

LAW
OF THE REPUBLIC OF ARMENIA

Adopted on 16 January 2018

ON PUBLIC AUDIT CHAMBER

CHAPTER 1

GENERAL PROVISIONS

Article 1. Main terms used in the Law

1. The main terms used in this Law, insofar as they concern this Law, shall have the following meaning:

- (1) **external public audit** (hereinafter referred to as "public audit") — evaluation of compliance with the criteria and requirements prescribed by legal acts or civil law transactions regulating the auditable activity. The evaluation shall be carried out after the end of the time period or phase the legal acts or civil law transactions prescribe for carrying out the auditable activity in question;
- (2) **auditable activity** — financial and economic activities carried out by an auditee;
- (3) **auditee** — a body or institution described in part 1 of Article 5 of this Law;
- (4) **financial and economic activities** — the use of the funds of the State Budget and community budgets, loans and credits received, as well as state- and community-owned property, in the field of public finances and property;

- (5) **plan item** — a unit included in parts 1 and 2 of the action plan of the Public Audit Chamber (hereinafter referred to as "action plan") and identifying an auditee and activity;
- (6) **public audit assignment** — a document approved by the Public Audit Chamber, indicating the auditee and activity included in the plan item, the time limit for conducting the public audit, the time period to be covered by the public audit, the type of public audit, the public audit procedure, the subdivision and officials conducting the public audit, including public auditors, experts and specialists;
- (7) **types of public audit** — financial, compliance, performance;
- (8) **public audit procedures** — examination, observation, inquiry, external confirmation, analytical procedure, recalculation, and reperformance;
- (9) **inspection** — evaluation of compliance with the criteria and requirements prescribed by the legal acts regulating the inspectable activity or with those prescribed by civil law transactions. The evaluation shall be carried out after the end of the time period or phase the legal acts or civil law transactions prescribe for carrying out the inspectable activity. Inspections shall be conducted at legal entities associated with auditees, in the cases prescribed by part 2 of Article 5 of this Law, applying the types of public audit and inspection, observation, inquiry, external confirmation, recalculation and reperformance procedures;
- (10) **inspectable activity** — financial and economic activities carried out by an inspectee;
- (11) **inspectee** — a legal entity described in part 2 of Article 5 of this Law;
- (12) **inspection assignment** — a document approved by the Public Audit Chamber, indicating the inspectee associated with the auditee included in the plan item, the inspectable activity, the time limit for conducting the inspection, the time period to be covered by the inspection, the type of public audit, the public audit procedure, the

subdivision and officials conducting the inspection, including public auditors, experts and specialists;

(13) **public auditor** — a servant of the Staff of the Public Audit Chamber who conducts public audits, inspections;

(14) **specialist** — a natural person who is engaged in the process of a public audit or inspection on a contract basis and has specific professional knowledge in the field concerned;

(15) **expert** — a natural person who is engaged in the process of a public audit or inspection on a contract basis and has specific professional knowledge on the public audit and inspection.

Article 2. Status of the Public Audit Chamber

1. The Public Audit Chamber is an independent state body conducting the external public audit.
2. The seat of the Public Audit Chamber shall be the city of Yerevan.

Article 3. Purpose of the activities of the Public Audit Chamber

1. The purpose of the activities of the Public Audit Chamber is the submission to the National Assembly and the public of timely, professional and impartial information on lawfulness and effectiveness of the use of the funds of the State Budget and community budgets, loans and credits received, as well as state- and community-owned property, in the field of public finances and property.

Article 4. Functions of the Public Audit Chamber

1. The Public Audit Chamber shall exercise the following functions to fulfil the purpose of the activities of the Public Audit Chamber prescribed by this Law:

(1) conducting public audits of lawfulness and effectiveness of the use of the funds of the State Budget and community budgets, loans and credits received, state- and community-owned property, in the field of public finances and property;

(2) conducting inspections in the cases prescribed by part 2 of Article 5 of this Law within the scope of the public audits specified in point 1 of this part.

Article 5. Powers of the Public Audit Chamber

1. The Public Audit Chamber shall conduct public audits at state and local self-government bodies and institutions funded from the State Budget and community budgets. The Public Audit Chamber shall not conduct public audits at state and local self-government bodies and institutions not funded from the State Budget or community budgets.

2. The Public Audit Chamber shall not carry out inspections at legal entities which are vested with state or local self-government functions the performance of which is not funded from the State Budget or community budgets. The Public Audit Chamber shall, within the scope of the public audits prescribed by part 1 of this Article, conduct an inspection at any legal entity if:

(1) it is a non-commercial legal entity founded by the Republic of Armenia or a community;

(2) it is a commercial legal entity in the authorised capital of which the state or community has a share of more than 50 per cent;

(3) the legal entity has been commissioned, by a legal act and a contract, to perform functions of a state or local self-government body at the cost of funds of the State Budget or a community budget, however, only to the extent necessary for inspecting the fulfilment of the requirements of the legal act and the contract provided for by this point where said legal act and contract provide for a possibility of such inspection;

(4) the legal entity has received credits from the State Budget, as well as credits or other financial means secured by a state guarantee of the Republic of Armenia, under a contract, however, only to the extent necessary for inspecting the fulfilment of the requirements of the contract provided for by this point, which are connected with the use of those means, where said contract provides for a possibility of such inspection;

(5) the legal entity has received grants or subsidies from state or local self-government bodies, institutions under a contract, however, only to the extent necessary for inspecting the fulfilment of the requirements of the contract provided for by this point, which are connected with the use of those means, where said contract provides for a possibility of such inspection.

3. In the cases provided for by part 1, points 1 and 2 of part 2 of this Article, the Public Audit Chamber shall be entitled to conduct, respectively, a public audit or an inspection (hereinafter also referred to as "public audit") both at the auditee and at the workplace of the Public Audit Chamber. In the cases prescribed by points 3-5 of part 2 of this Article, the Public Audit Chamber shall conduct a public audit at its workplace on the basis of the relevant documents. The Public Audit Chamber shall be entitled to request documents or information from legal entities prescribed by points 3-5 of part 2 of this Article only if those are not made available through the state or local self-government bodies.

4. The Public Audit Chamber shall:
 - (1) submit to the National Assembly:
 - a. an annual communication on its activities;
 - b. an opinion on execution of the State Budget;
 - c. interim opinions in the cases prescribed by this Law;
 - (2) be entitled to examine the effectiveness of the internal audit system of the bodies subjected to a public audit by it.
5. If the Public Audit Chamber arrives at a conclusion during a public audit that a committed act contains *prima facie* elements of crime, the relevant materials shall, upon decision of the Public Audit Chamber, be sent to the General Prosecutor's Office of the Republic of Armenia immediately but not later than within three days. The Public Audit Chamber may terminate the public audit to that extent. The Public Audit Chamber shall be informed in writing of decisions rendered on the basis of the materials provided to the General Prosecutor's Office of the Republic of Armenia.
6. The Public Audit Chamber may, during or following a public audit, recommend that the head of the auditee, as well as, where a superior exists, the superior, hold the officials of the auditee liable in the manner prescribed by law if said officials do not comply with the requirements of this Law and lawful requests stemming from this Law made by persons conducting the public audit.

Article 6. International cooperation

1. The Public Audit Chamber shall cooperate with supreme audit bodies conducting external public audits and their international unions with the purpose of exchange of public audit methodology and leading practices in conducting public audits.

CHAPTER 2

PRINCIPLES OF ACTIVITIES OF THE PUBLIC AUDIT CHAMBER

Article 7. Principle of functional independence of the Public Audit Chamber

1. The Public Audit Chamber shall be independent from bodies and organisations subject to public audit during the exercise of its powers.

Article 8. Principle of financial independence of the Public Audit Chamber

1. The expenditures of the Public Audit Chamber shall be a constituent part of the expenditures of the State Budget.
2. The funding of the Public Audit Chamber shall ensure exercise of the functions vested in the Public Audit Chamber.

Article 9. Standards of the International Organization of Supreme Audit Institutions

1. The Public Audit Chamber may develop guidelines and methodology guided by the standards of the International Organization of Supreme Audit Institutions (INTOSAI).

Article 10. Principle of ensuring professional capacities and continuous development

1. The Public Audit Chamber shall prescribe criteria for persons being recruited to the Staff of the Public Audit Chamber, as well as approve a programme of continuous

development of professional capacities of the servants of the Staff of the Public Audit Chamber.

Article 11. Principle of collegiality

1. The Public Audit Chamber is a collegial body.

Article 12. Principle of objectivity

1. The whole process of public audits conducted by the Public Audit Chamber shall be implemented objectively — through studying, analysing facts and arriving at a conclusion.

Article 13. Principle of political neutrality

1. A member of the Public Audit Chamber may not be a member of any political party or engage in political activities.
2. The Public Audit Chamber shall not qualitatively evaluate political events and goals. The Public Audit Chamber shall not qualitatively evaluate the inconsistencies and misstatements revealed by it and shall not make forecasts on consequences thereof.
3. A member of the Public Audit Chamber shall show political restraint in public speeches.

Article 14. Principle of publicity and transparency of activities of the Public Audit Chamber

1. The decisions (except for individual legal acts) prescribed by points 1-7, 9-14 and 16-17 of part 9 of Article 16 of this Law, financial statements of the Public Audit

Chamber, opinions of external audit organisations on annual financial statements shall be published, except for the information deemed by law to be secret.

2. Documents specified in part 1 of this Article shall be published on the official website of the Public Audit Chamber and the official website of public notifications of the Republic of Armenia (www.azdarar.am) within three working days after being adopted.

CHAPTER 3

COMPOSITION, SITTINGS OF THE PUBLIC AUDIT CHAMBER; MEMBERS OF THE PUBLIC AUDIT CHAMBER AND THEIR POWERS; CHAIRPERSON OF THE PUBLIC AUDIT CHAMBER; SAFEGUARDS FOR THE ACTIVITIES OF THE PUBLIC AUDIT CHAMBER; STAFF OF THE PUBLIC AUDIT CHAMBER

Article 15. Composition of the Public Audit Chamber

1. The Public Audit Chamber shall be composed of seven members: the Chairperson and six members of the Public Audit Chamber.

Article 16. Sittings of the Public Audit Chamber

1. The Public Audit Chamber shall organise its activities through regular and extraordinary sittings (hereinafter referred to as "sitting"). Regular sittings shall be convened once a month by the Chairperson of the Public Audit Chamber. Extraordinary sittings shall be convened at the initiative of at least three members of the Public Audit Chamber.

2. The sitting agenda shall be sent to the members of the Public Audit Chamber, persons invited to the sitting, the National Assembly and the Government of the Republic of Armenia at least two days prior to holding the sitting.
3. The sittings shall be chaired by the Chairperson of the Public Audit Chamber.
4. A sitting shall have quorum where it is attended by at least four members of the Public Audit Chamber.
5. Decisions at a sitting shall be adopted by being voted on; a decision shall be considered adopted where it receives at least four affirmative votes.
6. Each member of the Public Audit Chamber shall vote in person, have one vote and cast either an affirmative or a negative vote.
7. Decisions of the Public Audit Chamber shall be signed by the person chairing the sitting. Where a special opinion of a member of the Public Audit Chamber on the decision is available, such opinion shall be attached to the decision.
8. The sittings shall be minuted according to the procedure prescribed by the Public Audit Chamber. The minutes shall be signed by the person chairing the sitting. The Public Audit Chamber shall post information on the issues discussed and decisions rendered at the sitting on its official website following the end of each sitting.
9. At its sittings, the Public Audit Chamber discusses and approves the following:
 - (1) the action plan of the Public Audit Chamber (hereinafter referred to as "the action plan");
 - (2) the risk-based methodology underlying the drawing-up of the action plan;
 - (3) amendments and/or supplements to the action plan;
 - (4) the opinion on execution of the State Budget;
 - (5) the interim opinions;

- (6) the annual communication on the activities of the Public Audit Chamber;
- (7) the Public Audit Chamber's budget request, estimate expenditures and the relevant performance report, decisions on paying out expenditures from the special-purpose funds specified by parts 4 and 5 of Article 20 of this Law;
- (8) public audit assignments;
- (9) internal legal acts of the Public Audit Chamber, amendments and supplements thereto;
- (10) the Rules of Procedure of the Public Audit Chamber;
- (11) the Charter of the Staff of the Public Audit Chamber;
- (12) the methodology and guidelines for conducting public audits, international legal practice-based benchmark criteria pertaining to activities of the members of the Public Audit Chamber, professional rules of ethics applied in internal relations of public auditors, and the methodology of performance of the function of a quality management system;
- (13) job descriptions of the positions of the servants of the Staff of the Public Audit Chamber in accordance with this Law and other legal acts;
- (14) the procedure for engagement of specialists and experts in the works of the Public Audit Chamber;
- (15) the appointment of the Head of the Staff of the Public Audit Chamber;
- (16) periodic re-distribution of works among the public audit-conducting structural subdivisions;
- (17) periodic re-distribution of works among the members of the Public Audit Chamber;
- (18) the scope of powers of persons acting on behalf of the Public Audit Chamber, issues letters of authorisation;

(19) applies, within the scope of the powers thereof prescribed by law, disciplinary penalties and incentives provided for by law with regard to servants of the Staff of the Public Audit Chamber, as well as hears appeals brought against actions or omissions of public auditors and in the case of existence of sufficient grounds takes measures to hold them liable;

(20) the programme of continuous development of professional capacities of the servants of the Staff of the Public Audit Chamber conducting audits and performing functions related to the public audit process; said programme shall be implemented both by employing the internal capacities and by trainings at other entities.

Article 17. Members of the Public Audit Chamber

1. A citizen meeting the requirements set for a Deputy of the National Assembly, having higher education and a qualification of an auditor obtained in the manner prescribed by the legislation of the Republic of Armenia may be elected a member of the Public Audit Chamber, including to the position of the Chairperson of the Chamber, where he or she has a work record of an auditor of at least five years, of which at least one year shall be in a management position at a legal entity licensed to provide audit services, or a work record of at least three years in the capacity of a member of the Public Audit Chamber or a work record of at least five years in a chief position of the 1st group in the Staff of the Public Audit Chamber or a work record of at least 10 years — of which at least five years shall be in a managerial position — in the field of public finance management.

2. The Chairperson of the Public Audit Chamber, shall, three months prior to expiry of the term of office of a member of the Public Audit Chamber, inform the National Assembly to that effect. If a vacancy of a member of the Public Audit Chamber opens up prematurely and if a period exceeding six months remains until the

end of the term of office, the Chairperson of the Public Audit Chamber shall inform the National Assembly to that effect within five working days. In this case, the new member of the Public Audit Chamber shall be elected for the term of office of the previous member that has not expired. A vacancy of a member of the Public Audit Chamber opened up prematurely shall not be filled where a period less than six months remains until the end of the term of office.

3. The Chairperson and other members of the Public Audit Chamber shall be elected in the manner prescribed by the Constitution of the Republic of Armenia and the Constitutional Law of the Republic of Armenia "Rules of Procedure of the National Assembly".

4. A person may not be elected a member of the Public Audit Chamber, including to the position of the Chairperson of the Chamber, where:

(1) he or she has been declared as having no or limited active legal capacity by a court's effective civil judgment;

(2) he or she has been held criminally liable, and the conviction has not been expunged or has not expired in a manner prescribed by law;

(3) he or she has been deprived of the right to hold a certain office in a manner prescribed by law.

5. Members of the Public Audit Chamber, including the Chairperson of the Chamber, may not hold any office not related to their status in other state or local self-government bodies, any office in commercial organisations, engage in entrepreneurial activities, or perform other paid work except for scientific, educational and creative work.

6. The powers of a member of the Public Audit Chamber, of the Chairperson inclusively, shall be imposingly terminated by the National Assembly — by at least a three-fifths vote of all Deputies — in the cases of violation of the incompatibility requirement prescribed by part 5 of this Article or membership of the member of the

Public Audit Chamber in a political party, engagement in political activities, failure to show political restraint in public speeches.

7. The powers of a member of the Public Audit Chamber shall automatically terminate:

- (1) in the case of expiry of his or her term of office;
- (2) on the basis of a court's effective criminal judgment (civil judgment) on conviction of the member of the Public Audit Chamber for commission of a crime or on declaring him or her as having no or limited active legal capacity, missing or dead;
- (3) where a physical impairment or an illness hindering appointment to the office of a member of the Public Audit Chamber emerges, which is included in the List of physical impairments and illnesses hindering appointment to an office of a judge, approved by the Decision of the Government of the Republic of Armenia;
- (4) in the case of resignation of the member of the Public Audit Chamber;
- (5) where the member of the Public Audit Chamber ceases to be a citizen of the Republic of Armenia or obtains a foreign citizenship;
- (6) upon his or her death.

8. A member of the Public Audit Chamber shall submit his or her resignation letter to the Chairperson of the National Assembly, and the Public Audit Chamber shall be informed to that effect. This information shall be posted on the official website of the Public Audit Chamber. In the case of emergence of other grounds for automatic termination of the powers of a member of the Public Audit Chamber prescribed by part 7 of this Article, the Chairperson of the Public Audit Chamber shall submit information on emergence of these grounds to the National Assembly within three working days.

Article 18. Powers of the members of the Public Audit Chamber

1. A member of the Public Audit Chamber, including the Chairperson of the Public Audit Chamber, shall:

- (1) coordinate the work of one or several public audit-conducting structural subdivisions;
- (2) ensure that public audits conducted through structural subdivisions coordinated by him or her comply with the procedure prescribed by law and other legal acts;
- (3) decide, within the scope of his or her powers prescribed by this Law, on organisational issues relating to the work of the public audit-conducting structural subdivisions coordinated by him or her and bear responsibility before the Public Audit Chamber for the results of the activities of these structural subdivisions;
- (4) form within the structural subdivisions coordinated by him or her working groups of public auditors conducting public audits;
- (5) certify and submit for approval to the Public Audit Chamber the drafts of public audit assignments and of interim opinions of the public audit-conducting structural subdivisions coordinated by him or her;
- (6) execute assignments prescribed by decisions of the Public Audit Chamber;
- (7) represent the Public Audit Chamber within the scope of his or her powers prescribed by a decision of the Chamber.

Article 19. Chairperson of the Public Audit Chamber

1. The Chairperson of the Public Audit Chamber shall:

- (1) ensure the normal functioning of the Public Audit Chamber;

- (2) hire and dismiss servants of the Staff of the Public Audit Chamber within the scope of his or her powers in the manner prescribed by law;
- (3) issue orders within the scope of his or her powers;
- (4) represent the Public Audit Chamber in the Republic of Armenia and foreign states;
- (5) where the position of a member of the Public Audit Chamber becomes vacant or where it becomes impossible for a member of the Public Audit Chamber to exercise his or her powers or in the absence of a member of the Public Audit Chamber, assign the fulfilment of duties of such member to another member of the Public Audit Chamber.

2. The Chairperson of the Public Audit Chamber shall in advance assign the duty of replacing him or her in his or her absence to a member of the Public Audit Chamber. The member having the longest record of service in the capacity of a member of the Public Audit Chamber shall replace the Chairperson of the Public Audit Chamber in the absence of the person replacing the Chairperson of the Public Audit Chamber.

Article 20. Safeguards for the activities of the Public Audit Chamber

1. The Public Audit Chamber shall, each year, draw up and submit for inclusion in the draft State Budget of the next year its budgetary funding request for the next year (the draft estimate of expenditures of the Public Audit Chamber) to the Government of the Republic of Armenia in the manner prescribed by the Law of the Republic of Armenia "On the budgetary system of the Republic of Armenia", within the time limit prescribed by the decision of the Prime Minister of the Republic of Armenia on starting the budget process for the next year as prescribed by the legislation of the Republic of Armenia and in accordance with the Rules of Procedure of the Public Audit Chamber.

2. The budget request of the Public Audit Chamber shall be included in the draft State Budget as it has been submitted if approved by the Government of the Republic of Armenia or with amendments if there are objections. The Government of the Republic of Armenia shall submit the budget request of the Public Audit Chamber submitted in the manner prescribed by part 1 of this Article, together with the draft State Budget, to the National Assembly.
3. The Government of the Republic of Armenia shall submit the rationale for its amendments to the budget request to the National Assembly and the Public Audit Chamber.
4. The estimates of the annual expenditures planned by the State Budget with regard to the Public Audit Chamber shall include the special-purpose fund for incentives for members of the Public Audit Chamber and servants of the Staff thereof and development of the system, which may not exceed the amount prescribed by part 6 of Article 6 of the Law of the Republic of Armenia "On remuneration of persons holding state positions".
5. For the purpose of funding contingent expenditures for ensuring the normal functioning of the Public Audit Chamber, a reserve fund of the Public Audit Chamber shall be provided, which shall be included in the State Budget in a separate row. The size of the reserve fund shall be equal to two per cent of the total amount of the expenditures (minus the expenditures pertaining to the special-purpose fund for incentives for employees and development of the system) planned for the Public Audit Chamber by the law on State Budget for the year in question.
6. Members of the Public Audit Chamber and servants of the Staff thereof who are qualified auditors shall receive monetary rewards from the funds specified in parts 4 and 5 of this Article in the manner prescribed by law.

Article 21. Staff of the Public Audit Chamber

1. The Staff of the Public Audit Chamber is a state administration institution of the Republic of Armenia established in the manner prescribed by law and it shall act in the manner prescribed by this Law, the Law of the Republic of Armenia "On state administration institutions", other laws and legal acts. The Public Audit Chamber shall exercise the powers of the founder of the institution on behalf of the Republic of Armenia.
2. The Staff of the Public Audit Chamber will comprise public audit-conducting structural subdivisions, professional structural subdivisions performing functions related to the public audit process, as well as other structural subdivisions.
3. In the structural subdivisions of the Staff of the Public Audit Chamber, the staff positions shall be filled and the requirements for these positions shall be defined in the manner prescribed by the Law of the Republic of Armenian "On civil service".
4. The Staff of the Public Audit Chamber shall be managed by the Head of the Staff, who shall be appointed by a decision of the Public Audit Chamber.

Article 22. Requirements for the servants of the Staff of the Public Audit Chamber who conduct public audits

1. Job descriptions of the positions of the servants of the Staff of the Public Audit Chamber who conduct public audits shall include at least the following requirements:
 - (1) head of a public audit-conducting structural subdivision: a qualification of an auditor obtained in the manner prescribed by the legislation of the Republic of Armenia and a work record of at least five years in a position of an auditor or in a chief position of a public audit-conducting subdivision of the Staff of the Public Audit Chamber or of a subdivision of the Staff of the Public Audit Chamber considered equivalent to such subdivision;

(2) deputy head of a public audit-conducting structural subdivision: a qualification of an auditor obtained in the manner prescribed by the legislation of the Republic of Armenia and a work record of at least four years in a position of an auditor or in a chief position of a public audit-conducting subdivision of the Staff of the Public Audit Chamber or of a subdivision of the Staff of the Public Audit Chamber considered equivalent to such subdivision.

2. The public auditors and servants of the professional structural subdivisions of the Public Audit Chamber performing functions related to the public audit process shall undergo training at least once every three years, in the manner prescribed by the programme of continuous development of professional capacities in the Public Audit Chamber.

Article 23. Quality management system and external audit of the Public Audit Chamber

1. The Public Audit Chamber shall conduct public audits in compliance with the principles of lawfulness and saving, effectiveness and cost efficiency.

2. A quality management system shall be established within the Staff of the Public Audit Chamber for the purpose of raising the effectiveness of management of risks related to the financial, control and administration processes of the Public Audit Chamber.

3. Annual financial statements of the Public Audit Chamber shall be subject to annual external audit by an external audit organisation selected on a competitive basis.

4. The competition for an audit organisation which will conduct the external audit of the annual financial statements of the Public Audit Chamber shall be organised by the Staff of the National Assembly in accordance with the Law of the Republic of Armenia "On procurement".

Article 24. Rules of Procedure of the Public Audit Chamber and Charter of the Staff of the Public Audit Chamber

1. The internal procedure for the activities of the Public Audit Chamber, the internal procedures for organising and conducting public audits, as well as the templates of the action plan, annual communication on the activities, opinion on execution of the State Budget and of the interim opinion shall be prescribed by the Rules of Procedure of the Public Audit Chamber. The Rules of Procedure shall in particular prescribe the principle of periodic re-distribution of work between the members of the Public Audit Chamber, as well as between the public audit-conducting structural subdivisions:

(1) A member of the Public Audit Chamber may, within the span of six years, coordinate works of the same public audit-conducting structural subdivision for, at most, two years, except in the case prescribed by sub-point 4 of this part;

(2) a member of the Public Audit Chamber may, within the span of six years, coordinate works of a structural subdivision conducting public audits in the field of activities reserved to the same state or local-self government body for, at most, two years, except for the case prescribed by sub-point 4 of this part;

(3) the same public audit-conducting structural subdivision of the Staff of the Public Audit Chamber may, within the span of six years, conduct public audits in the field of activities reserved to the same state or local-self government body for, at most, two years, except in the case prescribed by sub-point 4 of this part;

(4) where a public audit continues the next year, the public audit in question shall be conducted by the public audit-conducting structural subdivision and the member of the Public Audit Chamber who started that public audit.

2. The structure of the Staff of the Public Audit Chamber, distribution of duties between the structural subdivisions of the Staff, the procedure for organisation and fulfilment thereof shall be established by the Charter of the Staff of the Public Audit Chamber.

CHAPTER 4

PUBLIC AUDIT CHAMBER'S ACTION PLAN, INTERIM OPINIONS, OPINION ON EXECUTION OF THE STATE BUDGET, ANNUAL COMMUNICATION ON ITS ACTIVITIES, AND PROCEDURE FOR PROVISION OF INFORMATION

Article 25. Action plan of the Public Audit Chamber

1. Each year, the Public Audit Chamber shall establish an action plan for a period of one year at least one month prior to the end date of the previous action plan of the Public Audit Chamber.
2. The action plan shall be comprised of the following parts:
 - (1) public audit of the three-month, six-month, nine-month and annual execution of the State Budget;
 - (2) public audits according to the auditable activities identified by the risk-based methodology, auditees, public audit-conducting structural subdivisions;
 - (3) programme of internal processes of the Public Audit Chamber: issues related to the continuous development of professional capacities, quality management system, personnel management and training, international cooperation at the Public Audit Chamber and other issues assigned to the Public Audit Chamber by this Law.
3. The Public Audit Chamber may make substantiated amendments and/or supplements to part 2 of the action plan according to the risk-based methodology underlying the drawing-up of the action plan. Information to that effect shall be published within three working days in the manner prescribed by part 2 of Article 14 of this Law.
4. Where implementation of a plan item provided for by parts 1 and 2 of the action plan is not accomplished in the current year, it shall be moved to the next year.

Article 26. Interim opinion of the Public Audit Chamber

1. The head of a public audit-conducting structural subdivision of the Public Audit Chamber shall, after the end of the public audit, submit a draft interim opinion to the Public Audit Chamber's member coordinating the activities of the same structural subdivision for said member's endorsement.
2. After being endorsed by the relevant member of the Public Audit Chamber, the draft interim opinion shall be submitted to the Public Audit Chamber for approval. The public audit reports based on which the draft interim opinion was drawn up, as well as any relevant objections and explanations of the head of the auditee or the person replacing him or her shall also be submitted to the Chamber together with the draft interim opinion.
3. The Public Audit Chamber shall render a decision on the interim opinion within one month upon receipt of the draft.
4. The Public Audit Chamber shall submit interim opinions on the three-month, six-month and nine-month execution of the State Budget to the National Assembly within four months after the end date of these periods of time respectively.
5. The interim opinion drawn up as a result of implementation of the plan item included in the second part of the action plan, shall, where appropriate, include:
 - (1) a note on finding no inconsistencies or misstatements;
 - (2) a note on inconsistencies or misstatements;
 - (3) recommendations for the management of the auditee and other stakeholders;
 - (4) objections and explanations submitted by the heads of the auditees with regard to the public audit reports;
 - (5) opinions;
 - (6) other information.

6. The Public Audit Chamber shall, within three working days upon approval of the interim opinion drawn up as a result of the public audit of the plan item included in part 2 of the action plan, send it to the head of the auditee specified in the plan item, who shall, within 30 days upon receiving the interim opinion, provide to the Public Audit Chamber written information on the elimination of the inconsistencies and misstatements and on the implementation of the recommendations noted in the interim opinion, and other written information pertaining to the interim opinion.

7. The Public Audit Chamber shall, within three working days upon receiving the information specified in part 6 of this Article, attach it to the respective interim opinion and submit it to the National Assembly and the Government of the Republic of Armenia.

8. In the event of violation of the requirement to provide information specified in part 6 of this Article, the Public Audit Chamber shall, within three working days after the end of the prescribed time limit, attach information to that effect to the interim opinion and send it to the National Assembly and the Government of the Republic of Armenia.

Article 27. Opinion on execution of the State Budget

1. The opinion on execution of the State Budget shall be drawn up based on the financial and compliance public audit of the State Budget for the reporting year, using the interim opinions from the financial and compliance public audits of the three-month, six-month and nine-month execution of the State Budget for the same year.

2. The opinion on execution of the State Budget shall be comprised of the following parts:

- (1) information on inconsistencies, misstatements found, as well as on the recommendations;

(2) reasoning on execution of the State Budget, which shall, where appropriate, include:

- a. a positive conclusion if sufficient information was gathered to conduct the public audit and no material misstatements were found;
- b. an insufficient conclusion if material misstatements were found, the consequences thereof were not all-encompassing and the statements were materially distorted or material misstatements were found, the consequences thereof were not all-encompassing and it was impossible to gather sufficient information to conduct the public audit;
- c. a negative conclusion if material misstatements were found, the consequences thereof were all-encompassing and the statements were materially distorted;
- d. refusal to submit a conclusion if material misstatements were found, the consequences thereof were all-encompassing and it was impossible to gather sufficient information to conduct the public audit.

3. The Public Audit Chamber shall submit the opinion on execution of the State Budget to the National Assembly within one month upon submission of the report on execution of the State Budget by the Government to the National Assembly.

Article 28. Annual communication on the activities of the Public Audit Chamber

1. The annual communication shall be composed of three parts:

- (1) summary information on works carried out during the previous year in relation to the public audit of execution of the State Budget;

(2) summary information on execution of the plan items included in part 2 of the action plan;

(3) information from the Public Audit Chamber on implementation of part 3 of the action plan during the previous year and the opinion provided by the external audit organisation.

2. Part 2 of the annual communication shall include summary information on execution of only those plan items regarding which the interim opinion was submitted to the National Assembly in the manner prescribed by part 7 or 8 of Article 26 of this Law at least one month prior to sending the annual communication to the National Assembly.

3. The Public Audit Chamber shall, by 1 June of each year, submit to the National Assembly the annual communication on its activities in the previous year.

Article 29. Publication of results of public audit analyses

1. Based on analysis of the findings of a public audit, the Public Audit Chamber shall discuss the causes of the inconsistencies and misstatements, after which it may submit recommendations — *inter alia*, on making amendments and/or supplements to legal acts of the Republic of Armenia — to state and local self-government bodies.

2. Based on analysis of the findings of a public audit, the Public Audit Chamber may submit recommendations also on improvement of non-financial criteria described in the budgetary programmes.

3. The Public Audit Chamber shall identify the frequently occurring inconsistencies and misstatements by analysing the public audits and post relevant information on the official website of the Public Audit Chamber, as well as hold discussions with state and local self-government bodies to prevent and rule out such inconsistencies and misstatements in the future.

4. The Public Audit Chamber shall identify the manifestations of lawful and effective governance by analysing the public audits and post relevant information on the official website of the Public Audit Chamber, as well as hold discussions with state and local self-government bodies to communicate and promote such manifestations.

Article 30. Procedure for provision of information by the Public Audit Chamber

1. The Public Audit Chamber shall submit its action plan, interim opinions, opinion on execution of the State Budget and annual communication on its activities to the National Assembly and the Government of the Republic of Armenia within three working days after they have been approved; at the same time, said action plan, interim opinions, opinion on execution of the State Budget and annual communication on the activities shall be posted on the official website of the Public Audit Chamber and the official website of public notifications of the Republic of Armenia (www.azdarar.am).

2. Members, public auditors of the Public Audit Chamber, servants of the Staff of the Public Audit Chamber, specialists and experts engaged and officials of the auditee are prohibited from publishing any preliminary evaluations and opinions with regard to a public audit before the Public Audit Chamber renders a decision on the findings of the public audit.

CHAPTER 5

PURPOSE, TYPES, PRINCIPLES OF PUBLIC AUDIT, PUBLIC AUDIT PROCEDURES, RULES OF CONDUCTING A PUBLIC AUDIT, PUBLIC AUDIT REPORTS

Article 31. Purpose of public audit

1. The purpose of public audit is to find out whether auditable activities comply with the principles of lawfulness and saving, effectiveness and cost efficiency.
2. In conducting a public audit, the Public Audit Chamber shall review the effectiveness of the internal audit system of the auditee. If the internal audit system has been evaluated as effective, the Public Audit Chamber may rely on the findings recorded in the internal audit reports.

Article 32. Access to information necessary for conducting a public audit

1. The Public Audit Chamber shall have online access to electronic databases belonging to auditees specified in part 1 and point 1 of part 2 of Article 5 of this Law containing data on State Budget and community budget funds, loans and credits received, the use of state- and community-owned property, except to the information deemed by law to be secret.
2. If the information belonging to the auditees specified in part 1 of this Article related to the State Budget and community budget funds, loans and credits received, the use of state- and community-owned property cannot be provided online, it shall be provided to the Public Audit Chamber at its request, either electronically or in hard copy, unless otherwise provided for by law, within a period of 30 days upon receiving the request, which may be prolonged by another 15 days if circumstances considered substantial need be established.

Article 33. Types, principles and procedures of public audit

1. Types of public audit are the following:
 - (1) financial public audit — a type of public audit conducted by the Public Audit Chamber to find out whether the requirements for management of financial documents related to the use of the State Budget and community budget funds, loans and credits received, state- and community-owned property have been met and whether the reports drawn up as a result thereof are reliable;
 - (2) compliance public audit — a type of public audit conducted by the Public Audit Chamber to find out whether the use of the State Budget and community budget funds, loans and credits received, state- and community-owned property complies with the legal acts, as well as with the criteria and requirements prescribed by other civil law transactions;
 - (3) performance public audit — a type of public audit conducted by the Public Audit Chamber to find out whether the use of the State Budget and community budget funds, loans and credits received, state- and community-owned property is saving, effective and cost-efficient.
2. The principles of the performance public audit are the following:
 - (1) saving — a principle of the performance public audit which evaluates the degree at which the expenditures channelled towards the planned resources (resources being acquired) have been minimized while observing the prescribed time limits, retaining the required quality, quantity and scale and ensuring due compensation;
 - (2) effectiveness (usefulness) — a principle of the performance public audit by which attainment of the objectives prescribed and results planned is evaluated;
 - (3) cost efficiency (efficiency) — a principle of the performance public audit by which attainment of the maximum results through the use of the planned

resources and with the required quality, in the required quantity and within the required time limit is evaluated.

3. The public audits procedures are the following:

(1) examination — a public audit procedure in which documents and records relating to the auditable activity, submitted electronically or in hard copy, as well as the actual condition of the assets, work performed, services provides and goods supplied, are reviewed;

(2) observation — a public audit procedure in which the implementation of a process or procedure related to the auditable activity by the responsible persons of the auditee is eyewitnessed at the auditee;

(3) inquiry — a public audit procedure in which a request for information is submitted to the responsible persons of the auditee in writing and orally;

(4) external confirmation — a public audit procedure in which, in response to the inquiry of the Public Audit Chamber, information is received in hard copy or electronically, in the manner prescribed by part 3 of Article 39 of this Law;

(5) analytical procedure — a public audit procedure in which financial and non-financial indicators are evaluated by being compared and juxtaposed with other data related thereto;

(6) recalculation — a public audit procedure in which the accuracy of calculations is determined based on the initial data;

(7) reperformance — a public audit procedure in which public auditors re-enact the auditee's control processes.

4. The Public Audit Chamber shall be free in choosing the type and procedure of public audit during its activities, except where a certain type or procedure of public audit is prescribed for the auditable activity in question by this Law.

Article 34. Rules of conducting a public audit

1. The Public Audit Chamber shall organise and conduct public audits in compliance with the requirements of this Law. Following a public audit conducted in a state or local self-government body or institution an opinion or an interim opinion shall be drawn up. Following a public audit conducted at a legal entity a public audit report shall be drawn up.
2. A public audit shall be conducted based on a public audit assignment approved by the decision of the Public Audit Chamber.
3. The head of the relevant structural subdivision shall draw up a draft public audit assignment and submit it for confirmation by the member of the Public Audit Chamber coordinating the activities of that structural subdivision. The member of the Public Audit Chamber coordinating the activities of that structural subdivision shall submit the draft public audit assignment to the Public Audit Chamber for approval.
4. The Public Audit Chamber shall, at least one month before starting the implementation of a plan item included in part 2 of the action plan or, in the case of a new plan item added in the action plan, within three working days upon rendering the decision on adding the plan item, but not later than seven working days before starting the public audit, duly inform the head of the auditee or the person replacing him or her of the public audit, its types, procedures, time limits, and the time period to be covered by the public audit.
5. The activities of the public audit team shall be managed by the head of the structural subdivision conducting the public audit. Persons not mentioned in the public audit assignment may not take part in the public audit.
6. The time limit for conducting the examination and observation procedure at the auditee mentioned in the public audit assignment shall be set at up to 24 working days, which may be extended during the public audit by no longer than 12 working days upon the decision of the Public Audit Chamber.

7. A public audit shall be suspended upon the decision of the Public Audit Chamber where the duties established by part 3 of Article 38 of this Law cannot be performed or where, during the public audit, a need arises for clarification of certain information having a significant effect on the outcome of the public audit or where the documents related to the public audit have been seized upon the decision of inquest bodies or pre-trial investigation bodies or court or in the event of natural disasters or any other unpredictable circumstances rendering the conduct of the public audit impossible. The public audit may, upon elimination of the grounds for suspension, be continued for the remaining time limit upon the decision of the Public Audit Chamber.

Article 35. Public audit report

1. The public auditor shall record the findings of the public audit, draw up a public audit report thereon and certify it by his or her signature. The public auditor who has signed the public audit report shall be responsible for the reliability and integrity of the information recorded therein.

2. The public audit report shall, where appropriate, include:

- (1) a note on finding no inconsistencies or misstatements;
- (2) notes on inconsistencies or misstatements;
- (3) other necessary information.

3. The public audit report shall be submitted to the head of the relevant auditee mentioned in the public audit or inspection assignment in order that he or she familiarize himself or herself with and sign said report; the head of said auditee shall, within 10 days following the receipt of the public audit report, sign it if he or she agrees with it or submit written objections and explanations — which then shall be attached to the public audit report — with regard to the inconsistencies or misstatements, as well as any other information, noted in the drawn up public audit report.

4. The head of a public audit-conducting structural subdivision of the Public Audit Chamber shall submit the public audit report drawn up following a public audit as well as objections and explanations thereon to the member of the Public Audit Chamber coordinating the activities of that structural subdivision.
5. Public audit reports drawn up during a public audit shall be treated as a basis for interim opinions.

Article 36. Powers of a public auditor

1. A public auditor shall within the scope of a given plan item be entitled to:
 - (1) conduct public audit;
 - (2) demand from the head of the auditee or the person replacing him or her access to available electronic databases, documents, necessary references, information, accounting statements relating to the auditable activity, extract information therefrom and request clarifications. If a piece of information is deemed by law to be secret, a public auditor may familiarize himself or herself with it in the cases and in the manner prescribed for this secret by law;
 - (3) receive from the head of the auditee or the person replacing him or her written, as well as oral, explanations on questions arising during the public audit;
 - (4) enter the auditee's premises unless otherwise prescribed by law;
 - (5) engage, where appropriate, specialists of the auditee in the public audit process with the consent of the head of the auditee or the person replacing him or her.
2. A public auditor shall not be obliged to give explanations on the public audit process, except when so demanded by a person entitled to give a public audit assignment.

3. The Public Audit Chamber shall be entitled to demand and receive from the auditee any contract concluded within the scope of an auditable activity, as well as other related documents that the other party to the contract or transaction is obliged to provide to the auditee.

4. A public auditor must:

- (1) submit the public audit assignment to the head of the auditee or the person replacing him or her at least three working days before starting the public audit;
- (2) collect and record in an impartial and comprehensive manner the information and facts relating to the auditable activity;
- (3) document the public audit process;
- (4) not hinder the normal functioning of the auditee;
- (5) inform the officials of the auditee of their rights and duties in relation to the public audit;
- (6) introduce the head of the auditee or the person replacing him or her to the findings of the public audit;
- (7) in the case having suspicions of *prima facie* elements of crime during the public audit immediately inform the Public Audit Chamber.

Article 37. Specialists and experts

1. The Public Audit Chamber shall be entitled to engage in the public audit process on a contract basis in the manner prescribed by this Law a specialist with special professional knowledge in a relevant field or an expert with special professional knowledge in the public audit.

2. During a public audit, a specialist or an expert shall be entitled to exercise the rights established by points 2-5 of part 1 and duties established by part 4 of Article 36 of this Law.

Article 38. Rights, duties and responsibility of officials of an auditee

1. The head or responsible official of a relevant auditee mentioned in a public audit or inspection assignment and, in the case of conducting a public audit at legal entities, also the head or responsible official of an auditee mentioned in a relevant plan item shall be entitled to:

- (1) familiarize himself or herself with the public audit report;
- (2) appeal, in the manner prescribed by law, against the actions of the public auditors.

2. The head of an auditee shall be entitled to submit objections and explanations with regard to a public audit report within the time limit and in the manner prescribed by part 3 of Article 35 of this Law.

3. An official of an auditee must:

- (1) create necessary working conditions for the activities of the public auditors;
- (2) provide, within three working days at the request of the public auditor during the public audit, existing and accessible information, documents and records — which shall be complete and accurate — on the auditable activity;
- (3) immediately inform, during the public audit, of any amendment and supplement made to the information, documents and records provided to the public auditor;
- (4) not hinder the public audit process, comply with the legal orders of the public auditors.

4. The head of the auditee mentioned in the plan item must, within a period of one month, provide the Public Audit Chamber with written information on elimination of inconsistencies and misstatements, implementation of recommendations noted in the interim opinion, and with other written information concerning the interim opinion.

5. Legal orders made by the servants of the Staff of the Public Audit Chamber with regard to the public audit shall be binding for the head and other officials of the auditee.

CHAPTER 6

COLLABORATION WITH THE PUBLIC AUDIT CHAMBER

Article 39. Collaboration between the Public Audit Chamber and other bodies

1. The Public Audit Chamber may for conducting a public audit use the findings of an internal audit of an auditee. To that end the Public Audit Chamber shall examine the efficiency of the internal audit system of the auditee and submit recommendations for its improvement.
2. State and local self-government bodies may cooperate with the Public Audit Chamber in matters concerning the development of capacities and resolution of practical issues in internal audit units functioning within their structure.
3. In the case of an inquiry from the Public Audit Chamber, state and local self-government bodies of the Republic of Armenia shall provide information on the findings of oversight, control measures, inspections, internal audits conducted with regard to an auditee or auditable activity covering the period of a public audit or any other requested information concerning a public audit conducted by the Public Audit Chamber, unless otherwise prescribed by law.

Article 40. Submission of acts of the Public Audit Chamber to the National Assembly

1. The interim opinions of the Public Audit Chamber shall be submitted to the National Assembly within the time limits and in the manner prescribed by parts 7 and 8 of Article 26 of this Law.
2. The Public Audit Chamber's opinion on execution of the State Budget shall be submitted to the National Assembly within the time limit and in the manner prescribed by part 3 of Article 27 of this Law.
3. The Public Audit Chamber's opinion on execution of the State Budget shall be presented in the National Assembly during the consideration of the annual performance of the State Budget of the Republic of Armenia.
4. The Public Audit Chamber shall submit the annual communication on its activities to the National Assembly within the time limit and in the manner prescribed by part 3 of Article 28 of this Law.
5. The annual communication of the Public Audit Chamber shall be considered at the National Assembly without adopting a decision.

CHAPTER 7

SERVICE WITHIN THE STAFF OF THE PUBLIC AUDIT CHAMBER

Article 41. Service within the Staff of the Public Audit Chamber

1. The service within the Staff of the Public Audit Chamber is the professional activity of a servant of the Staff of the Public Audit Chamber arranged within the Staff

of the Public Audit Chamber in the manner prescribed by this Law and other legal acts and within the scope of his or her competence with the purpose of ensuring the performance of the functions of the Public Audit Chamber.

2. The service within the Staff of the Public Audit Chamber shall be carried out in compliance with the Law of the Republic of Armenia "On civil service".

3. Relationships relating to the service within the Staff of the Public Audit Chamber which are not regulated by this Law shall be regulated in compliance with the Law of the Republic of Armenia "On civil service".

Article 42. Remuneration for the members of the Public Audit Chamber and servants of the Staff of the Chamber

1. The relationships with regard to calculations and amounts of remuneration, including basic and additional salaries, regular increases in the salaries of the members of the Public Audit Chamber and servants of the Staff of the Chamber shall be regulated by the Law of the Republic of Armenia "On remuneration for persons holding state positions".

CHAPTER 8

FINAL AND TRANSITIONAL PROVISIONS

Article 43. Entry into force of the Law

1. This Law shall enter into force on the day the newly-elected President of the Republic of Armenia assumes his or her office.

2. The law of the Republic of Armenia HO-4-N of 25 December 2006 “On Control Chamber” shall be repealed upon entry into force of this Law.
3. The Rules of Procedure of the Public Audit Chamber, the Charter of the Staff, the personnel list and job descriptions shall be approved by the Public Audit Chamber within 20 working days upon entry into force of this Law.
4. Part 1 of Article 17 of this Law, insofar as it concerns the qualification of an auditor required from the members of the Public Audit Chamber and persons holding chief positions within the Staff of the Public Audit Chamber, shall enter into force from 1 January 2024, whereas one’s work record at the Control Chamber of the Republic of Armenia accumulated before the entry into force of this Law shall also be counted in that person’s work record at the Public Audit Chamber.
5. Part 1 of Article 22 of this Law, insofar as it concerns the qualification of an auditor required from the servants of the Staff of the Public Audit Chamber, shall enter into force from 1 January 2024, whereas one’s work record at the Control Chamber of the Republic of Armenia accumulated before the entry into force of this Law shall also be counted in that person’s work record at the Public Audit Chamber.
6. Point 1 of part 2 of Article 25 of this Law, insofar as it concerns the three-month, six-month, nine-month public audits of the State Budget, part 4 of Article 26 entirely and part 1 of Article 27, insofar as it concerns the use of the interim opinions from the financial and compliance public audits of the three-month, six-month and nine-month execution of the State Budget, shall enter into force from 1 January 2020.
7. The powers reserved to the Public Audit Chamber by points 17-20 of part 9 of Article 16 of this Law shall be exercised by the Chairperson of the Public Audit Chamber until 31 December 2023.

Article 44. Term of office of the members of the Board of the Control Chamber of the Republic of Armenia

1. The members of the Board of the Control Chamber of the Republic of Armenia shall upon entry into force of this Law continue to hold office as members of the Public Audit Chamber until the expiry of their term of powers.

Article 45. Civil servants within the Control Chamber of the Republic of Armenia regarded as servants of the Public Audit Chamber

1. Civil servants within the public audit-conducting structural subdivisions of the Staff of the Control Chamber of the Republic of Armenia and professional structural subdivisions of the Staff of the Control Chamber of the Republic of Armenia performing functions related to the public audit process shall be regarded as servants of the Staff of the Public Audit Chamber, whereas civil servants employed in other structural subdivisions shall be regarded as civil servants within the Staff of the Public Audit Chamber.

Article 46. Legal succession of the Public Audit Chamber

1. The Public Audit Chamber shall be deemed to be the legal successor of the Control Chamber of the Republic of Armenia.

2. In the first year, the Public Audit Chamber shall upon entry into force of this Law implement the annual action plan of the Control Chamber of the Republic of Armenia as already adopted by the National Assembly, whereas the annual communication on the activities of the Control Chamber of the Republic of Armenia shall be submitted by the Public Audit Chamber to the National Assembly in the manner prescribed by this Law.

3. The first annual communication of the Public Audit Chamber shall contain information on the findings of the control process planned for the plan issues identified by the last annual action plan of the Control Chamber of the Republic of Armenia.

**President
of the Republic of Armenia**

S. Sargsyan

30 January 2018

Yerevan

HO-58-N