



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

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## Law On Independent Audit

### Part I General Provisions

#### Article 1 Objectives

This Law regulates the principles, rules and measures of management and monitoring of independent audit operations and their implementation for strengthening independent audit activities to ensure that they be accurate, transparent, efficient and effective in order to protect rights and interests of the society, auditors and auditees, diminish shortcomings in financial management, promote and increase credibility vis-a-vis local and external investors, and create justice in the society as well as contributing to sustainable socio-economic development.

#### Article 2 Independent Audit

Independent audit is an examination of financial statements of an auditee based on an audit engagement between the auditee and audit firm. It is conducted independently by auditors of an audit firm.

#### Article 3 Definitions

Terms used in this law have the following meaning:

1. The **International Auditing and Assurance Standards Board**, operating under the auspices of the IFAC, is an independent standard-setting body that develops auditing and assurance standards for use by professional accountants;
2. The **International Ethics Standards Board for Accountants**, operating under the auspices of the IFAC, is an independent standard-setting body that issues ethical standards and other pronouncements for professional accountants worldwide;
3. The **International Federation of Accountants** is the global organization for the accountancy profession, members and associates of which are primarily national professional accountancy bodies;
4. An **Auditor** is a certified public accountant working as an employee in an audit firm;
5. A **Statutory Auditor** is an auditor eligible for signing an auditor's report on behalf of the audit firm.
6. A **Practitioner** is an auditor or accounting or audit firm;
7. A **Certified Public Accountant (CPA)** is an individual who has received a Certified Public Accountant certificate;
8. A **Professional Accountant** is an individual holder of a CPA certificate exercising in Public practice or in business;
9. **Accounting and audit firms** are accounting or audit entities of a legal person or organization authorized by the Ministry of Finance and registered as an enterprise in line with regulations;

10. **Public Interest Enterprises (PIEs)** are enterprises which are of significant public interest relevance because of the nature of their business, their size or their number of employees or businesses, listed enterprises and enterprises holding and managing assets in fiduciary capacity for individuals, legal entities and organizations such as commercial banks, insurance companies, securities companies and other financial institutions that have a wide range of activities;
11. **Financial Statements** are structured representations of the financial position, financial performance, cash flows and change in equity of an enterprise as well as notes to the financial statements;
12. **Consolidated Financial Statements** are the financial statements of a parent company or group of companies and its subsidiaries presented as those of a single enterprise;
13. A **Partner** is a professional accountant who holds shares and voting rights in an enterprise handling the implementation of professional engagements;
14. An **Engagement Partner** is the partner in the audit firm who is responsible for carrying on the engagement and its performance and for the auditor's report issued on behalf of the firm.

**Article 4 Policy of the State Regarding Independent Audits**

The State encourages and creates conditions for performing effective audit engagements in an independent and strict manner with regard to any auditee activities for the purpose of transparency, integrity and compliance with standards and regulations.

The State promotes and encourages investment in accountancy and audit professions development to be in line with regional and international standards in each period.

**Article 5 Principles of Independent Audit**

Independent audit must comply with the following principles:

1. Compliance with legislations and professional standards;
2. Objectivity, due care, neutrality and professional independence;
3. Transparency and integrity;
4. Professional secrecy and ethics.

**Article 6 Scope of Application**

This Law applies to individuals, legal entities and organizations carrying out accounting and independent audit engagements as well as to auditees in Lao PDR.

**Article 7 International Cooperation**

The State encourages relationships and co-operation with foreign countries and regional and international organizations through the sharing of experience, information, technology, trainings, and capacity building in order to strengthen and modernize the independent audit profession and to implement international treaties and agreements that the Lao PDR has ratified.

**Part II**  
**Independent Audit Engagement**  
**Chapter 1**  
**Independent Audit**

**Article 8 Independent Audit Types**

There are two kinds of independent audits:

1. Statutory audit;
2. Contractual audit.

Both Statutory audit and contractual audit are carried out according to the same procedure and method as defined in the professional standards.

**Article 9 Statutory Audit**

Statutory audit is mandatory audit of auditee's financial statements as referred to Article 59 of this law and other concerned laws.

**Article 10 Contractual Audit**

Contractual audit is an audit voluntarily requested by an auditee for examination of its financial statements by an audit firm under defined contract.

**Chapter 2  
Audit Process**

**Article 11 Audit Process**

Independent audit shall pursue the following process:

1. Auditor Selection;
2. Audit engagement letter preparation;
3. Audit planning;
4. Audit performance;
5. Auditor's report preparation.

The audit firm shall operate in compliance with this process as set out in the professional standards for auditing.

**Article 12 Auditor Selection**

There are two methods for selecting an auditor:

1. Bidding by the general shareholders' meeting or a relevant organization meeting of auditee;
2. Upon proposal of a donor or investor, or as stated in the contract.

**Article 13 Audit Engagement Letter Preparation**

The audit engagement letter shall be signed by the audit firm and auditee. The content of this engagement letter shall include objectives, audit scope, timing, responsibilities of the audit firm and auditee, form and outline of the auditor's report.

**Article 14 Audit Planning**

Audit planning shall comply with the following:

1. Preliminary study on the client's characteristics and environment including the internal control system;
2. Evaluation of risks of misstatements and audit risks;
3. Defining strategy, audit plan and program, and audit method, as well as determining targets, preparing questionnaires, interviewing related parties to determine appropriate and sufficient evidence and audit timing.

**Article 15 Audit Performance**

Audit shall be performed according to the audit engagement and audit plan and program, in compliance with professional standards and shall delegate responsibilities to the audit team under the strict control of the team leader.

**Article 16 Auditor's Report Preparation**

The auditor's report shall be prepared in accordance with provisions of the professional standards on auditing that include:

1. Audit text;
2. Responsibility of auditee and audit firm;
3. Scope and principles for audit performance;
4. Opinion on the audited financial statements.

The auditor's report shall be signed by the statutory auditor of the audit firm.

**Article 17 Usefulness of Auditor's Report**

The auditor's report is useful as follows:

1. Shareholders can use it as reference for considering the approval of previous operations, as basis to allocate dividends and planning for the next year;
2. Managers can use it to explore strengths, weaknesses and shortcomings, and then take them into account for resolution;
3. Investors can use it to evaluate business management and make investment decisions;
4. Donors and project owners can use it to assess the effectiveness of management and whether it is in accordance with defined plan, as well as the ability to pay back loans and interests to lenders;
5. Other auditors can use it as basis for following the implementation in accordance with the previous auditor's recommendations and as the starting point for current planning and audit as assigned to it;
6. Administrative organizations and other relevant organizations such as tax authorities can use it to evaluate the credibility of the information system and as basis for calculating tax. It is also a basis for providing statistical data;
7. The People's Court and People's prosecutor organization can use it as evidence for proceedings.

**Article 18 Audit Documentation**

Audit documentation comprises audit working papers collected, gathered, summarized and prepared by the auditor during the audit procedures and received sources such as the engagement letter, the overall audit strategy and the audit work program, the auditor's report, the management letter, the individual financial statements or consolidated financial statements, the annual report or consolidated annual report, and other documents related to the performance of the audit as basis for expressing the auditor's opinion.

Auditors shall assemble audit documentation in an audit file within three months after completing the auditor's report.

The audit firm shall prepare audit documentation in compliance with professional standards on auditing.

**Chapter 3  
Audit of Public Interest Enterprises**

**Article 19 Audit of Public Interest Enterprises**

Audit of Public Interest Enterprises, in addition to rules defined in Part II, Chapter 2 of this Law, shall comply with the following:

1. Selection of statutory auditor;
2. Timing and termination of audit engagement;
3. Rotation of statutory auditor;
4. Cancellation of audit engagement;
5. Independence of statutory auditor;
6. Disclosure of audit firm fees;
7. Transparent report.

**Article 20 Selection of Statutory Auditor**

Auditees that are public interest enterprises shall select a statutory auditor according to the following steps:

1. Invite candidates to apply for being its statutory auditor at least 60 days before its shareholders' meeting or general shareholders' meeting in accordance with the provisions in related regulations;

2. Statutory auditee shall study and express its opinion on the candidate application letter at least 30 days before the general shareholders' meeting for consideration;
3. The general shareholders' meeting may select statutory auditor/s from one or more firms to jointly audit its annual financial statements;
4. Communicate the result of the selection of approved statutory auditor.

**Article 21 Timing and termination of audit engagement**

The term of an audit engagement between auditee which is a public interest enterprise and an audit firm is five accounting years, renewable once, but the statutory auditor shall be replaced.

The audit engagement may be terminated when the financial statements of the last accounting year is approved by the general shareholders' meeting or relevant meeting of that organization.

In case the audit firm intends to renew its term for auditing, it shall submit its request to the statutory auditee at least 60 days before the end of the audit engagement.

**Article 22 Replacement of Statutory Auditor**

Replacement of statutory auditor may be carried out in two cases:

1. Permanent replacement is replacement of the regular statutory auditor in case of refusal, resignation or death, in which case the new statutory auditor shall be selected and appointed as stated in the Article 20 of this Law. The functions of the replacing statutory auditor shall terminate on the date of the audit engagement term of the previous statutory auditor.
2. Temporary replacement is the replacement of the regular statutory auditor in case of temporary impediment, when the regular statutory auditor can resume its functions after approval of the annual financial statements by the general shareholders meeting of the auditee or that of the competent body.

The replacing statutory auditor shall access all the pertinent information and documents concerning the auditing work performed by the previous statutory auditor.

**Article 23 Cancellation of Audit Engagement**

The audit engagement may be cancelled in one of the following cases:

1. At the own request of the auditee or statutory auditor;
2. Suspension of the professional license;
3. Cancellation of the statutory auditor license or resignation;
4. Non-independence in performing audit, lack of cooperation or being forced to perform audit without respecting regulations.

**Article 24 Independence of the Statutory Auditor**

The independence of the statutory auditor that carries out the audit of a public interest enterprise shall be evidenced by:

1. Confirmation annually in writing to the audit committee of their independence from the audited public interest enterprise;
2. Disclosure annually to the audit committee of any additional service engagements provided to the audited public interest enterprise;
3. Discussion with the audit committee of threats to their independence and safeguards applied to mitigate these.

**Article 25 Disclosure of Audit Firm Fees**

A statutory auditor carrying out audit of a public interest enterprise shall publish all fees related to the audit in gazettes of the Ministry of Finance and the Chamber of Professional Accountants and Auditors. Those disclosed fees shall be broken down into audit services, other review and assurance services, and other non-audit services performed during audit engagements.

**Article 26 Transparency Report**

Audit firms that carry out audits of public interest enterprises shall publish on their websites, within ninety days of the end of each accounting period, an annual transparency report that includes at least the following:

1. Description of the legal structure and ownership of its enterprise;

2. Description of the network and legal and structural arrangements within the network, when the independent auditor belongs to a network;
3. Description of the governance structure;
4. Description of the internal quality control system and a statement by the management body of the audit firm on the effectiveness of its functioning;
5. Indication of the last quality assurance review.

## **Chapter 4**

### **Professional Accounting and Audit Rules**

#### **Article 27 Professional Accounting and Audit Rules**

Accounting and audit firms shall comply with the following rules:

1. Code of Ethics for Professional Accountants;
2. Professional Standards on Auditing;
3. Quality control assurance within its firm;
4. Professional indemnity insurance;
5. Continuing Professional Development.

#### **Article 28 Code of Ethics for Professional Accountants**

The Code of Ethics for Professional Accountants sets out fundamental ethical and conduct principles to be applied by accounting and audit practitioners.

The Code of Ethics for Professional Accountants, which is complied with the Code of Ethics of the International Federation of Accountants and regulations of Lao PDR is promulgated by the Ministry of Finance in a regular basis.

#### **Article 29 Professional Standards on Auditing**

The Professional Standards on Auditing are principles and procedures for practicing accounting and independent audit.

These standards, which are complied with professional standards issued by the International Auditing and Assurance Standards Board as well as Lao PDR are promulgated by the Ministry of Finance in a regular basis.

#### **Article 30 Firm Quality Assurance Review System**

Accounting and audit firms shall put in place and carry out a quality assurance review system in compliance with this Law and the Professional Standards on Auditing as well as relevant regulations for accurate and reasonable practice and fair view audit.

The quality assurance review system shall comprise the following principles:

1. Leadership responsibilities for quality within the audit firm;
2. Relevant Ethical Requirements;
3. Acceptance and continuance of client relationships and specific engagements;
4. Human resources;
5. Engagement performance;
6. Monitoring.

Accounting and audit firms shall be reviewed for quality assurance by the Ministry of Finance and relevant organizations at least every four years.

#### **Article 31 Professional Indemnity Insurance**

Audit firms shall take out professional indemnity insurance to cover any damages they may have caused when performing their professional engagements and shall provide annually a copy of their insurance agreement and policy to the Ministry of Finance and the Lao Chamber of Professional Accountants and Auditors.

#### **Article 32 Continuing Education Obligation**

Practitioners shall take part in at least 120 hours of educational activities during a three year cycle with a minimum of twenty hours in any year to maintain theoretical knowledge in accounting and auditing, professional skills and ethical values at a high level.

The regulations on continuing professional development are issued by the Ministry of Finance on a regular basis.

## **Part III Certified Public Accountants**

### **Chapter 1 Becoming a Certified Public Accountant**

**Article 33 Requirements for becoming a Certified Public Accountant**

Individuals holding a certificate of completion of the certified public accountant professional training program as well as certificate of completion of certified public accountant practical training are eligible to become certified public accountants.

**Article 34 Certificate of Completion of Certified Public Accountant Professional Training Program**

Individuals who have completed the certified public accountant professional training program and passed the certified public accountant exam are eligible to obtain a certificate of completion of the certified public accountant professional training program.

**Article 35 Certificate of Completion of Certified Public Accountant Practical Training**

Individuals who have completed the practical training in accountancy and auditing for three years within the country or overseas, except individuals mentioned in Article 36 of this Law, are eligible to obtain a certificate of completion of certified public accountant practical training.

**Article 36 Exemptions for Certified Public Accountant Practical Training**

Individuals exempted from certified public accountant practical training are:

1. Holders of diploma or certificate of accounting consultant, having practical experience in accounting and auditing of at least five years;
2. Holders of a certified public accountant certificate from overseas;
3. Teachers of accounting and audit for at least ten years;
4. Holders of master or Ph.D. degrees in accounting, finance and audit and having experience in accounting and auditing of at least ten years;
5. Professors or associate professors in accounting, finance and audit;

**Article 37 Certified Public Accountant Certificate**

Individuals complying with the provisions of Articles 34, 35 and 36 of this Law are eligible to obtain a certified public accountant certificate issued by the Ministry of Finance in accordance with the proposal of the Chamber of Professional Accountants and Auditors.

### **Chapter 2 Rights and Obligations of Certified Public Accountants**

**Article 38 Rights of Certified Public Accountants**

Certified Public Accountants have the following rights:

1. Exercising accounting and auditing profession in the form of a legal entity, associate or employee in public practice;
2. Exercising profession as chief accountant, chief financial officer, accounting staff or any post in business.

**Article 39 Obligations and Responsibilities of Certified Public Accountants**

Certified public accountants have the following obligations and responsibilities, namely to:

1. Practice their profession accurately, impartially and independently;
2. Practice their profession in Lao PDR with integrity, objectivity and honesty as defined in this Law and Code of Ethics for professional accountants;
3. Maintain the reputation of the profession and be in compliance with regulations and the professional Code of Ethics;

4. Ensure accuracy and compliance with financial reporting standards applied for each period for preparing or approving financial statements if they are assigned to prepare financial statements;
5. Undertake tasks for which he/she has or can obtain sufficient specific training or seek appropriate expert advice and assistance when required.

## **Part IV Accounting and Audit Firms**

### **Chapter 1 Establishment of Accounting and Audit Firms**

#### **Article 40 Establishment of Accounting and Audit Firms**

An individual or legal entity wishing to establish or associate with an accounting firm or an audit firm in Lao PDR shall submit their application form to the single window bureau of the industry and commerce authority with the agreement of the finance authority.

#### **Article 41 Requirements for Accounting Firm Practicing License**

An individual wishing to obtain an accounting firm practicing license shall meet the following requirements:

1. Be a certified public accountant;
2. Be member of the Chamber of Professional Accountants and Auditors;
3. Not be an officer, owner, shareholder or staff of any enterprise;
4. Be free of embezzlement or other intentional infringements on finance or accounting;
5. Have more than three technical staff that have acquired a high level education degree in accounting and finance.

#### **Article 42 Deliverance of Accounting Firm Practicing License**

In case of fulfilment of all requirements stated in Articles 40 and 41 of this Law, the Ministry of Finance will consider issuing an accounting firm practicing license within ten business days from the date when the industry and commerce authority received the application form of the applicant.

After the individual or legal entity has received the accounting firm practicing license from the finance authority and the enterprise registration certificate from the industry and commerce authority, the new accounting firm shall be registered as a legal entity member of the Chamber of Professional Accountants and Auditors.

In case of objection to issuing an accounting firm practicing license, the finance authority shall communicate the reasons in writing to the applicant.

#### **Article 43 Requirements for Audit Firm Practicing License**

An individual and legal entity wishing to obtain audit firm practicing license shall meet the following requirements:

1. Be a certified public accountant or a foreign audit firm;
2. Be member of the Chamber of Professional Accountants and Auditors;
3. Not be an officer, owner, shareholder or staff of any enterprise;
4. Be free of embezzlement or other intentional infringements on finance or accounting;
5. Have at least two certified public accountants and, in case of sole proprietorship enterprise, have technical staffs that have acquired at least a high level education degree.
6. Have a certified public accountant as shareholder of least three fifths of total shares and act as manager. In case there are more than two shareholders, have technical staffs that have acquired at least a high level education degree.

#### **Article 44 Deliverance of Audit Firm Practicing License**

Deliverance of audit firm practicing license is performed pursuing the provisions stated in Articles 40 and 43 of this Law.



After obtaining an audit firm practicing license and enterprise registration certificate, the management or engagement partners shall have permission to be statutory auditors from the Ministry of Finance as defined in Articles 52, 53 and 54 of this Law.

**Article 45 Establishment of Accounting and Audit Firms' Branch Offices**

Accounting and audit firms can establish their branches under requirements stated in Articles 40, 41 and 43 of this Law.

If accounting and audit firms have their practicing licenses suspended, withdrawn or cancelled, then their branch offices are also suspended, withdrawn or cancelled.

**Article 46 Suspension of Accounting or Audit Firms' Practicing License**

The practicing licenses of accounting and audit firms may be suspended in any of the following cases:

1. At the request of the accounting or audit firm;
2. Infringing this Law or relevant regulations;
3. Non submission of their report to the Ministry of Finance on their activities for two years consecutively;
4. Non fulfilment of their obligation to conclude a professional indemnity insurance contract;
5. Proceedings concerning their professional practice;
6. In default with the payment of State obligations and membership fees due to the Chamber of Professional Accountants and Auditors.

The Ministry of Finance will suspend the practicing licenses of accounting or audit firms after sending a warning notice in writing to them, except in case of their own request.

After the suspension of their license, the accounting or audit firm shall remedy the faults that were the causes of being suspended within a period of time defined by the Ministry of Finance.

**Article 47 Withdrawal of Accounting or Audit Firm's Practicing License**

The Ministry of Finance will withdraw practicing license of an accounting or audit firm in any of the following cases:

1. At the request of the accounting or audit firm;
2. Lack of determination to eliminate their faults as defined in the Article 46 of this Law;
3. Violation of requirements for obtaining accounting and audit firms' practicing licenses as defined in the Articles 41 or 43 of this Law;
4. A court's decision to stop the practice of the accounting or audit firm;
5. Continuing to practice during their suspension period.

The Ministry of Finance shall provide written notification regarding withdrawal of the practicing license of the accounting or audit firm to the Ministry of Industry and Commerce, the accounting or audit firm, the Chamber of Professional Accountants and Auditors, the tax authority and other relevant parties as well as to the public for information.

Withdrawal of the enterprise registration certificate and the practicing license of the accounting or audit firm signifies that the accounting or audit firm is dissolved.

## **Chapter 2 Operations of Accounting and Audit Firms**

**Article 48 Service Capabilities of Accounting Firms**

Accounting firms can provide the following accounting-related services in compliance with this Law and other relevant regulations:

1. Give advice on setting up an accounting system, bookkeeping and preparation of financial statements;
2. Give advice on accounting and regulations on accounting;
3. Give advice on management;
4. Organize short term training sessions on accounting;
5. Provide other accounting related services.

**Article 49 Service Capabilities of Audit Firms**

Audit firms can provide the following audit-related services in compliance with this Law and other relevant regulations:

1. Audit of financial statements;
2. Review of financial statements;
3. Audit of future financial and non-financial information;
4. Provide other audit related services.

In addition, audit firms can provide services as defined in Article 48 of this Law.

**Chapter 3**  
**Rights and Obligations of Accounting and Audit Firms**

**Article 50 Rights and Obligations of Accounting Firms**

Accounting firms have the following rights and obligations:

1. Implement the Code of Ethics for professional accountants;
2. Provide accounting services to implementing accounting entities in compliance with regulations;
3. Maintain professional secrecy;
4. Cooperate with accounting officers or concerned State officers;
5. Receive service fees from clients;
6. Report annually on their performance, organizational structure and staff to the Ministry of Finance;
7. Have in place a continuing education system for the technical employees within their firm;
8. Put in place a system of quality control assurance which complies with the requirements of professional standards on auditing;
9. Participate in developing the accounting and audit professions in Lao PDR;
10. Exert other rights and obligations as defined in the regulations.

**Article 51 Rights and Obligations of Audit Firms**

Audit firms have following rights and obligations:

1. Exert rights and obligations as defined in Article 50 of this Law;
2. Take out professional indemnity insurance;
3. Request auditees and individuals to provide relevant information for auditing;
4. Be independent during audit performance;
5. Check and certify accuracy of operations, data and financial and economic documents within and outside auditee premises during their audit performance and sign the auditor's report;
6. Become a member of a professional network;
7. Collaborate with other audit related parties;
8. Report on audit service and other audit-related service fees during audit performance to the Chamber of Professional Accountants and Auditors and the Ministry of Finance;
9. Exert other rights and obligations as defined in the regulations.

**Part V**  
**Statutory Auditor**

**Article 52 Requirements for Becoming a Statutory Auditor**

An individual wishing to become a statutory auditor shall be a certified public accountant and have a position as director or engagement partner of an audit firm.

**Article 53 Application for Statutory Auditor**

An auditor wishing to become a statutory auditor shall submit his/her application form with the attached documents:

1. Application form to become a statutory auditor;
2. Copy of certified public accountant certificate;
3. Copy of Chamber of Professional Accountants and Auditors membership certificate;
4. Certification of manager or engagement partner position from audit firm at which he/she works;

5. Copy of practicing license of the audit firm at which he/she works;
6. Other documents as defined by the Ministry of Finance.

**Article 54    Deliverance of Statutory Auditor License**

The Ministry of Finance considers deliverance of a statutory auditor license within ten days after receiving the application form and in case all requirements stated in Articles 52 and 53 of this Law are satisfied.

In case of an objection to becoming a statutory auditor, the Ministry of Finance shall communicate the reasons in writing to the applicant.

**Article 55    Suspension of Statutory Auditor License**

In case the audit firm is suspended from practicing as stated in the Article 46 of this Law, the statutory auditor working at this firm will be also suspended.

The suspension will be cancelled when the reason for which he/she has been suspended has been remedied within the defined period of time.

**Article 56    Withdrawal of Statutory Auditor License**

A statutory auditor's license will be withdrawn if the audit firm at which he/she works has had its audit firm practicing license withdrawn as stated in Article 47 of this Law.

After such withdrawal, the Ministry of Finance shall notify in writing the statutory auditor, the audit firm, the Chamber of Professional Accountants and Auditors and the public through public media.

**Article 57    Rights and Obligations of the Statutory Auditor**

Statutory auditors have the following rights and obligations:

1. Perform audit of statutory auditee during the entire accounting year;
2. Have access to audit-related information of the statutory auditee, including its subsidiaries;
3. Request clarifications from management, directors or associates of the statutory auditee necessary for performing his/her tasks;
4. Verify the completeness and accuracy of accounting documents and evaluate the components of the financial statements of the statutory auditee;
5. Use a specific expert and technical staff for assistance or representation in performing audit under his/her supervision;
6. Be totally responsible for the auditor's report on annual financial statements including consolidated and separate financial statements in case of auditing financial statements of a parent company or a group.

## **Part VI Auditees**

**Article 58    Auditees**

Auditees may be:

- Statutory auditees;
- Contractual auditees.

**Article 59    Statutory auditees**

Statutory auditees include entities and organizations whose annual financial statements shall be audited by an audit firm based on an engagement:

1. Foreign enterprises;
2. Banks and other financial institutions under supervision of the Bank of Lao PDR;
3. Insurance companies and insurance agents;
4. Listed companies, securities companies, and public companies;
5. State-owned enterprises;
6. External Loan and grants projects;
7. Enterprises defined in relevant regulations.

**Article 60 Contractual Auditees**

Contractual auditees are entities and other organizations that are not obliged to be audited, but that have voluntarily chosen to audit their financial statements based on an agreed engagement with the audit firm.

**Article 61 Rights of Auditees**

Auditees have following rights:

1. Select and appoint one or more audit firms to audit its financial statements;
2. Request audit firms to provide necessary information on the firm and statutory auditor;
3. Propose to replace members in the audit team or statutory auditor in case of inability to perform audit works or in case of infringement of this Law;
4. Deny provision of information that is not relevant to the independent audit;
5. Discuss and explain reasonably in writing issues raised in the auditor's report;
6. Demand that the audit firm to pay damages caused to them in case of noncompliance with the engagement or regulation;
7. Request the Chamber of Professional Accountants and Auditors to consider cases of disagreement on the conclusions or opinions of the statutory auditor;
8. Exert other rights as defined in regulations.

**Article 62 Obligations of Auditees**

Auditees have the following obligations:

1. Strictly implement the audit engagement;
2. Provide information accurately, comprehensively, truthfully and in a timely manner upon request of statutory auditor and audit team members;
3. Cooperate with and aid the audit team in the performance of its independent audit;
4. Avoid any action that limits the operating area of the auditor;
5. Correct errors and misstatements in the financial statements in compliance with recommendations of the audit firm;
6. Submit the auditor's report to concerned authorities as defined in the legislation;
7. Pay audit fee as defined in the engagement;
8. Implement other obligations and be legally responsible as defined in the legislation.

## **Part VII Reporting and Data Conservation**

**Article 63 Reporting**

Accounting and audit firms shall report their audit conclusions/activities to the Ministry of Finance within 90 days of the closing date of the annual accounts. The report shall include the following:

1. Annual performance, organizational structure, technical staff ratio and implementation of obligations as defined in point 6 of Article 50 of this Law;
2. Annual financial statements;
3. Professional indemnity insurance;
4. Continuing professional education of staff;
5. Transparency report.

**Article 64 Data Conservation**

Accounting and audit firms shall securely store important documentation relevant to their independent audit and other related assurance engagements for at least ten years.

Accounting and audit firms shall set up their rules and methods of conserving their data and documents relevant to audit in a safe, comprehensive and secret manner.

## **Part VIII**

### **Chamber of Professional Accountants and Auditors**

**Article 65    The Chamber of Professional Accountants and Auditors**

The Chamber of Professional Accountants and Auditors is a professional organization of accountants and auditors established by the Ministry of Finance and plays roles in giving advice to the Government, mobilizing participants, guiding and uniting members, as well as protecting the equitable interests of accountants and auditors to practice their profession in compliance with legislation, and assisting public organizations in promoting and upgrading the accounting and audit professions.

The organizational structure, staffing and bylaws of the Chamber of Professional Accountants and Auditors are defined in a separate regulation.

**Article 66    Rights and Obligations of the Chamber of Professional Accountants and Auditors**

The Chamber of Professional Accountants and Auditors has the following rights and obligations:

1. Develop action and budget plans on a monthly, quarterly and annual basis;
2. Study and develop internal management rules and participate in studying the code of ethics for professional accountants and auditors and other relevant regulations;
3. Organize professional accounting and audit training and courses in line with relevant contents, projects, programs and syllabus;
4. Collaborate, discuss, share opinions and experience on professional accounting and audit subjects;
5. Cooperate with foreign professional accountancy bodies in the region and world with the agreement of the Ministry of Finance;
6. Monitor performance of its members;
7. Summarize and report its performance and budget execution to the Ministry of Finance and other relevant organizations regularly;
8. Exert rights and obligations in accordance with regulations.

## **Part IX**

### **Prohibitions**

**Article 67    Prohibitions for Accounting and Audit Firms**

Accounting and audit firms are prohibited from acting as follows:

1. Appointing persons having been board members, managers or employees of a legal or other entity as statutory auditor of this legal or other entity less than three years after cessation of their functions;
2. Falsifying staff's curriculum vitae and accounting and audit firms' profiles;
3. Performing audit for entities for which it has provided accounting services;
4. Cancelling audit engagement by its own decision without any reason;
5. Acting upon and contacting clients in a manner that causes damage to them and impairs the profession's reputation;
6. Quoting and receiving service fees inappropriate to the volume of its work;
7. Destroying evidence, falsifying documents, concealing accounting and audit-related data and hiding offenses;
8. Offering bribes or presents, or colluding with officials in concealing information, or falsifying financial statements for their own interests or for the interests of the implementing accounting entity to whom they are rendering accounting and audit services;
9. Avoiding reporting on their accounting and audit activities to the supervising and monitoring authorities;
10. Rendering accounting and audit services to an entity that offends accounting and audit regulations;
11. Rendering accounting and auditing services to an entity in which the chief accountant or manager is their close relative;
12. Requesting or receiving advantages other than those defined in the audit engagement or trying to receive any other advantage;

13. Denying cooperation to public official accountants or concerned staff;
14. Using information received that is relevant to their engagements in an incorrect manner;
15. Allowing the same person to be manager of two or more branches;
16. Acting in violation of regulations.

**Article 68 Prohibitions for Auditors**

Auditors are prohibited from acting as follows:

1. Practicing any activity that impairs the reputation of the accounting and audit professions;
2. Working at two or more entities while having full-time work with one of those entities or rendering accounting and audit services without license of the Ministry of Finance;
3. Practicing at two or more accounting or audit firms, or practicing another profession besides the accounting and audit profession;
4. Lending, borrowing, transferring or selling its Certified Public Accountant Certificate;
5. Selling and buying shares, bonds or other assets to and from auditee when performing audit work;
6. Requesting, claiming or receiving bribes, and colluding with auditee;
7. Exaggerating qualifications possessed or using inappropriate advertising or marketing method for seeking clients;
8. Hiding, falsifying or destroying relevant documents or data;
9. Disclosing confidential information of the entity to which they rendered accounting services;
10. Acting in violation of regulations.

**Article 69 Prohibitions for Certified Public Accountants**

Certified Public Accountants are prohibited from acting as follows:

1. Practicing any activity that impairs the reputation of the accounting and audit professions;
2. Lending, borrowing, transferring or selling its Certified Public Accountant Certificate;
3. Working at two or more entities while having full-time work or rendering accounting and audit services without license of the Ministry of Finance;
4. Acting in violation of regulations.

**Article 70 Prohibitions for Auditees**

Auditees are prohibited from acting as follows:

1. Appointing or recruiting an auditor or engagement partner having audited its entity and having ceased their auditor functions or having been dismissed from an audit firm less than three years before as a manager or staff of its entity or a subsidiary or joint venture of the parent company of a group;
2. Causing impairment to the reputation of certified public accountants and auditors;
3. Reporting or providing incorrect data and documents to auditors;
4. Hiding or destroying documents and materials that are audit evidence;
5. Impeding, delaying, causing difficulty or threatening auditors or persons involved in the audit;
6. Offering bribes to the auditor or persons involved in the audit;
7. Cancelling an audit engagement solely by their own decision;
8. Acting in violation of regulations.

**Article 71 Prohibitions for Individuals and Other Organizations**

Individuals and other organizations are prohibited to act as follows:

1. Slandering or intervening in the execution of an audit or impeding audit functions of the statutory auditor;
2. Threatening auditor or protecting auditee;
3. Rendering accounting and audit services without license;
4. Pretending to be an auditor or certified public accountant or statutory auditor;
5. Acting in violation of regulations.

## **Part X Conflict Resolution**

### **Article 72**    **Types of conflict resolution**

Conflicts concerning independent audit may be resolved by:

1. Mediation;
2. Resolution by an administrative body;
3. Resolution by the Economic Resolution Organization;
4. Resolution by the People's Court;
5. International resolution.

### **Article 73**    **Mediations**

Any disputes that occur between the auditee, accounting and audit firms, individuals, legal entities and other related organizations, can be resolved by negotiation and mutual compromise for their mutual interest.

### **Article 74**    **Resolution by administrative body**

In case of conflicts related to independent audit, the parties to the conflict have the right to request the finance authority and other relevant authorities to resolve it in accordance with regulations.

### **Article 75**    **Resolution by the Economic Resolution Organization**

In case of conflicts related to independent audit, parties to the conflict have the right to request that the Economic Resolution Organization resolve it in accordance with regulations.

### **Article 76**    **Petition to the People's Court**

In case of conflicts related to independent audit, parties to the conflict have the right to send a petition to the People's Court for resolution in accordance with regulations.

### **Article 77**    **International conflict resolution**

International conflicts related to independent audit shall be resolved on the basis of existing treaties and conventions to which the Lao PDR is a party.

## **Part XI Independent Audit Supervision and Inspection**

### **Chapter 1 Independent Audit Supervision**

### **Article 78**    **Supervising Authorities**

The Government conducts the supervision of independent audit operations in a centralized manner throughout the country by assigning the Ministry of Finance to have the direct authority to coordinate with other ministries, local authorities and concerned parties.

Independent audit Supervising authorities include:

1. The Ministry of Finance, of which the Accounting Department acts as the secretariat;
2. The provincial and prefecture finance divisions.

If necessary when the independent audit is developed, district and urban finance officers may be appointed as supervising authorities.

### **Article 79**    **Rights and duties of the Ministry of Finance**

In supervising independent audit operations, the Ministry of Finance exerts the following rights and duties:

1. To study, prepare, and amend strategic plans, policies and regulations on independent audit with the collaboration of related parties;
2. To formulate strategic plans and policies into detailed plans, projects, programs and regulations in relation to independent audit of the finance sector to the extent of its responsibilities;

3. To issue standards, regulations, directives and procedures on independent audit on a regular basis in order to enable accounting and audit firms to operate a unified and nationwide independent audit;
4. To propagate and disseminate strategic plans, policies and regulations on independent audit;
5. To appoint and dismiss the president, vice president and board members of the Chamber of Professional Accountants and Auditors in accordance with the proposals of the Chamber of Professional Accountants and Auditors;
6. To develop rules on certified public accountants;
7. To guide, encourage, monitor and assess the performance of the implementation of independent audit-related laws and legislations, professional standards and code of ethics for professional accountants on a regular basis;
8. To guide, supervise, and monitor the activities of the Chamber of Professional Accountants and Auditors;
9. To supervise and monitor the activities of accounting and audit firms;
10. To issue, suspend or withdraw accounting and audit firms licenses, and statutory auditor licenses;
11. To organize training, and to raise the level of knowledge and competence of the personnel in charge of accounting and audit;
12. To cooperate with foreign, regional and international organizations in independent audit;
13. To regularly summarize, assess and report to the Government on independent audit activities;
14. To exert other rights and duties in accordance with regulations.

**Article 80 Rights and duties of provincial and municipal finance departments**

In supervising independent audit operations, provincial and municipal finance divisions exercise the following rights and duties:

1. To implement independent audit strategic plans, policies and regulations;
2. To propagate and disseminate independent audit strategic plans, policies and regulations;
3. To act in upgrading knowledge and capacity of staff in charge of accounting and audit under their supervision;
4. To monitor and assess the implementation of independent audit regulations to the extent of their responsibility;
5. To collaborate with other relevant sectors and local authorities to put into practice independent audit operations;
6. To cooperate with international and regional organizations in independent audit;
7. To regularly summarize, assess and report on independent audit implementation to the Ministry of Finance, provincial and municipal authorities regularly;
8. To exert other rights and duties in accordance with legislation.

**Article 81 Rights and duties of other authorities**

In implementing independent audit operations, other related ministries, local authorities and parties shall exercise the right and duty of monitoring, collaborating and cooperating with finance authorities according to their roles and responsibilities.

## **Chapter 2 Independent Audit Inspection**

**Article 82 Independent Audit Inspection Authorities**

Independent audit inspection authorities are comprised of internal and external inspection authorities.

Internal inspection authorities are those defined in Article 78 of this Law.

External inspection authorities are the National Assembly, the Government Inspection and Anti-Corruption Organization, the State Audit Organization, the Lao National Front, mass organizations, the media and the people.



**Article 83 Inspection Objectives**

Inspections are implemented for the following purposes:

1. To enhance the compliance of independent audit with defined professional standards and audit regulations;
2. To enhance the compliance of audit reports prepared by accounting and audit firms or statutory auditors that are appropriate in the circumstances.

**Article 84 Nature of Inspection**

The nature of the independent audit inspection is as follows:

1. Inspection of the implementation of independent audit laws, regulations and standards;
2. Inspection of the exercising of the rights and duties of accounting and audit firms;
3. Inspection of the responsibilities, actions and working methods of staff regarding independent audit work.

**Article 85 Types of Inspection**

There are three types of inspections, as follows:

1. Regular inspection;
2. Inspection with advance notification;
3. Surprise inspection.

Regular inspection is a control conducted according to a precise schedule on a regular basis.

Inspection with advance notification is an unplanned inspection that is undertaken when it is deemed necessary. The target entity shall be given notice of the inspection in advance.

A surprise inspection is a sudden inspection done as a matter of urgency that is undertaken without advance notice being given to the entity being inspected.

Inspections shall be conducted strictly in compliance with regulations.

## **Part XII**

### **Rewards for Good Performers and Sanctions against Violators**

**Article 86 Rewards for good performers**

Any individual, legal entity or organization that achieves exemplary performance in auditing in compliance with the regulations, the professional standards and the code of ethics for professional accountants, and in cooperating as well as providing information on professional activities of certified public accountants and auditors will be rewarded or will be granted other appropriate allowances according to regulations.

**Article 87 Measures Against Violators**

Individuals and organizations that violate this Law will be subject to corrective education, disciplinary sanctions, fines or penal sanctions according to the seriousness of the violations.

**Article 88 Education Sanctions**

Individuals, legal entities or organizations that commit minor violations of this Law will be subject to corrective education or a warning.

**Article 89 Disciplinary Sanctions**

Personnel or officers who violate this law while not committing a civil offense will be subject to disciplinary sanctions according to each case as follows:

1. Be warned and notified of the violation that will be recorded in her/his curriculum vitae;
2. Be suspended from promotion, upgrading of salary level or reward;
3. Be dismissed or transferred to a lower post;
4. Be dismissed from office without any allowance.

**Article 90 Fines**

- A. Fines for accounting and audit firms are as follows:
1. For conducting audit for enterprise to which it rendered accounting service, they will be fined three times the service fee;
  2. For issuing an auditor's report that expressed incorrect assurance, they will be fined three times the service fee;
  3. For rendering accounting and audit services to implementing accounting entity that is not in compliance with regulations, they will be fined ten million Kip;
  4. For rendering accounting and audit service to relative that is chief accountant or manager, they will be fined twenty million Kip;
  5. For disclosing secrets of the auditee or client, they will be fined twice the damage caused;
  6. For not reporting their performance to Ministry of Finance after being notified, they will be fined two million Kip;
  7. For advertising their qualifications in an exaggerated manner or using inappropriate methods for seeking clients or providing inappropriate curriculum vitae of their staff or an inaccurate firm profile, they will be fined twenty million Kip;
  8. For not extending their business monitoring license after being notified, they will be fined five million Kip.
- B. Fines for auditors are as follows:
1. For selling or buying shares, bonds or other assets of auditee while performing audit, they will be fined three times the income from their selling-buying operations;
  2. For requesting or abusing their position as auditor to acquire other interests from auditee, aside from those stated in the audit engagement, they will be fined three times the amount received;
  3. For disclosing secrets of the auditee, they will be fined twice the damage caused.
- C. Fines for certified public accountants are as follows:
1. For lending, borrowing, transferring or selling their Certified Public Accountant Certificate, they will be fined twenty million Kip and removed from the list of certified public accountants;
  2. For working at two or more entities at the same time, they will be fined ten million Kip.
- D. Fines for auditees are as follows:
1. For not having auditor's report on financial statements as defined in this Law, they will be fined six million Kip;
  2. For selecting and appointing an audit firm that has no license or whose license is being suspended or cancelled, they will be fined fifty million Kip.
- E. Fines for individuals and other organizations are as follows:
1. For rendering accounting and audit service without business license in compliance with regulations, they will be fined twenty million Kip;
  2. For representing themselves as certified public accountants or statutory auditors without holding certificate and license in compliance with regulations, they will be fined ten million Kip.

**Article 91 Criminal Sanctions**

Individuals, legal entities and organizations that violate this law by causing damage to others must compensate for the loss caused by them.

**Article 92 Civil Sanctions**

Individuals who violate this Law by committing civil offenses such as disclosing secrets, falsifying or destroying accounting documents, smuggling, stealing, lying, abusing their position and power regarding independent audit, will be sanctioned as defined in the civil law or other laws defining civil sanctions according to the seriousness of offenses.

**Part XIII**  
**Final Provisions**

**Article 93**    **Implementation**

The Government of the Lao People's Democratic Republic shall implement this Law.

**Article 94**    **Effect**

This Law will be effective from the date on which the President of the Lao People's Democratic Republic issues a presidential decree to promulgate it and 15 days after it is published in the National Gazette.

For those holders of accounting consultant diplomas or certificates, they can practice as certified public accountants five years after this law is effective.

All regulations and provisions that are contrary to this Law are repealed.

The President of the National Assembly

*[Seal of the President of the National Assembly]*

*[Signature of the President of the National Assembly]*

Pany Yathortou