance auditing);
- to monitor the management of the state's proprietary interests in companies etc. (corporate control);
- to provide guidance for the government administration on issues concerning accounts and economy, including promoting the prevention of future defects and deficiencies; and
- to report the results of the auditing and monitoring to the Parliament and the government administration.

Through its audits, the OAGN contributes to the prevention and detection of irregularities and errors (ibid).

2.4.8 Account Chamber of the Russian Federation

The name of the supreme audit institutions of Russia is called Account Chamber of the Russian Federation which is led by a chairman. The Chairman of the Accounts Chamber of the Russian Federation and Deputy Chairman of the Accounts Chamber of the Russian Federation are appointed and released from their duties respectively by the State Duma, and by the Federation Council of Federal Assembly of the Russian Federation as advised by the President of the Russian Federation. One half of Auditors of the Accounts Chamber are appointed and released from their duties by the State Duma, and the other half – by the Federation Council as advised by the President of the Russian Federation. The term of office of the Chairman of the Accounts

Chamber, the Deputy Chairman of the Accounts Chamber and Auditors is 6 years (www.ach.gov.ru, 05.04.2013).

The Account Chamber of the Russian Federation is created on the purpose of exercising control over fulfillment of the federal budget. The Federation Council and the State Duma of the Federal Assembly of the Russian Federation establish the Accounts Chamber of the Russian Federation and the composition and the order of the activities of which are determined by the Federal Law.

In 2011, there were 88 regional control and audit organs in Russia Federation, 26 of which have been formed within the legislative organs of the subjects of the Russian Federation and 62 are independent control and audit organs.

The control and audit activities of the Accounts Chamber of the Russian Federation are realized in the following areas of control: (1) control over timely performance of the federal budget revenues and expenditures in terms of volumes, structure and designated purpose, assessment of the federal budget projects feasibility; (2) control over timely performance of the federal budget revenues and expenditures in terms of volumes, structure and designated purpose, assessment of the feasibility of projects for state non-budgetary funds; (3) control over federal budget revenues arising from disposition and management of state property; (4) control over the status of the internal and external public debt of the Russian Federation and the credit

resources use; control over the banking system as regard to the servicing of the federal budget and public debt of the Russian Federation (ibid).

Besides, the control powers of the Accounts Chamber cover the activity of public associations, non-governmental funds and other non-governmental non-profit organizations (in regard to receipt, transfer and usage by them of the federal budget funds, usage and management by them of federal property, as well as in regard to tax, customs or other privileges and advantages provided for by the federal law or federal bodies of state power (ibid).

2.4.9 Australia National Audit Office (ANAO)

The public audit office in Australia is called Australia National Audit Office (ANAO) which provides an independent review of the performance and accountability of Australian Government public sector agencies and entities. ANAO is headed by the Auditor-General who is provided a legislative framework as an independent officer of the Parliament and it has mandate and powers as the external auditor of Australian Government public sector entities. ANAO employed 330 auditors in 2012. The Auditor-General's mandate extends to all Australian Government agencies, authorities, companies and subsidiaries with the exception of performance audits of Government Business Enterprises (GBEs) and of persons employed or engaged under the Members of Parliament Act 1994 (www.anao.gov.au, 25.03.2013).

ANAO's vision is to be an international leader in the provision of independent public sector audit and related services. It is located in Canberra, and

comprises two Services Groups, the Assurance Audit Services Group and Performance Audit Services Group. The Assurance Audit Services (AAS) Group provides independent assurance on the financial statements and financial administration of Australian Government public sector entities to the Parliament, the Executive, boards, chief executive officers and the public. The Performance Audit Services (PAS) Group contributes to improved public sector administration and accountability by adding value through a program of performance audits and related products (ibid).

The ANAO's primary client is the Australian Parliament. It has purpose to provide the Parliament with an independent assessment of selected areas of public administration, and assurance about public sector financial reporting, administration, and accountability. The ANAO has extensive powers of access to Commonwealth documents and information, and its work is governed by its auditing standards, which adopt the standards applied by the auditing profession in Australia. In accordance with these standards, its performance audit, financial statement audit and assurance review reports are designed to provide a reasonable level of assurance (ibid).

The ANAO plays an important professional role by contributing, both nationally and internationally, to the development of auditing standards, professional practices and the exchange of experiences through participation in various peer and professional organizations (ibid).

2.4.10 Office of the Auditor General of Canada (OAGC)

The Auditor General of Canada is an Officer of Parliament who audits federal government departments and agencies, most crown corporations, and many other federal organizations, and reports publicly to the House of Commons on matters that the Auditor General believes should be brought to its attention and reports directly to their legislative assemblies. The Auditor General's powers and responsibilities are set forth in legislation passed by Parliament. The Office of the Auditor General of Canada is an independent and reliable source of the objective, fact-based information that Parliament needs to fulfill one of its most important roles: holding the federal government accountable for its stewardship of public funds. It audits federal government operations and provides Parliament with independent information, advice, and assurance regarding the federal government's stewardship of public funds. The findings of these audits are communicated to the media and the public once they have been tabled in the House of Commons. Also, the Auditor General of Canada conducts performance audits of federal departments and agencies, annual financial audits of the government's financial statements, and special examinations and annual financial audits of Crown corporations (www.oag-bvg.gc.ca, 15.03.2013).

The Auditor General of Canada produces audit findings, which include good practices, areas requiring attention, and recommendations for improvement and then reports to Parliament. The audit reports may be reviewed by Parliamentary committees, which conduct hearings and make recommendations for action. The government has the opportunity to respond to the findings, and may implement recommended changes (ibid).

In 2012, the Office of the Auditor General of Canada employed 650 people at its head office in Ottawa, and in four regional offices in Vancouver, Edmonton, Montréal and Halifax. The audit professionals of this office are highly qualified in their fields and bring a rich mix of academic disciplines and experience to their work. They include accountants, engineers, lawyers, management experts, information technology professionals, environmental specialists, economists, historians, and sociologists. Auditors are organized into teams that are assigned to audits of specific departments, agencies, or Crown corporations, and audits of Canada's three territories. They are supported in their work by specialists in law, professional practices, international relations, information technology, knowledge management, human resources, financial management, communications, and parliamentary liaison (ibid).

2.4.11 Office of the Auditor and Comptroller General(OACG) of New Zealand

Office of the Auditor and Comptroller General of New Zealand (OACG) is led by Auditor-General, who is the leading provider of audit and assurance services to the public sector. OACG examines the financial and non-financial statements of public entities. This helps to ensure that taxpayers are getting value from their investment. As well as auditing financial matters, OACG evaluates publicly funded organizations in areas of sensitive expenditure, effectiveness and efficiency, waste, and probity or financial prudence (www.oag.govt.nz, 29.03.2013).

OACG's work gives Parliament, public entities, and the public independent assurance that public entities are operating, and accounting for their performance, in keeping with Parliament's intentions. There are about 4000 public entities, including, for example, government departments, State-owned enterprises, Crown research institutes, the defense forces, district health boards, city and district councils and the entities they own, ports, schools, universities, and polytechnics (ibid).

Within the Office of the Auditor-General there are six different teams. Each team is led by an Assistant Auditor-General. The teams are accounting and auditing Policy, legal group, local government, Parliamentary group, performance audit group, and research and development (ibid).

2.4.12 Office of the Auditor General of South Africa

The Auditor-General of South Africa is one of the state institutions supporting constitutional democracy and was created by the Constitution of the Republic of South Africa. The Constitution recognizes the importance and guarantees the independence of the Auditor-General, stating that the Auditor-General must be impartial and must exercise powers and perform its functions without fear, favors or prejudice (www.agsa.co.za, 09.03.2013).

The Auditor-General is accountable on its activities, performance and functions to the National Assembly. The main accountability instruments are the Auditor-General's budget and strategic plan, as well as the annual report, both of which are tabled annually in the National Assembly. The Auditor-General annually produces audit reports on all government departments,

public entities, municipalities and public institutions. Over and above these entity-specific reports, the audit outcomes are analyzed in general reports that cover both the Public Finance Management Act and Municipal Finance Management Act cycles. In addition, reports on discretionary audits, performance audits, and other special audits are also produced. The Auditor-General tables reports to the legislature with a direct interest in the audit, namely, Parliament, provincial legislatures or municipal councils. These reports are then used in accordance with their own rules and procedures for oversight (ibid).

2.4.13 Comptroller and Auditor General of India

The Comptroller and Auditor General of India discharge multifarious duties through the Indian Audit and Accounts Department. The Department consists of about 50,000 employees and is functionally organized into 104 specialized formations throughout the country (www.cag.gov.in, 10.03.2013).

The organization is responsible for:

- Test audit/supplementary audit of transactions of government companies/ corporations, which finds final expression in an annual audit report bringing out selected topics of interest relating to them.
- In-depth performance appraisals of selected companies/ corporations, each such appraisal taking the form of a separate audit report.
- Certification of the annual accounts of companies and corporations including comments on the reports of Chartered Accountants, who conduct the primary audit of these companies.

-Preparation of a report on systems deficiencies reported by Chartered Accountants on the basis of directions by the Comptroller and Auditor General.

The audit activities are divided into convenient groups headed by Deputy Accountants General/Senior Deputy Accountants General who report to the Accountant General. These officers are designated as Deputy Directors / Directors under the control of Principal Directors of Audit, in respect of Audit of Federal Government activities (ibid).

2.4.14 Office of the Auditor General of Pakistan

The office of Auditor General's organization of Pakistan is the prime institution in the country for ensuring public accountability and fiscal transparency in governmental operations. The organization is expected to bring about improvements in the financial discipline and internal control environment in the executive departments for minimizing the possibility of waste and fraud. The Auditor General of Pakistan is appointed under the Constitution of the country. His reports are laid before the National, Provincial, and District Assemblies and are considered in the Public Accounts Committee of the respective Assemblies. His mandate enables him to strengthen the legislative oversight by providing an independent and objective assessment of the process of governance both at the federal and provincial levels. Office of the Auditor General of Pakistan had 1500 qualified officers in 2012 to assist the Auditor General in the discharge of his responsibilities (www.agp.gov.pk25.05.2013).

2.4.15 China National Audit Office (CNAO)

The China National Audit Office (CNAO) is subordinated to the people's governments as a part of the executive branch of the state. CNAO is directly under the leadership of the Premier and reports its work to the State Council.

The staff of CNAO in 2012 had totaled about 80,000 and also had 31 provincial audit offices. Resident Offices of CNAO are responsible for auditing final account of public finance at the provincial level, revenues and expenditures of local branches of Customs, State Administration of Taxation and the Central State Treasury, assets, liabilities, profits and losses of branches of state monetary institutions and state-owned enterprises, revenues and expenditures of undertakings, which are directly subordinated to departments of the State Council as well as budget implementation and final accounts of key state construction projects (www.audit.gov.cn, 30.6.2013).

CNAO has the basic duties and responsibilities for auditing the following objects: (1) budget implementation and other government revenues and expenditures at the corresponding levels; (2) budget implementation, final accounts and other government revenues and expenditures of the departments (including the units directly subordinate to them) at the corresponding levels and of the people's governments at lower levels; (3) financial revenues and expenditures of the state institutions as well as other public institutions using government funds; (4) financial revenues and expenditures of the Central Bank; (5) assets, liabilities, profits and losses of the state-owned monetary institutions and the monetary institutions where

state-owned capital dominates or predominates; (6) assets, liabilities, profits and losses of the state-owned enterprises and the enterprises with state-owned capital controlling their shares or playing a leading role; (7) budget implementation and final accounts in respect of the construction projects fully or mainly financed by government investment; (8) financial revenues and expenditures involving social security funds, public donations and other related funds and capital which are managed by government departments and other units authorized by the government; (9) financial revenues and expenditures in connection with the projects for which aid or loans are provided by international organizations or governments of other countries; and (10) in accordance with the relevant regulations of the State, the principal leading persons of government departments and of other units are subject to auditing by audit institutions as stipulated by law as to how they perform, during their terms of office, their economic accountabilities.

The National Audit Office of China exercise supervision through auditing over the implementation of the budget of the Central Government as well as other government revenues and expenditures, and submit audit reports thereon to the Premier and to the standing committee of the people's congresses (ibid).

2.4.16 Board of Audit of Japan

The Board of Audit of Japan originates from a division established in 1869 under the forerunner of the Ministry of Finance in a previous form of the Cabinet, called "Dajokan". Through several changes in its name, the Board was organized as an auditing organ under the direct control of the "Dajokan"

in 1880. Following promulgation of the Meiji Constitution in February 1889, the Board acquired constitutional status and over the next sixty years supervised public finances as an independent organ directly subordinate to the Emperor. In 1947, with the enactment of the Constitution of Japan, the present Board of Audit Act came into effect pursuant to Article 90 of the Constitution, which made the Board independent of the Cabinet (www.jbaudit.go.jp, 01.04.2013).

The President of the Board is appointed by the Cabinet based on mutual election among the three Commissioners. The President represents the Board and presides over the Audit Commission.

The objective of the Board of Audits is to supervise public accounting constantly to ensure its adequacy and to rectify its defects and to verify the final accounts of the expenditures and revenues of the State. The Board is a constitutionally independent organization to audit the final accounts of the State, accounts of Government Affiliated Institutions and Independent Administrative Agency, and those of bodies which receive financial assistance from the State such as State subsidies. All the government activities are implemented through the State budget execution. The State budget is formulated by the Cabinet, deliberated and approved by the Diet and then executed by ministries, agencies and other public bodies. For the sound management of administrative and financial operations, it is essential to audit whether the budget has been executed properly and effectively and to ensure that audit results be reflected in the State budget formulation and execution

in the following year. To achieve this purpose, the Constitution provides that “the Final accounts of the expenditures and revenues of the State shall be audited annually by a Board of Audit and submitted by the Cabinet to the Diet, together with statement of audit, during the fiscal year immediately following the period covered ” (ibid).

2.4.17 Board of Audit and Inspection (BAI) of Korea

The Board of Audit and Inspection (BAI), a constitutional agency, is the Supreme Audit Institution of the Republic of Korea. BAI is established under the President of the Republic, but it retains independence in performing its duties. BAI is faithfully carrying out its duties as the watchdog of the national purse and the advisor to government operations. According to Article 97 of the Constitution and Article 20 of the BAI Act, the BAI examines the final accounts of revenues and expenditures of the State and audits the accounts of the State and such organizations as prescribed by the laws, and inspects the works performed by government agencies and the duties of their employees. The BAI is established under the President, but retains an independent status and other necessary matters (www.bai.go.kr, 01.06.2013).

Duties and functions of the BAI in detail are as follows: (1) to make examination of the final accounts of revenues and expenditures of the State and report the results of such examinations to the President and the National Assembly; (2) to audit accounts of the State (central government agencies), provincial governments and other local autonomous bodies, and government-

invested organizations in order to ensure proper and fair accounting; and (3) to inspect the works performed by government agencies and the duties of their employees in order to improve the operation and quality of government services. In order to perform these responsibilities, BAI had 1035 auditors in 2012 (ibid).

2.4.18 National Audit Department of Malaysia

The State Audit Institution in Malaysia has been established during the British Colonial administration in the early 20th Century to strengthen the Government financial management system. At that time, the office of the Auditor General was formed separately into the Federated Malay States and the Straits Settlements. In each of the Federated Malay State, the Institution was known as the Audit Office and was headed by a State Auditor (www.audit.gov.my, 03.06.2013).

The National Audit Department of Malaysia is led by the Auditor General, who is appointed by the King on the advice of the Prime Minister. The National Audit Department's mission is to carry out audit in a professional and independent manner and to produce balanced report to the Parliament and State Legislatures towards enhancing good governance in the public sector (ibid).

The Auditor General has powers and duties to audit the accounts of the Federation and of the States and the accounts of other public authorities and of those bodies which are specified by order made by the King, as may be provided by federal law. The Auditor General submits his reports to the King, who cause them to be laid before the House of Representatives (ibid).

2.4.19 Commission of Audit of the Philippines

The Commission on Audit is the Philippines' Supreme Audit Institution. The Philippine Constitution declares its independence as a constitutional office, grants it powers to audit all accounts pertaining to all government revenues and expenditures/uses of government resources and to prescribe accounting and auditing rules, gives it exclusive authority to define the scope and techniques for its audits, and prohibits the legislation of any law which would limit its audit coverage (www.coa.gov.ph, 05.06.2013).

The Commission on Audit has mission to carry out constitutional mandate with the highest degree of professionalism, competence, integrity, teamwork and organizational efficiency, and promote the people's trust in government by upholding public accountability (ibid).

The principal duties of the commission on audit are to : (1) examine, audit and settle all accounts pertaining to the revenue and receipts of, and expenditures or uses of funds and property owned or held in trust by, or pertaining to, the government; (2) promulgate accounting and auditing rules and regulations including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant or unconscionable expenditures, or uses of government funds and properties; (3) submit annual reports to the President and the Congress on the financial condition and operation of the government; (4) recommend measures to improve the efficiency and effectiveness of government operations; (5) keep the general accounts of government and preserve the vouchers and supporting papers

pertaining thereto; (6) decide any case brought before it within 60 days; and (7) perform such other duties and functions as may be provided by law (ibid).

2.4.20 Board of Audit of Indonesia

The Supreme Audit Institution of Indonesia is called Board of Audit of Indonesia. It has mandate to conduct a number of audits consisting the management of state finances and responsibilities undertaken by the central government, local government and other state institutions; Bank Indonesia, State-Owned Enterprises, Public Service Board, the Regional Owned Enterprises and institutions or other agencies that manage state finances. The Board of Audit submits the results of the examination to House of Representatives (DPR), Regional Representatives Council (DPD) and Regional House of Representatives (DPRD) according to their respective authority. The results of the audit are followed up by representatives of institutions and/ or institutions based on the law. Examination results are submitted, and opened to the public. For the continuation of examination, the Board of Audit also presents the written examination results to the President, governors, regents or mayors according to their respective authorities. If any criminal element found in the inspection process, the Board of Audit reports these results to the authorized party, within maximum of one month since the finding. The Board of Audit of Indonesia is authorized to determine the object of inspection, plan and carry out the examination, determine the time and method of examination, as well as inspection reports, prepare and present the inspection report. The Board of Audit has the authority to look for information or request any documents needed from the auditees and it also has the

authority to assess and determine the amount of loss suffered by the state (www.bpk.go.id, 10-06-2013).

2.4.21 The Auditor General Office of Singapore

The Auditor General Office of Singapore is an organ of state whose mission is to audit and report to the President and Parliament, in accordance with the law, on the proper accounting of public money and use of public resources so as to enhance public accountability. To enable him to do his work without fear or favor, the Auditor-General is appointed by the President and his position is safeguarded under the constitution and the audit act (www.ago.gov.sg, 17.04.2013).

The Auditor General Office of Singapore has authority to conduct audit of government ministries and departments, organs of state, statutory boards, government funds, other public authorities and bodies administering public funds upon their request for audit. The Auditor General Office's role extends beyond the typical checks of financial accounts and records, which carries out financial regularity audits and selective audits. A financial regularity audit of an entity involves an independent examination of accounts for the purpose of rendering an opinion on financial statements, a check for compliance with laws, policies, contracts and agreements, and administrative rules or instructions, involving, or as may affect the revenue, expenditure, assets and liabilities; and a check on the adequacy of internal control systems (e.g. IT controls, approving authorities, etc.) that Management has put in place to safeguard its resources against waste, loss and misuse. A selective audit is an

independent, selective examination of activities and operations, carried out in relation to the accounts in order to check for financial regularity (not for the purpose of rendering an opinion on the financial statements); and to ascertain whether there has been excess, extravagance, or gross inefficiency tantamount to waste, and whether measures to prevent them are in place (ibid).

The Office of the Auditor General reports audit observations to management of the organization audited through management letters and reports to the President of Parliament and the public through the annual Report of the Auditor-General. The observations in the audit reports include system weaknesses, non-compliance with control procedures or legislation, instances of excess, extravagance, or gross inefficiency tantamount to waste in the use of public funds and resources (ibid).

2.4.22 The Office of the Auditor General of Thailand

The Office of the Auditor General of Thailand headed by the Auditor General, who is appointed by the King after prior approval of the National Assembly and holds office until retirement at the age of 60. He is a civil servant subject to the Civil Service Law. The position of the Auditor General is one of the top civil service posts. The Auditor General conducts and controls all the affairs of the Office of Auditor General. There are four Deputy Auditor Generals in the Office of the Auditor General of Thailand. They are appointed by the King after being proposed by the Auditor General and presented to the Cabinet by the Prime Minister for approval. They perform duties as assigned by the Auditor General (www.oag.go.th, 15.07.2013).

The duties of the Office of Auditor General are as follows: (1) to audit the statement on receipts and payments of each fiscal year and the statement on the financial status of each fiscal year and to give opinion whether they are in compliance with the law and are correct; (2) to audit the currency reserve account each year and to give opinion whether it is in compliance with the law and is correct; (3) to audit the receipts and payments, the custody and disbursement of money and use of other properties belonging to or being the responsibility of the audited agency and to give opinion whether they are in compliance with the law, rules, regulations or resolutions of the Council of Ministers, and may examine the disbursement of money and use of other properties, and to give opinion whether they are in compliance with the objectives, are economical and worthwhile and reach the target; (4) to examine in connection with the collection of taxes, fees and other incomes of the audited agencies and to give opinion whether it is in compliance with the laws, rules, regulations or resolutions of the Council of Ministers (ibid).

For the exercise of these powers, the Auditor General and competent officials have the power to enter any premises between sunrise and sunset or during office hours in order to examine, search, seize or attach any account, register, document or other evidence, or attach any property concerned or presumed to be concerned with an audited agency in so far as it may be (ibid).

2.5 The Empirical Reviews

So far, several studies and assessments on the roles of supreme audit institutions in public accountability have been done by different organizations

and authors in order to find out the weak and strong points of the research. Some selected empirical reviews on this research are highlighted as follows:

ASOSAI (1985) mentioned that the demand for public accountability of persons and bodies managing public resources has become greater need for ensuring that the accountability process is in its rightful place and is effective. Deficiencies in the process will require the introduction of reforms and innovations to strengthen it so that the roles of the Supreme Audit Institutions (SAIs) have accordingly become increasingly concerned with the need for proper mandates in the discharge of its functions in audit and the need for ensuring value for money in the management of public resources. For audits, to achieve maximum results in promoting accountability, audit reports must be relevant, wide publicity, be objective, responsive, current and accurate. The need for timely discussions of the reports of the Supreme Audit Institutions by parliamentary committees and remedial actions taken thereon can be overemphasized. The Supreme Audit Institutions should also ensure that follow-up actions on such measures are undertaken. For Supreme Audit Institutions to play an effective and meaningful role in promoting public accountability, it is of paramount importance that the Supreme Audit Institutions should always retain their independence and objectivity and enhance their credibility. The SAIs must be given adequate authority and flexibility in the determination and spending of their budgets, the selection and management of their audit personnel and the discharge of their audit functions.

Joseph (1987) showed in his research study that the accountability in government is the role of government audit office, which has a vital role in helping the executive and the legislature to ensure that public money is spent properly and to assure the public that it gets value for its money. The Indian constitution has conferred complete independence and extensive powers on the auditor general to enable him to discharge his functions unhindered by anyone. The general impression in the country now, however, is that in spite of the immense powers of the auditor general, there was a serious breakdown of accountability and enormous waste, fraud and misuse. It is, therefore, necessary to examine to what extent government audit is carrying out its duties laid down in the constitution and how its performance is compared with that of similar organizations in other parts of the world.

Oshisami (1992) provides support for argument that certain conditions have to be met for the discharge of fiscal transparency and accountability of government. He states that financial accountability demands three prerequisite conditions to operate smoothly; i.e., good financial reporting, sound management system and effective external audit done by the supreme audit institution.

Gray A. et al. (1993) also underlined that most government concerns over the last three decades have been about how to control public expenditure and how to strengthen public accountability with auditing and evaluation instruments. Auditor Generals have been aware that the result of audit report publication brings accountability and openness in the public sector and it

allows the public to criticize the government. Thus, the criticism can force the government to change and reform so that public accountability is improved.

Asselin (1995) wrote that financial accountability demands a properly functioning government accounting system for effective budgetary control and cash management. It also demands an external audit system, namely supreme audit institution, which reinforces expenditure control by exposure and sanctions against misspending and corruption, and mechanism to review and act on the results of audits and to ensure that follow up action is taken to solve problems identified. He argued further that without a well-functioning supreme audit system, government efficiency is poor, the probability of corruption increases greatly and the prospects of economic growth and development is impaired.

Brooks and Parisher (1995) claimed that public sector auditing is the key element in examining and evaluating government accountability in using public money and providing services to the public. He believed that the ability of bureaucracies to allocate public goods leads to a high level of inefficiency in the public sector. Public sector auditing can be an essential element in ensuring efficiency, effectiveness and accountability of the government to the public.

Guthrie and English (1997) emphasized that the role of the Auditor General is a vital part of the Westminster accountability mechanism to ensure the accountability of the Executive Government (the President, Governors, Regents and Mayors) to public needs and interests. He noted that an

independent audit institution has the function to examine government agencies in order to hold the Executive to be accountable to the public in using public funds and resources.

According to Idasa (1998), many countries are plagued by poor transparency and weak accountability as can be seen by their close door budget process, unforeseen expenditure, weak reporting and accounting systems and ineffective supreme audit institutions. Many countries also exclude the parliament and civil society from dialogue and budget issues. He concluded that capacity building of the supreme audit institutions must be enhanced through both legal system and professional quality of audit works.

Nosworthy (1999) studied on the role of auditor general in public accountability and sought to examine the issues of lacks of staff resources in the auditor general office of Australian Audit office. The research stated that the roles of auditor general cannot support the public accountability fully unless it had full mandate to conduct all types of audit such as financial statement audit, performance audit, and compliance audit without restraining resources and works independently. The study also stressed that the important roles of auditor general of Australia were mapped out by the public finance act and audit act in order to scrutiny the operations of government, which were accountable by public officers. It was expected that audit results must be made in special reports to parliament to enhance the public accountability. The study recommended that the auditor general office should

have sufficient resources, good relationship with government and stakeholders and made public to be aware of the roles of government audit.

Uhr (1999) underlined that a state audit body is an accountability agency that holds audited entities to be accountable in managing public funds and providing better public services. He claimed that supreme audit institutions are like a watchdog to detect and prevent misuse of public funds and provide appropriate recommendations for improvement of government operations.

Khan (2000) wrote in his research that accountability forms the backbone of good governance and without establishing credible systems of administrative and legislative accountability; it is not possible to ensure continued good governance. The independence of Supreme Audit Institution, the rule of law and effective legislative oversight are considered to be essential premises for independent and effective government auditing that promote government accountability. Basic concepts, various aspects of role of audit in the changing world of today in promoting and strengthening the accountability process have been noted in three aspects of accountability such as: (1) fiscal-accountability; (2) managerial accountability; and (3) program accountability. The systems of audit and accountability cannot function effectively without continued professional education of the auditors and the audited entities. It is the emerging tri-lateral relationship between the auditor, the audited entities and the stakeholder that is expected to upgrade accountability practices in the public sector. Audit, which mainly focuses on highlighting the anomalies, irregularities and disparities within the financial or managerial working of an

organization, cannot evolve without a self-realization on the part of the stakeholders about their roles, duties and the collective responsibility of the civil society. Auditing systems transform and change, as will the process of public accountability. However, one must realize that audit cannot be effective without the institutionalization of the process of accountability as a whole. Supreme Audit Institutions have to be alert in re-defining their roles and strategies to address issues arising due to a host of factors including globalization of markets, changes in information technology, corporate corruption, and other malaises undermining transparency in public sector operations. In the past, the supreme audit institutions had been making efforts in promoting transparency, improving governmental performance and ensuring public accountability with traditional strategies, tools and skills. But problems and challenges of today cannot be addressed with devices of yesterday. He assured that to improve and strengthen public accountability, supreme audit institutions have to take some initiatives collectively.

The Office of the Auditor General of Newfoundland and Labrador (2001; www.ag.gov.nl.ca, 27.5.2015) stated that public sector accountability is based on the premise that governing bodies are best served by knowing whether the responsibilities conferred on government departments and agencies are satisfactorily performed and intended results are achieved. The Auditor General brings an independent audit process to the manner in which these conferred responsibilities are discharged in the public sector and reports directly to the House of Assembly on the results of these audits. The role of

the Auditor General complements the accountability relationship which exists between Government, its departments, agencies of the Crown.

Hussan (2001) stated that the supreme audit institution has an important role in providing access to public information which is another aspect of promoting good governance. For centuries, government rulers and leaders have enjoyed the fruits of secrecy and successfully kept state matters hidden from the public eye. Although the advent of democracy gave parliaments the right to demand information on government policies and decisions. Governments have used various mechanisms to successfully conceal important information from public representatives. At present, governments acknowledge that they should disclose more information on their operations and on decisions by public officials. Accordingly, many governments have enacted laws that grant citizens greater access to public decisions and information. Supreme Audit Institutions can play an effective role in ensuring that information provided by governments is adequate, true, and fair. Recent reports of the supreme audit institution of Pakistan have informed the public that some extra-budgetary resources of the government have not been used for the purposes for which they were intended. In some cases, funds created for specific and legitimate purposes have not been presented to the legislature for necessary authorization. For example, sale proceeds of some privatized units were kept outside the main books of account and no public information on the use of these proceeds was disclosed. The supreme audit institution reports also pointed out that the government provided some undisclosed (and unjustified) benefits worth millions of dollars to a private

power producer. He asserted that public auditors play an important role in promoting good national governance and accountability through compliance audits, performance audits, and other special audit. Their works may take the form of audits of extra-budgetary resources, audits of public debt, audits of privatization efforts, environmental audits, or social audits. In all these cases, one need to ensure that the quality of audit work provides helpful information that taxpayers, executive managers, and legislators can use to improve the accountability and operations of government.

Coy and Dixon (2004) also argued that there are three discerning report paradigms, namely, stewardship, decision usefulness and public accountability. Stewardship entails accountability between agent and principal; decision usefulness considers the information needs of existing and potential investors, lenders and similar suppliers of capital; and public accountability takes a broader perspective that encompasses social, political and wider economic interest. He also stated that role of supreme audit institutions can help to enhance the three report paradigms.

Hoek (2005) wrote that the Netherlands Court of Audit covered three elements of broad public accountability, namely: (1) vertical accountability to ministers and Parliament; (2) internal accountability to a supervisory board; and (3) social accountability to society as a whole. He also stated that there are some instruments to enhance broad accountability, among others, including (1) supervision and monitoring by the Netherlands Court of Audit, namely supreme audit institution, which has promoted the idea that

government develops a framework on the supervision; (2) use of third-party audits: for example, audits of financial statements by accountants. Accountant opinions should include a statement on regularity; (3) external reviews: review or inspection by a third party which can involve different aspects of performing and can contribute to enhancing public accountability.

Wang and Rakner (2005) wrote about the accountability function of Supreme Audit Institutions in Malawi, Uganda and Tanzania. They emphasized that a key element of economic accountability is to ensure that public resources are spent according to the electoral and administrative mandate; that funds are distributed in consistence with stated objectives, and that corruption is avoided. Weaknesses in the audit cycle may have serious implications for poverty reduction targets spelt out in a country's poverty reduction strategy. The starting point of our investigation was that Supreme Audit Institutions play a key role in terms of checking governmental accountability over public funds.

Bovens (2005) rose that accountability is closely related to administrative accountability with a form of diagonal accountability between the public sector audit institution and with both, Parliaments and government agencies as its stakeholders. Supreme Audit Institutions report their findings on financial accountability and performance of audited entities to their stakeholders. Accountability of government agencies to the public and Parliament is called horizontal accountability, whereas, political accountability

is the function of Parliament in reviewing the government agencies to hold them to account for their actions.

Maimako (2005) wrote in his research that Supreme Audit Institutions will succeed in their assigned role of being the watchdog over financial integrity and the credibility of government ; it depends on the following factors:

(a) Supportive environment - Supreme Audit Institutions require a strong Legislature, properly maintained accounts and timely submission of financial statements by the government. Wrongdoing identified by the institution must be addressed seriously. Audit queries should be responded promptly.

(b) Clear mandate - The auditor's independence, and reporting responsibilities, the scope of audits and the entities to be audited must be clearly stated.

(c) Independence - The Auditor General needs the freedom to do his work and to report his findings directly to the Legislature without interference from other arms of government. Additionally, those being audited should have no influence on the choice of who or what gets audited. The Auditor General also needs the freedom to determine what shall be reported.

(d) Adequate funding, facilities and staff - The Office of the Auditor-General needs to be adequately funded, equipped and provided with facilities. The Auditor General should have the mandate to recruit his own staff and they should be adequately remunerated. Opportunities for further improvement in skills and expertise should be provided.

(e) Sharing of knowledge and experience - International cross fertilization of ideas, knowledge and experience improves audits, harmonizes standards, promotes best practices and generally helps Supreme Audit Institutions to fulfill their mandate.

(f) Adherence to international and local standards - Audits assume the character of effectiveness when audit institutions stick to professional auditing standards such as those published by the International Organizations of Supreme Audit Institutions (INTOSAI) and local audit standards published jointly by the Office of the Auditor General of the federation in conjunction with state Auditors-General.

Buang (2006) stated that the National Audit Department of Malaysia (NAD) contributes effectively in ensuring better accountability through some ways as follows:

- To fulfill the current needs, the National Audit Department needs to give emphasis and report on measurement of results achieved against targets set. This is done by carrying out more rigorously performance audit and in doing so, the national audit department needs to enhance its capacity building program in terms of human capital development, organizational structure and infrastructure.
- The National Audit department realized the increasing expectation from all parties and it has taken some initiatives to enhance professionalism through its capacity building program.

- The National Audit department needs to adopt a participative or collaborative approach of auditing involving close consultation with auditees and thus creating a good auditor-auditee rapport. This relationship should not however jeopardize the independence and the objectivity of the audit. The auditors need to exploit this relationship and harness a higher degree of insight, oversight and foresight in implementation and developing their audit findings and conclusions.
- Establishing government accountability is the direct impact of audit report to third parties such as the media, NGOs, the parliamentarians, central authorities and the public. These groupings lately are becoming more vocal in raising issues on government financial management and performance. Some even play the role of “whistleblowers” by furnishing information to the National Audit department for investigation. They are now keeping abreast and better informed on the issues raised in the Audit Report.
- Better government accountability could be achieved through adherence to high moral values by all parties in the accountability chain.

Moser (2006) wrote that the principle of accountability of decision-makers, especially in government, is an element which is particularly significant for Supreme Audit Institutions within the framework of their tasks. Accountability is best reflected in the powers of Supreme Audit Institutions laid down in the Lima Declaration, namely the power of investigation (e.g. the right of access to all records), the enforcement of Supreme Audit Institutions findings (in a

way that the necessary measures are taken by the responsible authority) and the right of the Supreme Audit Institutions to provide expert opinions for the legislative and the administration. The accelerating pace of globalisation in the 21st century prompted dynamic transformations of the state and society at large, but also of government audit. Supreme Audit Institutions are hence called upon continuously to re-adjust their functioning to a changing environment to be able effectively to perform their constitutional tasks in the years to come. Supreme Audit Institutions no longer limit themselves merely to fault finding, but become advisers to policy-makers and administrators in parliament or government, aiming to prevent dissipation, misuse and corruption, and to contribute in a forward-looking manner to sound and transparent financial management in their countries to the ultimate benefit of the citizens. However, Supreme Audit Institutions face two challenges: (1) Reforms in public administration resulting from a changed perception of the role of the state; and (2) The increasingly international implications of government audit issues.

Buchanan (2006) mentioned that in a number of different jurisdictions, Auditor-Generals have emerged as highly effective champions of public accountability, standing up for values such as transparency, probity and good governance. They have become central figures in the new, more pluralist version of public accountability, which seeks to supplement the traditional chain of ministerial accountability with alternative channels of accountability. He stated that the Supreme Audit Institutions can fit to the system of public accountability by fulfilling some factors such as (1) Roles and status of

auditor general should be stated in the constitution; (2) Parliament must take strong actions on the audit reports which are sent to parliament through the cooperation with the auditor general; (3) The audit law should be strong enough to implement audit works without restraint from audited entities and any government's bodies; (4) The auditor General's reporting role should be extended and strengthened to the parliament and all stakeholders; (5) The variety of audit works conducted by the supreme audit institutions should be considered to many government bodies with many types of audits such as financial statement audit, performance audit, investigation audit, IT audit and so on; (6) The publication of audit reports must be made to all ordinary people to be aware of government's operations.

Borge (2006) highlighted the importance of the role of the Supreme Audit Institutions which plays in communicating corruption risks and cases of corrupt practice where these have been identified. This role includes raising public awareness of the importance of transparency and accountability by producing timely and relevant audit reports which are available to the public. Borge also found that many Supreme Audit Institutions have established links with the press to publicly disclose cases of fraud and corruption to improve public accountability.

Kaul (2007) examined the role of Comptroller and Auditor General of India in improving accountability of local government. The research stated that the issue of accountability in the larger perspective involves political, administrative as well as financial accountability. This paper however

discusses the issues related to improving financial accountability with focus on Comptroller and Auditor General of India (CAG)'s initiatives in improving the accounting and auditing arrangements at the grassroots level. The financial accountability involves accountability for whether the money and other resources have been utilized according to the legal requirements and the efficiency in utilization of resources. The most important factor in securing financial accountability is the preparation and publication of account statements. The financial statements should be prepared in time and audited professionally to provide assurance to the stakeholders that the public funds have been spent judiciously as per law. It is generally agreed that as wide publicity as practicable should be given to the accounts of local bodies, and it should be published in such a form as to be intelligible to taxpayers without special knowledge of accountancy. Other factors that help improve accountability by Comptroller and Auditor General of India are: (1) to improve system of accountability within local government; (2) to provide technical support to local government with training of accounting standards and record procedures; (3) to well prepare administrative audit works and technical audit works for Comptroller and Auditor General such as audit policy, human resource, budget, dissemination, research management, audit reports and networking with stakeholders.

Evans (2008) wrote about the Role of Supreme Audit Institutions in Combating Corruptions. He examined that the Supreme Audit Institutions (SAIs) oversee the management of public finances and operate within one of three established institutional models (Westminster, Judicial or Board).

Traditionally, the role of Supreme Audit Institutions has been seen as promoting public sector transparency and accountability within a wider climate of good governance. It is important to note that some Supreme Audit Institutions have taken a more active role in combating corruption. Successful approaches include identifying and publicizing areas of corruption risk, working closely with other institutions, and publicizing the recommendations of audit reports more widely.

Ramkumar and Krafchik (2008) stated in their research paper that Supreme Audit Institutions are essential institutions for ensuring that governments are held accountable for their utilization of public funds. In their case studies, they have seen how civil society organizations utilize innovative methodologies to complement and strengthen the role that external auditors play in enforcing government accountability. According to them, they conclude that Supreme Audit Institutions and civil society organizations can partner each other to improve good governance through conducting audits to get accountability. When a government is accountable, it means that it is answerable to its citizens and is therefore also responding to their needs. Audits provide citizens with concrete measures of how governments have performed against accepted standards. Civil society organizations can use the information gathered through audits to pressure governments to respond to audit recommendations and improve governance. In turn, civil society organizations, through social audits and other such processes can provide information to the Supreme Audit Institutions that can complement and augment the work of the Supreme Audit Institutions.

Dwiputrianti (2009) examined the role of the Indonesian Supreme Audit Institution in Financial Transparency and Performance Accountability. He stated that the Indonesian Supreme Audit Institution cannot become a state finances audit institution, which is independent, professional and plays an active role in improving the accountability and transparency of state finances unless it fulfills (1) to establish the Indonesian Supreme Audit Institution as an independent and professional state finance audit institution, (2) to meet the needs and expectations of stakeholders, (3) to establish the Indonesian Supreme Audit Institution as the central regulator in the field of auditing state finance management and accountability in accordance with its legal and legislative mandates, and (4) to encourage the achievement of good governance of state finance management and accountability.

Yaakob (2009) mentioned in his research that the Auditor General forms an important function in the process of national accountability and his role is wide as stated in the Constitution. The audit system that exists directly creates a relationship and a chain of accountability. In performing its functions to audit, the auditor general's roles to enhance public accountability are to (a) ensure all forms of protective means towards assets and public property, (b) maintain all accounts and records, (c) give views on the national monetary statement and government agencies, (d) inspect comprehensively all the economic methods and the level of efficacy of a particular program, and (e) report to parliament and the relevant competent authorities.

Muwanga (2011) claimed that the Supreme Audit Institution of Uganda is an effective accountability framework that helps to ensure that public funds and resources are managed in a legal, competent, effective and efficient manner and the objectives of public programs are achieved. The Supreme Audit Institution of Uganda is a crucial component of the overall accountability and governance framework. Enhancing and strengthening accountability is the central objective of the Supreme Audit Institution of Uganda's audit of public expenditure. Audit reports on the performance of the government provide opportunity to the legislators, public servants, investors, business leaders, citizen groups, media, development agencies, academicians and other stakeholders to know how public funds are spent and to assess the quality of public administration. This allows public scrutiny of Government operations and generates pressure for honest and productive public servants and facilitates an accountable system of governance necessary for efficient service delivery.

Goldsworthy (2012) wrote about improving accountability by strengthening public audit across the commonwealth nations. The research stated that across the commonwealth nations, audit offices play a vital role in improving accountability and combating waste and reporting on the extent to which public funds and resources have been used properly and effectively. For nations to prosper and for citizens to place their trust in the integrity of their governments, it is important that all commonwealth nations have strong and independent supreme audit institutions or national audit offices. These audit offices need to be staffed by well-trained professionals capable of producing

high quality audit reports; they need to be able to choose when and what they will examine; they need to be able to report freely and quickly to parliaments and to the public; and they need to be free of any taint of political patronage or loyalty. They need to be able to speak truth to power. Unfortunately, these practices are not universal across the commonwealth nations. Some audit offices lack the technical skills to audit as per modern international standards; others lack the resources to undertake regular and systematic audits of all government income and expenditure; and others lack the independence and political space to hold senior public figures to account and to place their findings before parliament, the people and the media. All too often audit offices operate in substandard working environments and without adequate technology. Skills are sometimes low, and poor wages make it difficult to retain good staff. Inadequate management styles, a lack of effective internal controls and opaque recruitment leave organizations vulnerable to corruption.

Noussi (2012) investigated the topical issue of public accountability and how it is effectively institutionalized with the case of external public auditing in global perspectives. A comparative assessment of the power of Supreme Audit Institutions world-wide has revealed that there are strong differences across countries. He suggested five main strategies for a comprehensive approach to consolidate supreme audit institutions as powerful accountability arrangements that endure: (1) Analyze the problem correctly; (2) Invest in capacity building; (3) Empower the Supreme Audit Institutions' leadership; (4)

Build up coordinated pressure from all sides; and (5) Nurture and spread a culture of integrity.

ASEANSAI's Joint Communiqué (2014) stated that role of supreme audit institution to support and improve public accountability is to strengthen legal framework for independency and audit functions by conducting financial, compliance and performance audits to ensure proper use of resources of government entities; report and publish the audit reports as well as monitor the follow up actions taken by audited entities. The ASEANSAI Joint Communiqué also stated that the supreme audit institutions must enhance audit quality in compliance with international standards of Supreme Audit Institutions (ISSAIs), cooperate closely with the investigation agencies in combating corruption, actively collaborate with regional and international organization and exercising new approach in enhancing audit process such as IT-aided audit system.

Baimyrzaeva and Kose (2014) researched on the Role of Supreme Audit Institutions in Improving Citizen Participation in Governance. He wrote that Supreme Audit Institutions (SAIs) are in charge of checking whether public funds are being used for intended purposes efficiently, effectively, and economically in compliance with existing rules and regulations. Reliable and objective reporting is critical for SAIs to ensure accountability and transparency in public management. Such good quality reporting depends on whether the Supreme Audit Institutions are independent and insulated from those who they audit; whether their audit methods are based on scientific and technical

standards; and whether the auditors have the necessary professional qualifications and moral integrity. However, the image of the Supreme Audit Institutions has been changing around the world in light of the broader transformations in government's roles, SAI practices, and increased public participation in governance.

Odia (2014) wrote paper on Performance Auditing and Public Sector Accountability in Nigeria. The paper examined that the Supreme Audit Institutions are usually not stand-alone institute; they are part of a public financial management (PFM) architecture like budgeting, accounting, internal control and legislature oversight and government must respond in improving the way the Supreme Audit Institutions functions. They are integral to providing information for improving the overall public financial management system. The Supreme Audit Institutions are the national body responsible for sanitizing public expenditure and providing an independent opinion on how the executive has used public resources. The Supreme Audit Institutions play an important role in strengthening accountability and good governance by helping various governments to improve performance, enhance transparency, ensure accountability, fight corruption, promote public trust and foster the efficient and effective receipt and use of public resources for their citizenry. They are watchmen of transparency and accountability, promoting good governance in developing countries. Nevertheless their operations have met with some resistance in some countries. He also suggested that the strengthening of the legislature oversight and institutional capacity building of the Supreme Audit Institutions such as independence, internal governance,

work quality and more emphasis on performance audit or value for money audit, would promote foster public accountability in Nigeria. There is also need for best international auditing practices to be enshrined, overhauling of the accounting, auditing and legal framework in the country and legislation to mandate performance auditing by the Supreme Audit Institutions in Nigeria.

Thus, there is no doubt that the role of Supreme Audit Institutions in the public sector has significantly enhanced the assurance of government's accountability in managing and using public funds and other public resources for providing better benefits and services to the public. The roles of Supreme Audit Institutions can be made better by having sufficiency in quality of human resources, publication of audit reports, access to all government's information, active roles of parliament on audit reports, implementation of audit recommendation and so on. In this context, the study on the role of the National Audit Authority of Cambodia has been undertaken to know the detail roles played by it in public accountability and provide recommendations for improving the performance of the National Audit Authority in fulfilling its tasks in public accountability.



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CHAPTER III

FUNCTIONS OF FINANCIAL CONTROL BODIES IN CAMBODIA

In Cambodia, there are different bodies playing quite similar roles in controlling and inspecting the revenues and expenditures of the country such as Inspectorate General of the Ministry of Economy and Finance, the Ministry of National Assembly and Senate Relationship and Inspection, Internal Audit Units, Anti-Corruption Unit and the National Audit Authority of Cambodia. The organization structures, roles and functions of these financial control bodies with special emphasis on the National Audit Authority of Cambodia are discussed in the present chapter.

3.1 Inspectorate General of the Ministry of Economy and Finance

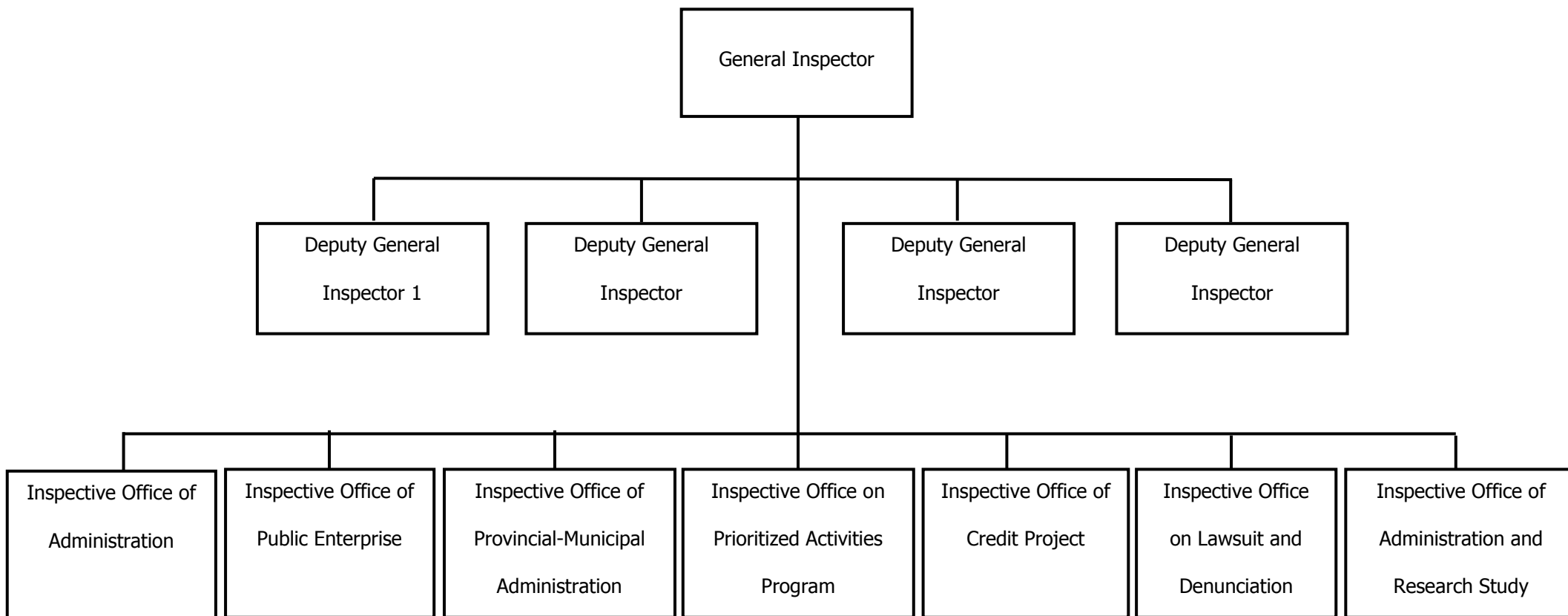
Inspectorate General is the unit under the Ministry of Economy and Finance, which has duties to inspect, control, monitor, investigate, evaluate and to analyze all activities on management of national revenues and expenditure of all public institutions.

The inspectorate general has 85 staff, and has seven subordinate offices as follows:

1. Inspection office of central units
2. Inspection office of municipal-provincials
3. Inspection office of public enterprises
4. Inspection office of credit projects

5. Inspection office of prioritized activity programs
6. Inspection office of lawsuit and denunciation
7. Inspection office of administration and research study
(www.mef.gov.kh, 09.5.2012).

Figure 3.1: Organization Chart of Inspectorate General of the Ministry of Economy and Finance



3.2 Ministry of National Assembly and Senate Relationship and Inspection

The Ministry of National Assembly-Senate Relations and Inspection of the Royal government of Cambodia manages all facilitation works and communicates with National Assembly and Senate and inspects all sectors in the Kingdom of Cambodia in order to fight corruption, irregularities and other inaction problems.

The organization of the Ministry of National Assembly-Senate Relations and Inspection (Figure 3.2) is as follows:

- General Department of National Assembly and Senate Relation
- General Department of Inspection
- General Department of General Administration Works

General Department of National Assembly and Senate Relation has its duty as the assistant to the ministry for coordinating and managing works on laws, law education, law dissemination and works relating to the government and National Assembly and Senate. This general department is led by one director general and some deputy director generals and has three departments for supporting works such as: (1) Legal Department, (2) Department of Government and National Assembly and Senate Relation, (3) Department of Law Education and Dissemination.

General Department of Inspection has its duty as the assistant to the ministry on the works as:

- Managing inspection works such as preparation of plan, schedule, and assigning the implementation of all domains relating inspection works in accordance with procedures and real circumstance.
- Inviting civil servants or involved persons to answer with the right delegation from the minister to ask information, to provide documents and to cooperate in inspection works.
- Reporting on the inspection works stating the individuals' actions or relevant institutions, and making conclusion and suggestion to the minister to ask for approval and submit to the government or making decision.

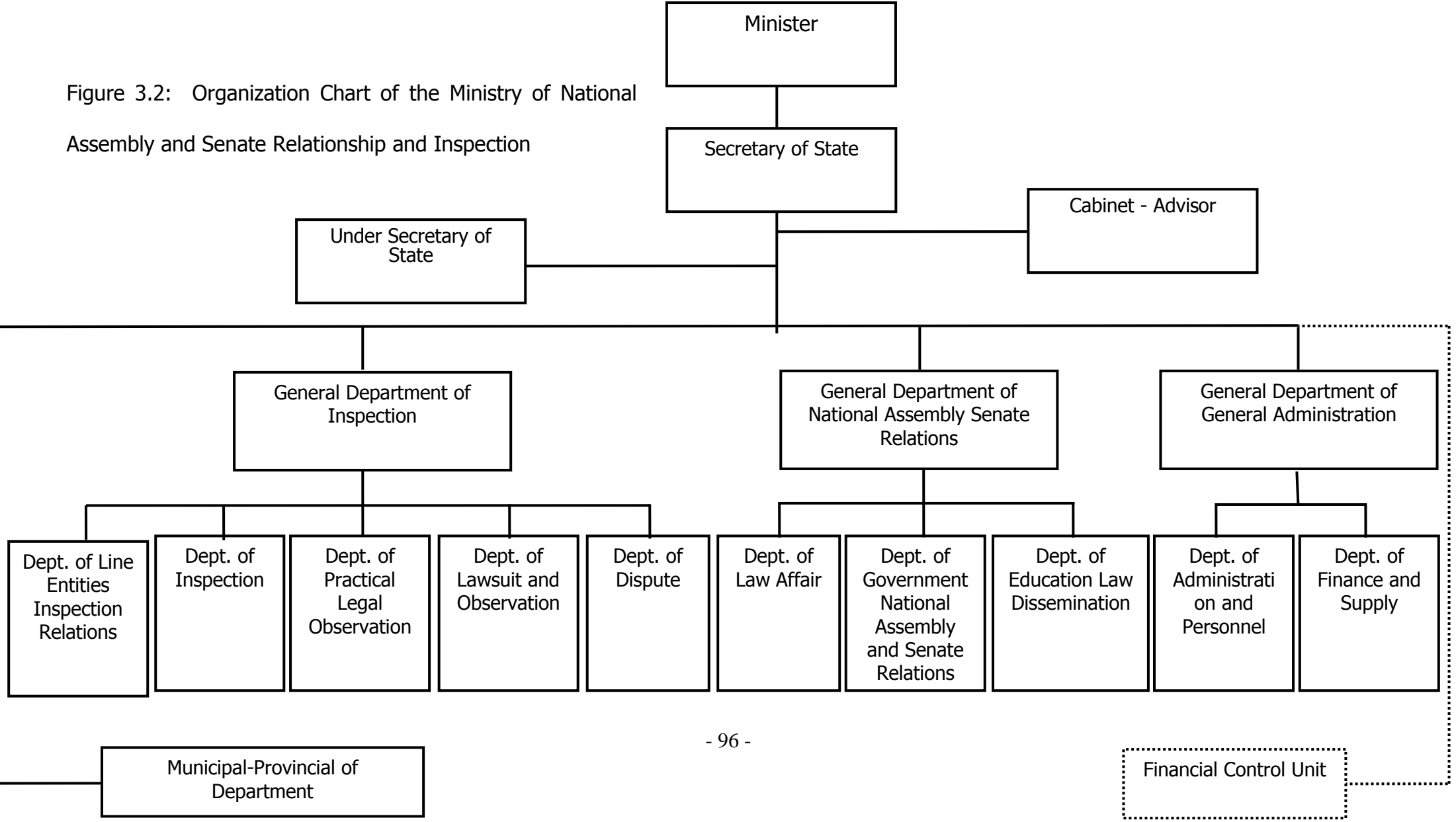
This general department of inspection is led by one director general and some deputy director generals and has five departments for supporting works such as: (1) Department of Relationship with Ministry Inspection Units, (2) Department of Inspection, (3) Department of Observing Law Enforcement, (4) Department of Complaint Collection and Investigation, (5) Department of Contestation.

General Department of General Administration Works as the assistant to the ministry for coordinating and managing administrative works, personnel, accounting, finance, statistics, equipment, and inventory of the ministry, and reporting all works of the ministry. This general department is led by one director general and some deputy directors generals and has three departments for supporting works such as: (1) Department of Personnel and

Administration, (2) Department of Finance and Supply, (3) Provincial and City Unit.

The Ministry of National Assembly-Senate Relations and Inspection has total staff of 527, and is led by a Deputy Prime Minister, who is assisted by Secretaries of State and Under-Secretaries of State (www.monasri.gov.kh, 19.06.2012).

Figure 3.2: Organization Chart of the Ministry of National Assembly and Senate Relationship and Inspection

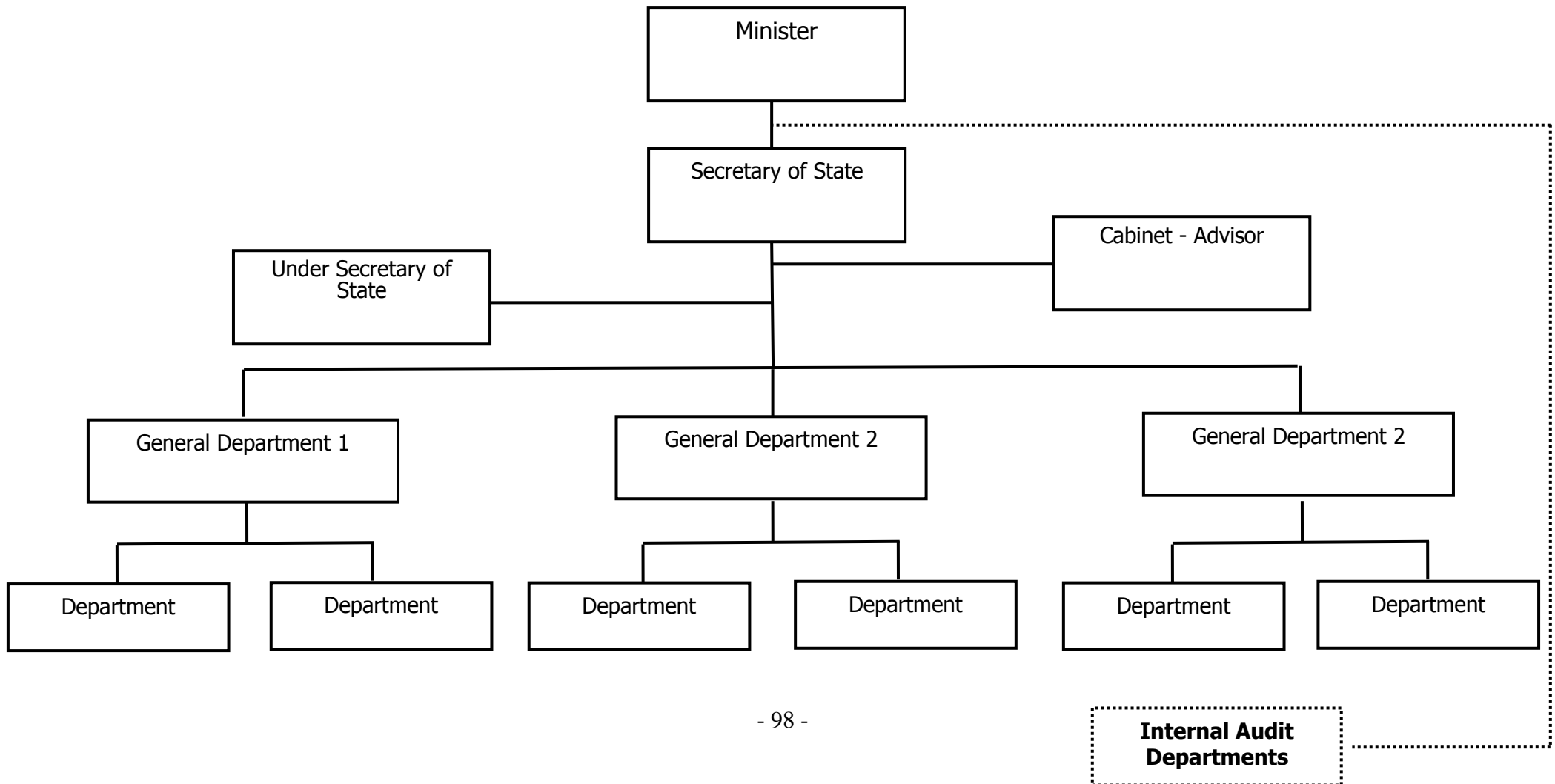


3.3 Internal Audit Departments

The Internal Audit profession in Cambodia has been recently developed for both private and public sectors.

Internal Audit Departments have been established within each ministry and state enterprises of the public sector. The Internal Audit Departments report to their heads of ministries, institutions and public enterprises and submit its report and conclusion of each audit assignment to the National Audit Authority. The departments at institutions, ministries and public enterprises are responsible for performing an independent duty in relation to operation of work and evaluate activities of entities as well as to assist heads of institutions, ministries and board of council of public enterprise. The internal audit aims at helping each department of institutions, ministries and public enterprises to effectively perform its responsibility.

Figure 3.3 : Organization Structure of Internal Audit Departments



The main objective of internal audit is to provide institutions, ministries and public enterprises analysis, evaluation, recommendation, opinion and information related to audited and reviewed activities. The scope of internal audit is as follows:

- 1- Review the function, operating activities and programs of each department during the official term of the management in implementing, directing and monitoring the action plan based on the policy and working principles of entities.
- 2- Determine an appropriateness and adequacy of the internal control system in respect of administration, accounting and operation of the entity.
- 3- Review the reliability, relevant and integrity of financial and operating data as well as the method used in identifying and reporting data.
- 4- Review the existing system to ensure compliance with the relevant policies, and plan legal procedures and others regulations on operating and reporting. In case when the institutions, ministries and public enterprises fail to implement according to above mentioned points, it is necessary for change and improvement.
- 5- Review the control, safeguard and verification of the existing property.
- 6- Evaluate the economy and efficiency of the resources use and recommend the actions need for improvement.

- 7- Review the implementation of the work plan and the actual expenditure, and compare the actual result with the set out plan and objective.
- 8- Participate in the planning, developing, implementing and operating the major computer-based system to determine whether:
 - a) the users' requirements are clearly identified;
 - b) adequate controls are incorporated in the systems;
 - c) thorough systems checking is performed at appropriate stages; and
 - d) documentation system is complete and accurate.
- 9- Conduct periodic audits of data processing and make post-installation evaluations of major data processing systems to determine whether these systems meet their intended purposes and objectives.
- 10-Review the procedure and implementation to ensure the measures that have been taken in order to prevent the fraud. If any fraudulence, the internal audit system may be found on time.
- 11-Review the performance and attitude of the staff in compliance with the code of conduct and working principles of government.
- 12-Coordinate the internal audit work with the National Audit Authority of Cambodia to ensure the adequacy of scope of work so as to avoid duplication.

13-Report to the chief of institutions, ministries and public enterprises and to the NAAC as to whether:

- a) appropriate action has been taken on significant audit findings;
- b) audit activities have been directed towards highest exposures to risk and towards increasing efficiency, economy, and effectiveness of operations;
- c) Coordinate the internal audit work with the National Audit Authority (NAAC) to ensure the adequacy of scope of work so as to avoid duplication. In the case of doubt, the NAAC is able to re-perform the audit.
- d) internal audit plans are adequate;
- e) restriction on access to any data/information and record.

14-The annual internal audit plan is submitted to management of institutions, ministries and public enterprises for review and approval.

15-Evaluate the appropriateness of actions taken by the management on the audit findings and discuss whether it is acceptable.

16-Provide adequate follow-up to ensure corrective action is taken and evaluate its effectiveness.

17-The Chief of Internal Audit Department reports directly to the management of institutions, ministries and public enterprises.

18-The report and conclusion drawing from the audit are submitted to respective departments of institutions, ministries and public enterprises who are responsible for amending the recommendation.

19-To carry out others tasks assigned by the institutions, ministries and public enterprises.

The internal audit has its professional standard of internal audit and code of ethics to conduct works.

3.4 Anti-Corruption Unit

The Anti-Corruption Unit was created in 2010 according to the law on anti-corruption. It has a purpose of promoting effectiveness of all forms of service and strengthening good governance and rule of law in leadership and state governance as well as maintaining integrity and justice fundamental for social development and poverty reduction. Also, this body has an objective to combat corruption through education, prevention, and law enforcement on corrupt practices with public participation and support and international cooperation.

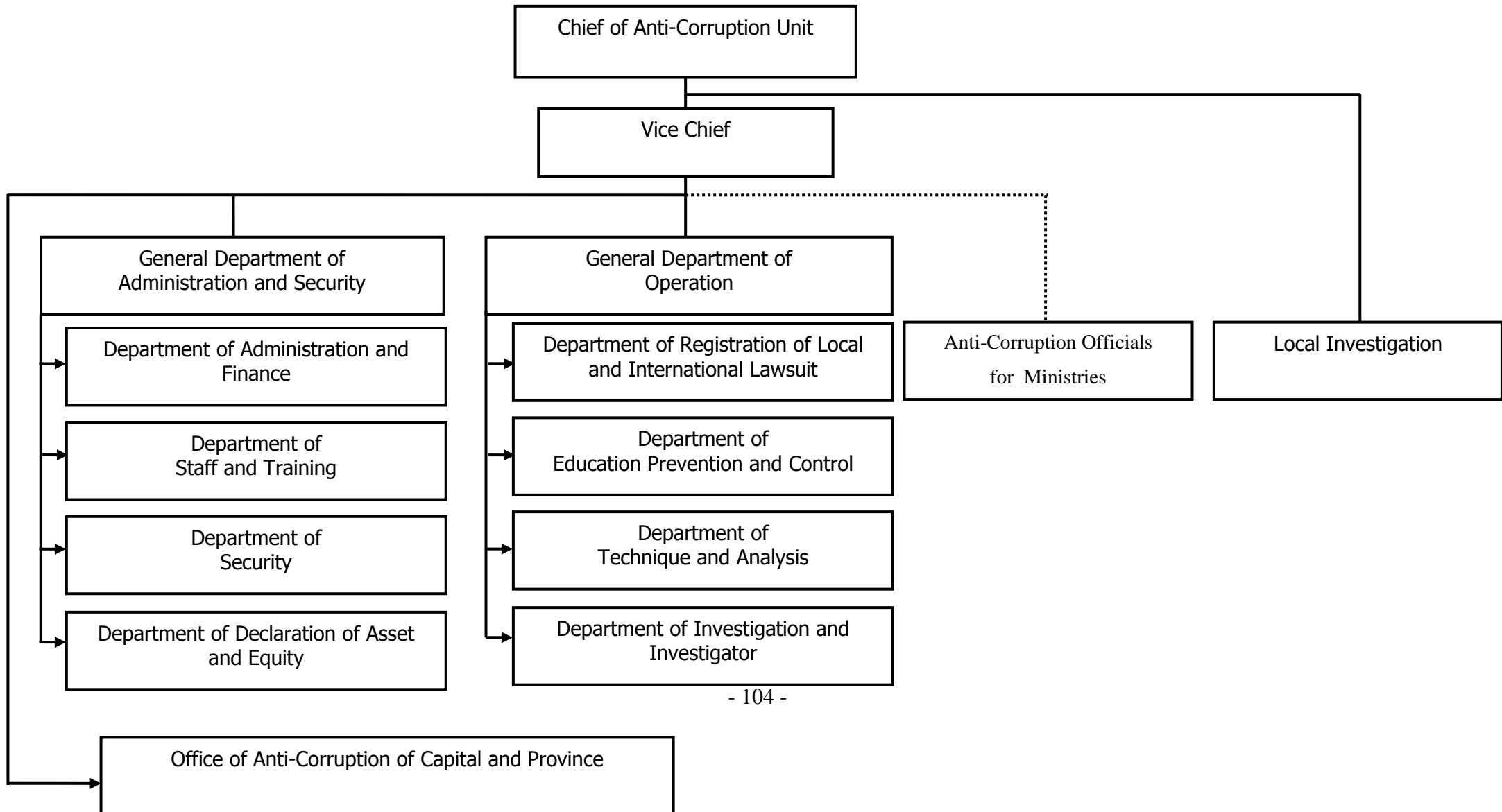
The Anti-Corruption Unit comprises of National Anti-Corruption Council. The National Anti-Corruption Council is created to provide guidance and recommendation on the anti-corruption work. It is comprised of 11 members as follows:

1. One dignitary appointed by His Majesty the King

2. One dignitary selected by the Senate through absolute majority of votes of the whole Senate
3. One dignitary selected by the National Assembly through absolute majority of votes of the whole National Assembly
4. One dignitary selected by the Royal Government
5. One dignitary selected by or from the National Audit Authority of Cambodia
6. One dignitary selected by or from the Ministry of National Assembly-Senate Relations and Inspection
7. One dignitary selected by or from the Council of Magistracy
8. One dignitary selected by or from the Council for legal and judicial reform
9. One dignitary selected by or from the Supreme Council of Magistracy
10. One dignitary selected by Cambodia Human Rights Committee
11. Chair of the Anti-Corruption Unit.

All Members of the National Anti-Corruption Council are appointed by Royal Decree for a five-year term. This term may be extended.

Figure 3.4: Organization Structure of Anti-Corruption Unit



The National Anti-Corruption Council performs duties as follows:

- Develop strategies and policies for fighting corruption
- Provide consultation and recommendation to Anti-Corruption Unit regarding anti-corruption work.
- Oversee the operation of the Anti-Corruption Unit.
- Ask the Anti-Corruption Unit for report and clarification
- Report to Prime Minister on the operation of Anti-Corruption Unit
- Report semi-annually and annually to Prime Minister
- Develop and adopt internal regulations for performing its own work.

The Anti-Corruption Unit independently undertakes its duties, and is led by one chairperson with the rank of senior minister, and a number of vice-chairpersons with the rank of minister as his assistants. The chairman and vice-chairman are appointed by the Royal Decree at the request of the Prime Minister.

The Anti-Corruption Unit had around 220 staff in 2012, and consisted of two directorate generals, namely, directorate generals of security and administration and directorate general of operations (www.acu.gov.kh, 06.05.2012). It performs the following duties:

- Implement laws, orders and regulations related to corruption.

- Develop anti-corruption action plan in accordance with the strategies and policy of the National Anti-Corruption Council.
- Direct the work of preventing and combating corruption.
- Monitor, investigate, check, and do research as well as propose measures related to corrupt practices in ministries, institutions, public and private units, in conformity with the procedures in force.
- Receive and review all complaints on corruption and take action accordingly.
- Search, review and compile the documents and information related to corruption.
- Keep absolute confidentiality of corruption-related information sources.
- Take necessary measures to keep the corruption whistle blowers secured.
- Manage the system of assets declaration and debt as stipulated in this law.
- Conduct mass education and awareness with regard to the negative impact of corruption and encourage public participation in preventing and combating corruption.
- Prepare and propose annual budget for the National Anti-Corruption Council and for Anti-Corruption Unit.

- Answer verbally or in writing the questions raised by members of National Anti-Corruption Council or members of National Assembly.
- Provide work services to the National Anti-Corruption Council.
- Make appointment, transfer, supervision or propose appointment or transfer of officials under Anti-Corruption Unit.
- Cooperate with national, regional and international organizations in order to combat cross-border corruption.
- Report all activities of Anti-Corruption Unit to the National Anti-Corruption Council.
- Empower to warn suspects who initially fails to obey the laws and regulations in force in order to prevent corruption.

3.5 The National Audit Authority of Cambodia (NAAC)

The National Audit Authority of Cambodia was established in 2000 according to the Law on audit of the Kingdom of Cambodia, which was approved by the National Assembly of the Kingdom of Cambodia on January 12, 2000 at its third session of the second legislature in 2000.

The National Audit Authority is an independent institution on its operation, and is responsible for executing the external auditing function of the Government. External auditing of the government is an examination or review of the accounting records, systems, operations and controls of government

institutions, in accordance with generally accepted auditing standards and government auditing standards in order to ensure that:

- (a) the financial and economic activities are fairly presented in statements and reports;
- (b) such activities are performed in accordance with generally accepted accounting principles;
- (c) the controls, procedures and practices are adequate to assure compliance with laws, regulations, agreements, systems, contracts, programs and other criteria related to revenues, expenditures and application of government resources.

The Auditor-General is empowered to conduct an audit of transactions, accounts, systems, controls, operations and programs of government institutions, in accordance with generally accepted auditing standards and Government auditing standards.

The institutions that are subject to be audited by the National Audit Authority are ministries, agencies, authorities of national treasury, and public financial institutions and public financial joint-ventures, public enterprises, public establishments, municipalities, provincial and local government offices, contractors or suppliers of goods and services to the government under contracts, and other organizations that have received financial assistance from the government for their equity and loans, including tax and duty

exemptions and concessions granted by the government to non-profit organizations and private investment enterprises.

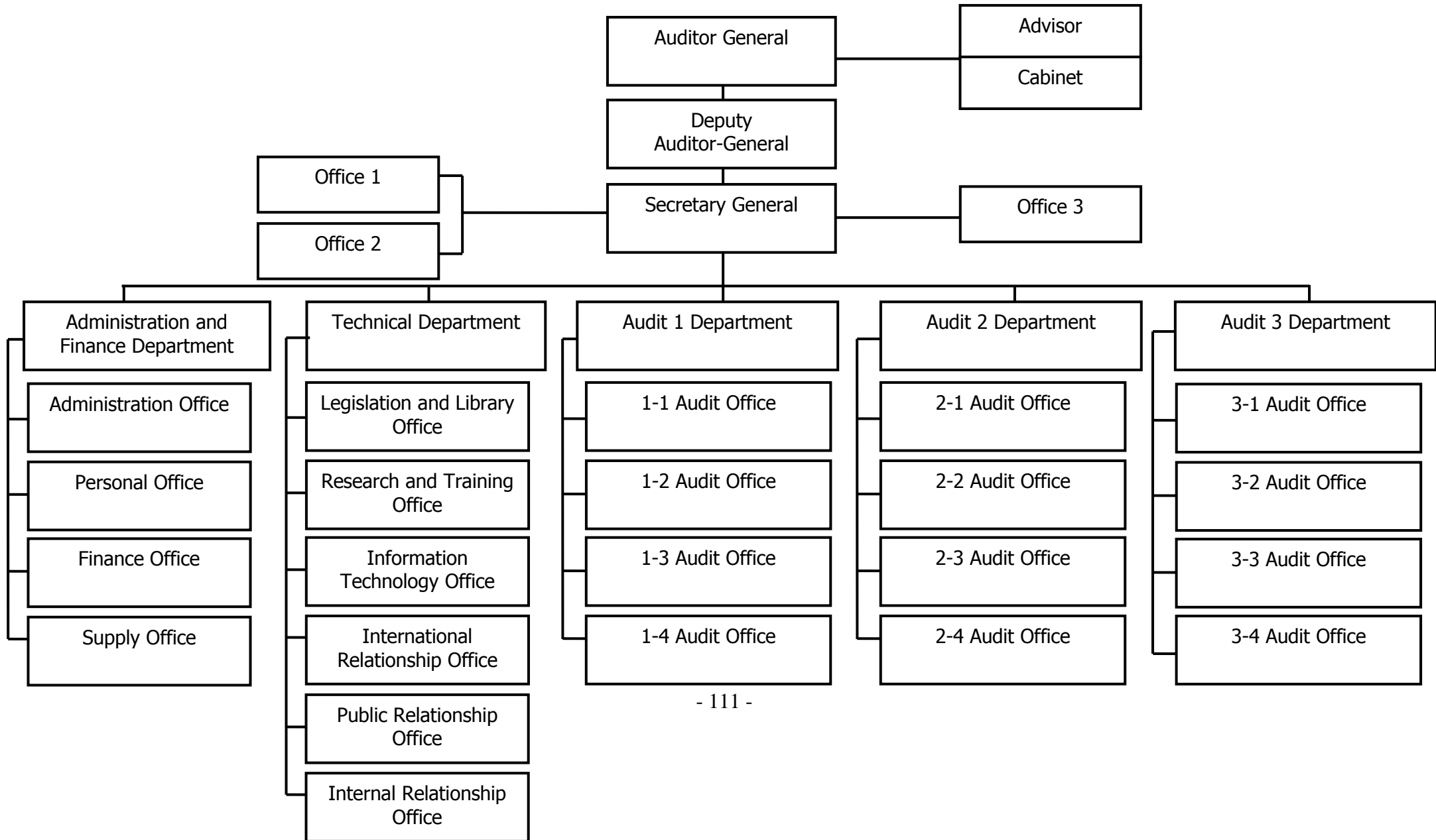
The National Audit Authority of Cambodia undertakes the following types of audits:

- (a) Financial statement audits;
- (b) Externally funded loans and project administration audits;
- (c) Audits of ministerial/institution systems and operations;
- (d) Evaluation, procurement and performance audits;
- (e) Audits of non-profit organizations, associations, political parties, private investment enterprises as stipulated in Article 2 of this Law;
- (f) Special request audits.

The National Audit Authority of Cambodia is an independent, public entity and reports directly to the National Assembly, Senate and to the government for information. The National Audit Authority of Cambodia is governed by one Auditor-General who is assisted by two Deputy Auditor-Generals. In order to accomplish its mission and enforce the audit law, the National Audit Authority is empowered to issue decisions, regulations, circulars, and other instructions. The staffs of the National Audit Authority have their own separate statute. The National Audit Authority has its own separate budget provided by the National Budget. The revenues and expenditures of the National Audit Authority are subject to the Law on Financial System. The Auditor-General and two deputy auditor-generals are appointed by a Royal Decree at the

recommendation of the Government and approved by a two-third majority vote of all National Assembly members. The appointment of the Auditor-General and the Deputy Auditor-Generals is for a term of five years and can be re-appointed upon the expiration of the first term of office for another five-years term with no further reappointment after the second term. In case of death, resignation, disability, gross mistake of the Auditor-General or the Deputy Auditor-Generals, the new Auditor-General and Deputy Auditor-Generals are appointed for such vacancy under the provisions of this law. The Auditor-General has a rank and privilege equivalent to that of a Senior Minister and the Deputy Auditor-Generals has a rank equivalent to that of a Minister.

Figure 3.5: Organization Structure of the National Audit Authority of Cambodia



The candidates for an appointment to be Auditor-General and Deputy Auditor-General must be dignitaries who have:

- Cambodian nationality at birth;
- At least forty (40) years of age;
- Degree of higher education or equivalent degree on accounting or economics or finance or law or commerce with a proper certification;
- Professional or working experience at least ten years; and
- No position in the governing body of any political party.

The Auditor-General serves as the chief executive officer of the National Audit Authority and is responsible for the execution of its policy, direction and objectives and has an authority to act on all matters that are stipulated in this Law. The Auditor-General appoints, replaces and applies sanctions to the civil servants and staff of the National Audit Authority and determines their salaries, fringe benefits, allowance and bonus.

The government submits the documents of settlement of annual budget to the National Assembly and Senate for their examination and approval, and at the same time the government also submits these statements to the National Audit Authority for auditing. The National Audit Authority certifies these statements and report to the National Assembly and the Senate. If the government fails to submit the statements of settlement budget to the National Audit Authority within a period of nine months after the close of the

financial year, the Auditor-General reports such failure to the National Assembly and Senate.

At the same time, to achieve the audit outcomes, the National Audit Authority has determined the vision as "Helping Manage Public Resources wisely and promoting Public Sector Accountability through Reliable and Timely Quality Audit."

To realize the above vision, the National Audit Authority's (NAA's) Strategic Development Plan for 2007-2011 was developed. It strengthened NAA's efforts to become an effective Supreme Audit Institution.

The National Audit Authority sets out four main objectives, which are as below:

1. To define and standardize the methodology, auditing practices, standards, procedures, reporting tools of audit results and risk management model;
2. To strengthen and build capacity of auditors to professional level and be recognized by the professional auditing bodies in the region, in particular, and in the international context;
3. To enhance performance and productivity of the public sector entities to achieve common goals of effectiveness and efficiency of operations; and
4. To promote awareness of the NAA's roles and responsibilities concerning advancement of accountability, transparency and

governance to stakeholders and to strengthen cooperation with audited entities (National Audit Authority of Cambodia, Strategic Development Plan 2007-2011).

Also, the National Audit Authority has set the organizational chart by the Decision No. 003/01 NAA/SSR dated November 28th, 2001 and amended by the Decision No. 020/05 NAA/SSR dated December 09th, 2005.

The National Audit Authority led by an Auditor General and two Deputy Auditor Generals, has a secretariat general, five under supervision departments and some offices as mentioned below:

1. Administration and Finance Department
2. Technical Department
3. Audit Department I
4. Audit Department II
5. Audit Department III

Secretariat General

The Secretariat General is led by a Secretary-General who is assisted by Deputy Secretary-Generals. Secretary-General and Deputy Secretary-Generals are selected among qualified candidates who hold the certified Bachelor degree or upper, or an equivalent degree in the major of Accounting or Economics or Law or Administration or Commerce and have professional working experiences of not less than 10 years.

The Secretary-General and Deputy Secretary-Generals are appointed by the Royal Decree upon the requests of the Auditor-General. Secretary-General has a rank equivalent to that of Secretary of State. Deputy Secretary-General has a rank equivalent to that of Under Secretary of State.

There are three offices under-controlled by the Secretariat General:

- Office 1
- Office 2
- Office 3

The tasks of each office are assigned by the Secretary-General.

Administration and Finance Department

Administration and Finance Department is responsible for facilitating administrative affairs, personnel, protocols, security, budget, and supplies.

This department consists of four offices:

1. Administration Office is responsible for:

- Communicating and coordinating all levels and sections of activities under control of NAAC;
- Managing and circulating administrative documents of NAAC;
- Ensuring timely effective and safety administration;
- Managing protocols affairs and organizing national and international ceremonies of NAAC;
- Maintaining the safety, keeping orders, and securing the internal and external NAAC's premise; and

- Summarizing and preparing report on activities of NAA.
2. Personnel Office is responsible for:
- Monitoring officers and staffs of NAAC;
 - Organizing and managing the implementation of all legal letters for specialized management;
 - Organizing roles, specialized positions, and human resources of NAAC;
 - Participating in the evaluation of the training needed for officers and staffs of NAAC;
 - Preparing and managing statistics on officers and staffs data and their performance score table;
 - Raising proposals to appoint, change tasks, promote and demote ranks of officers and staffs of NAAC;
 - Preparing affairs of payroll, frameworks, wages, family allowance, and social policy for officers and staffs of NAAC;
 - Reviewing proposals of annual leave, medical check leave, and other holiday leaves;
 - Reviewing all missions of NAA's officers and staffs;
 - Preparing policies of honorable appreciation, punishment, blaming or warning to NAAC's officers and staffs, in compliance with the special statute of NAAC's officers; and
 - Managing and maintaining the personnel documents of NAAC.

3. Finance Office is responsible for:

- Proposing the annual budget expenditures, establishing monthly revenue-expense program and making final report on annual budget settlement revenue-expense; and
- Keeping list of notes and material accounting.

4. Supply Office is responsible for:

- Managing movable and immovable properties, and stock of supplies; preparing inventory list; and managing the supply, usage, and repairing equipment of NAAC;
- Technical monitoring and conducting public procurement of NAAC; and centralizing the needs, making expenditures program, and distributing fuel and spare parts in order to fulfill requirements of NAAC.

The administration and finance department raises proposals concerning its duties to Secretary-General for review and comment in order to get decision from the Auditor-General. Further, the department implements other tasks assigned by the Auditor-General. The department is led by a director who is assisted by deputy directors.

Technical Department

Technical Department is led by a director who is assisted by deputy directors. The Department is in charge of implementing the tasks related to legislation, library, information technology, researching, and training for serving the audit works.

This department has six offices:

1. Legislation and Library Office is responsible for:
 - Studying and researching articles, documents and laws of all sectors;
 - Preparing the draft of legal documents;
 - Cooperating with related departments for perfectly understanding laws and legal documents;
 - Following up and promoting laws and legal documents dissemination to departments under control of NAAC; and
 - Managing library.
2. Researching and Training Office is responsible for:
 - Organizing workshops of NAAC;
 - Preparing training programs of all specialized audit works for officers and staffs of NAA; and researching and informing the progress of finance and audit sectors to officers and staffs of NAAC.
3. Information Technology Office is responsible for:
 - Training officers and staffs on the information technologies that serve the audit works;
 - Creating, implementing, and controlling strategies of auditing on data processing through IT system; and
 - Managing IT policies in NAAC.
4. International relation office is responsible for:
 - Communicating with International Organization of Supreme Audit Institutions (INTOSAI), Asian Organization of Supreme Audit

Institutions (ASOSAI), Supreme Audit Institutions of other countries, development partners, and other International Organizations;

- Preparing and following up the implementation of agreements and memorandum of understandings between other supreme audit institutions, development partners and the National Audit Authority;
- Studying and following up works and decisions of International Organization of Supreme Audit Institutions (INTOSAI) and Asian Organization of Supreme Audit Institutions (ASOSAI);
- Examining and following up situations and evolutions of international events relating to Supreme Audit Institutions;
- Facilitating for both visiting delegations inside country and overseas; and
- Cooperating to prepare International meeting and workshops.

5. Public relation office is responsible for:

- Communicating with the committee for economy, finance, bank and audit and other professional committee of the National Assembly and Senate;
- Communicating and cooperating with internal audit of institutions, ministries and state owned enterprises; and
- Disseminating on media system on the roles, tasks, implementation and work results of the National Audit Authority to the audited entities and the public.

6. Internal relation office is responsible for:

- Being secretary for the commission on audit quality assurance;
- Being secretary for working group on public reports;
- Participating in the preparation, monitoring and summary of the implementation of the National Audit Authority's Strategic Plan; and
- Facilitating to all technical working group.

This department raises proposals for conducting the audits and of specialized tasks to Secretary-General for review, and then submits to the responsible Deputy Auditor- General for review and comment in order to get decision from the Auditor-General. Also, the department implements other tasks that are assigned by the Auditor-General.

Audit Department I

Audit Department I is responsible for auditing on the draft Law on General State Budget Settlement of the annual year and auditing on ministries-institutions. This department raises proposals of specialized tasks to Secretary-General for review, and then submits to the responsible Deputy Auditor-General for review and comment in order to get decision from the Auditor-General. The department implements other tasks that are assigned by the Auditor-General. Audit Department I is led by a Director who is assisted by Deputy Directors.

The department has four offices and each office is responsible for ministries-institutions as follows:

- A) Audit Office 1-1 is responsible for auditing on:
- Draft Law on General State Budget Settlement for Annual Year
 - Office of the Council of Ministers
 - Ministry of Economy and Finance
 - Ministry of Justice
 - Ministry of Culture and Fine Arts
 - Ministry of Parliamentary Affairs and Inspection
 - Secretariat of Public Service
 - Cambodia Development Council
 - National Election Committee
- B) Audit Office 1-2 is responsible for auditing on:
- Senate
 - National Assembly
 - Ministry of Health
 - Ministry of Environment
 - Ministry of Information
 - Ministry of Social Affairs, Veteran, and Youth Rehabilitation
 - Ministry of Women Affairs
 - Ministry of Education, Youth, and Sports
 - Ministry of Religions and Cults
- C) Audit Office 1-3 is responsible for auditing on:
- Constitutional Council
 - Ministry of Interior

- Ministry of Industry, Mines, and Energy
- Ministry of Commerce
- Ministry of Tourism
- Ministry of Rural Development
- Ministry of Public Works and Transportation
- Ministry of Land Management, Urbanization Planning, and Construction
- State Secretariat of Civil Aviation

D) Audit Office 1-4 is responsible for auditing on:

- Ministry of Royal Palace
- Ministry of National Defense
- Ministry of Post and Telecommunication
- Ministry of Planning
- Ministry of Foreign Affairs and International Cooperation
- Ministry of Labor and Vocational Training
- Ministry of Agriculture, Forestry, and Fisheries
- Ministry of Water Resources and Meteorology

Audit Department II

Audit Department II is responsible for auditing on:

- Authorities
- National Bank
- State financial institutions
- State and private sector joint venture financial institutions
- Public enterprises

- Public establishments
- Provincial-municipal administration and local administration.

This department raises proposals of specialized tasks to Secretary-General for review, and then submits to the responsible Deputy Auditor-General for review and comment in order to get decision from the Auditor-General. The department also implements other tasks that are assigned by the Auditor-General. Audit Department II is led by a Director who is assisted by Deputy Directors.

This department has four offices and each office has tasks as follows:

A) Audit Office 2-1 is responsible for auditing on:

- Authorities
- National Bank
- Provincial-Municipal Administration and Local Administration
- Kampong Thom Province
- Kampong Cham Province
- Kratie Province
- Steung Streng Province
- Rattanakiri Province
- Mondolkiri Province

B) Audit Office 2-2 is responsible for auditing on:

- Public Enterprises
- Provincial-Municipal Administration and Local Administration

- Takeo Province
- Kampot Province
- Koh Kong Province
- Kampong Speu Province
- Kep City
- Sihanouk Ville

C) Audit Office 2-3 is responsible for auditing on:

- State Financial Institutions
- State and private sector joint-venture financial institutions
- Provincial-Municipalities Administration and Local Administration
- Phnom Penh City
- Kandal Province
- Kampong Chhnang Province
- Prey Veng Province
- Svay Rea ng P rovincee

D) Audit Office 2-4 is responsible for auditing on:

- Public Establishments
- Provincial-Municipalities Administration and Local Administration
- Siem Reap Province
- Preah Vihear Province
- Porsat Province
- Baddambong Province
- Bantay Meanchay Province

- Our Dor Meanchay Province
- Pailin City

Audit Department III

Audit Department III is responsible for auditing on:

- Agencies, contractors, and goods and services suppliers to the Royal Government in compliance with contracts.
- Private investment enterprises which receive tax exemption and concessions from the Royal Government.
- NGOs, associations, and political parties that get financial assistance from the Royal Government in the form of exemption on custom, income tax, and excises as well as rights and privileges which are not allowed by law.
- Management on credit project programs that are funded from overseas.
- Special requests of international donors and creditors in projects funded from overseas.

The department raises proposals of specialized tasks to Secretary-General for review, and then submits to the responsible Deputy Auditor-General for review and comment in order to get decision from the Auditor- General. Further, it implements other tasks that are assigned by the Auditor-General. Audit Department III is led by a director who is assisted by deputy directors.

The department has four offices and the audit tasks of each office are as follows:

- A) Audit Office 3-1 is responsible for auditing on:
 - Private investment enterprises that receive tax exemption and concessions from the Royal Government.
- B) Audit Office 3-2 is responsible for auditing on:
 - Management on credit project programs that are funded from overseas.
- C) Audit Office 3-3 is responsible for auditing on:
 - Agencies, contractors, goods and services suppliers to the Royal Government in compliance with contracts.
- D) Audit Office 3-4 is responsible for auditing on:
 - Special requests of international donors and creditors in projects funded from overseas.
 - NGOs, associations, political parties that get financial assistance from the Royal Government in the form of exemption on custom, income tax, and excises as well as rights and privileges which are not allowed by law.

In 2011, the National Audit Authority employed 201 staff among which female staffs were 42 (20.90 percent) (Table 3.1). The auditors' qualifications were in accounting, finance, economics, management, law, engineering and information Technology. The numbers of auditors according to their educational qualifications were mentioned below:

- Doctoral Degree: 2
- Certified Public Accounting (CPA): 1 (female)
- Royal School of Administration (ERA): 2
- Master in IT: 2
- Master in Social Politics: 1
- Master in Business : 86 (15 female)
- Master in Law: 6 (2 female)
- Bachelor in Law: 2 (1 female)
- Bachelor in Business: 86 (23 female)
- Bachelor in IT: 5
- Bachelor in Air-Conditioning: 1

Table 3.1 : Numbers of Auditors of the National Audit Authority from 2001 to 2011

Year	Total number	Auditor General, and Deputy Auditor General	Secretary General and Deputy Secretary General	Director of Department	Deputy Director of Department	Chief of Office	Deputy Chief of Office	Officer
2001	06	03	02	01	-	-	-	-
2002	88 (F=09)	03	02	02	-	02	08	71
2003	189 (F=32)	03	02	02	05	07	16	125
2004	156 (F=30)	03	02	02	05	08	16	120
2005	155 (F=30)	03	03	05	10	07	25	102
2006	224 (F=47)	03	02	05	10	14	40	150
2007	225 (F=47)	03	03	05	10	14	40	150
2008	225 (F=48)	03	03	05	10	20	52	128
2009	214 (F=45)	03	03	05	10	20	50	123
2010	207 (F=45)	03	03	05	12	23	51	110
2011	201 (F=42)	03	04	05	24	26	68	71

Source: Report on 10 Years Achievement (2001-2011) of the National Audit Authority of Cambodia.

Performance of Audit Works

The National Audit Authority commenced audit operation in early 2002 by actively fulfilling its duties in accordance with the annual plan. From 2002 to 2011, the National Audit Authority of Cambodia had dealt with a total of 645 audit cases. The details are shown in Table 3.2 and Table 3.3.

These achievements show the contributions of the National Audit Authority of Cambodia which started operations from difficult situation. The National Audit Authority provided good recommendations in the statement of audit results to National Assembly and Senate to use these as a basis for approval of management law and general annual national budget settlement. The achievements were due to strong commitment of the National Audit Authority which was promoting institutional capacity by complying with global development system of public audit.

In addition to the audit which is the basic task, the National Audit Authority has created good international relations by becoming a member of International Organization of Supreme Audit Institutions (INTOSAI), Asian Organization of Supreme Audit Institutions (ASOSAI), and the working group at INTOSAI. The National Audit Authority has also signed memorandum of understandings with other supreme audit institutions in the purpose of enhancing the institutional standards to international standards.

Despite the success, the National Audit Authority has also been facing the problems of limited human resources, lack of technology, narrow space, and

resignation of experienced officials who got jobs in the private sectors with better salary.

Public Auditing Standards used for Audit

For conducting audit works, the National Audit Authority is required by the law on audit of the Kingdom of Cambodia to comply with the generally accepted auditing standards. The audit standards that used by the National Audit Authority are the INTOSAI auditing standards and public audit standards of the Kingdom of Cambodia. The Public Audit Standards of the Kingdom of Cambodia are the national standards for the National Audit Authority to follow fully in doing audit works.

Table 3.2: Summary of the Number of Audits Conducted by the NAAC from 2002 to 2011

Sl. No.	Year Audit	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
1	Draft law on budget settlement	1	1	1	1	1	1	1	1	1	1	10
2	Ministries and Institutions	-	3	4	9	4	10	7	9	8	17	71
3	Authorities and Banks	-	1	1	1	1	2	2	3	2	3	16
4	Public enterprises and public institutions	1		1	1	2	3	5	5	5	7	30
5	Municipal-Provincial	-		2	3	2	6	9	9	10	13	54
6	Commune-district at province-city	-		161	-	35	42	26	48	48	48	408
7	Supply contracts of companies	-			1	-	3	3	3	4	12	26
8	Concession contracts (investment)	-			1	2	3	3	2	2	2	15
9	Projects of development partners	-			-	3	3	2	1	2	-	11
10	Special requested audit	-			-	-	2	-	1	-	1	4
	Total	2	5	170	17	50	75	58	82	82	104	645

Source: Report on 10 Years Achievement Reporting (2001-2011) of the National Audit Authority of Cambodia.

Table 3.3: Summary of the Names of Audited Entities from 2002 to 2011

Sl. No.	Audit Topics	Quantity	Name of Audited Units
2002		02	
1	Draft law on budget settlement in 2001	01	Ministry of Economy and Finance and subordinate units
2	Public enterprises	01	Cambodia Ship Agency
2003		05	
1	Draft law on budget settlement in 2002	01	Ministry of Economy and Finance and subordinate units
2	Income, budget expense, and ministry operation	03	<ul style="list-style-type: none"> - Ministry of Agriculture, Forestry and Fisheries - Ministry of Post and Telecommunication - Ministry of Rural Development
3	Income, budget expense, and authority operation	01	- Electricity Authority of Cambodia
2004		170	
1	Draft law on budget settlement in 2003	01	Ministry of Economy and Finance and subordinate units

2	Income, budget expense, and ministry operation	04	<ul style="list-style-type: none"> - Ministry of Foreign Affairs and International Cooperation - Ministry of Health - Ministry of Education, Youth and Sports - State Secretariat of Civil Aviation
3	Income, budget expense, and authority operation	01	<ul style="list-style-type: none"> - Electricity Authority of Cambodia
4	Public enterprises	01	<ul style="list-style-type: none"> - Phnom Penh Water Supply Authority
5	Income, budget expense, and province-city operation	02	<ul style="list-style-type: none"> - Preah Sihanouk municipal hall - Battambang provincial hall
6	Income, budget expense, and commune-district operation	161	<ul style="list-style-type: none"> - Commune-District at Municipal- Provincial
2005		17	
1	Draft law on budget settlement in 2004	01	<ul style="list-style-type: none"> - Ministry of Economy and Finance and subordinate units
2	Income, budget expense, and ministry-institution operation	09	<ul style="list-style-type: none"> - Ministry of Commerce - Ministry of Industry, Mines and Energy

			<ul style="list-style-type: none"> - Ministry of Public Works and Transport - Ministry of Women Affairs (Audit on procurement) - Ministry of Culture and Fine Arts (Audit on state properties) - Ministry of Tourism (Audit on state properties) - Ministry of Information (Audit on state properties) - National Election Committee
3	Income, budget expense and authority operation	01	- Electricity Authority of Cambodia
4	Public enterprises	03	- Preah Sihanouk Ville Autonomous Port
5	Income, budget expense, and municipal-provincial operation	03	<ul style="list-style-type: none"> - Phnom Penh Municipal hall - Siem Reap provincial hall - Prey Veng provincial hall (Audit on procurement)
6	Projects of development partners	01	- Priority national road reconstruction number 1697-CAM (SF) at Ministry of Public Works and Transport
7	Concession contracts (Investment)	01	- Concession contract for Société Concessionnaire de l' Aéroport (SCA)

2006		50	
1	Draft law on budget settlement in 2005	01	Ministry of Economy and Finance and subordinate units
2	Income, budget expense, and ministries operation	04	<ul style="list-style-type: none"> - Ministry of Land Management, Urban Planning and Construction - Ministry of Environment - Ministry of Social Affairs, Veterans and Youth Rehabilitation - Ministry of Post and Telecommunication
3	Income, budget expense, and authority operation	01	<ul style="list-style-type: none"> - Electricity Authority of Cambodia
4	Public enterprises	02	<ul style="list-style-type: none"> - Phnom Penh Autonomous Port - Electricite Du Cambodge (EDC)
5	Income, budget expense, and municipal-provincial operation	02	<ul style="list-style-type: none"> - Svay Rieng provincial hall - Kandal Provincial hall
6	Income, budget expense, and commune-district operation	35	<ul style="list-style-type: none"> - 9 communes at Kampong Speu - 9 communes at Kampot

			<ul style="list-style-type: none"> - 7 communes at Kampong Chhnang - 10 communes at Battambang
7	Concession contracts (investment)	02	<ul style="list-style-type: none"> - National Road 4 concession contract for AZ Distribution Co., Ltd. - Concession contract for Camitel, Mobitel, and Camsin
8	Supply contracts of companies	03	<ul style="list-style-type: none"> - Ngoun Vuthy Trading Development Corporation - Navy Garment and Trading Group - Sorm Sophal Company with other ministries
2007		75	
1	Draft law on budget settlement in 2006	01	Ministry of Economy and Finance and subordinate units
2	Income, budget expense, and ministries-institutions operation	10	<ul style="list-style-type: none"> - Ministry of Labor and Vocational Training - Ministry of Women Affairs - Ministry of Tourism - Ministry of Foreign Affairs and International Cooperation - Ministry of Water Resources and Meteorology

			<ul style="list-style-type: none"> - Ministry of Health - Ministry of Agriculture, Forestry and Fisheries - Ministry of Education, Youth and Sports - Ministry of Culture and Fine Arts - State Secretariat of Civil Aviation
3	Income, budget expense, and authority operation	02	<ul style="list-style-type: none"> - Electricity Authority of Cambodia - National AIDS Authority
4	Public enterprises and Public institutions	03	<ul style="list-style-type: none"> - Royal University of Agriculture - Chup rubber plantation - Peam Chang rubber plantation
5	Income, budget expense, and municipal-provincial operation	06	<ul style="list-style-type: none"> - Prey Veng provincial hall - Kampot provincial hall - Kratie provincial hall - Banteay Meanchey provincial hall - Takeo provincial hall

			<ul style="list-style-type: none"> - Kampong Thom provincial hall
6	Income, budget expense, and commune-district operation	42	<ul style="list-style-type: none"> - 12 communes in Prey Veng - 9 communes in Kampot - 5 communes in Kratie - 10 communes in Takeo - 6 communes in Banteay Meanchey
7	Projects of development partners	03	<ul style="list-style-type: none"> - Education development project under credit from Asian Development Bank number 1865-CAM (SF) - Health support project number IDA 3728-KH at Ministry of Health - Agriculture development project number 2023-CAM
8	Concession contracts (investment)	03	<ul style="list-style-type: none"> - Between Duty Free Shop and Ministry of Industry, Mines and Energy - Between Sokha Hotel and APSARA - And granite concession contract with Ministry of Industry, Mines and Engergy at Kratie

9	Supply contracts of companies	03	<ul style="list-style-type: none"> - Ministry of Rural Development - Ministry of Public Works and Transport - Ministry of Justice
10	Special requested audit	03	<ul style="list-style-type: none"> - Business of telecommunication company in the period of 5 years - Financial statement of aid project of United Nations environment program at Ministry of Environment - Construction of National Assembly building
2008		58	
1	Draft law on budget settlement in 2007	01	Ministry of Economy and Finance and subordinate units
2	Income, budget expense and ministry- institution operation	07	<ul style="list-style-type: none"> - Ministry of Rural Development - Ministry of Commerce - Ministry of Industry, Mines and Energy - Ministry of Public Works and Transport - Ministry of Justice

			<ul style="list-style-type: none"> - Ministry of Information - National Committee for Disaster Management
3	Income, budget expense, authority and bank operation	02	<ul style="list-style-type: none"> - National Bank - Electricity Authority of Cambodia
4	Public enterprises and Public institutions	05	<ul style="list-style-type: none"> - Royal Railways of Cambodia - National University of Management - University of Health - Rubber Research Institute of Cambodia - Phnom Penh Water Supply Authority
5	Income, budget expense, and municipal-provincial operation	09	<ul style="list-style-type: none"> - Preah Sihanouk municipal hall - Pailin municipal hall - Battambang provincial hall - Banteay Meanchey provincial hall - Koh Kong provincial hall - Kampong chhang provincial hall

			<ul style="list-style-type: none"> - Pursat provincial hall - Stung Treng provincial hall - Kampong Speu provincial hall
6	Income, budget expense, and commune-district operation	26	<ul style="list-style-type: none"> - 10 communes in Battambang - 6 communes in Pursat - 5 communes in Koh Kong - 5 communes in Preah Sihanouk Ville
7	Projects of development partners	03	<ul style="list-style-type: none"> - Mekong tourism development project on credit of Asian Development Bank (ADB) number 1969-CAM(SF) - Rural Electrification and Transmission project on credit of World Bank number 3840-KH - Educational development project on credit of Asian Development Bank number 2122-CAM(SF)
8	Concession contracts (investment)	03	<ul style="list-style-type: none"> - Teak investment and process concession contract between Ministry of Agriculture, Forestry and Fisheries and Green Sea - Concession contract between Banteay Meanchey

			provincial hall and Banon Company - Concession contract between Mondulkiri provincial hall and Sorla Investment
9	Supply contracts of companies	02	- Ministry of National Defense - Council of Ministers
2009		82	
1	Draft law on budget settlement in 2009	01	Ministry of Economy and Finance and subordinate units
2	Income, budget expense, and ministry-institution operation	09	- Ministry of Health - Ministry of Education, Youth and Sports - Ministry of Environment - Ministry of Social Affairs, Veterans and Youth Rehabilitation - Ministry of Cult and Religion - Ministry of Women Affairs - Ministry of Labor and Vocational Training

			<ul style="list-style-type: none"> - Ministry of Planning - State Secretariat of Civil Aviation
3	Income, budget expense, and authority and bank operation	03	<ul style="list-style-type: none"> - Asian Development Bank - Electricity Authority of Cambodia - Cambodia Mine Action and Victim Assistance Authority
4	Public institution and public enterprises	05	<ul style="list-style-type: none"> - Preah Sihanouk Ville Autonomous Port - Phnom Penh Autonomous Port - Siem Reap Water Supply Authority - Cambodian Navigation Company (KAMSAB) - Cambodian Mine Action Center
5	Income, budget expense, and municipal-provincial operation	09	<ul style="list-style-type: none"> - Siem Reap provincial hall - Prey Veng provincial hall - Svay Rieng provincial hall - Kandal provincial hall - Kampot provincial hall

			<ul style="list-style-type: none"> - Kampong Cham provincial hall - Rattanakiri provincial hall - Kep provincial hall - Mondulkiri provincial hall
6	Income, budget expense, and commune-district operation	48	<ul style="list-style-type: none"> - 12 communes in Svay Rieng - 12 communes in Siem Reap - 12 communes in Kandal - 12 communes at Prey Veng
7	Projects of development partners	03	<ul style="list-style-type: none"> - Rattanakiri airport improvement project of Mekong tourism development project number 1969-CAM (SF) - Tonle Sap lake management project number 1939-CAM (SF) - Rural and provincial capital infrastructure project number 3822-CAM (SF) (at Ministry of Public Works and Transport and Ministry of Rural Development
8	Concession contracts (investment)	02	<ul style="list-style-type: none"> - Investment agreement between Ministry of Agriculture Forestry and Fisheries and Rattanakvisal Development

			Co., Ltd. - Chormchao-Stueng Meanchey road construction investment contract
9	Supply contracts of companies	01	Goods supply and service provision contract for National Election Committee
10	Special requested audit	01	Education development project on credit of Asian Development Bank number 2122-CAM
2010		82	
1	Draft law on budget settlement in 2009	01	Ministry of Economy and Finance and subordinate units
2	Income, budget expense, and ministry-institution operation	08	<ul style="list-style-type: none"> - Ministry of Water Resources and Meteorology - Ministry of Agriculture, Forestry and Fisheries - Ministry of Public Works and Transport - Ministry of Land Management, Urban Planning, and Construction - Ministry of Post and Telecommunication - Ministry of Foreign Affairs and International Cooperation

			<ul style="list-style-type: none"> - Ministry of Tourism - Ministry of Culture and Fine Arts
3	Income, budget expense, and authority and bank operation	02	<ul style="list-style-type: none"> - Electricity Authority of Cambodia - APSARA Authority
4	Public institution and public enterprises	05	<ul style="list-style-type: none"> - Telecom Cambodia - Phnom Penh Autonomous Port - Phnom Penh Water Supply Authority - Electricite Du Cambodge (EDC) - Cambodian Agricultural Research and Development Institute
5	Income, budget expense, and municipal-provincial operation	10	<ul style="list-style-type: none"> - Koh Kong provincial hall - Kratie provincial hall - Oudor Meanchey provincial hall - Kampong Chhnang provincial hall - Banteay Meanchey provincial hall

			<ul style="list-style-type: none"> - Kampong Thom provincial hall - Mondulhiri provincial hall - Kampong Speu provincial hall - Phnom Penh municipal hall - Preah Sihanouk municipal hall
6	Income, budget expense, and commune-district operation	48	<ul style="list-style-type: none"> - 12 communes in Koh Kong - 12 communes in Kampong Chhnang - 12 communes in Banteay Meanchey - 12 districts in Phnom Penh
7	Projects of development partner	04	<ul style="list-style-type: none"> - Health support project number 1940-CAM (SF) at Ministry of Health - North-West irrigation project number 2035-CAM (SF) at Ministry of Water Resources and Meteorology - Rural investment and regional development project number IDA-3260-KH at Ministry of Rural Development - Preah Sihanouk Ville Autonomous Port Project

8	Concession contracts (investment)	02	<ul style="list-style-type: none"> - Concession contract between Ministry of Industry, Mines and Energy and limestone investment company at Kampot - Concession contract concerning cleaning, collecting, and delivering waste/rubbish to dump at the suburb between Phnom Penh municipal hall and CINTRI (CAMBODIA) LTD
9	Supply contracts of companies	02	<p>Audit on contract concerning :</p> <ul style="list-style-type: none"> - Goods supply and services provision contract of Ministry of Health and subordinate units - Goods supply and service provision contract of the National Election Committee
2011		104	
1	Draft law on budget settlement in 2010	01	Ministry of Economy and Finance and subordinate units
2	Income, budget expense, and ministry-institution operation	17	<ul style="list-style-type: none"> - Ministry of Justice - Ministry of Health - Ministry of Environment - Ministry of Social Affairs,Veterans and Youth

			Rehabilitation <ul style="list-style-type: none"> - Ministry of Public Works and Transport - Ministry of Interior - Ministry of Industry, Mines and Energy - Ministry of Commerce - Ministry of Post and Telecommunication - Ministry of Women Affairs - Ministry of Education, Youth and Sports - Ministry of Rural Development - Ministry of Planning - Ministry of Labor and Vocational Training - Ministry of Agriculture, Forestry and Fisheries - National Election Committee - Council for the Development of Cambodia
3	Income, budget expense, and authority and	03	- Electricity Authority of Cambodia

	bank operation		<ul style="list-style-type: none"> - National AIDS Authority - Rural Development Bank
4	Public institution and public enterprises	07	<ul style="list-style-type: none"> - Preah Sihanouk Ville Autonomous Port - Siem Reap Water Supply Authority - Khmer-Soviet Friendship Hospital - Royal University of Law and Economics - Phnom Penh Autonomous Port - National University of Management - University of Health Sciences
5	Income, budget expense, and province-city operation	13	<ul style="list-style-type: none"> - Kampong Cham provincial hall - Rattanakiri provincial hall - Kandal provincial hall - Prey Veng provincial hall - Svay Rieng provincial hall - Kep provincial hall

			<ul style="list-style-type: none"> - Kampot provincial hall - Pursat provincial hall - Steung Treng provincial hall - Battambang provincial hall - Pailin provincial hall - Preah Vihear provincial hall - Takeo provincial hall
6	Income, budget expense, and commune-district operation	48	<ul style="list-style-type: none"> - 12 communes in Kampot - 12 communes in Battambang - 12 communes in Prey Veng - 12 communes in Steung Treng
7	Projects of development partner	12	<ul style="list-style-type: none"> - Road improvement and maintenance project number 1945-CAM(SF) of Asian Development Bank and number IDA-44420 of World Bank at Ministry of Public Works and Transport - Second step of Health support project number

			<p>TF093574 and number IDA 44700 of World Bank at Ministry of Health</p> <ul style="list-style-type: none"> - Tonle Sap Poverty Reduction and Smallholder Development project number 186-CAM(SF) of Asian Development Bank at Ministry of Agriculture, Forestry and Fisheries - Emergency Food Assistance project number 0116-CAM(SF) and number 2455-CAM(SF) of Asian Development Bank at Ministry of Economy and Finance - Second step of Rural Clean Water Supply project number 156-CAM (SF) of Asian Development Bank at Ministry of Rural Development - Rural electricity line project number IDA 3840 of World Bank at Electricity of Cambodia - Resolution of policy effects on road and irrigation system project of Asian Development Bank and World Bank at Ministry of Economy and Finance - Land dispute resolution for social and economic sector project number IDA-H3860 of World Bank at Ministry of Land Management, Urban Planning and Construction
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			<ul style="list-style-type: none"> - Education support project number IDA-H0161 of Ministry of Education, Youth and Sports and Education quality improvement project number 90 of Asian Development Bank at Ministry of Education, Youth and Sports
8	Concession contracts (investment)	02	<ul style="list-style-type: none"> - Mine, gem, and stone investment agreement between Ministry of Industry, Mine and Energy and Jirech International Cambodia Construction and Import Export Co., Ltd. - Road 2004 and road 371 concession contract between Phnom Penh municipal hall and Sorla Investment Co., Ltd.
9	Special requested audit	01	Education support project for 2008-2010 as requested by Ministry of Education, Youth and Sports

Source: 10 Years Achievement Reporting of the National Audit Authority of Cambodia, 2011.

3.6 Relationship between the National Audit Authority of Cambodia and Committee of Economy, Finance, Bank and Auditing of Parliament

The objective of the National Audit Authority is to produce audit reports with recommendations for stakeholders to correct their actions for further improvement. The Auditor-General, in compliance with the Audit Law, sends the Audit Report to the National Assembly and the Senate, the Council of Ministers, and to the Ministry of Economy and Finance and relevant audited entities, in case of necessity. The key mechanism for implementing the audit reports is based on the role of The Commission on Economy, Finance, Banking and Audit of the National Assembly. The Commission on Economy, Finance, Banking and Audit of the National Assembly of the Kingdom of Cambodia is mandated with the specialized functions of legislative to review on the audits, which is one of the functions apart from the oversight on Economy, Finance and Banking. Some of the joint functions of the NAAC and Committee of Economy, Finance, Banking and Auditing of Parliament (PAC) are as follows:

3.6.1 Preparation of Audit Reports

The Auditor General, in regarding the Audit Law, issues the Audit Reports to the National Assembly and the Senate and the Royal Government for information. The reports comprise of:

- The Audit certificate and audit reports on the budget settlement statements of each fiscal year;
- The Audit report on financial management, national asset management, compliance with law and regulation, and performance of ministries, institutions and other relevant entities;
- Reports and remarks on matters related to the accounting records, moneys, assets, long-term liabilities or financial report of authorities or institutions to which audit jurisdiction extends under the Audit Law; and
- Annual report on the achievement or exercising power as mandated under the Audit Law.

3.6.2 Review by Committee of Economy, Finance, Banking and Auditing of Parliament (The Second Commission)

All Audit Reports sent to the National Assembly and Senate are carefully scrutinized by the Second Commission. The reviews of the audit reports and matters related to audit *inter alia* include:

- Scrutinize on all noticeable matters and conclusions included in the Audit Report;
- Review and follow up on audit recommendation and its implementation by relevant auditee;
- Additional matters related to the subject included in the Audit Reports;
- Important matters relating to the broad issues of accounting records, budget settlements, compliance, performance and matters generally affecting the governance;

- The budget settlements reports and the financial statements forming the basis of the Audit Reports; and
- Any other matter relating to the audit of the economy, finance and banking at the discretion of the Chairman of the Second Commission.

In reviewing of the Audit Reports, the Commission may:

- Conclude and evaluate on the discharging of audit function with a view to strengthening the capacity and quality of audits;
- increase the scope of examination of the Audit Reports, and afford regular meeting on the matters related to the audits between the second Commission and the National Audit Authority;
- Request the Auditor General to include points or matters, which are important and necessary, or audit at the request as stated in article 12 of the Audit Law.
- Based on the Audit Reports and necessity, the Second Commission may summon the head of relevant auditees to provide clarification on significant matters included in the Audit Report in the presence of the Second Commission or with participation of the National Audit Authority and assurance to implement the audit recommendations within specified period.

In reviewing of the Audit Report of the Draft Law on Budget Settlement for each fiscal year, the Second Commission may focus on:

- Law on annual financial management approved by the National Assembly;
- Accuracy of draft law on national budget settlement statement for each fiscal year prepared and submitted by the Royal Government;
- Comparison between the law on annual financial management and its actual performance with a view to ensure that:
- Financial reports of ministries, institutions and the reports consolidated by the Royal Government present the accuracy of the implementation in accordance with the content of the budget
- Re-appropriations have been made in consistent with the laws and regulations; and
- Results of budgeting performance either under or excess the annual financial law should be explained reasonably and acceptably.
- Accuracy of collected revenue and payments to the national budget;
- The expenditures against the budget have been made in accordance with the authority of the ministries, institutions, and applicable rules and regulations; and
- Overall the budget credibility is established through reliable internal control and the budget settlement reports.

The Second commission may review the Audit Reports issued by the Auditor General or matters connected with the Audit with base on:

- Review on written response of the Ministry and further comments by the Auditor General on the written representations of the Ministry; and/or

- Upon the oral evidence by the head of the auditee and other written representations.

The Second Commission affords an opportunity to the auditees concerned to confirm and/or offer comments on ally related evidences that subject to be discussed with reference to the concerned auditee rather than the parent ministry-institution and in matters that, in the opinion of the Commission, could be termed as interpretation of the documents and information furnished by the Ministry.

Immediately upon received the Audit Reports, following procedures are followed for review of the Audit Reports by the Second Commission:

- Circulate copies of the Audit Report to all members of the Commission by Commission Secretariat;
- Prepare an advance list of questions by the Commission to be asked in relating to the subject of the Audit Report by which, in case of necessary, the consultation with the National Audit Authority is made;
- Approve the advance set of questions, information, and documents. In case, there are changes or additional questions, it is re-examined by the Commission or approved by the Chairman of the Commission;
- Vet responses of the auditee with a view to making sure that the responses are suitable and acceptable. The vetting is made within one week from the date of receipt of the responses;
- Notify on the completed activities or actions taken that follow the audit recommendations, raised in the audit report, by the relevant auditee;

- The Chairman of the Second Commission decides the date and venue of the meeting with intimation to all requested participants, including the representatives of NAA, through the secretariat of the Commission.

To conclude, the National Audit Authority of Cambodia is an independent institution playing a role as the Supreme Audit Institution which conducts external audit of the government. There are also many similar bodies that play their roles in inspecting, controlling and reviewing on financial operations of public institutions of Cambodia. These institutions are Inspectorate General of the Ministry of Economy and Finance, Ministry of National Assembly and Senate Relationship and Inspection, Internal Audit Department and Anti-Corruption Unit. According to the audit law of the Kingdom of Cambodia, the National Audit Authority has duties to conduct audits of all ministries and public institutions and sends the audit reports to the National Assembly and Senate directly and also to the government for information. The National Assembly and Senate use the audit reports for reviewing and taking actions on the government's institutions as per audit recommendations of the National Audit Authority of Cambodia. It conducts audit works in compliance with generally accepted auditing standards and government auditing standards in order to ensure the quality of audit works. The National Audit Authority of Cambodia has taken measures to meet its objectives, and in this regard, it has cooperated closely with the National Assembly and senate and the Royal Government of Cambodia.

References

1. The National Audit Authority of Cambodia (2011). *10 Years Achievement Reporting*. Technical Department, Phnom Penh.
2. www.acu.gov.kh, Retrieved on 06.5.2012
3. www.mef.gov.kh, Retrieved on 09.5.2012
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CHAPTER IV

RESEARCH METHODOLOGY

In order to meet the objectives and hypotheses of the study, the following methodology has been used.

4.1 Type of Research

The study has used both descriptive and quantitative approaches to answer the research questions, meet the objectives of the study and test the hypotheses. In descriptive approach, the study has relied on relevant literatures, whereas, in the quantitative approach, tables, graphs and statistical models have been used for the analysis of the data.

4.2 Type and Sources of Data

Both primary and secondary data have been collected for the data. Secondary data have been collected from internal and external sources. Internal sources of collecting the data are in-house publication, databases, website, and library of the National Audit Authority of Cambodia.

External sources of secondary data are Ministry of Economy and Finance, Government of Cambodia, National Assembly and Senate, National Archives and website of international professional organizations relevant to public audits.

Finally, primary data have been collected from the selected staff of the National Audit Authority of Cambodia.

4.3 Sample Size and Sampling

Up to July, 2011, the National Audit Authority of Cambodia had 215 staff working in five departments. To determine the sample size of the present survey, the following formula has been used (Mendenhall, 1973):

$$n = \frac{NS^2}{(N-1)\left(\frac{b}{z}\right)^2 + S^2}$$

Where,

n= The sample size

N= The population of the study=215

S^2 = The Sample Variance estimated from the survey of 30 respondents =187.7483

S^2 has been calculated as per the formula given below:

$$S^2 = \frac{1}{n-1} \left[\sum fx^2 - \frac{(\sum fx)^2}{n} \right]$$

b = The bond on the error of estimation=0.9 (chosen)

z = Value of Normal Random Variable corresponding to 95 percent confidence level=1.96

On the basis of the above formula and mentioned values, the sample sized is calculated as:

n=173.34, which is rounded to 174.

Thus, 174 staff have been surveyed out of 215 staff working in the National Audit Authority of Cambodia in the five departments; i.e, (1) 48 staff in Department of Audit No.1, (2) 47 staff in Department of Audit No.2, (3) 43 staff

in Department of Audit No.3, (4) 40 staff in Department of Technique, and (5) 37 staff in Department of Administration and Finance.

From these five departments, 174 sample staff has been selected on the basis of proportional stratified random sampling method. The details of the numbers of staff of the five departments, and the numbers of staff surveyed from each department are mentioned in the table given below:

Table 4.1: Total Number of Staff and Number of Sample Staff Surveyed from different Departments of the National Audit Authority of Cambodia

Sl.No.	Name of the Department	Total Staff	Percentage to Total	Sample Number of Staff
1	Department of Audit No.1	48	22.33	39
2	Department of Audit No.2	47	21.86	39
3	Department of Audit No.3	43	20.00	34
4	Department of Technique	40	18.60	33
5	Department of Administration and Finance	37	17.21	29
Total		215	100	174

Source: The National Audit Authority Annual Report, 2011 and Own Estimation

4.4 Statistical Tools

The study has used different statistical tools such as percentage, average, graph, and table, etc. Further, Chi-square (χ^2) test has been used to test the hypotheses of the study. The formula is given below:

$$\chi^2 = \sum_{i=1}^r \sum_{j=1}^c \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

Where

χ^2 = Chi-Square test of Independence

O_{ij} = Observed value of two nominal Variables

E_{ij} = Expected value of two nominal Variables

Degree of freedom is calculated by using the following formula :

$$d.f = (r - 1)(c - 1)$$

Where

d.f = Degree of freedom

r = Number of rows

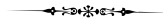
c = Number of columns

4.5 Data Gathering Procedures

For collecting primary data, direct personal interview method and well-structured questionnaires have been used. For the collection of secondary data, detailed list of necessary secondary data have been prepared by the candidate, and these data have been collected personally by the candidate from the concerned organizations and websites.

4.6 Coverage of the Study

The study has covered the information of the last ten years (from 2002 to 2011) of operations of the National Audit Authority of Cambodia. Further, the study has only taken the respondents working in the National Audit Authority of Cambodia. In the study, the views of the respondents on the financial statements prepared by the executive arms of the government, quality of legislative oversight function on the performance of the National Audit Authority of Cambodia, importance of the qualifications of the National Audit Authority's auditors and the problem faced by the National Audit Authority of Cambodia have been taken into account.



References

1. Mendenhall, D.C. (1973). *Statistics for Management and Economics*, The Duxbury Press, New York.
2. National Audit Authority of Cambodia (2011). *Annual Report 2011*. Administration and Finance Department, Phnom Penh.

CHAPTER V

DATA PRESENTATION AND ANALYSIS

The data analysis of the research study is made in the present chapter. The chapter is divided into eleven sections. These include profile of the respondents, experience of auditors, training courses attended, expertise of auditors, salary of staff, audit operations of the National Audit Authority of Cambodia, opinion on government and parliament, Ministry of Economy and Finance, and audit operation unit, reliance of the National Audit Authority of Cambodia, performance of the Commission on Economy, Finance, Bank and Audit of Parliament, professional qualification and audit report production, and problems faced by the National Audit Authority of Cambodia.

5. 1 Profile of the Respondents

5.1.1 Gender

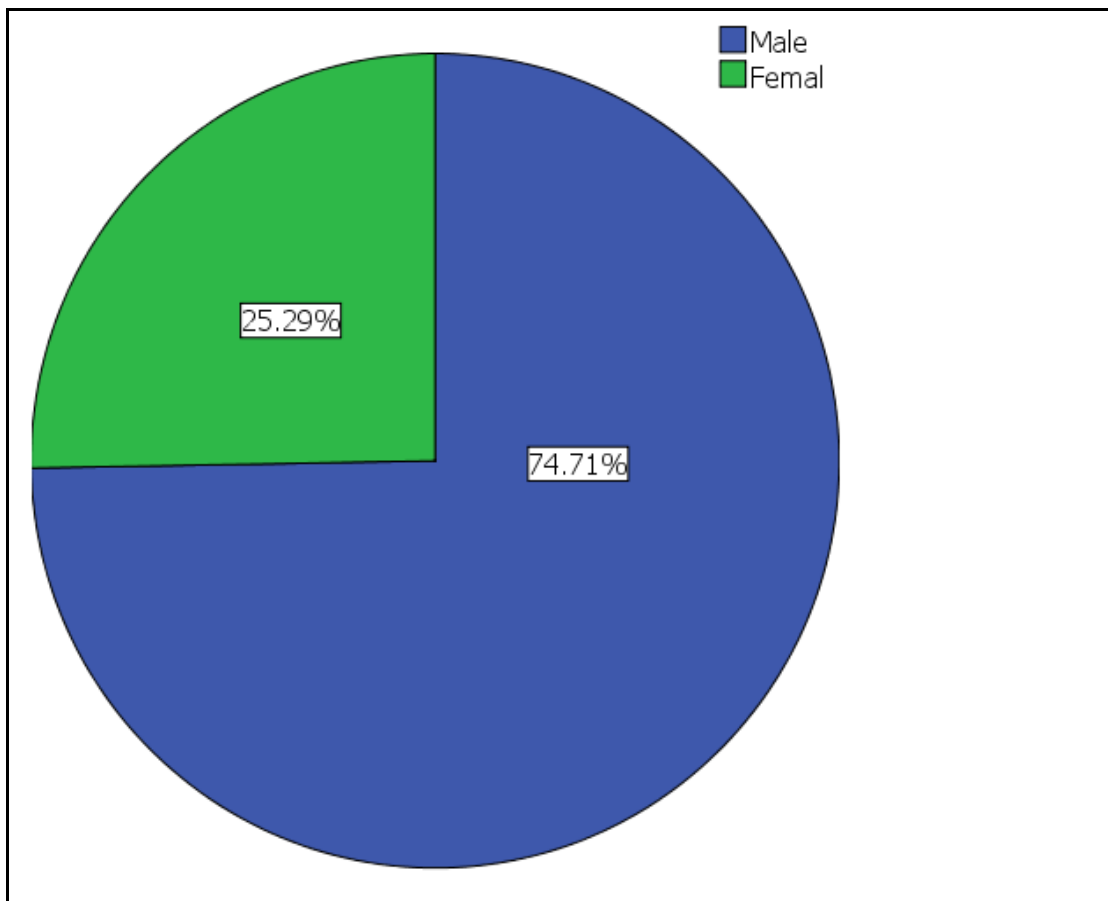
Among the 174 surveyed auditors of the National Audit Authority of Cambodia (NAAC), 74.7 per cent were found to be males and the rest 25.3 per cent were females. This indicates that there was dominance of male auditors in the National Audit Authority of Cambodia (Table 5.1 and Figure 5.1).

Table 5.1: Distribution of Respondents as per Gender

Sl. No.	Gender	Number	Percentage
1	Male	130	74.7
2	Female	44	25.3
Total		174	100.0

Source: Own Survey.

Figure 5.1: Percentage Distribution of Respondents as per Gender



5.1.2 Age-Group

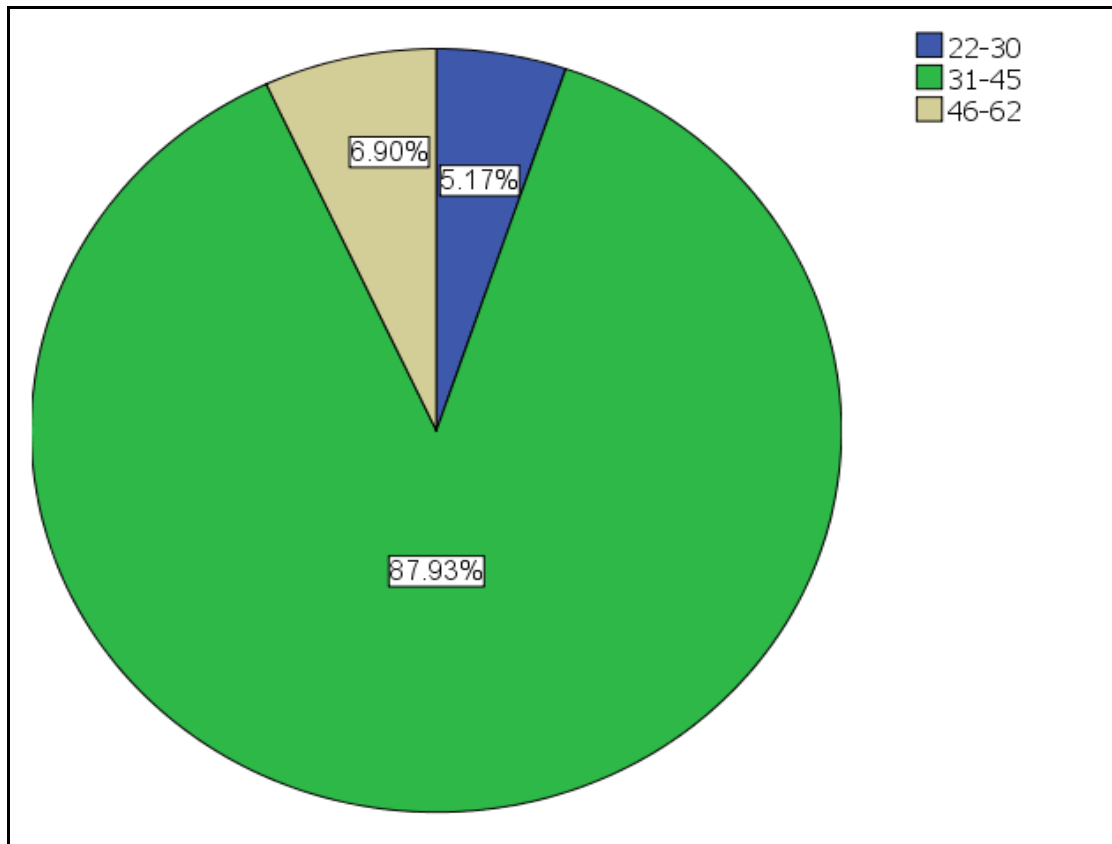
The age-group wise classification of the surveyed auditors shows that about 88 per cent were in the age-group 31-45 years followed by seven per cent in 46-62 years age-group and five per cent in 22-30 years age-group. Thus, most of the auditors were young indicating a good sign of work efficiency of auditors in the organization (Table 5.2 and Figure 5.2).

Table 5.2: Distribution of Respondents as per Age-Groups

Sl. No.	Age-Groups (In years)	Number	Percentage
1	22-30	9	5.2
2	31-45	153	87.9
3	46-62	12	6.9
Total		174	100.0

Source: Own Survey.

Figure 5.2: Percentage Distribution of Respondents in Different Age-Groups



5.1.3 Education

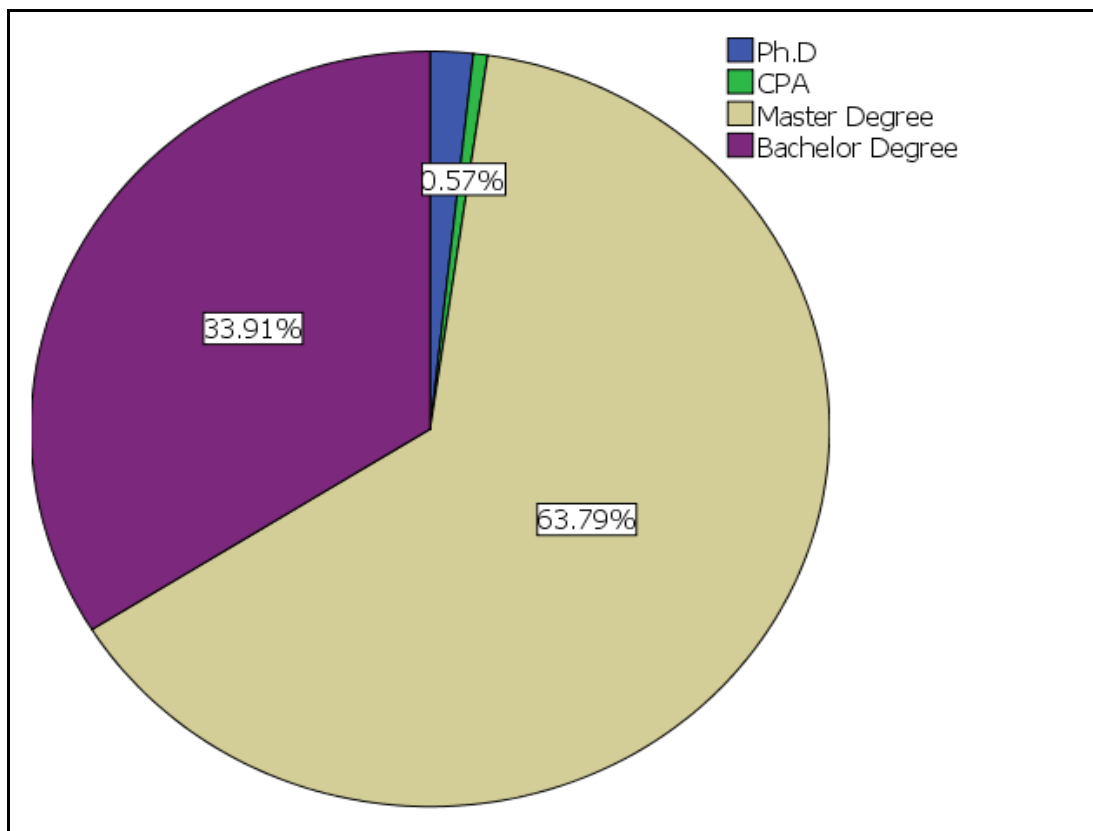
The educational background of the respondents shows that 63 per cent had master degree education, 33 per cent bachelor degree education, 1.7 per cent Ph.D. degree education, and the remaining 0.6 per cent (one respondent) had CPA degree education. These figures indicate that majority of the auditors had master degree education (Table 5.3 and Figure 5.3).

Table 5.3: Distribution of Respondents as per their Educational Qualifications

Sl. No.	Level of Education	Number	Percentage
1	Ph.D.	3	1.7
2	CPA	1	0.6
3	Master Degree	111	63.8
4	Bachelor Degree	59	33.9
Total		174	100.0

Source: Own Survey.

Figure 5.3: Percentage Distribution of Respondents as per their Educational Qualifications



5.2 Experience of Auditors

5.2.1 Audit Experience

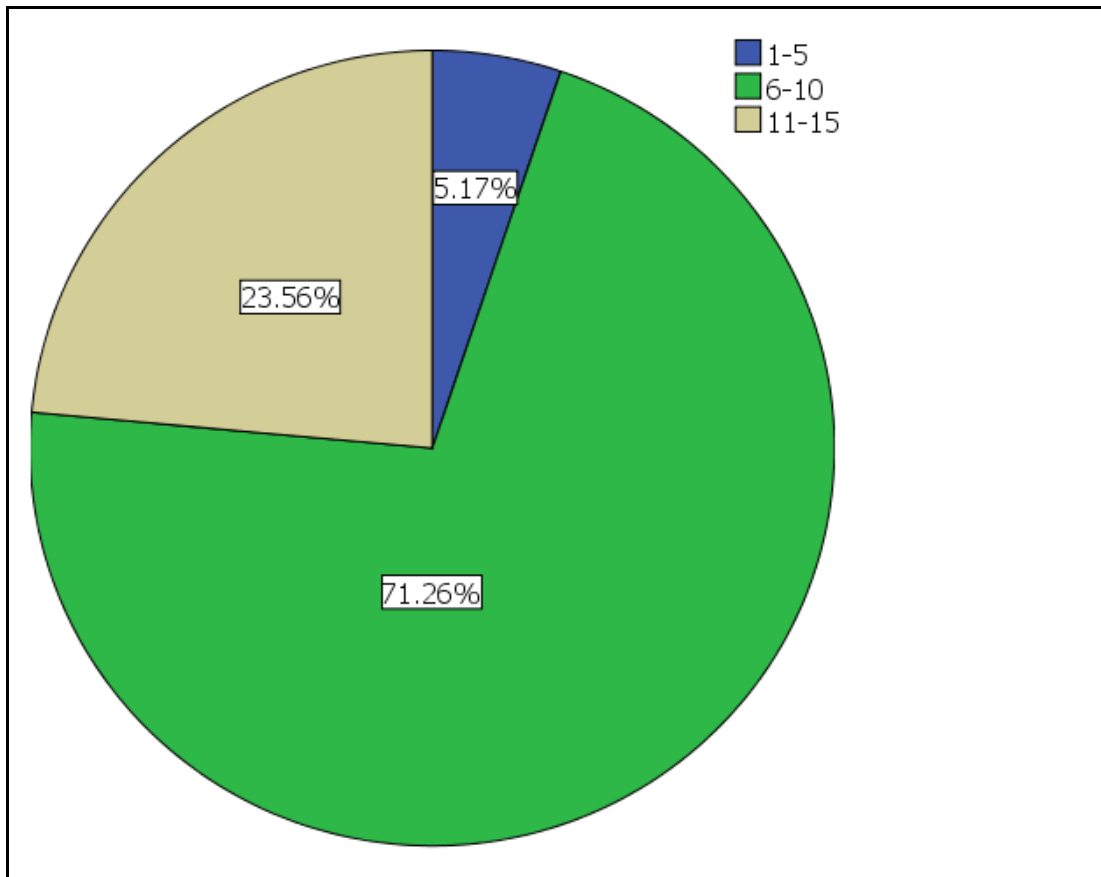
The National Audit Authority of Cambodia has started its operation for more than 12 years. Based on the survey, it was found that 71 per cent auditors had 6-10 years of audit experience followed by 24 per cent 11-15 years audit experience and five per cent 1-5 years audit experience. This shows that new recruitment of auditors was limited in the National Audit Authority of Cambodia (Table 5.4 and Figure 5.4).

Table 5.4: Distribution of Respondents as per their Audit Experience

Sl. No.	Audit Experience (In Years)	Number	Percentage
1	1-5	9	5.2
2	6-10	124	71.3
3	11-15	41	23.6
Total		174	100.0

Source: Own Survey.

Figure 5.4: Percentage Distribution of Respondents as per their Audit Experience



5.2.2 Work Experience

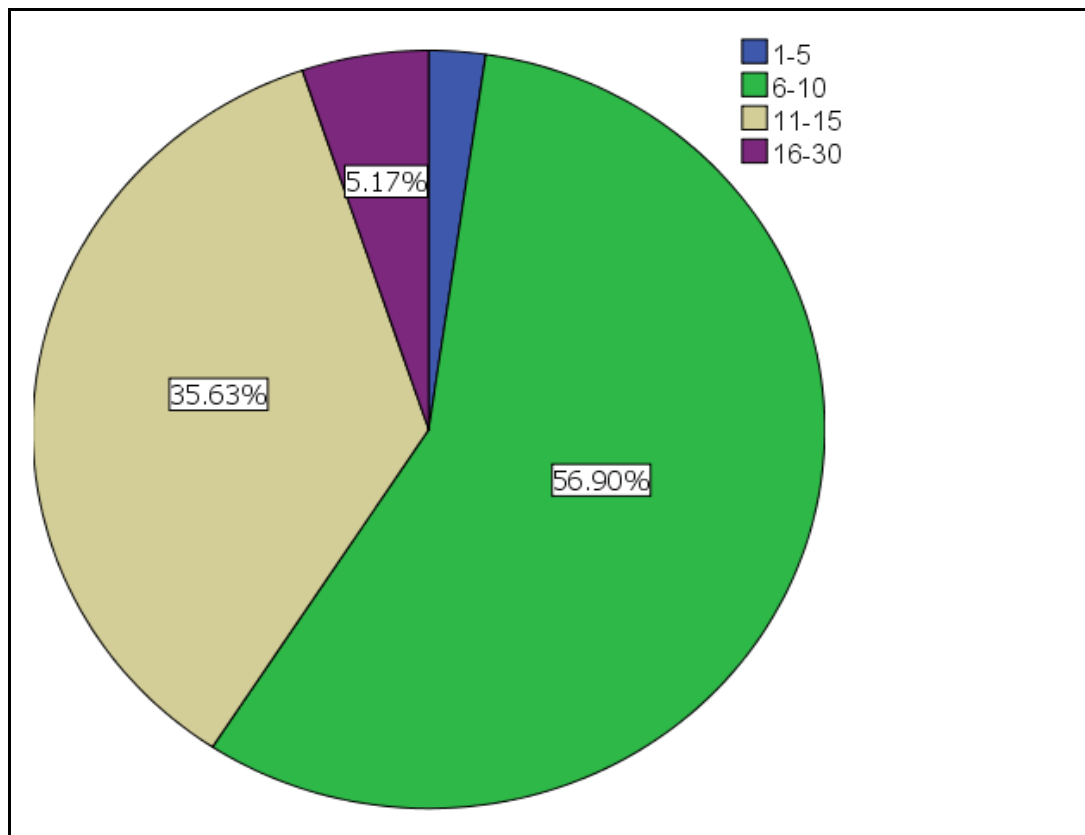
The National Audit Authority of Cambodia employs its staff from different work backgrounds. The total work experiences of selected staff show that 57 per cent auditors had 6-10 years total work experiences, 36 per cent 11-15 years and five per cent 16-30 years and two per cent had 1-5 years total work experiences. This shows that most of the staff working in NAA had more than 6 years of total work experiences (Table 5.5 and Figure 5.5).

Table 5.5: Distribution of Respondents as per their Work Experience

Sl. No.	Work Experience (In Years)	Number	Percentage
1	1-5	4	2.3
2	6-10	99	56.9
3	11-15	62	35.6
4	16-30	9	5.2
Total		174	100.0

Source: Own Survey.

Figure 5.5: Percentage Distribution of Respondents as per their Total Work Experience



5.3 Training Courses Attended

The present section discusses the types of training courses attended by the surveyed auditors. The training courses such as financial audit course, performance audit course, compliance audit course and fraud and corruption detection course were conducted by the National Audit Authority of Cambodia in different time periods in order to build the capacity of its auditors.

The survey reveals that 60.90 per cent surveyed auditors attended in performance audit training course followed by 50 per cent in financial audit training course, 37.90 per cent in compliance audit training course, 32.20 per cent in fraud and corruption detection training course and 28.70 per cent in other training courses such as environment audit training course, IT audit training course, and social audit training course and so on.

This shows that the training courses were provided by the National Audit Authority of Cambodia to many of its auditors. But there was a need to build the capacity of all the staff working in NAA through the provision of adequate training courses in order to improve the quality of audit standard (Table 5.6 and Figure 5.6).

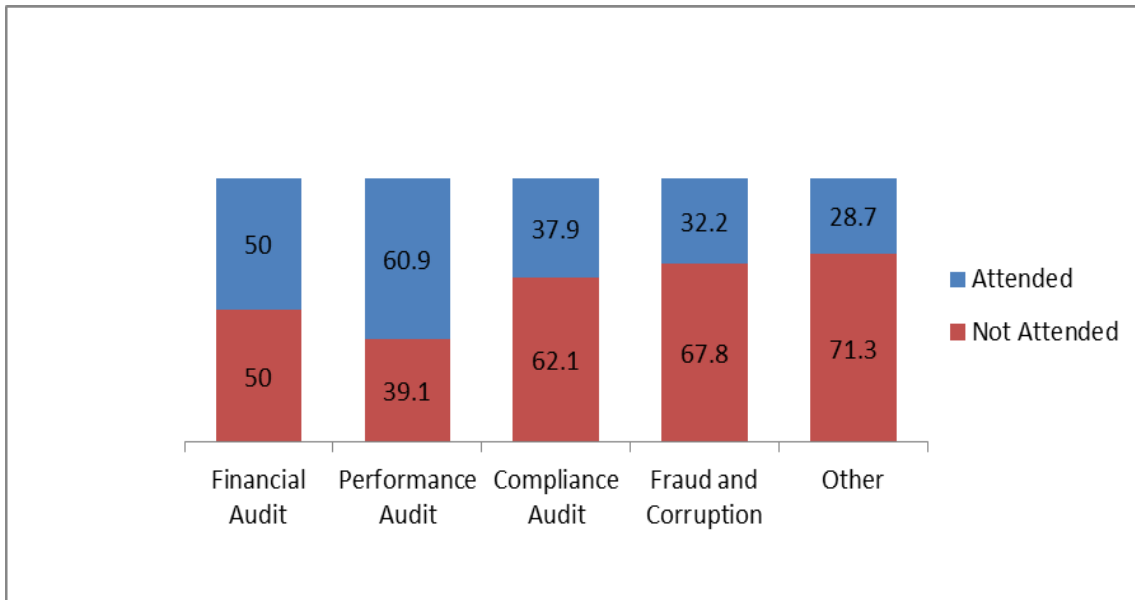
**Table 5.6: Distribution of Respondents as per their Attendance in
different Training Courses Provided by the NAAC**

Sl. No.	Type of Training Course	Attended	Not Attended	Total
1	Financial Audit	87 (50.00)	87 (50.00)	174 (100.00)
2	Performance Audit	106 (60.9)	68 (39.1)	174 (100.00)
3	Compliance Audit	66 (37.9)	108 (62.1)	174 (100.00)
4	Fraud and Corruption	56 (32.2)	118 (67.8)	174 (100.00)
5	Others	50 (28.7)	124 (71.3)	174 (100.00)

Note : Figures in the parentheses indicate percentage to the corresponding row total.

Source : Own Survey.

Figure 5.6: Percentage Distribution of Respondents as per their Attendance in Different Training Courses Provided by the National Audit Authority of Cambodia



5.4 Expertise of Auditors

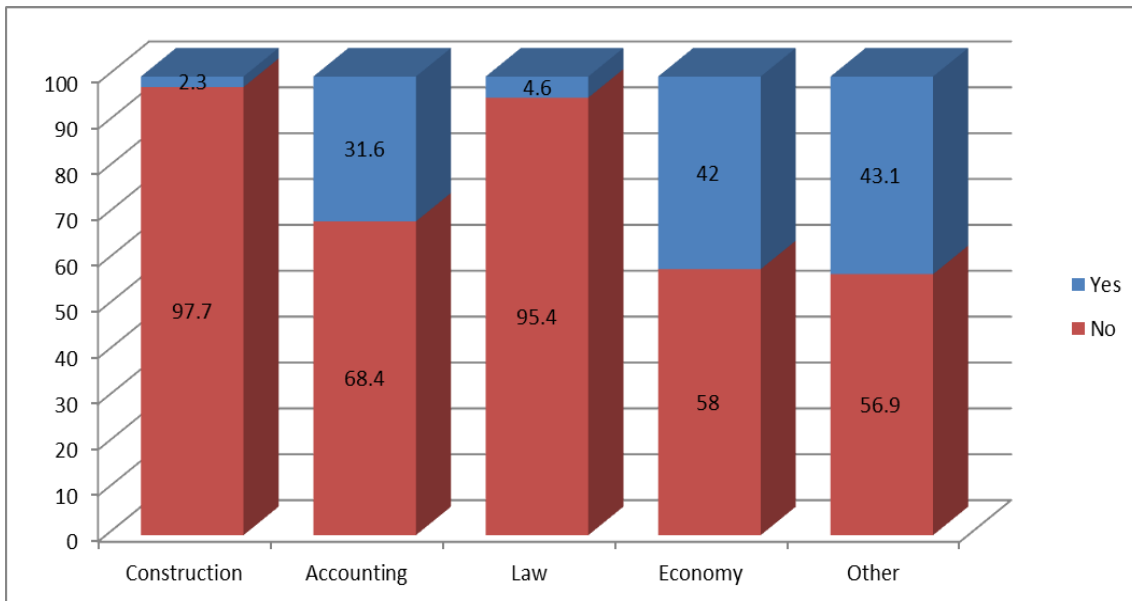
Auditors of the National Audit Authority of Cambodia do their works, which are based on audit skills, and they possess expertise in many technical subjects for the use of audit works. Based on the survey, it is found that the respondents have different expertise as shown in Table 5.7 and Figure 5.7.

Table 5.7: Percentage Distribution of Respondents as per their Expertise

Sl. No.	Type of Expertise	Yes	No	Total
1	Construction	2.3	97.7	100
2	Accounting	31.6	68.4	100
3	Law	4.6	95.4	100
4	Economy	42.0	58	100
5	Other	43.1	56.9	100

Source: Own Survey.

Figure 5.7: Percentage Distribution of Respondents as per their Expertise



5.5 Salary of Staff

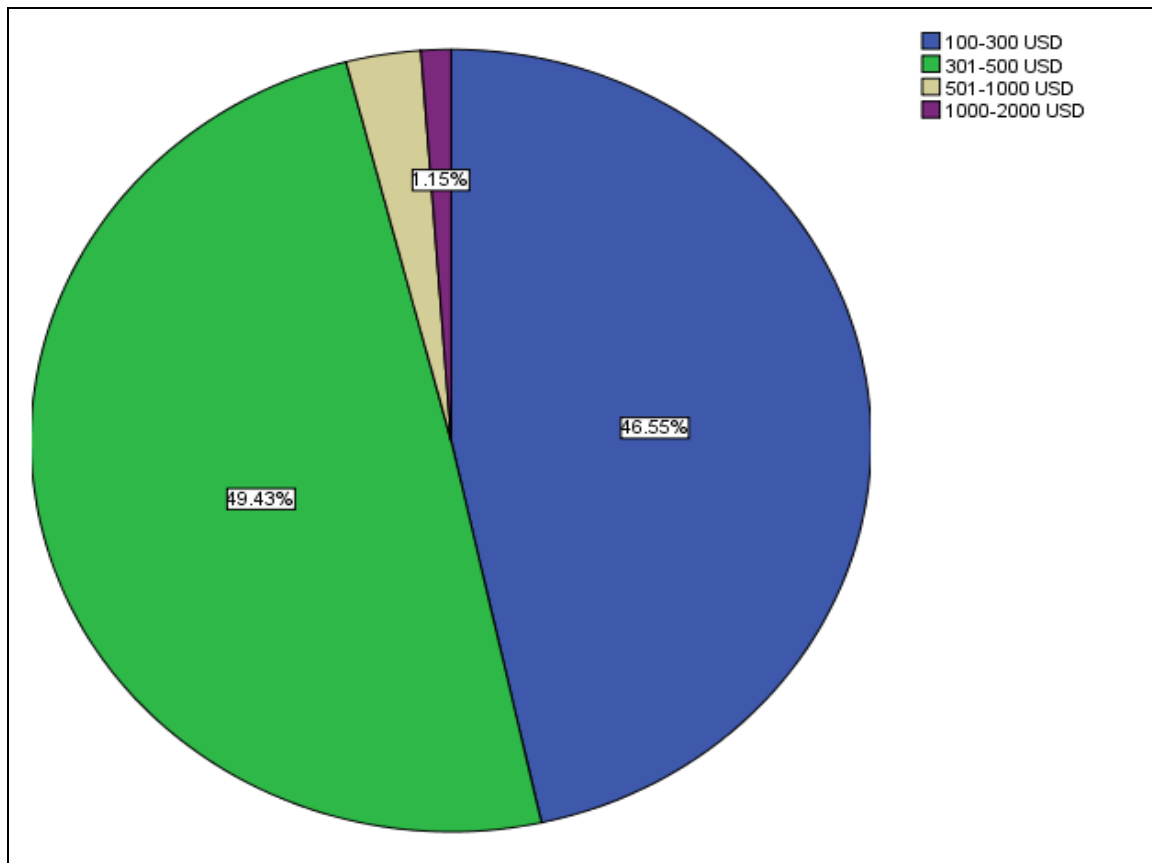
The survey shows that 49 per cent of the respondents of the National Audit Authority of Cambodia had salary ranged from USD 301 to USD 500 and 46 per cent and three per cent of staff had salary ranged from USD 100 to USD 300 and from USD 501 to USD 1000 respectively. The highest salary of staff ranged from USD 1000 to USD 2000 in which there was only one respondent (Table 5.8 and Figure 5.8).

Table 5.8: Distribution of Respondents as per Different Salary Groups

Sl. No.	Salary Groups (In USD)	Number	Percentage
1	100-300	81	46.6
2	301-500	86	49.4
3	501-1000	5	2.9
4	1000-2000	2	1.1
Total		174	100.0

Source: Own Survey.

Figure 5.8: Percentage Distribution of Respondents as per Different Salary Groups



5.6 Audit Operations of the National Audit Authority of Cambodia

5.6.1 Audit Reports Completed

The survey of 174 auditors shows that 35.6 per cent had completed 1-5 audit reports; 32.2 per cent had completed 6-10 audit reports; and 32.2 per cent had completed more than 11 audit reports during the last five years. As per standard, the more audit reports the auditors make, the better audit works the auditors achieve. Based on the analysis, it can be seen the National Audit Authority of

Cambodia was not providing enough audit jobs to the auditors. But increase in the provision of audit works for the auditors was very much necessary to improve the public accountability of the National Audit Authority of Cambodia (Table 5.9 and Figure 5.9).

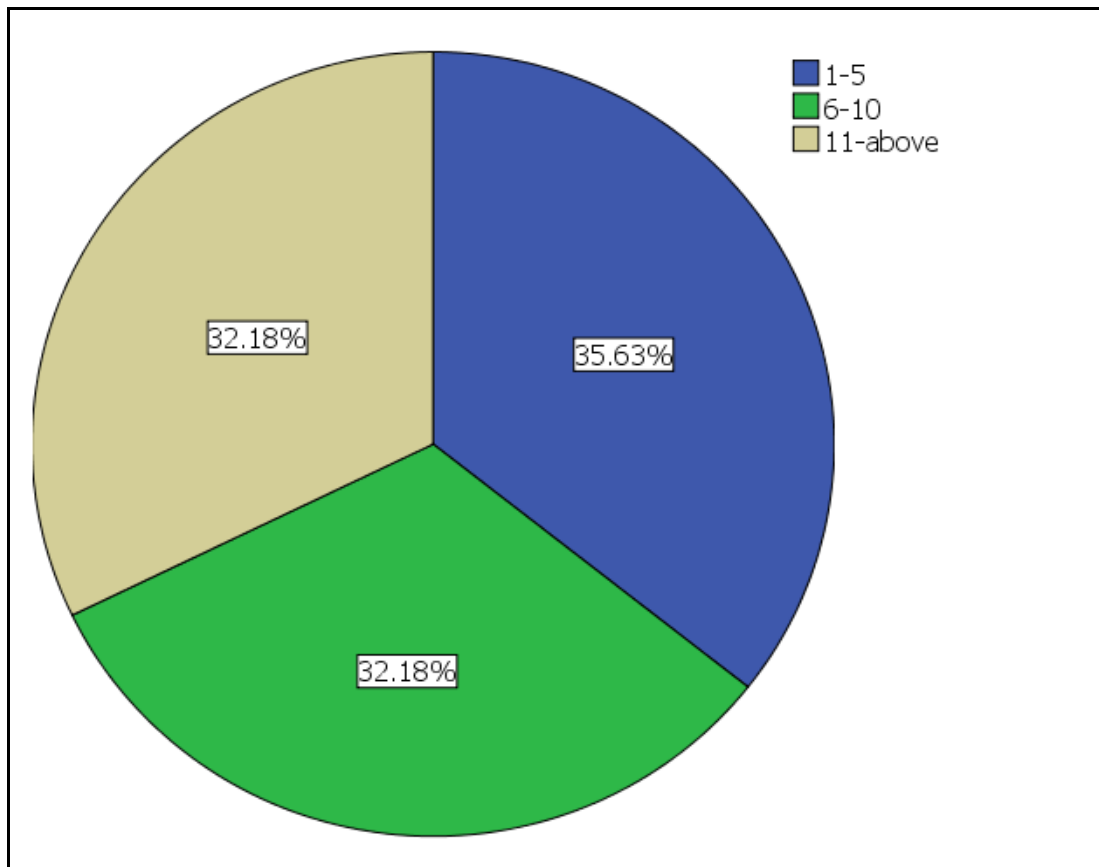
Table 5.9: Distribution of Respondents as per the Audit Reports

Prepared by them During the Last 5 years

Sl. No.	Number of Audit Reports Prepared (Completed)	Number	Percentage
1	1-5	62	35.6
2	6-10	56	32.2
3	11-above	56	32.2
Total		174	100.0

Source: Own Survey.

Figure 5.9: Percentage Distribution of Respondents as per the Number Audit Reports Prepared by them During the Last 5 years



5.6.2 Time Taken to Complete Audit Report

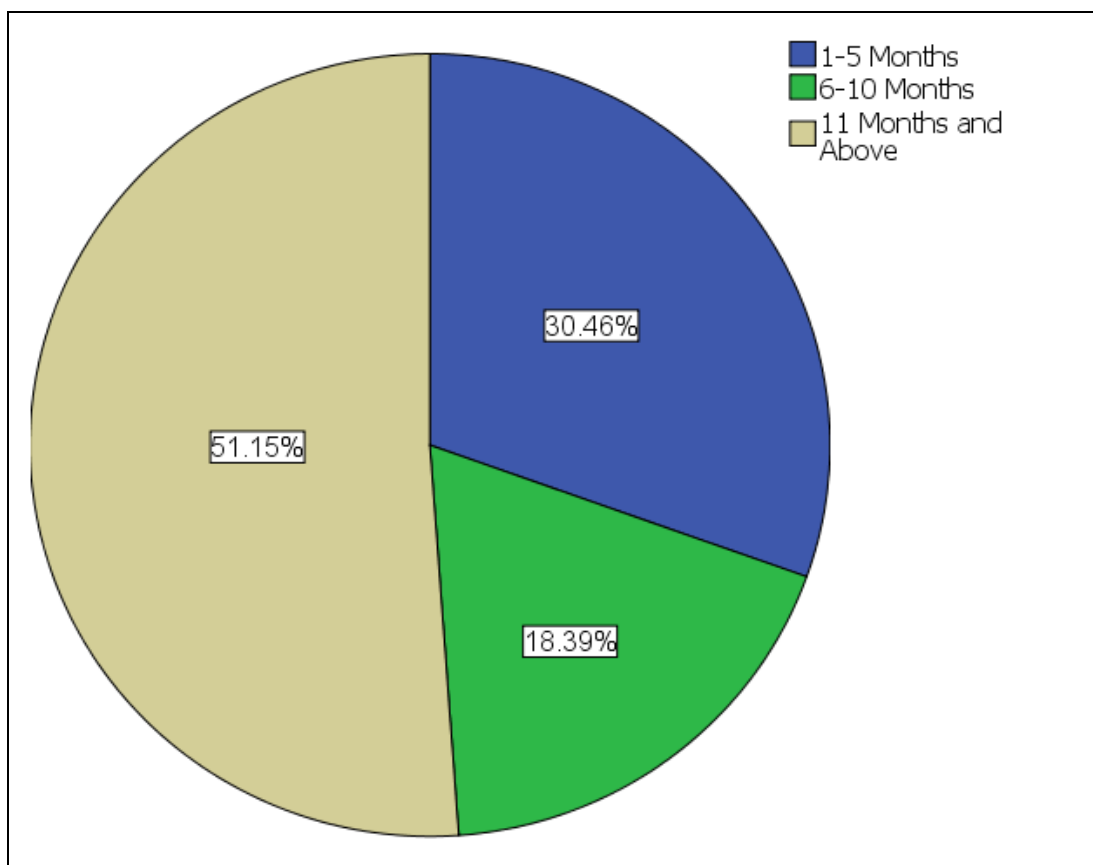
It is found from the survey that 51.1 per cent of respondents took more than 11 months to complete an audit report; 30.5 per cent of respondents took 6-10 months to complete an audit report; and 30.5 per cent of respondents took 1-5 months to complete an audit report. Thus, the analysis reveals that about 70 per cent of the surveyed auditors of the National Audit Authority of Cambodia took more time, i.e, six months or above to complete an audit report (Table 5.10 and Figure 5.10).

Table 5.10: Distribution of Respondents as per the Time Taken to Complete an Audit Report

Sl. No.	Time Taken (In Months)	Number	Percentage
1	1-5 Months	53	30.5
2	6-10 Months	32	18.4
3	11 Months and Above	89	51.1
Total		174	100.0

Source: Own Survey.

Figure 5.10: Percentage Distribution of Respondents as per the Time Taken to Complete an Audit Report



5.6.3 Outsourcing of Experts

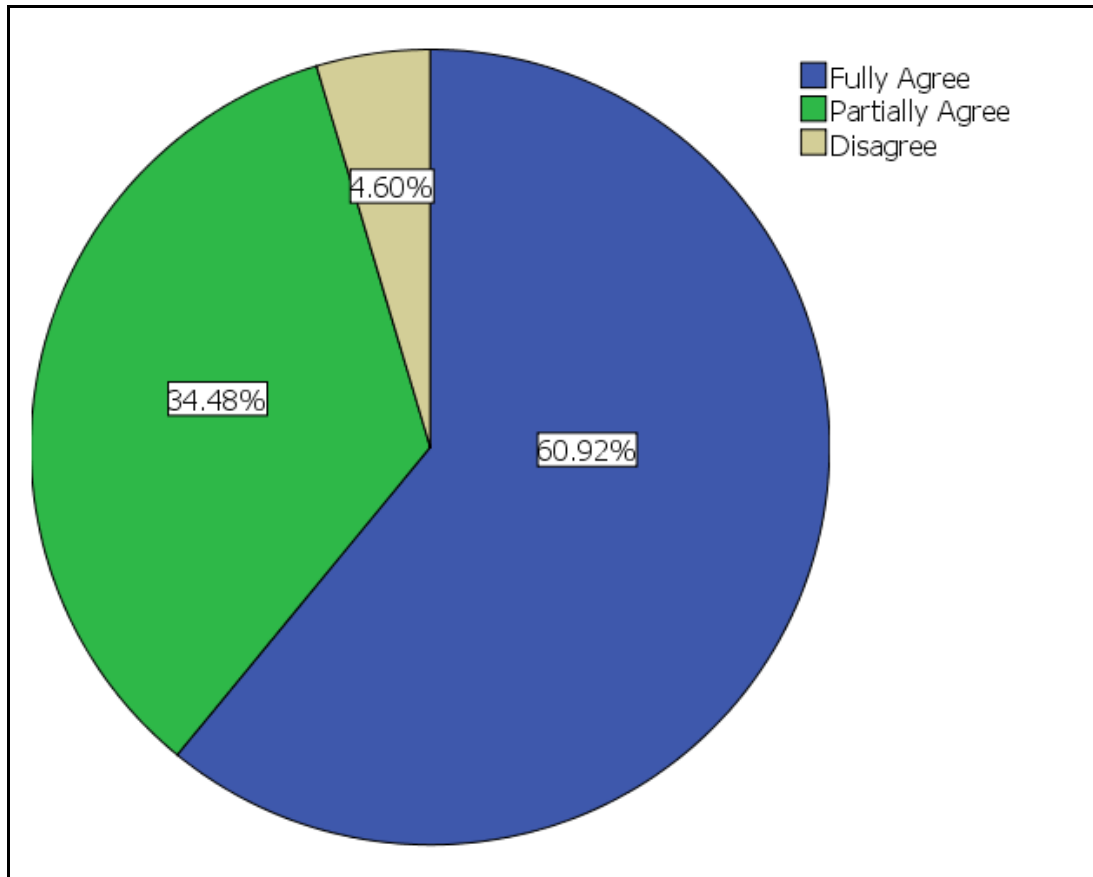
Based on the survey, it was seen that 60.9 per cent of respondents disclosed fully agreed opinion on the need of outsourcing experts; 34.5 per cent partially agreed and the rest 4.6 per cent disagreed. The analysis reveals that there was a need of foreign experts to assist in the audit works conducted by the National Audit Authority of Cambodia (Table 5.11 and Figure 5.11).

Table 5.11: Distribution of Respondents as per their Opinions on the Need of Outsourcing Experts to Assist in Audit Works

Sl. No.	Opinion	Number	Percentage
1	Fully Agree	106	60.9
2	Partially Agree	60	34.5
3	Disagree	8	4.6
Total		174	100.0

Source: Own Survey.

Figure 5.11: Percentage Distribution of Respondents as per their Opinions on the Need of Outsourcing Experts to Assist in Audit Works



5.6.4 Amendment of the Audit Law of the Kingdom of Cambodia

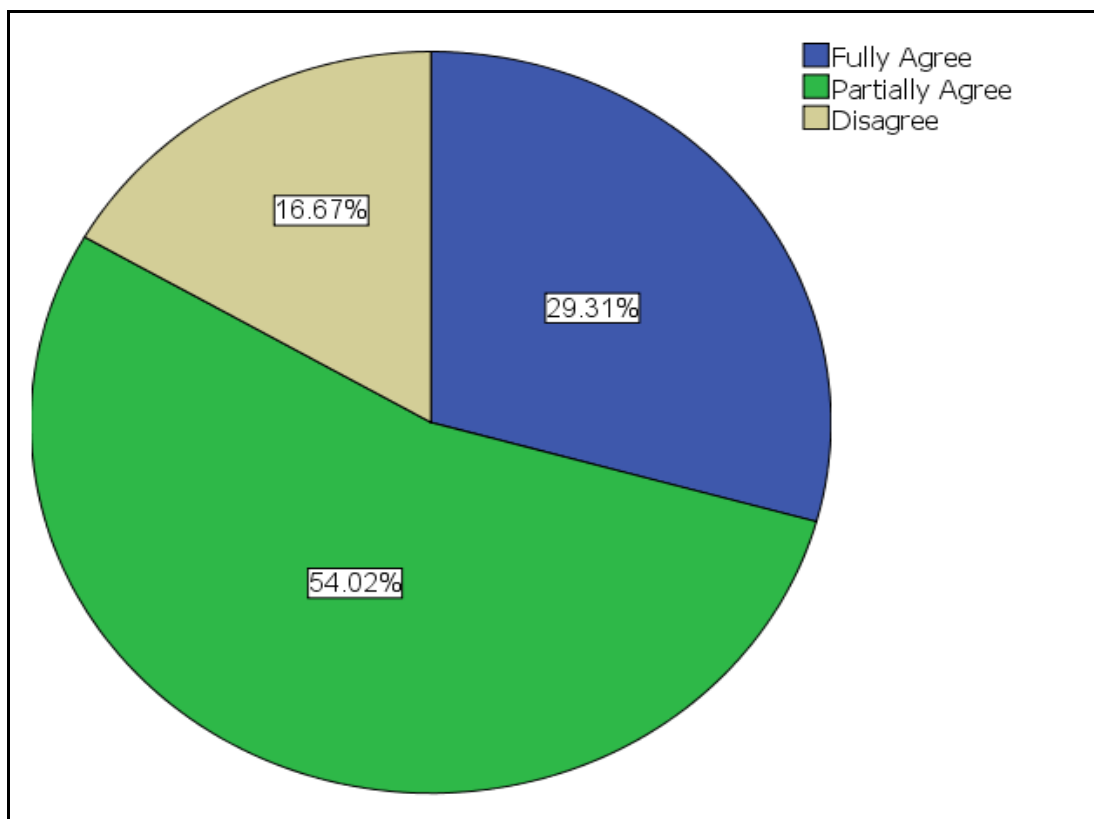
The survey indicates that 54 per cent of respondents partially agreed to amend the audit law; 29.3 per cent fully agreed and 16.7 per cent disagreed. This result shows that there was a need to amend the audit law (Table 5.12 and Figure 5.12).

**Table 5.12: Distribution of Respondents as per their Opinions on
Amendment of the Audit Law of the Kingdom of Cambodia**

Sl. No.	Opinion	Number	Percentage
1	Fully Agree	51	29.3
2	Partially Agree	94	54.0
3	Disagree	29	16.7
Total		174	100.0

Source: Own Survey.

**Figure 5.12: Percentage Distribution of Respondents as per their
Opinions on Amendment of the Audit Law of the Kingdom
of Cambodia**



5.6.5 Establishment of Audit Guidelines

The quality of audit works of the National Audit Authority of Cambodia depends on audit standards or audit guidelines they have established. The present section discusses the types of audit guidelines that the National Audit Authority currently needs to establish. Those main audit guidelines are financial audit guidelines, performance audit guidelines, compliance audit guidelines, IT audit guidelines and other audit guidelines. The percentages of respondents having opinions in favor of establishment of specific audit guidelines, financial audit guidelines, IT audit guidelines, performance audit guidelines, compliance audit guidelines, and other audit guidelines were 93.7, 91.95, 91.4, 88.5, 84.5, and 76.4 respectively (Table 5.13 and Figure 5.13).

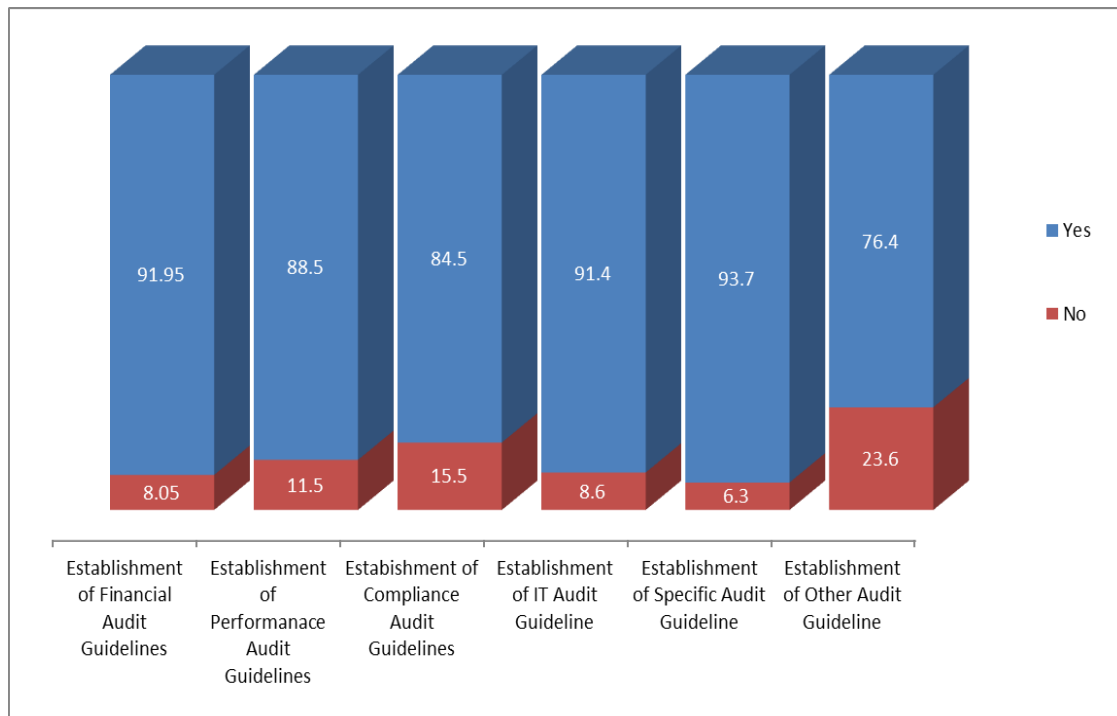
Table 5.13: Distribution of Respondents as per their Opinion on the Establishment of Different Audit Guidelines

SI. No.	Type of Audit Guidelines	Opinion		
		Yes	No	Total
1	Establishment of Financial Audit Guidelines	160 (91.95)	14 (8.05)	174 (100)
2	Establishment of Performance Audit Guidelines	154 (88.5)	20 (11.5)	174 (100)
3	Establishment of Compliance Audit Guidelines	147 (84.5)	27 (15.5)	174 (100)
4	Establish of IT Audit Guideline	159 (91.4)	15 (8.6)	174 (100)
5	Establishment of Specific Audit Guideline	163 (93.7)	11 (6.3)	174 (100)
6	Establishment of Other Audit Guideline	133 (76.4)	41 (23.6)	174 (100)

Note: Figures in the parentheses indicate percentage to corresponding row total.

Source: Own Survey.

**Figure 5.13: Percentage Distribution of Respondents as per their
Opinions on the Establishment of Different Audit
Guidelines**



5.6.6 Dissemination of the Audit Law to Stakeholders

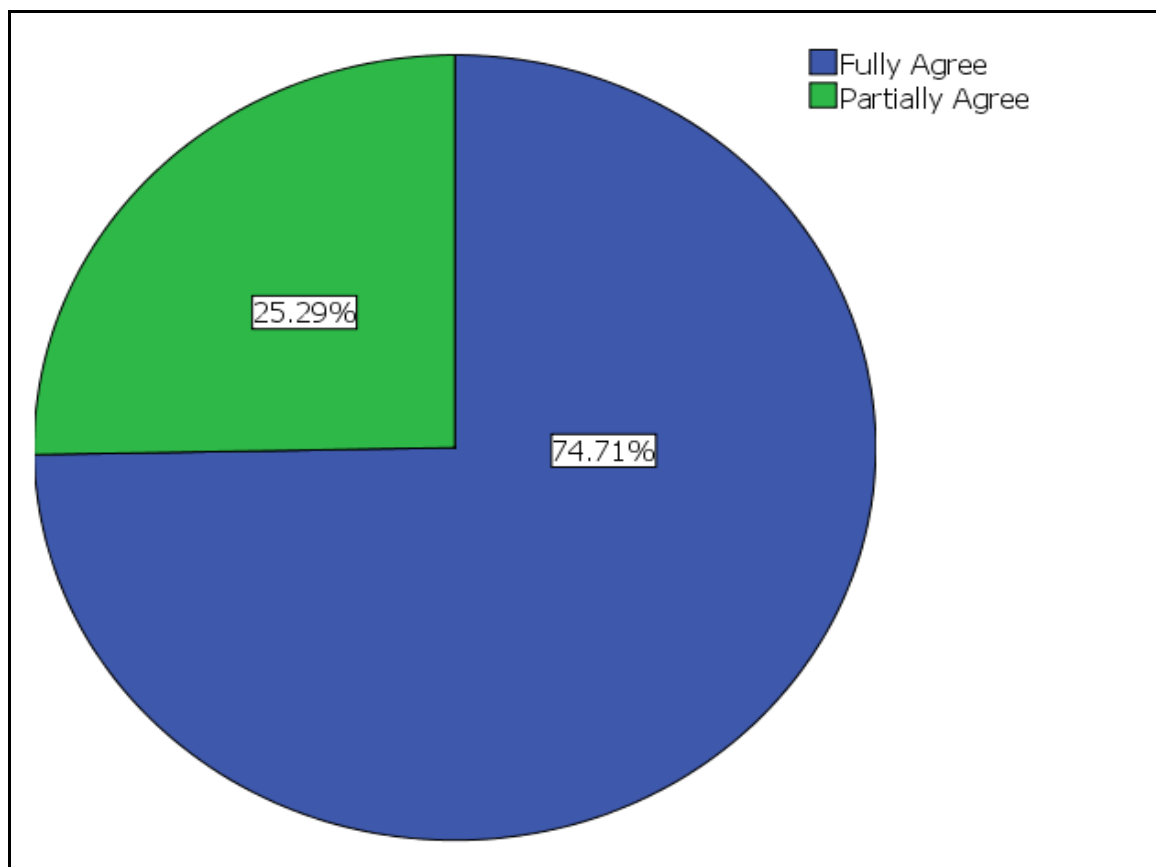
The percentage of surveyed respondents who had fully agreed on the opinions that there was the dissemination of the audit law of Kingdom of Cambodia to stakeholders was 74.7, and those who had partially agreed was 25.3. This shows that most auditors want to have the audit law be disseminated to stakeholders to be aware of functions and roles of public audit (Table 5.14 and Figure 5.14).

Table 5.14: Distribution of Respondents as per their Opinions on the Dissemination of the Audit Law of Kingdom of Cambodia

Sl. No.	Opinion	Number	Percentage
1	Fully Agree	130	74.7
2	Partially Agree	44	25.3
Total		174	100.0

Source: Own Survey.

Figure 5.14: Percentage Distribution of Respondents as their Opinions on the Dissemination of the Audit Law of Kingdom of Cambodia



5.6.7 Establishment of Audit Quality Assurance Mechanism

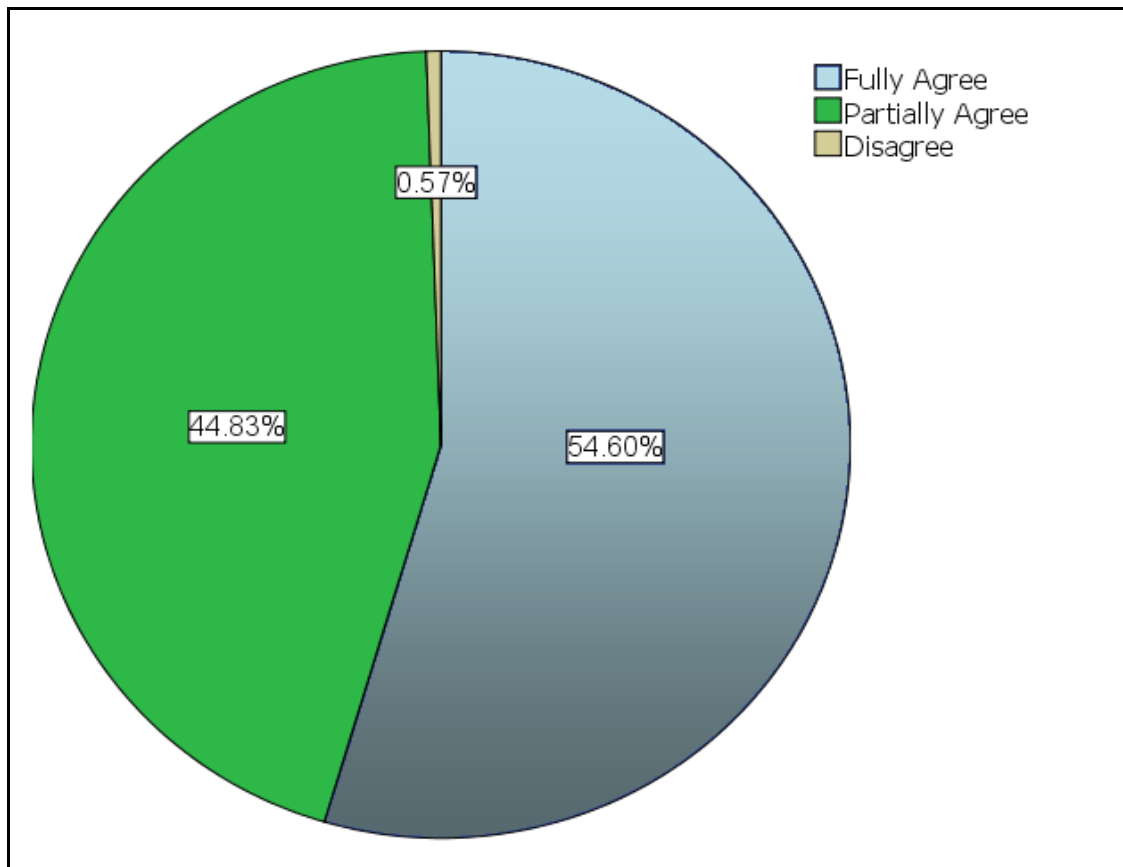
It is seen that 54.6 per cent respondents had fully agreed on the establishment of audit quality assurance mechanism; 44.8 per cent of respondents partially agreed and 0.6 per cent respondents disagreed on the establishment of audit quality assurance mechanism. The result indicates that most auditors want to have audit quality assurance mechanism in place for improvement of audit works done by auditors (Table 5.15 and Figure 5.15).

Table 5.15: Distribution of Respondents as per their Opinions on Establishment of Audit Quality Assurance Mechanism

Sl. No.	Opinion	Number	Percentage
1	Fully Agree	95	54.6
2	Partially Agree	78	44.8
3	Disagree	1	0.6
Total		174	100.0

Source: Own Survey.

Figure 5.15: Percentage Distribution of Respondents as per their Opinions on Establishment of Audit Quality Assurance Mechanism



5.6.8 Satisfaction on the Audit Queries Response from Audited Entities

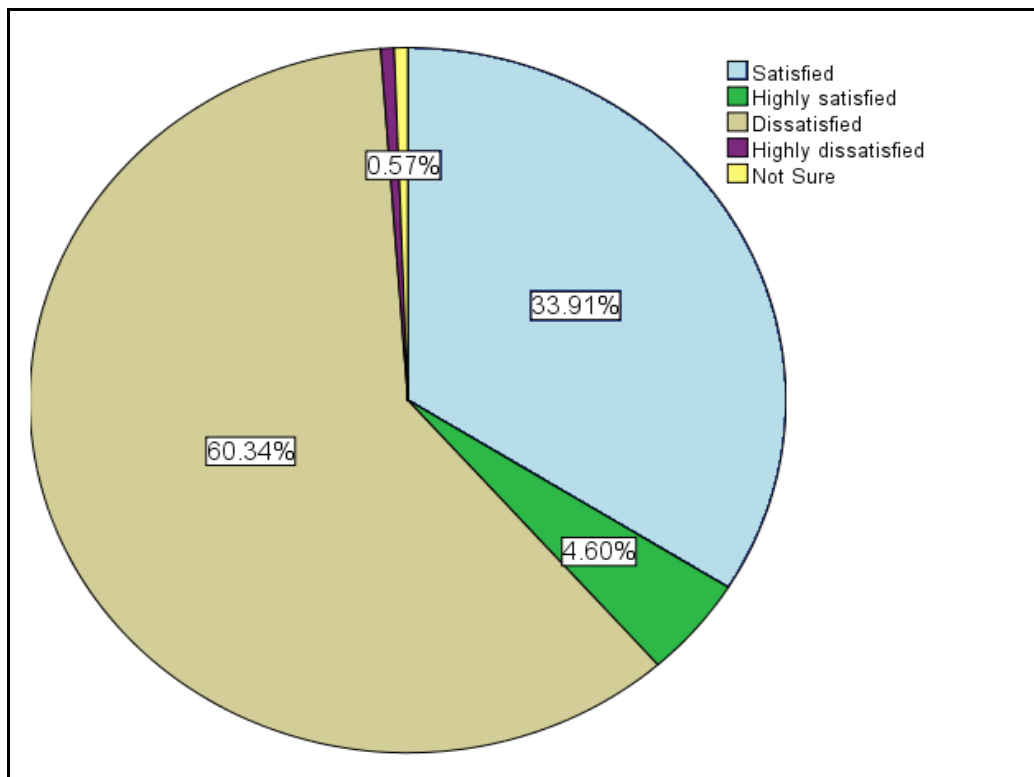
It is found that 33.9 percent respondents were satisfied with the response from audited entities on audit queries, 4.6 per cent respondents highly satisfied, 60.3 per cent respondents dissatisfied, 0.6 per cent respondents highly dissatisfied, and the remaining 0.6 per cent respondents were not sure. The surveyed data show that most respondents were dissatisfied with the response from audited entities on audit queries (Table 5.16 and Figure 5.16).

Table 5.16: Distribution of Respondents as per their Opinions on Satisfaction on the Audit Queries Response from Audited Entities

Sl. No.	Opinion	Number	Percentage
1	Satisfied	59	33.9
2	Highly satisfied	8	4.6
3	Dissatisfied	105	60.3
4	Highly dissatisfied	1	0.6
5	Not Sure	1	0.6
Total		174	100.0

Source: Own Survey.

Figure 5.16: Percentage Distribution of Respondents as per their Opinions on Satisfaction on the Audit Queries Response from Audited Entities



5.6.9 Satisfaction with the Implementation on Recommendations of the National Audit Authority of Cambodia by Audited Entities

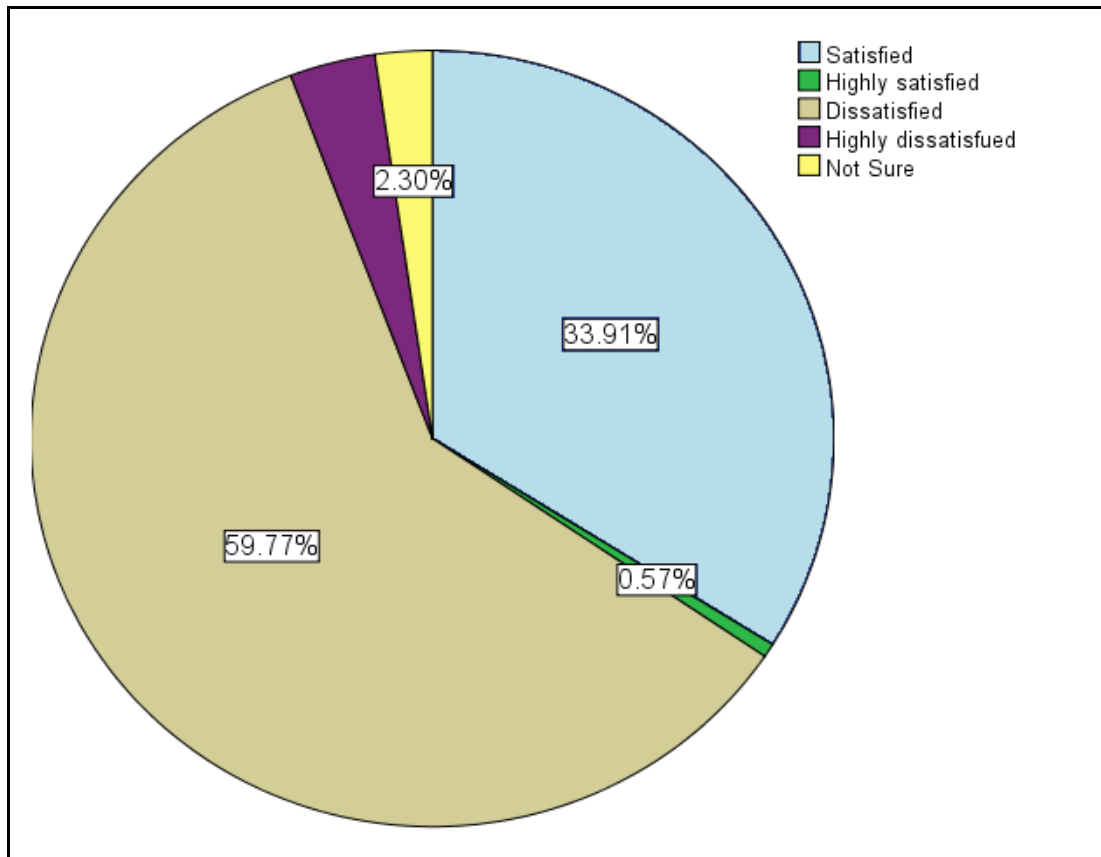
Based on the table below, 33.9 per cent respondents expressed satisfaction on the implementation on recommendations of the National Audit Authority by the audited entities; 0.6 per cent respondents were highly satisfied; 59.8 per cent dissatisfied ; 3.4 per cent highly dissatisfied ; and the rest 2.3 percent respondents had no response. The data analysis showed that majority of respondents were not satisfied with the implementation on audit recommendations by the National Audit Authority of Cambodia (Table 5.17 and Figure 5.17).

Table 5.17: Distribution of Respondents as per their Opinion on Satisfaction with the Implementation on Recommendations of the National Audit Authority of Cambodia by Audited Entities

Sl. No.	Opinion	Number	Percentage
1	Satisfied	59	33.91
2	Highly satisfied	1	0.57
3	Dissatisfied	104	59.77
4	Highly dissatisfied	6	3.4
5	Not Sure	4	2.3
Total		174	100.0

Source: Own Survey.

Figure 5.17: Percentage Distribution of Respondents as per their Opinion on Satisfaction with the Implementation on Recommendations of National Audit Authority by Audited Entities



5.6.10 Opinion on the Funding to the National Audit Authority of Cambodia

From the among the survey respondents, 96 per cent opined that the current funding of the National Audit Authority of Cambodia was provided by the Ministry of Economy and Finance; four per cent of respondents had opinion that funding

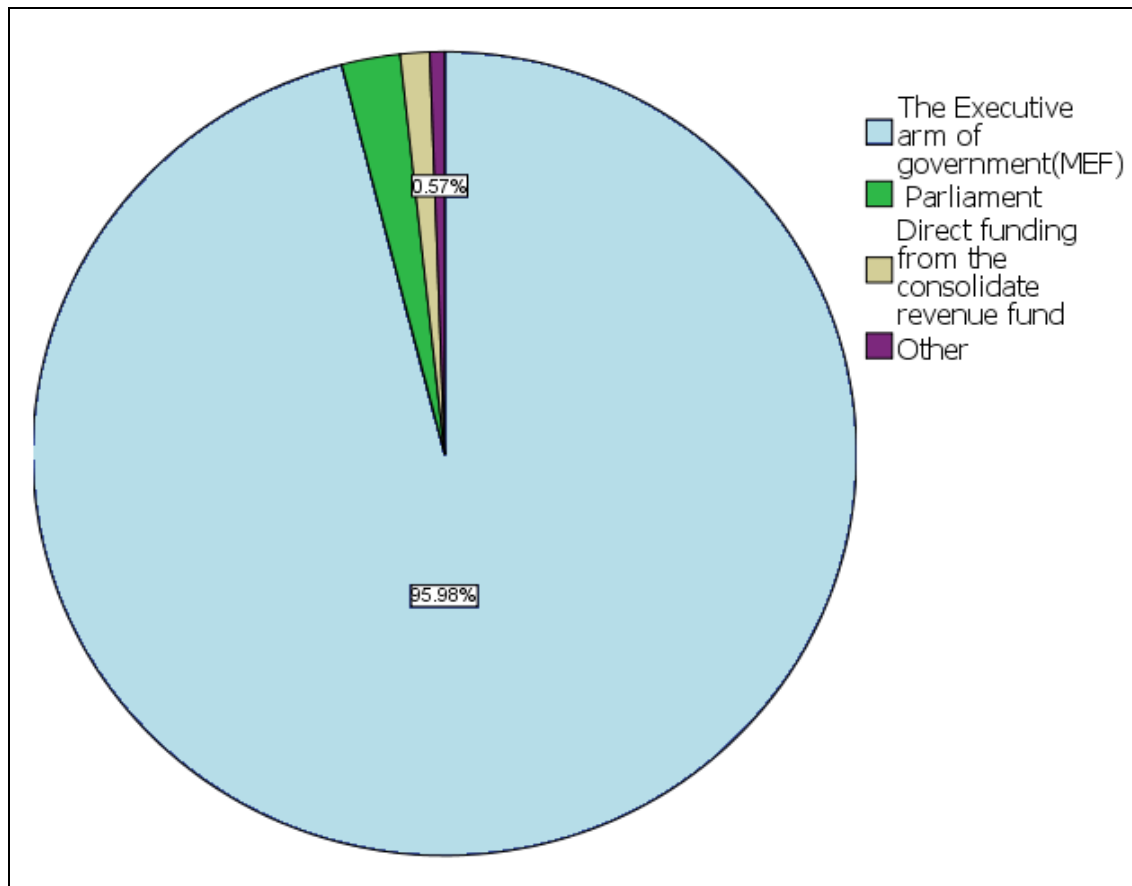
of the National Audit Authority of Cambodia was from parliament; 1.1 per cent was from revenue fund; and 0.6 per cent was from other source. Thus, the survey result shows that the National Audit Authority of Cambodia operates audit works by getting funds from the Ministry of Economy and Finance. The Ministry of Economy and Finance has full right to control budget of the National Audit Authority of Cambodia (Table 5.18 and Figure 5.18).

Table 5.18: Distribution of Respondents as per their Opinions on the Funding to the National Audit Authority

Sl. No.	Opinion	Number	Percentage
1	The Executive arm of government(MEF)	167	96.0
2	Parliament	4	2.3
3	Direct funding from the consolidate revenue fund	2	1.1
4	Others	1	0.6
	Total	174	100.0

Source: Own Survey.

Figure 5.18: Percentage Distribution of Respondents as per their Opinions on the Funding to the National Audit Authority of Cambodia



5.6.11 Satisfaction with the Financial and Material Supports for Carrying out Audit Work

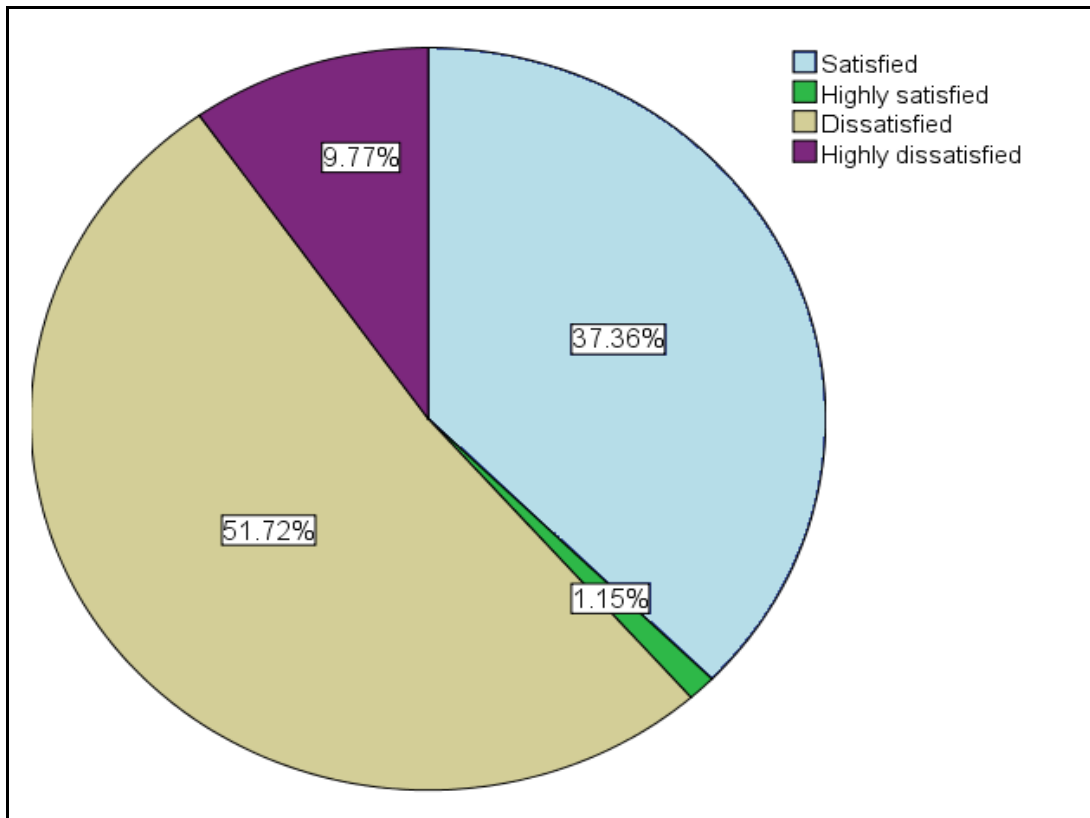
The survey revealed that 51.7 per cent of respondents were dissatisfied with the financial and material supports provided by the Ministry of Economy and Finance followed by 37.4 per cent satisfied, 9.8 per cent highly dissatisfied and 1.1 per cent highly satisfied (Table 5.19 and Figure 5.19).

Table 5.19: Distribution of Respondents as per their Opinions on Satisfaction with the Financial and Material Supports for Carrying out Audit Works

Sl. No.	Opinion	Number	Percentage
1	Satisfied	65	37.4
2	Highly satisfied	2	1.1
3	Dissatisfied	90	51.7
4	Highly dissatisfied	17	9.8
Total		174	100.0

Source: Own Survey.

Figure 5.19: Percentage Distribution of Respondents as per their Opinions on Satisfaction with the Financial and Material Supports for Carrying out Audit Works



5.6.12 Influence of the Financial Support on Auditor Performance

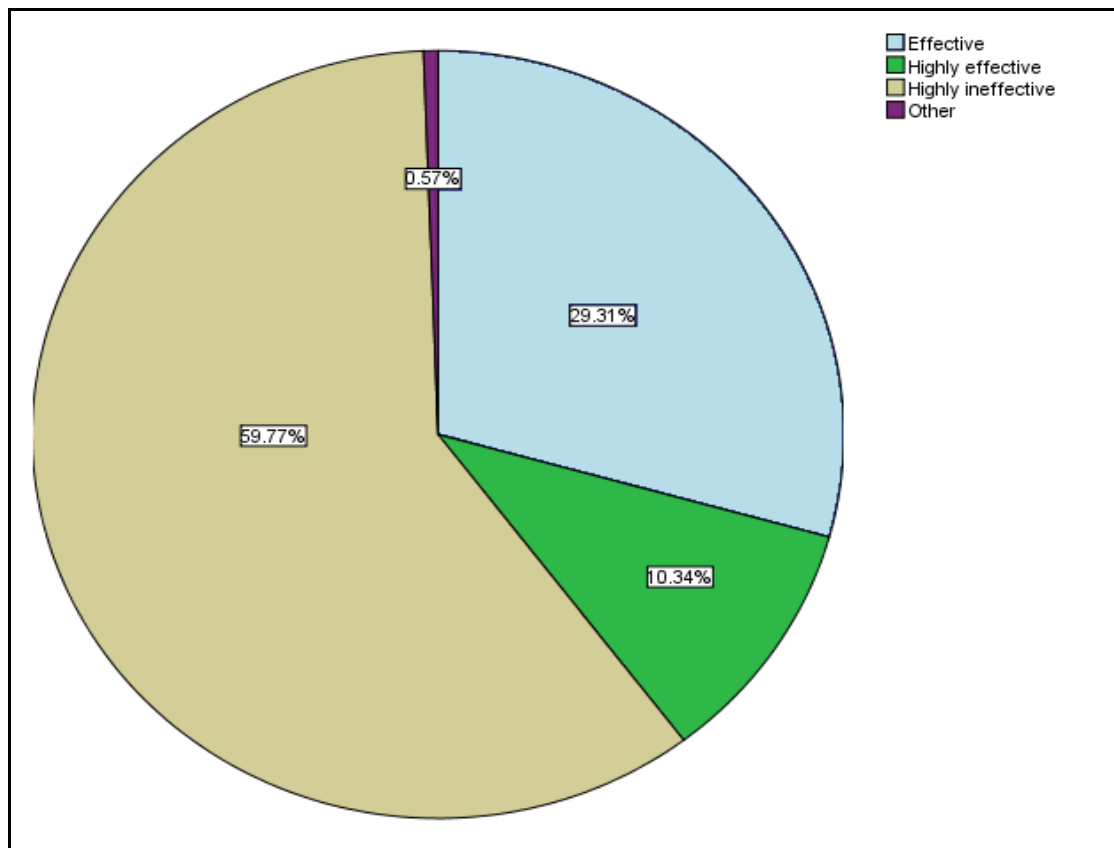
The survey result shows that 29.3 per cent respondents had the opinions of effective influence of financial support provided by the Ministry of Economy and Finance on auditor performance followed by 10.3 per cent highly effective influence, 59.8 per cent highly ineffective influence and 0.6 per cent other opinion. Thus, the majority of respondents recognized that the financial support provided by the Ministry of Economy and Finance on auditor performance was ineffective (Table 5.20 and Figure 5.20).

Table 5.20: Distribution of Respondents as per their Opinions on Influence of the Financial Support on Auditor Performance

Sl. No.	Opinion	Number	Percentage
1	Effective	51	29.3
2	Highly effective	18	10.3
3	Highly ineffective	104	59.8
4	Other	1	0.6
Total		174	100.0

Source: Own Survey.

Figure 5.20: Percentage Distribution of Respondents as per their Opinions on Influence of the Financial Support on Auditor Performance



5.6.13 Independence of the National Audit Authority of Cambodia

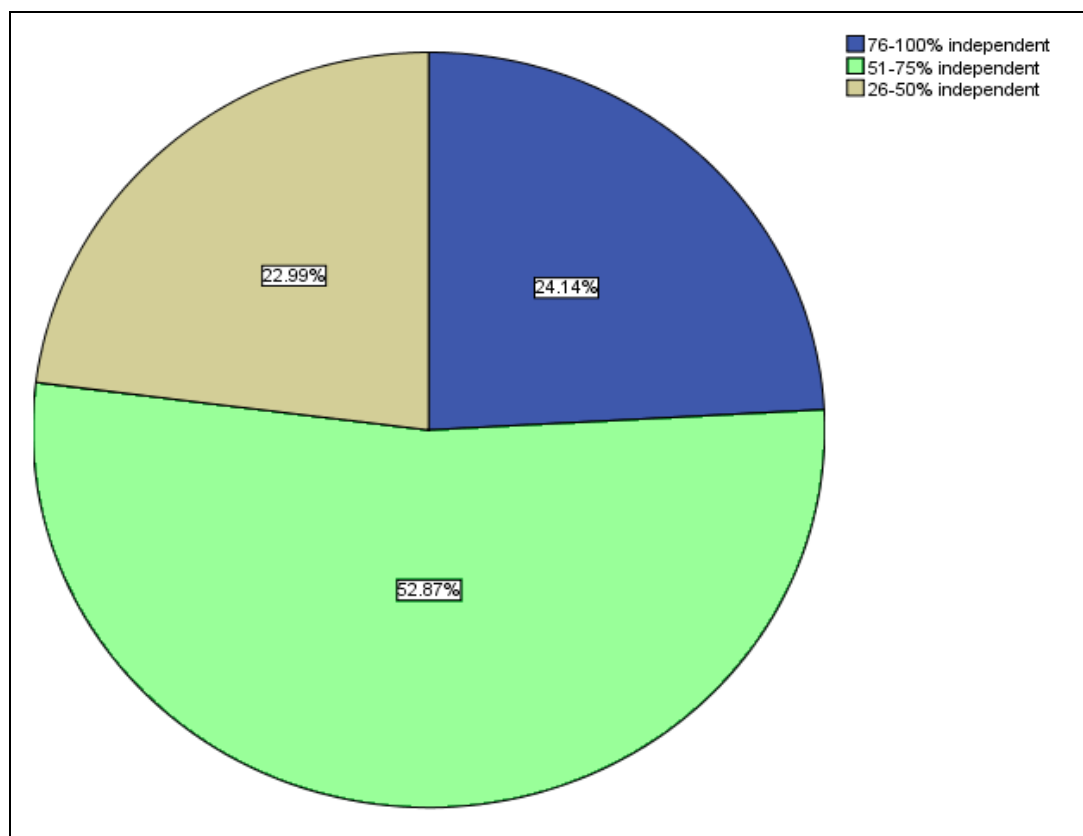
Based on the opinion on the independence of the National Audit Authority of Cambodia, 24.1 per cent respondents opined that the National Audit Authority of Cambodia was 76-100 per cent independent, 52.9 per cent opined 51-75 per cent independent and 23 per cent opined 26-50 per cent independent (Table 5.21 and Figure 5.21).

Table 5.21: Distribution of Respondents as per their Opinions on the Independence of the National Audit Authority of Cambodia

Sl. No.	Opinion	Number	Percentage
1	76-100%	42	24.1
2	51-75%	92	52.9
3	26-50%	40	23.0
	Total	174	100.0

Source: Own Survey.

Figure 5.21: Percentage Distribution of Respondents as per their Opinions on the Independence of the National Audit Authority of Cambodia



5.6.14 Budget of the National Audit Authority of Cambodia

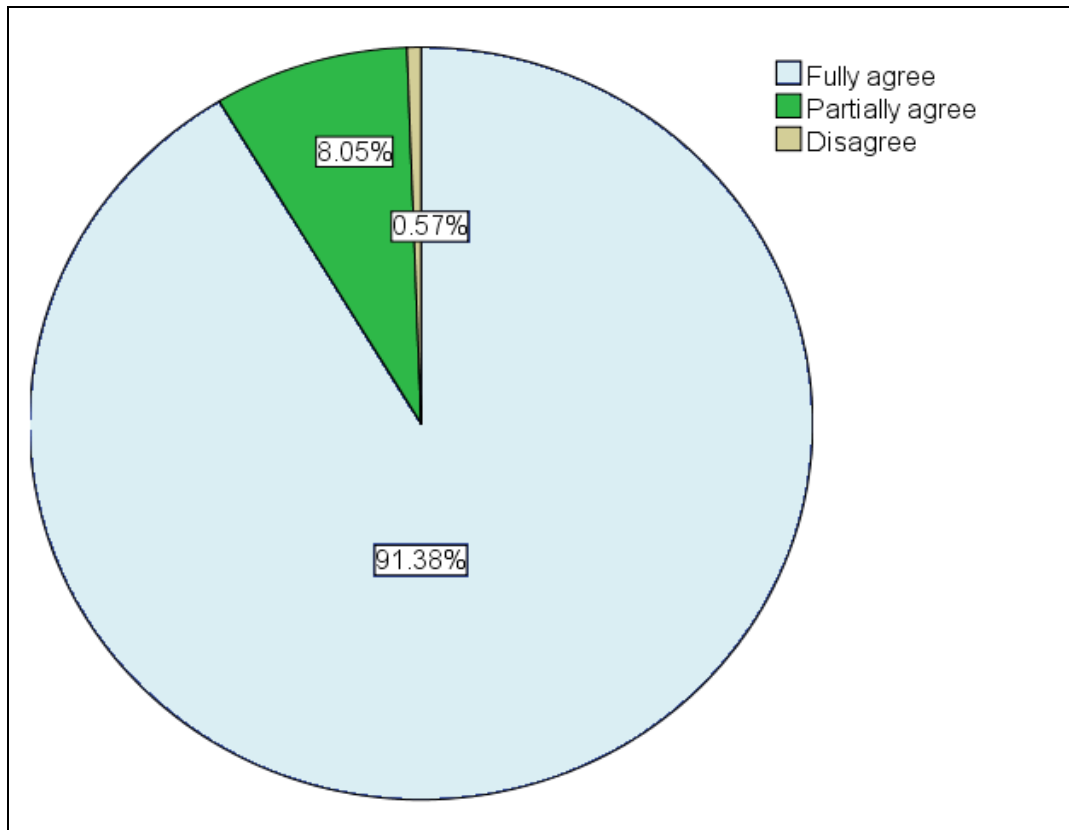
Among the 174 auditors surveyed, 91.4 per cent respondents fully agreed that future budget of the National Audit Authority of Cambodia should be independent and made directly by parliament, whereas, eight per cent partially agreed, and 0.6 per cent disagreed with the opinion (Table 5.22 and Figure 5.22).

Table 5.22: Distribution of Respondents as per their Opinions on the Independence and Direct Provision of Budget made by Parliament for the National Audit Authority of Cambodia

Sl. No.	Opinion	Number	Percentage
1	Fully agree	159	91.4
2	Partially agree	14	8.0
3	Disagree	1	0.6
Total		174	100.0

Source: Own Survey.

Figure 5.22: Percentage Distribution of Respondents as per their Opinions on the Independence and Direct Provision of Budget made by Parliament for the National Audit Authority of Cambodia



5.6.15 Supports from Development Partners to the National Audit Authority of Cambodia

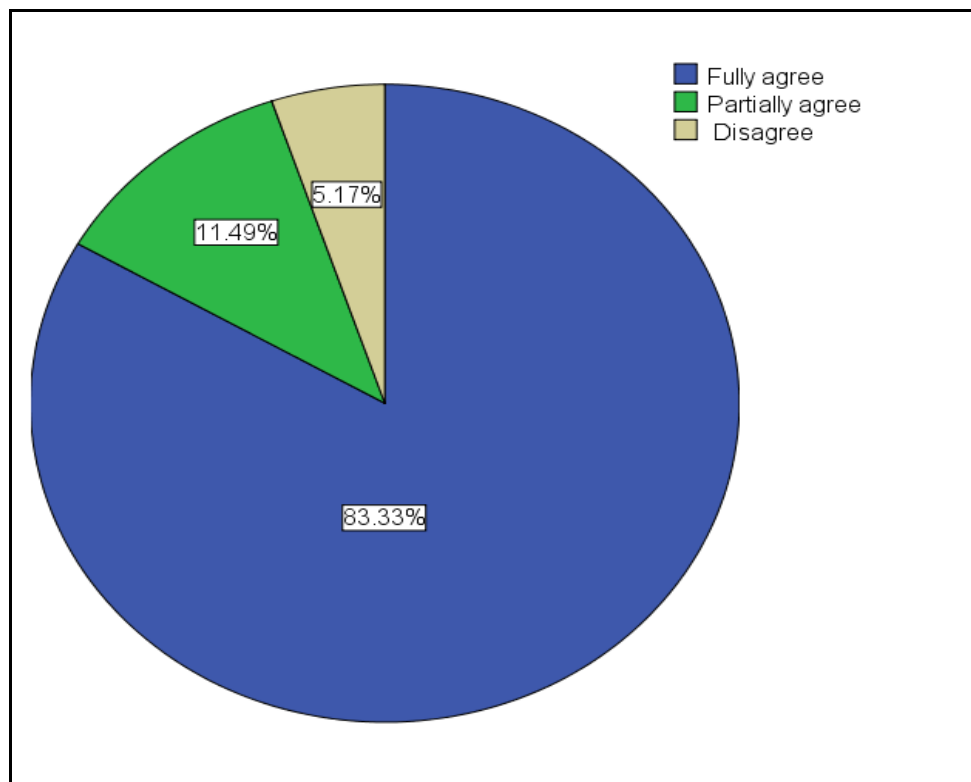
The surveyed data indicates that 83.3 per cent of respondents fully agreed that the National Audit Authority of Cambodia should have technical support from development partners followed by 11.5 per cent partially agreed and 5.2 per cent disagreed with the above opinion (Table 5.23 and Figure 5.23). This shows that most of the auditors were willing that the National Audit Authority of Cambodia should receive financial and technical supports from development partners.

Table 5.23: Distribution of Respondents as per their Opinions on Supports from Development Partners to the National Audit Authority of Cambodia

Sl. No.	Opinion	Number	Percentage
1	Fully agree	145	83.3
2	Partially agree	20	11.5
3	Disagree	9	5.2
Total		174	100.0

Source: Own Survey.

Figure 5.23: Percentage Distribution of Respondents as per their Opinions on Supports from Development Partners to the National Audit Authority of Cambodia



5.7 Opinion on Government and Parliament, Ministry of Economy and Finance, and Anti-Corruption Unit

5.7.1 Setting up Public Accounting Standards by Government

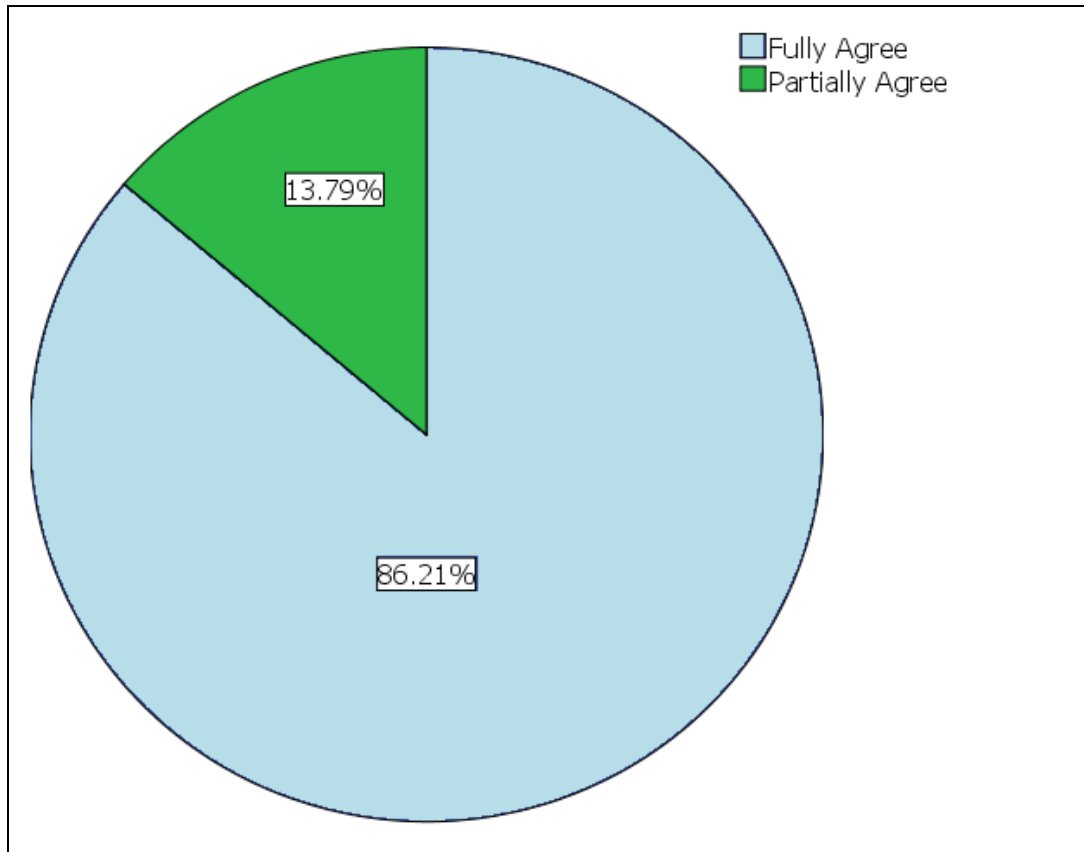
Public Accounting Standards is necessary for the recording of revenue and expenditure of government and it is even more necessary for auditors of the National Audit Authority of Cambodia to use it as criteria for conducting audit works. Based on the survey, 86.2 per cent respondents fully agreed that the National Audit Authority of Cambodia had public accounting standards set up by the government followed by 13.8 per cent partially agreed on the above opinion (Table 5.24 and Figure 5.24).

Table 5.24: Distribution of Respondents as per their Opinions on Setting up Public Accounting Standards by Government

Sl. No.	Opinion	Number	Percentage
1	Fully Agree	150	86.2
2	Partially Agree	24	13.8
3	Disagree	0	0
Total		174	100.0

Source: Own Survey.

**Figure 5.24: Percentage Distribution of Respondents as per their
Opinions on Setting up of Public Accounting Standards by
Government**



5.7.2 Consolidated Financial Statement of Government Summited to the National Audit Authority of Cambodia for Audit

According to the audit law, the government must send the state's consolidated financial statement to the National Audit Authority for auditing within nine months after fiscal year completion. The survey result shows that 84.5 per cent respondents fully agreed on the opinion of submitting consolidated financial

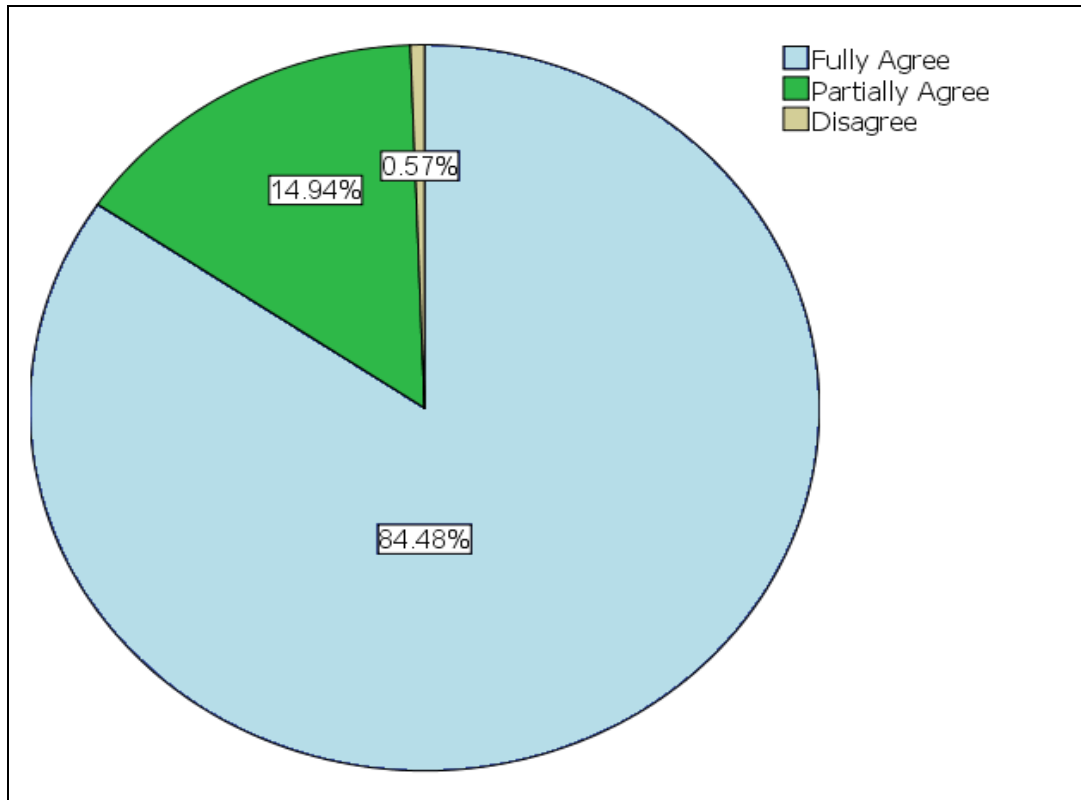
statement to the National Audit Authority of Cambodia on proper time, whereas, 14.9 per cent respondents partially agreed and 0.6 per cent respondents disagreed on this opinion (Table 5.25 and Figure 5.25).

Table 5.25: Distribution of Respondents as per their Opinions on Timely Submission of Consolidated Financial Statement by Government to the National Audit Authority of Cambodia

Sl. No.	Opinion	Number	Percentage
1	Fully Agree	147	84.5
2	Partially Agree	26	14.9
3	Disagree	1	.6
Total		174	100.0

Source: Own Survey.

Figure 5.25: Percentage Distribution of Respondents as per their Opinions on Timely submission Consolidated Financial Statement by Government to the National Audit Authority of Cambodia



5.7.3 Sufficient Staff and Lawmakers Having Experiences in Accounting and Auditing to Work for the Commission on Economy, Finance, Bank and Audit of Parliament

The function of the Commission on Economy, Finance, Bank and Audit of Parliament is to examine all audit reports in order to force the audited entities to follow audit recommendations made by the National Audit Authority. As per

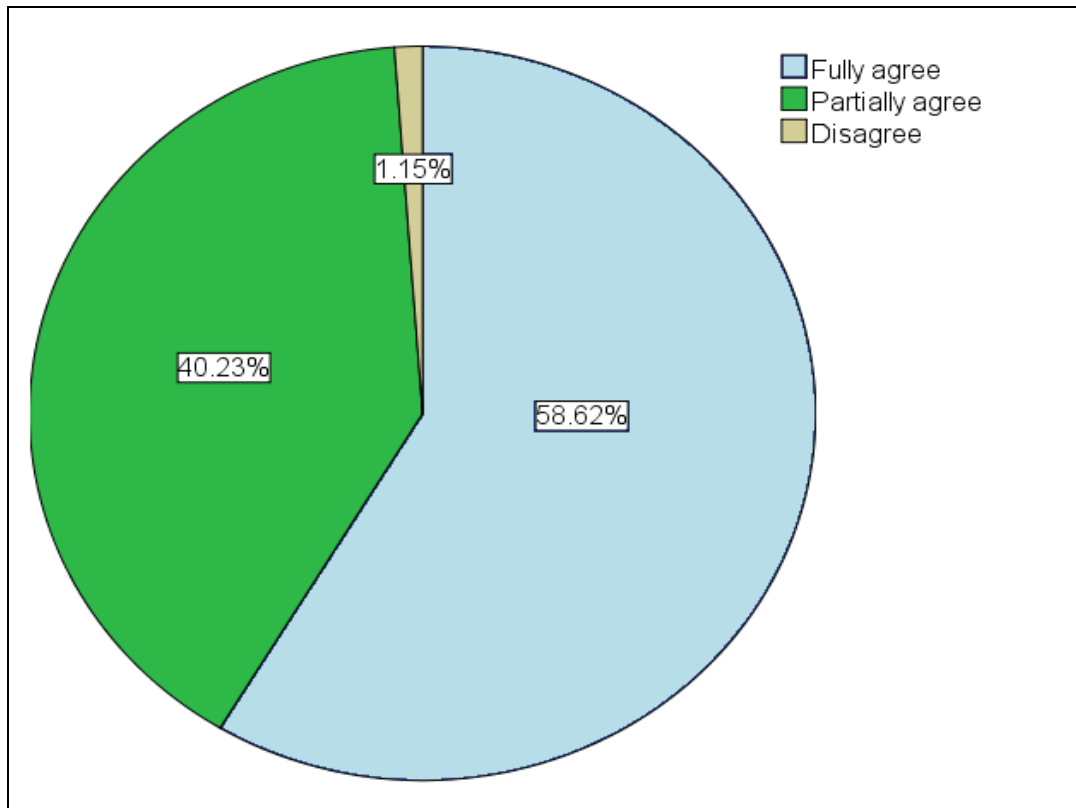
survey result, 58.6 per cent fully agreed on the matter that the Commission on Economy, Finance, Bank and Audit of Parliament had sufficient staff and lawmakers having experiences in accounting and auditing; 40.2 per cent respondents partially agreed and 1.1 per cent respondents disagreed on the above statement (Table 5.26 and Figure 5.26). Thus, most auditors thought that the Commission on Economy, Finance, Bank and Audit of Parliament should have sufficient staff and lawmakers having experiences in accounting and auditing.

Table 5.26: Distribution of Respondents as per their Opinions on Sufficient Staff and Lawmakers Having Experiences in Accounting and Auditing to Work for the Commission on Economy, Finance, Bank and Audit of Parliament

Sl. No.	Opinion	Number	Percentage
1	Fully agree	102	58.6
2	Partially agree	70	40.2
3	Disagree	2	1.1
Total		174	100.0

Source: Own Survey.

Figure 5.26: Percentage Distribution of Respondents as per Opinions on Sufficient Staff and Lawmakers Having Experiences in Accounting and Auditing to Work for the Commission on Economy, Finance, Bank and Audit of Parliament



5.7.4 Cooperation between the National Audit Authority of Cambodia and Anti-Corruption Unit

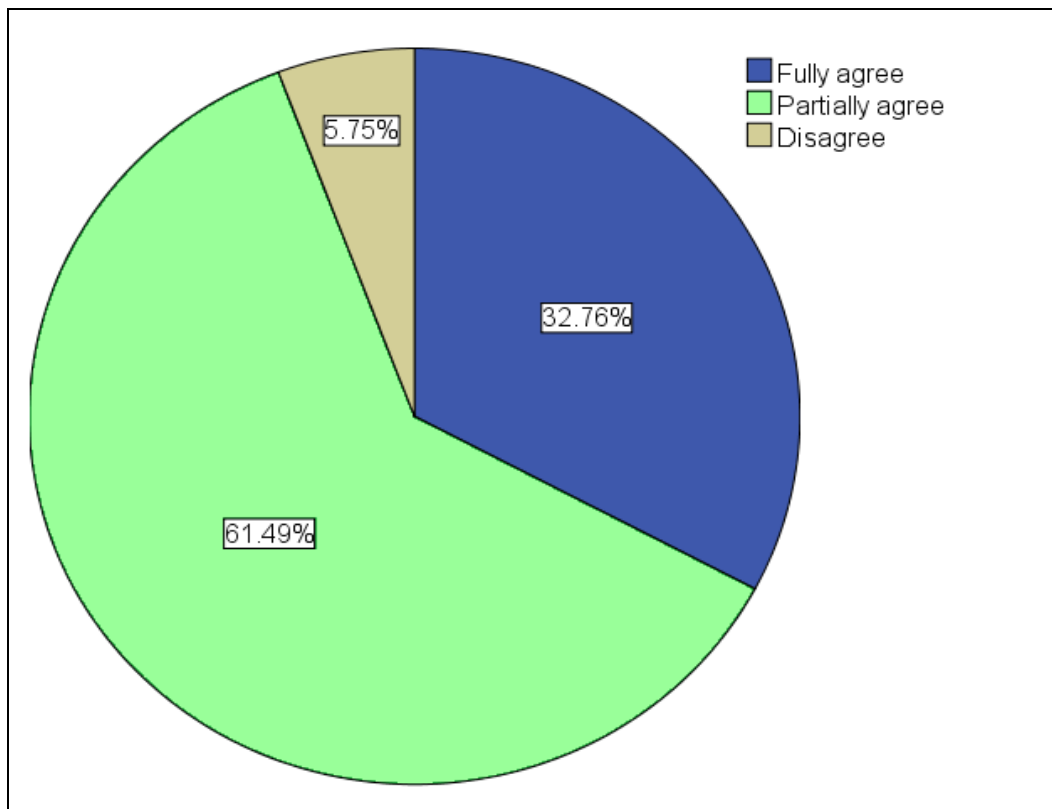
Among the surveyed respondents, 32.8 per cent fully agreed with the opinion that there was cooperation between the National Audit Authority of Cambodia and Anti-Corruption units followed by 61.5 per cent partially agreed and the remaining 5.7 per cent disagreed with the above opinion (Table 5.27 and Figure 5.27). Thus, most of the auditors expressed their partial agreement on the opinion that there was cooperation between the National Audit Authority of Cambodia and Anti-Corruption unit.

Table 5.27: Percentage Distribution of Respondents as per their Opinions on Cooperation between the National Audit Authority of Cambodia and Anti-Corruption Unit

Sl. No.	Opinion	Number	Percentage
1	Fully agree	57	32.8
2	Partially agree	107	61.5
3	Disagree	10	5.7
	Total	174	100.0

Source: Own Survey.

Figure 5.27: Percentage Distribution of Respondents as per their Opinions on Cooperation between the NAAC and Anti-Corruption Unit



5.8 Reliance of the National Audit Authority of Cambodia

5.8.1 Level of Reliance of the National Audit Authority on Financial Statements Prepared by the Executive Arms of Government

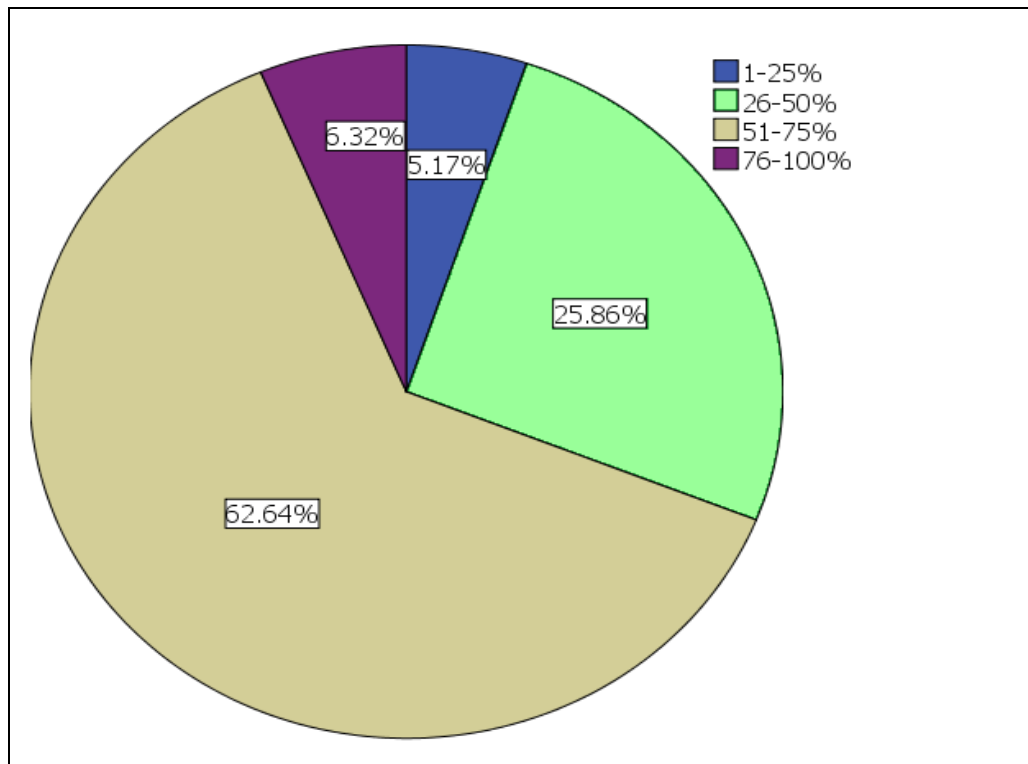
According to the views of 62.6 per cent surveyed auditors, the level of reliance of the National Audit Authority of Cambodia on the financial statement prepared by the Ministry of Economy and Finance (Executive Arm of Government) for the purpose of auditing was 51 to 75 per cent. Similarly, 25.9 per cent auditors opined 26 to 50 per cent reliance, 6.3 per cent auditors 76 to 100 per cent reliance and the rest 5.2 per cent had the opinion of 1 to 25 per cent reliance (Table: 5.28 and Figure: 5.28).

Table 5.28: Distribution of Respondents as per their Opinions on the Level of Reliance of the National Audit Authority on Financial Statements Prepared by the Executive Arm of Government

Sl. No.	Level of Reliance	Numbers of Respondents	Percentage
1	1-25%	9	5.2
2	26-50%	45	25.9
3	51-75%	109	62.6
4	76-100%	11	6.3
Total		174	100.0

Source: Own Computation.

Figure 5.28: Percentage Distribution of Respondents as per their Opinions on the Level of Reliance of the National Audit Authority on Financial Statements Prepared by the Executive Arm of Government



5.8.2 Level of Performance of Auditors depending on Financial Statements Prepared by the Executive Arms of Government

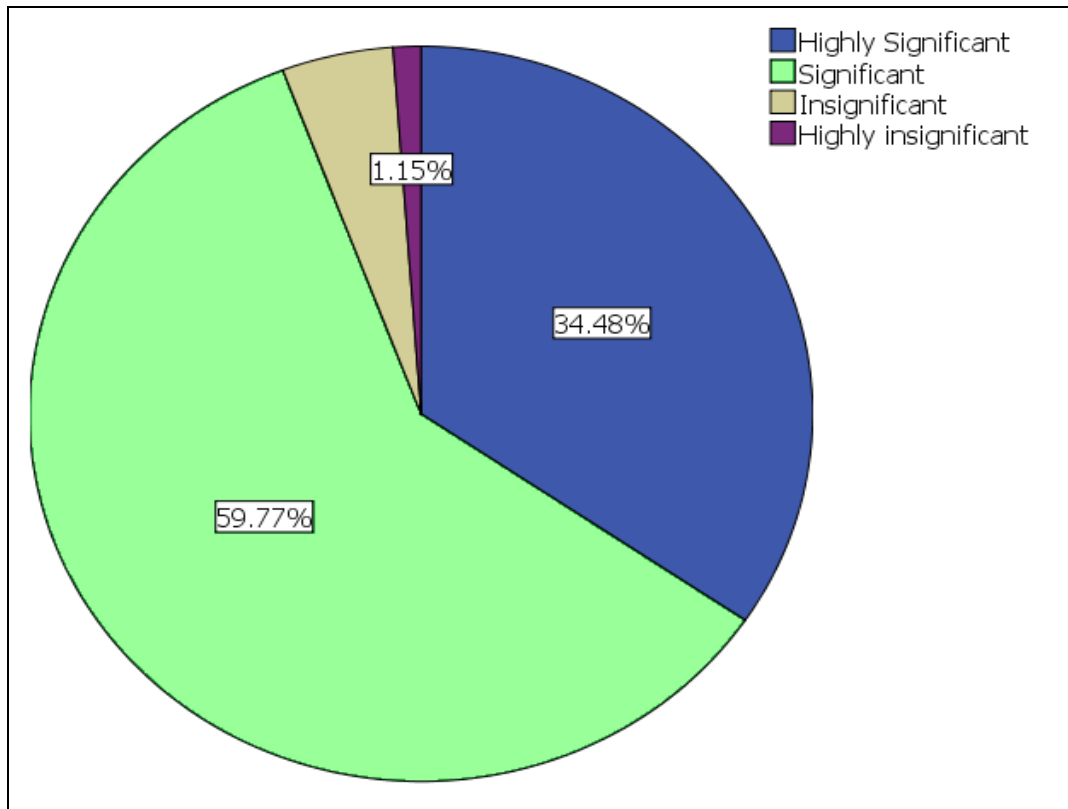
The performance of the auditors in audit works was found to be influenced by the financial statements prepared by the Executive Arm of Government (Ministry of Economy and Finance). Among the survey respondents, 59.8 per cent viewed that the level of performance was significant followed by 34.5 per cent had the opinion of highly significant performance. Only 4.6 and 1.1 per cent had the views of insignificant and highly insignificant levels of performance respectively (Table 5.29 and Figure 5.29).

Table 5.29: Distribution of Respondents as per their Opinions on the Level of Performance of Auditors depending on Financial Statements Prepared by the Executive Arm of Government

Level of Performance	Number of Respondents	Percentage
Highly Significant	60	34.5
Significant	104	59.8
Insignificant	8	4.6
Highly insignificant	2	1.1
Total	174	100.0

Source: Own Computation.

Figure 5.29: Percentage Distribution of Respondents as per their Opinions on the Level of Performance of Auditors depending on Financial Statements Prepared by the Executive Arms of Government



5.8.3 Level of Reliance of the National Audit Authority of Cambodia on the Financial Statements prepared by the Executive Arms of Government and Level of Performance of Auditors in Audit Works

Among the 60 surveyed respondents having the opinion of highly significant, 66.7 per cent expressed the reliance of 51 to 75 per cent on the financial statements prepared by the Ministry of Economy and Finance followed by 16.7 per cent had the view of 26 to 50 per cent reliance, 10 per cent for 1 to 25 per cent reliance and 6.7 per cent for 76 to 100 per cent reliance. Similarly, the percentages of respondents of the category of significant level of performance having the opinions of 51 to 75 per cent reliance, 26 to 50 per cent reliance, 76 to 100 per cent reliance and 0.9 per cent reliance on the financial statement prepared by the Executive Arm of the Government were 61.5, 30.7, 6.7, and 0.9 respectively (Table 5.30).

Table 5.30: Distribution of Respondents as per their Opinions on Level of Reliance of the National Audit Authority of Cambodia on the Financial Statements prepared by the Government and Level of Performance in Audit Works

Level of Performance	Level of Reliance				Total
	1-25%	26-50%	51-75%	76-100%	
Highly Significant	6 (10.0)	10 (16.7)	40 (66.7)	4 (6.7)	60 (100)
Significant	1 (0.9)	32 (30.7)	64 (61.5)	7 (6.7)	104 (100)
Insignificant	2 (25)	3 (37.5)	3 (37.5)	0 (0)	8 (100)
Highly insignificant	0 (0)	0 (0)	2 (100)	0 (0)	2 (100)
Total	9 (5.1)	45 (25.8)	109 (62.6)	11 (6.3)	174 (100)
$\chi^2=18.42$, d.f=9, Sig. Level=0.031					

Note: Figures into the parentheses indicate percentage to the corresponding row total.

Source: Own Computation.

The study reveals that there was strong association between the levels of reliance of the National Audit Authority of Cambodia on the Financial Statements prepared by the Ministry of Economy and Finance and the level of performance of auditors in audit works. This can be known from the χ^2 value (18.42) with 9 degrees of freedom and 0.031 significant levels. Hence, the null hypothesis "Ho 1: The performance of the National Audit Authority of Cambodia is not significantly dependent on the financial statements prepared by the executive arms of government" is rejected.

5.9 Performance of the Commission on Economy, Finance, Bank and Audit of Parliament

5.9.1 Performance of the Commission on Economy, Finance, Bank and Audit of Parliament in Controlling Public Funds

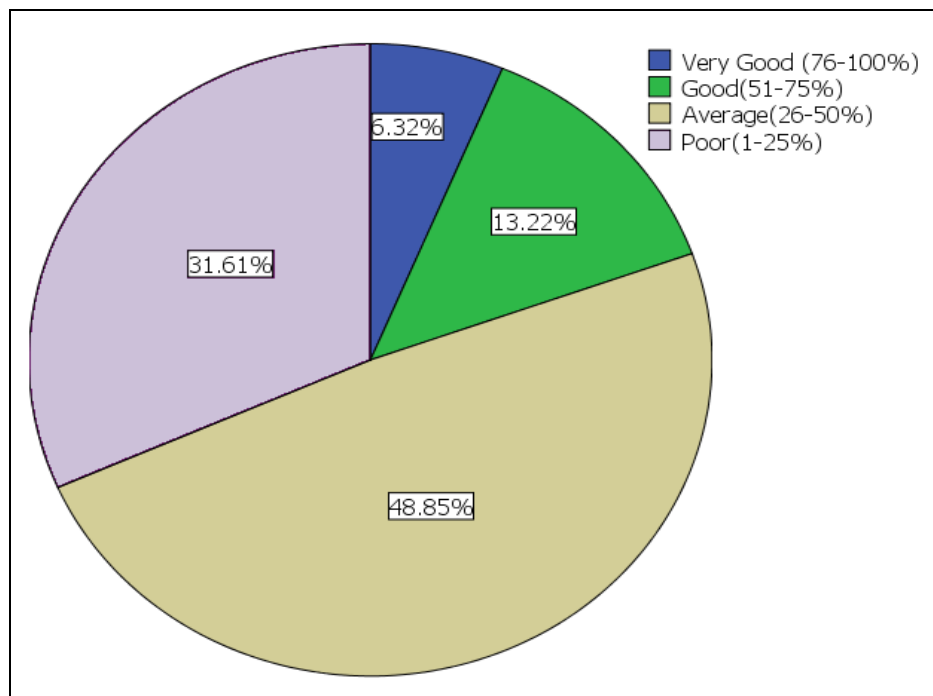
Based on the opinion of 48.9 per cent surveyed auditors, the level of reliance on the performance of the Commission on Economy, Finance, Banking and Audit of Parliament in Controlling Public Fund for the purpose of auditing was average (from 51 to 75 per cent). Similarly, 31.6 per cent auditors opined poor (1 to 25 per cent) as the level of performance, 13.2 per cent auditors as good (51 to 75 per cent) performance and the rest 6.3 per cent had the opinion of very good (76-100% per cent) performance of the commission (Table: 5.31 and Figure: 5.30).

Table 5.31: Distribution of Respondents as per their Opinions on the Performance of the Commission on Economy, Finance, Bank and Audit of Parliament in Controlling Public Funds

Reliance of Performance	Number of Respondents	Percentage
Very Good (76-100%)	11	6.3
Good (51-75%)	23	13.2
Average (26-50%)	85	48.9
Poor (1-25%)	55	31.6
Total	174	100.0

Source: Own Computation.

Figure 5.30: Percentage Distribution of Respondents as per their Opinions on the Performance of the Commission on Economy, Finance, Bank and Audit of Parliament in Controlling Public Funds



5.9.2 Influence of the Commission on Economy, Finance, Banking and Audit of Parliament in Audit Works

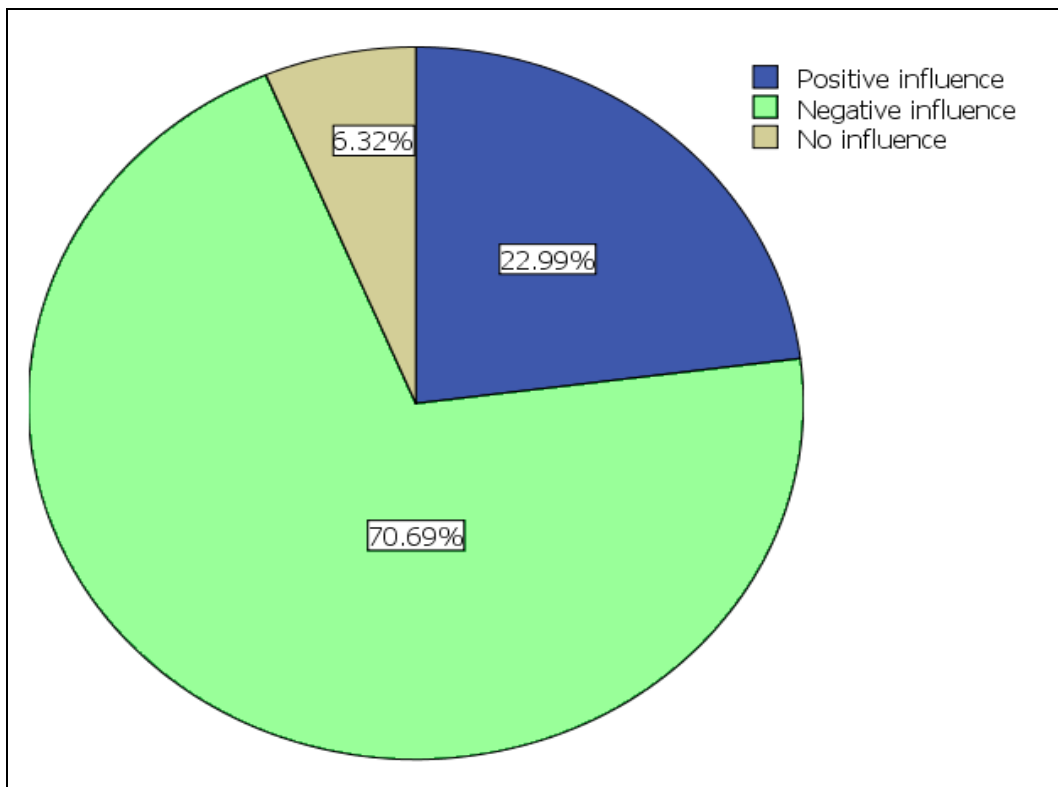
The performance of the auditors in audit works was found to be influenced by the Commission on Economy, Finance, Banking and Audit of Parliament. Around 70.7 per cent respondents viewed that the influence of the commission on auditor's works was negative followed by 23 per cent had the opinion of positive influence and 6.3 per cent had the views of no influence (Table 5.32 and Figure 5.31).

Table 5.32: Distribution of Respondents as per their Opinions on the Influence of the Commission on Economy, Finance, Banking and Audit of Parliament in Audit Works

Influence on Auditor Work	Frequency	Percent
Positive influence	40	23.0
Negative influence	123	70.7
No influence	11	6.3
Total	174	100.0

Source: Own Computation.

Figure 5.31: Percentage Distribution of Respondents as per their Opinions on the Influence of the Commission on Economy, Finance, Banking and Audit of Parliament in Audit Works



5.9.3 Opinions on the Performance of the Commission on Economy, Finance, Banking and Audit of Parliament and Influence in Audit Works

There were 40 surveyed respondents having the opinion of positive influence among which 27.5 per cent expressed level of very good performance of the commission followed by 35 per cent had the view of good performance, 25 per cent of average performance and 12.5 per cent of poor performance. On the

other hand, among the 123 respondents having the opinion of negative influence, 26 per cent expressed good performance, 60.9 per cent average performance and 34 per cent poor performance. Among the remaining 11 respondents having opinion of no influence, 27.3 per cent expressed good and 72.7 per cent poor performance (Table 5.33).

Table 5.33: Distribution of Respondents as per their Opinions on the Performance of the Commission on Economy, Finance, Banking and Audit of Parliament and Influence of the Commission in Audit Works

Influence on Auditors' Works	Performance of the Parliament Commission				Total
	Very Good (76-100%)	Good (51-75%)	Average (26-50%)	Poor (1-25%)	
Positive influence	11 (27.5)	14 (35)	10 (25)	5 (12.5)	40 (100)
Negative influence	0 (0)	6 (26)	75 (60.9)	42 (34)	123 (100)
No influence	0 (0)	3 (27.3)	0 (0)	8 (72.7)	11 (100)
Total	11 (6.3)	23 (13.2)	85 (48.8)	55 (31.6)	174 (100)
$\chi^2 = 83.812$, df = 6, and Sig. Level = 0					

Note: Figures in the parentheses indicate percentage to the corresponding row total.

Source: Own Computation.

The analysis reveals that there was strong association between the performance of the Commission on Economy, Finance, Banking and Audit of Parliament and the level of influence of the commission in audit works. This can be known from the χ^2 value (83.182) with 6 degrees of freedom and 0.00 significant levels. Thus, the null hypothesis "Ho 2: The National Audit Authority's performance is not significantly dependent on the quality of legislative financial oversight" is rejected.

5.10 Professional Qualification and Audit Report Production

5.10.1 Audit Reports Completed by Auditors of the National Audit Authority of Cambodia

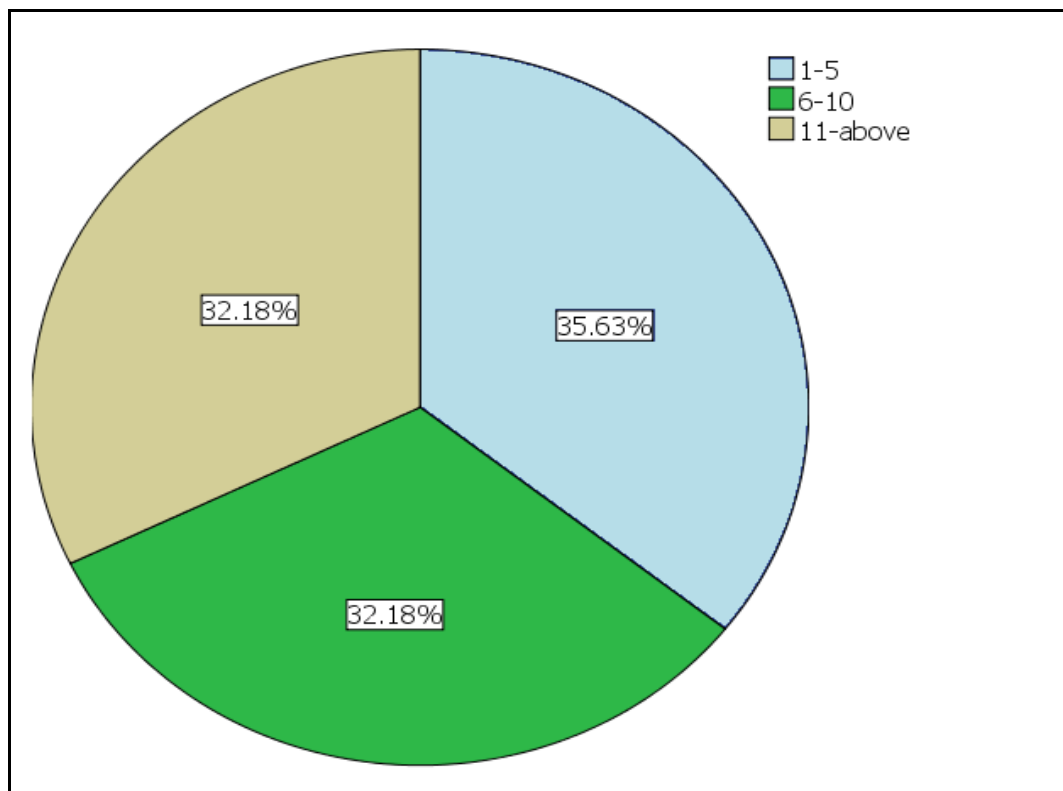
The performance of audit works is decided by the number of audit reports produced by the auditors. The survey of 174 auditors shows that 35.6 per cent had completed 1-5 audit reports; 32.2 per cent had completed 6-10 audit reports and another 32.2 per cent had completed more than 11 audit reports. As per standard, the more audit reports the auditors make the better audit works the auditors achieve. Based on the analysis, it can be observed that the production of audit reports by auditors in the National Audit Authority of Cambodia during the last five years, was very less. The reason was that the National Audit Authority of Cambodia was not able to provide enough audit works to its auditors (Table 5.34 and Figure 5.32).

Table 5.34: Distribution of Respondents as per the Number of Audit Reports Completed by them during the Last Five Years

Sl. No.	Audit Report (In number)	Number of Respondents	Percentage
1	1-5	62	35.6
2	6-10	56	32.2
3	11-above	56	32.2
Total		174	100.0

Source: Own Survey.

Figure 5.32: Percentage Distribution of Respondents as per the Number of Audit Reports Completed by them during the Last Five Years



5.10.2 Educational/Professional Qualification and Number of Audit Reports Prepared during the Last Five Years

Based on the survey, it is seen that among the three respondents having Ph.D. qualification, 33.3 per cent completed 1 to 5 audit reports and 66.6 per cent above 11 audit reports during the last five years. Only one respondent having CPA degree completed 6-10 audit reports. Among the 111 respondents having master degree, 35.1 per cent conducted 1-5 audit reports, 29.8 per cent 6-10 audit reports and 35.1 per cent above 11 audit reports. Out of the remaining 59 respondents having bachelor degree, 37.2 per cent completed 1-5 audit reports, 37.2 per cent 6-10 audit reports and 25.4 per cent above 11 audit reports (Table 5.35).

Table 5.35: Distribution of Respondents as per their Educational/ Professional Qualifications and Number of Audit Reports Prepared during the Last Five Year

Educational/Professional Qualification	Number of Audit Reports Prepared during the Last Five Years			Total
	1-5	6-10	11-above	
Ph.D	1 (33.3)	0 (0)	2 (66.6)	3 (100)
CPA	0 (0)	1 (100)	0 (0)	1 (100)
Master Degree	39 (35.1)	33 (29.8)	39 (35.1)	111 (100)
Bachelor Degree	22 (37.2)	22 (37.2)	15 (25.4)	59 (100)
Total	62 (35.6)	56 (32.2)	56 (32.2)	174 (100)
$\chi^2 = 6.662$, df = 6 and Sig.Level = 0.416				

Note: Figures in the parentheses indicate percentage to the corresponding row total.

Source: Own Computation

The result mentioned in the table indicates that there was no strong association between Educational/Professional Qualifications and number of total audit reports prepared by the auditors during the last five years. This can be known from the χ^2 value (6.662) with 6 degrees of freedom and 0.416 significant levels. Thus, the

null hypothesis " Ho 3: There is no significant association between the qualifications of the National Audit Authority's auditors and the number of audit reports prepared" is not rejected.

5.11 Problems Faced by the National Audit Authority of Cambodia

The present section discusses the problems faced the National Audit Authority of Cambodia including operational problems and audit problems at different points of time.

5.11.1 Operational Problems

The National Audit Authority of Cambodia was facing a number of operational problems. Out of total number of respondents, 79.3 per cent opined that the National Audit Authority of Cambodia had insufficient budget; 63.8 per cent mentioned about lack of proper direction; 46 per cent viewed on inadequate staff; and 92.5 per cent mentioned on lack of motivation. Thus, the operational problems were lack of motivation and insufficient budget (Table 5.36 and Figure 5.33).

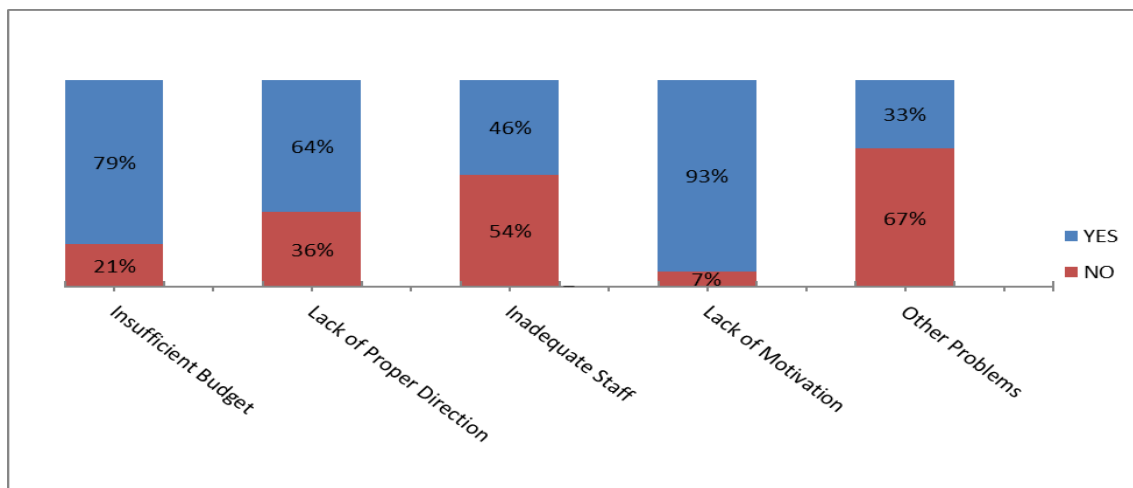
Table 5.36: Distribution of Respondents as per their Opinions on Operational Problems at the National Audit Authority of Cambodia

Sl. No.	Type of Problem	Yes	No	Total
1	Insufficient Budget	138 (79.3)	36 (20.7)	174 (100)
2	Lack of Proper Direction	111 (63.8)	63 (36.2)	174 (100)
3	Inadequate Staff	80 (46.0)	94 (54.0)	174 (100)
4	Lack of Motivation	161 (92.5)	13 (7.5)	174 (100)
5	Other Problems	58 (33.3)	116 (66.7)	174 (100)

Note: Figures in the parentheses indicate percentage to the corresponding row total.

Source: Own Survey.

Figure 5.33: Percentage Distribution of Respondents as per their Opinions on Operational Problems at the National Audit Authority of Cambodia



5.11.2 Audit Problems

It is found from the survey that the National Audit Authority of Cambodia was also facing audit problems. In this regards, 92 per cent respondents opined that the employees had limited knowledge on audit skills followed by 70.7 per cent had the opinion of non-compliance with code of ethics, 48.9 per cent on restriction in assessing the information, and 17.8 per cent on other problems. Thus, most of respondents emphasized limited knowledge on audit skills and non-compliance with code of ethics as the major audit problems (Table 5.37 and Figure 5.34).

Table 5.37: Distribution of Respondents as per their Opinions on Audit

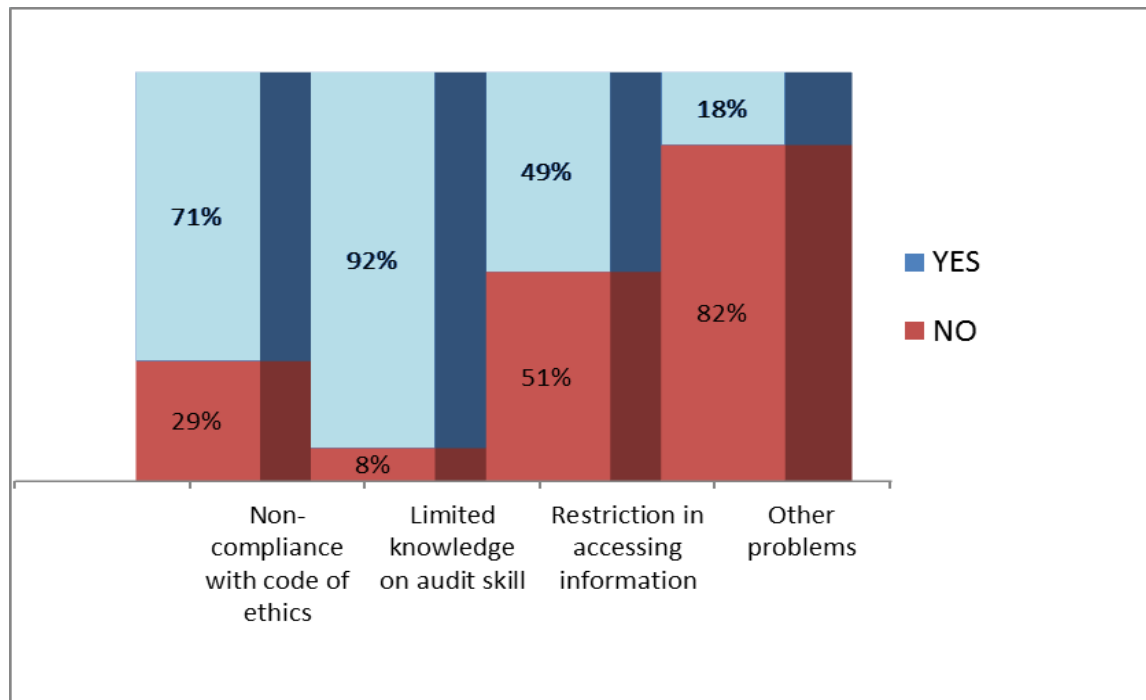
Problems at the National Audit Authority of Cambodia

Sl. No.	Type of Problem	Opinions		Total
		Yes	No	
1	Non-compliance with code of ethics	123 (70.7)	51 (29.3)	174 (100)
2	Limited knowledge on audit skill	160 (92)	14 (8)	174 (100)
3	Restriction in accessing information	85 (48.9)	89 (51.1)	174 (100)
4	Other problems	31 (17.8)	143 (82.2)	174 (100)

Note: Figures in the parentheses indicate percentage to the corresponding row total.

Source: Own Survey.

Figure 5.34: Percentage Distribution of Respondents as per their Opinions on Audit Problems at the National Audit Authority of Cambodia



Thus, the analysis in the chapter shows that the National Audit Authority of Cambodia (NAAC) was dominated by male auditors, and most of them were young with master degree qualifications. They had good work experience. But a few number of auditor had taken some training courses. The NAAC was not providing enough audit works to the auditors. Most of the auditors expressed that these was a need of foreign experts in the NAAC, and also need to amend the audit law. Most of the respondents were dissatisfied with the response from audited entities on audit queries. The reliance of the Auditor General of the

National Audit Authority of Cambodia on the financial statements prepared by the executive arm of government significantly influences his performance as government auditor. The National Audit Authority's performance is significantly dependent on the quality of legislative financial oversight. The study shows that there is no significant association between the qualifications of the National Audit Authority's auditors and the number of audit reports prepared. The annual budget of the NAAC was not sufficient to cover audit work operations such as audit mission expense, research and development expense, in-house and oversea training, transportation expense, purchase of tools and materials expense. It is also found that the current organizational structure was not clear to carry out audit works in effective way. There were inadequate staff to cover a large number of audited entities. The NAAC had no clear internal policy to promote and motivate competent auditors. Most of the auditors did not comply with code of ethics, and had limited knowledge on audit skills. Finally, the stakeholders were not fully aware of the role and functions of the National Audit Authority of Cambodia.



CHAPTER VI

CONCLUSION AND RECOMMENDATIONS

The present chapter summarizes the main findings of the study, draws conclusion and provides recommendations on the basis of the findings of the study.

6.1 Main Findings of the Study

The National Audit Authority of Cambodia is a Supreme Audit Institution which is playing a role to audit all revenues and expenditure of the state. This research examines the role of the National Audit Authority of Cambodia in Public Accountability. The main objectives of the study are as follows:

- i. To review the related literatures of the study.
- ii. To analyze the workings of various financial control bodies in Cambodia such as the Inspectorate General of Ministry of Economy and Finance, Internal Audit Departments of line Ministries, Ministry of Senate and National Assembly Relationship and Inspection, Anti-corruption Unit, the Commission for Economy, Finance, Banking and Audit of the National Assembly, and the National Audit Authority of Cambodia.
- iii. To know the reliance of the Auditor-General's opinions and conclusions on the financial statements prepared by the executive arms of the government.

- iv. To examine the quality of legislative oversight function on the performance of the National Audit Authority of Cambodia.
- v. To find out the importance of the qualifications of the National Audit Authority's auditors on the quality and numbers of audit reports produced.
- vi. To identify the problems faced by the National Audit Authority of Cambodia in auditing public accounts and operations.
- vii. To provide recommendations on how to improve public accountability of the National Audit Authority of Cambodia.

The study has used both descriptive and quantitative approaches to meet objectives of the study. In descriptive approaches, the study has focused on relevant literatures, whereas, in quantitative approach, necessary tables, graphs and statistical models have been used. Both primary and secondary data have been collected for the study. The primary data have been gathered from 174 auditors amongst 201 auditors working in the National Audit Authority of Cambodia. The Study has tested the following null hypotheses:

Ho 1: The performance of the National Audit Authority of Cambodia is not significantly dependent on the financial statements prepared by the executive arms of government.

Ho 2: The National Audit Authority's performance is not significantly dependent on the quality of legislative financial oversight.

Ho 3: There is no significant association between the qualifications of the National Audit Authority's auditors and the numbers of audit reports prepared.

Chapter 2 has reviewed the relevant literature of the study. The important findings of the chapter are as below:

1. Supreme Audit Institutions in most countries in Europe have judicial power to make penalty or sanction to those who commit frauds or irregularity. In this case, a president of court of audits has the right to make decision and force audited entities to implement its recommendations.
2. The implementations of audit recommendations in audit reports in most countries have been made effectively by strong participation from parliament, especially the parliament commission in charge of audit works. The commission of parliament can call audited entities to debate about audit reports and take actions on implementation of audit recommendations.
3. Most Supreme Audit Institutions are fully independent of their operations and have sufficient budgets to support audit works. Their budgets were approved directly by parliament, and they make expenditures independently without the control of the governments.
4. The National Audit Authority of Cambodia is a member of International Organization of Supreme Audit Institutions, called INTOSAI but it still does

not comply fully with conditions and requirements as stated in the principles and standards of INTOSAI.

5. Supreme Audit Institutions in many countries such as the United Kingdom, Sweden, German, India, Indonesia and the Philippines etc. have strong support and cooperation from stakeholders, whereas, the National Audit Authority of Cambodia has limited cooperation from stakeholders.
6. Audit reports in most countries are made public on website timely.

Chapter 3 has discussed about functions of financial control bodies in Cambodia. The main findings of the chapter are given below:

1. There are many similar level of financial control bodies in Cambodia such as Inspectorate General of the Ministry of Economy and Finance, Ministry of National Assembly and Senate Relationship and Inspection, Internal Audit Dpartment, Anti-Corruption Unit and the National Audit Authority of Cambodia. Having many levels of such controls by government can provide both advantages and disadvantages depending on their operations of control.
2. The functions of internal audit departments in all ministries were newly established and have overlapping works with Inspection General of the same ministries. Therefore, the internal audit department need to be strengthened to support their top management effectively.

3. The Commission of Economy, Finance, Banking and Audit of Parliament has significant role to oversight state budget but it has not worked actively to improve public accountability in addition to the National Audit Authority's role.

Chapter 4 has discussed the research methodology of the study which includes types of analysis, types and sources of data, sampling, data gathering procedure, statistical tools, and coverage of the study.

Chapter 5 has discussed in detail about data presentation and data analysis. Based on the results of the questionnaires surveyed from 174 respondents, the main findings are highlighted as follows:

1. The female auditors were around 25.3 per cent in the National Audit Authority of Cambodia.
2. The National Audit Authority of Cambodia had 5.2 per cent young auditors having ages ranged from 22 to 25 years old.
3. There were 1.7 per cent Ph.D. degree, 63.8 per cent Master degree, 33.9 per cent Bachelor degree and 0.6 per cent CPA degree holders of auditors in the National Audit Authority of Cambodia.
4. Fifty per cent auditors lacked of audit experiences and professional knowledge because the training courses on professional subjects such as financial audit course, performance audit course, compliance audit course, fraud and corruption course were not provided to every auditors.

5. Forty per cent auditors had accounting professions, 20 per cent auditors economics expertise, 5 per cent auditors law skills and only 2 per cent auditors construction expertise.
6. Salaries of auditors were not sufficient for managing their families. As a result, auditors did not followed the audit professional code of ethics.
7. The number of audit reports produced by each auditor during the last five years was less; it meant that one auditor could complete around two audit reports per year which was below good international practice of audit works. The reasons were lack of auditors' appropriate qualifications, limited cooperation from audited entities and limited coverage of audited entities in annual audit plan.
8. The time spent to conduct one audit assignment was so long; and one auditor spent approximately 6-10 months to complete the audit report.
9. The National Audit Authority of Cambodia was not able to outsource experts to support audit works due to shortage of fund.
10. There were lack of adequate and clear audit guidelines and audit manuals such as financial audit guidelines, performance audit guidelines, compliance audit guidelines, IT audit guidelines and other audit guidelines.
11. Stakeholders were not fully aware of the roles and functions of the National Audit Authority of Cambodia as stated in the Law on Audit of the Kingdom of Cambodia.

12. Audit quality assurance mechanism as required by International Organization of Supreme Audit Institutions was not yet established by the National Audit Authority of Cambodia to improve audit works.
13. The response from audited entities on audit queries to the National Audit Authority of Cambodia during the audit process was not adequate and appropriate for making proper audit reports.
14. The audit entities still did not fully implement recommendations of the National Audit Authority of Cambodia.
15. The current funding of the National Audit Authority of Cambodia was under the control and authorization of the Ministry of Economy and Finance. Thus, the National Audit Authority of Cambodia cannot work independently while making auditing in the Ministry of Economy and Finance because it is the provider of the National Audit Authority of Cambodia's fund.
16. The budget of the National Audit Authority of Cambodia was not adequate to cover all audit works. The National Audit Authority of Cambodia was undertaking minimum audit assignments as per the budget. Therefore, the audit operation of the National Audit Authority of Cambodia was running ineffectively due to lack of fund.
17. The National Audit Authority of Cambodia, independence of which was mentioned clearly in the Law on Audit of Kingdom of Cambodia, was not able to implement fully to conduct audit works and express opinions on audit reports. According to the survey, 24 per cent respondents agreed on

full independence of the National Audit Authority of Cambodia while 76 per cent respondents had opposite idea.

18. The Government of Cambodia has not yet established proper public accounting standards for recording revenues and expenditures as per International Public Sector Accounting Standards. The current recording system implemented by the Government was not reliable and completed for preparing consolidated financial statement of the Government.

19. The Commission on Economy, Finance, Banking and Audit of parliament had no staff having accounting and auditing skills to review audit reports of the National Audit Authority of Cambodia. Every year, the National Audit Authority of Cambodia sent approximately 60 audit reports to the Parliament but the Commission on Economy, Finance, Banking and Audit discussed only 2 to 3 audit reports of audited entities.

20. The operational problems faced by the National Audit Authority of Cambodia were insufficient budget, low salary and unclear organizational structure. Average annual budget of the National Audit Authority of Cambodia was around two million USD which was very less comparing with similar audit and inspection institutions such as Anti-Corruption Unit and Ministry of Senate and Parliament Relation and Inspection. The organizational structure of the National Audit Authority of Cambodia had been created and implemented for more than 10 years before, but it was not appropriate for audit works.

21. The audit problems faced by the National Audit Authority of Cambodia were limited knowledge on audit skills, non-compliance with code of ethics and restriction in accessing information. Fifty per cent of auditors had lack of audit experiences and professional knowledge because the National Audit Authority of Cambodia did not have clear training programs for all auditors to develop their capacities. Forty per cent surveyed auditors failed to comply with code of ethics such as accepting gifts, incentives, and bribes from audited entities because of insufficient salary and weak measurement on controlling staff performance. Auditors were facing difficulty to carry out their works as per audit standards because some audited institutions did not provide enough documents and information.
22. The reliance of the Auditor-General on the financial statements prepared by the Executive Arm of Government significantly enhanced his job performance. This shows the performance of the Auditor-General as government auditors are dependent on the financial statements prepared by the Executive Arm of Government for his audit. When the government has strong internal control system to prepare fair and true financial statements, the Auditor General relies on it and reduces sample size of audit tests according to degree of reliability on the financial statements.
23. The National Audit Authority's performance was significantly dependent on the quality of legislative financial oversight. In other words, the Parliament's oversight role as well as the role of Commission on Economy, Finance, Banking and Audit had a significant effect on the performance the National Audit Authority of Cambodia.

24. There was no significant association between the qualifications of the National Audit Authority's auditors and the number of audit reports prepared by them. The management of the National Audit Authority of Cambodia was the decision maker. It can increase the number of audit assignments for each auditor so that the number of audit reports will increase accordingly.

6.2 Conclusion

This research is set out to empirically investigate the role of the National Audit Authority of Cambodia in public accountability. Based on the findings of this research, the following conclusions are drawn in the context of the National Audit Authority of Cambodia.

- The performance of the Auditor General is significantly dependent on the Financial Statements prepared by the Executive Arm of Government. It means that amounts of audit works to be carried out depend on the adequate quality of consolidated financial statements prepared by the government. If the government has strong internal control system in preparing financial statement, the National Audit Authority will rely more on the completeness and accuracy of the government in managing its funds. Therefore, the audit scope and audit sampling which can be used more or less depends on how good and how bad the financial statement of government is prepared.
- The National Audit Authority's performance is also significantly dependent on the quality of legislative financial oversight. If there is a weak legislative body, it can undermine the performance of the

National Audit Authority of Cambodia. If the legislature is strong and influential, the performance of the National Audit Authority of Cambodia will be enhanced. This is so because the public audit system in Cambodia is a Westminster or Anglo-Saxon model which has function to report to parliament for taking actions on frauds committed by the ministries. The parliament cannot be strong enough if it does not have sufficient skilled employees who have expertise in accounting, auditing, economy and laws to review audit reports of the National Audit Authority of Cambodia.

- There is no significant association between the qualifications of the National Audit Authority of Cambodia's auditors and the number of audit reports. The qualifications of auditors can improve the quality of audit reports, but it did not have strong impact on the number of audit reports completed. The number of audit reports to be produced depends on numbers of audit assignments that the National Audit Authority of Cambodia set in annual audit work plan. If the Auditor General decides large numbers of audit topics to be conducted in annual audit work plan, then auditors can produce more audit reports as per annual audit work plan.

In conclusion, based on the results of the research, the National Audit Authority of Cambodia has faced a number of challenges, which are barring its responsibility to improve public accountability. The challenges and

problems faced by the National Audit Authority of Cambodia can be eliminated and solved with the implementation of following recommendations.

6.3 Recommendations

The possible recommendations for strengthening the role and function of the National Audit Authority of Cambodia in public accountability are as follows:

1. The Law on Audit of the Kingdom of Cambodia should be widely disseminated to relevant stakeholders such as public institutions, local authorities and ordinary people. Most public institutions do not know clearly the role of the Audit Authority of Cambodia in preventing and detecting frauds, so it hinders the Audit Authority of Cambodia to fulfill its obligations. If all public institutions understand well the Law on Audit of the Kingdom of Cambodia, they will provide good cooperation and follow audit recommendations.
2. Organizational Structure of the National Audit Authority of Cambodia should be restructured to fit with the scope of work and the development of public audit in the world. The current organization structure is not well defined, so it causes overlapping of works on audit topics and types of audit. In some cases, there are two or three audit teams from the National Audit Authority of Cambodia conducted their audit works in one ministry per year because they implemented audit works as per the current organization structure. Consequently, it takes more times and uses more human resources to audit one ministry. Importantly, the National Audit Authority of Cambodia should create

two important departments to be responsible for legal affairs and international relation affairs that help strengthen quality of audit reports and cooperation with international audit professional organizations such as INTOSAI, ASOSAI, EUROSAI and ASEANSAI.

3. The National Audit Authority of Cambodia should be empowered to recruit, promote and maintain discipline of its staff. According to the Law on Audit of the Kingdom of Cambodia, the Auditor General was given with full power to recruit staff by itself but the implementation of recruitment must be abided by government procedures and regulations. In doing so, the National Audit Authority of Cambodia is not able to conduct external audit of government independently due to lack of human resources and complex procedure in the recruitment of the staff.
4. Currently, the implementation of budget of the National Audit Authority of Cambodia is under the control and review by the Ministry of Economy and Finance. Every year, the National Audit Authority of Cambodia needs to negotiate with the Ministry of Economy and Finance to approve on annual budget. This causes the National Audit Authority of Cambodia not to conduct audits independently and gets insufficient budget to support audit works. Therefore, the National Audit Authority of Cambodia should be funded directly by the government after the approval of parliament. The Ministry of Economy and Finance should cease to do pre audit on the expenditure of the

National Audit Authority of Cambodia in order to keep independent and timely external audits of government institutions.

5. It has been revealed that audit queries are often ignored or improperly disposed by some ministries. So it is recommended that all audit queries issued should be informed to the Commission of Economy, Finance, Banking and Audit of parliament for taking actions on ministries which failed to respond to the audit query within the time schedule.
6. The National Audit Authority of Cambodia found many irregularities, frauds, weaknesses of management and malfeasance during audits of government institutions. Therefore, appropriate punishment mechanism should be established to punish financial offenders according to the Law on Anti-Corruption and Criminal Code. Especially, the National Audit Authority of Cambodia should have close cooperation with parliament and Anti-Corruption Unit to take actions on serious irregularities in audit reports or adds up the investigation audit as in many countries, the investigation audit has been done by the Supreme Audit Institution to examine in depth the specific case in order to compile the reliable evidence for further actions of relevant authorized units such as police, anti-corruption unit or court.
7. The publication of audit reports is very important for stakeholders to know the results of audit works and help to enhance transparency and accountability in government institutions. So, the publication of audit reports on website or other means of media should be timely made.

8. The public sector audit has wide scope of audit and use a multi-disciplinary skill to conduct many types of audits such as financial audit, performance audit, compliance audit, IT audit and environment audit. Thus, the National Audit Authority of Cambodia should encourage auditors to pursue professional audit training relating to audit topics, especially certified public accountancy.
9. The parliament oversights and evaluates government's operations through audit reports sent by the National Audit Authority of Cambodia. It is difficult for parliamentarians and their staff to understand the audit reports written by professional auditors. It is recommended that the National Audit Authority of Cambodia should have good cooperation with parliament and support technical audit skills to parliament so that the parliament can understand the audit reports.
10. The current mechanism to implement audit recommendations is based on the parliament to call audited ministries to discuss on audit reports. The parliament has function to force audited ministries to correct their mistakes but it cannot punish wrongdoers. So, the National Audit Authority should sign Memorandum of Understanding (MOU) with Anti-Corruption Unit in order to share information, and jointly investigate fraud and corruption occurring in government's institutions.
11. The current recording system of revenues and expenditure of government is not well prepared to produce accurate and reliable consolidated financial statement of the state. Thus, the Government should set up proper accounting system following the international

public sector accounting standards to record revenues and expenditures of the state. The accounting system should be computerized so that it becomes easier for completing financial statement at proper time as mentioned in the Law on Audit of the Kingdom of Cambodia.

12. The National Audit Authority of Cambodia lacked sufficient budget to support audit works such as travel expenses in audit of provinces, districts and communes, oversea training expenses, and research and development audit expense. Therefore, the National Audit Authority of Cambodia should increase annual audit budget to cover large amounts of audit assignments to be carried out so that it can make government's ministries to be accountable for using fund.
13. As per survey, the National Audit Authority of Cambodia took six months that was three months longer than international and regional good practice. So, the duration for completing one audit report should be shortened to 3 or 4 months in order to save cost and make audit report available on time.
14. The quality of audit is a critical point to add values to the National Audit Authority of Cambodia. If audit works have poor quality, it will give unfair and untrue conclusions on audit reports. Thus, the National Audit Authority of Cambodia should create audit quality and audit assurance mechanism to sustain audit works as per international standards on auditing for public sector and help auditors to abide by code of ethics.

15. The five years strategic development plan (2012-2016) for the National Audit Authority of Cambodia set out many activities and programs and costs around two million US dollars to implement successfully. The use of government funds in current circumstance to support the five years strategic development plan is so difficult and not sufficient. Therefore, the National Audit Authority of Cambodia should seek to have supports from development partners to improve capacity building of the organization because of inadequate state budget.
16. The implementation of the Law on Audit of the Kingdom of Cambodia is not smooth because of some articles of the law are unclear. It is recommended that the Law on Audit of the Kingdom of Cambodia needs to be amended in order to make full functions of the National Audit Authority of Cambodia. A special working group of the National Audit Authority of Cambodia should be established to study on the gap in the Law on Audit of the Kingdom of Cambodia.



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