

## **Response by the Board of Audit and Inspection (BAI), Republic of Korea (ROK)**

**BAI is pleased to provide the following response to the request for information in relation to strengthening the role of Supreme Audit Institutions in the prevention and fight against corruption (resolution 9/3 of the Conference of the States Parties to the United Nations Convention against Corruption)**

1. Measures/steps that ROK has taken to implement the Convention and to promote the implementation of resolution 9/3

BAI is the **supreme audit institution** of the Republic of Korea, whose main function is to audit the public sector, including governments, local autonomies, and public institutions and to inspect the duties of public officials. BAI is a **constitutional agency** whose function, status and organization are stipulated in Article 97 and 100 of the Constitution of the Republic of Korea.

While BAI is a constitutional agency established under the President, it retains an **independent status** in regard to its duties. BAI is an organization with a council (collective) system, in which major decision-making takes place. **The Council of Commissioners** consists of seven commissioners, including the Chair.

### **BAI's Main Responsibilities and Functions**

#### **• Examination of the Final Accounts (Article 99 of the Constitution; Article 21 of the BAI Act)**

BAI examines the final accounts of the state and verifies that the nation's resources have been spent wisely to benefit the public. To this end, the Minister of Economy and Finance writes up the final accounts which include the budgets implemented by all the government agencies, and submits the report to BAI. Then, BAI examines the report meticulously to ensure that the account totals and the actual amount spent are balanced. After BAI has examined the final accounts, the Minister of Economy and Finance presents the report to the National Assembly on May 31<sup>st</sup> of the following year.

#### **• Audit of Accounts (Article 22 & 23 of the BAI Act)**

BAI audits the central government, local autonomies and public institutions to ensure that the budget which comes from taxpayer money is being used properly for the nation and its citizens. BAI also scrutinizes the budgets to examine whether or not public servants, through willful intent or negligence, are reckless in conducting projects that waste public money.

BAI, in accordance with the BAI Act, must audit 37,600 central and local governments as well as other institutions such as Bank of Korea. Furthermore, there are additional 28,600 institutions which BAI may audit when necessary or at the Prime Minister's request (as of 2017).

### • **Inspection (Article 24 of the BAI Act)**

Apart from audit, BAI inspects the works performed by government agencies and the duties of their employees, in order to improve the operation and quality of government services. While a financial audit is to examine an auditee's financial accountability, an inspection is to monitor the public official's performance and duties. It aims to detect legislative, institutional or administrative problems of the government agencies, as well as to detect unlawful or unjust acts of public officials for correction and improvement.

- All results of audit and inspection (except those that were decided as non-disclosure by the Council of Commissioners) are disclosed on BAI's webpage.

### **BAI's Other Responsibilities and Functions**

BAI responds to requests for audit raised by the National Assembly and citizens. BAI **supervises internal audit systems** of auditee institutions, **conducts research on the audit system and methods**, and **provides training programs** for people working in the audit and accounting field.

#### • **Audit Request System**

BAI operates on an audit request system that listens to the needs of the people and sees from their perspective. Ordinary citizens can request BAI to conduct an audit. Currently, BAI receives audit requests from three channels: the National Assembly, citizens, and public entities.

#### • **Follow-up Management System**

For illegal or unjust actions discovered during the audit, BAI can demand dispositions (judgment on reparation liability, request for disciplinary action, request for correction) or issue recommendations and notifications. When disposition demands are issued, the audited organizations are required to implement them within the set period. Contrary to dispositions, notifications and recommendations are voluntary. Audited organizations may or may not choose to put them to action.

No penalty clauses are applicable in case an audited organization fails to take actions as demanded in a disposition. However, when audit results are not implemented for no good reason, BAI can conduct further audits and report the audited organization to the National Assembly or the President.

BAI's Follow-up Management Team regularly monitors the implementation of follow-ups and, if necessary, visits audited organizations for field inspection. Every year BAI's Division of Public Sector Internal Audit Management inspects whether audited organizations are taking appropriate actions to implement BAI's audit results.

### • **Public Audit System**

BAI enacted the Act on Public Sector Audits on July 1, 2010 in order to strengthen the internal control (internal audit) system of public entities (including local governments) and establish an efficient public audit system through a cooperative partnership between BAI and internal audit bodies.

The Act includes provisions appertaining to fundamental elements, such as independence and professionalism of internal auditors. To enhance the expertise of internal auditors, the Act prescribes matters related to recruitment, performance appraisal, and the professional training of internal auditors.

### **Audit Capacity Development**

BAI recruits its employees by evaluating basic knowledge on essential areas (such as accounting, tax and management) necessary for audits, in accordance with the general principle of the public sector recruitment, based on an open competitive process.

With the aim of strengthening qualifications of auditors, BAI has offered a training programs for each stage of employment from newly appointed or transferred auditors to promoted ones.

BAI also has mandatory training courses for public officials (Grade 4 to 7) to strengthen the employees' expertise in audit.

### • **Audit and Inspection Training Institute (AITI)**

BAI established AITI as a specialized training institution in 1995. AITI has trained accounting and audit professionals of the central government, local autonomies and public institutions, as well as BAI employees. It was estimated that in 2017, AITI had trained nearly 32,000 people.

### • **Audit and Inspection Research Institute (AIRI)**

BAI established AIRI as a BAI think tank in 2005. AIRI performs R&D activities for the advancement of audit and inspection systems and methods, and contributes to developing and upgrading the public audit infrastructure.

## 2. Examples of the implementation of those measures

### • **Board of Audit and Inspection Act**

### • **Act on Public Sector Audits**

### • **BAI HIGHLIGHTS – Annual Report 2021**