

**Law  
on  
Accounting and Auditing**

ROYAL CODE

WE

HIS ROYAL MAJESTY  
KING NORODOM SIHAMONI

- Having seen the constitution of the Kingdom of Cambodia
- Having seen Royal Decree No. NS/RKT/0908/1055 of 25 September 2008 on the appointment of the Royal Government of the Kingdom of Cambodia
- Having seen Royal Code No. 02/NS/94 of 20 July 1994 promulgating the Law on Organization and Functioning of the Council of Ministers
- Having seen Royal Code No. NS/RKM/0196/18 of 24 January 1996 promulgating the Law on the Establishment of the Ministry of Economy and Finance
- Having seen Royal Code No. CS/RKM/0300/10 of 03 March 2000 promulgating the Law on Auditing of the Royal Government of the Kingdom of Cambodia
- Having seen Royal Code No. NS/RKM/1100/11 of 24 November 2000 promulgating the Additional Law on Law on Audit of the Royal Government of the Kingdom of Cambodia
- Having seen Royal Code No. NS/RKM/0806/024 of 30 August 2006 promulgating the Amended Law on Law on Auditing of the Royal Government of the Kingdom of Cambodia for Article 18
- Having seen the proposal of the Samdech Akakmohasenapadei Techo Hun Sen, Prime Minister of the Royal Government of Cambodia

HEREBY PROMULGATE

The Law on Accounting and Auditing that was adopted by the National Assembly on 14 January 2016 at the 5<sup>th</sup> ordinary session of the 5<sup>th</sup> legislature and was adopted by the senate as to its entire form and legality on 5 February 2016 at the 8<sup>th</sup> ordinary session of the 3<sup>th</sup> legislature, and was confirmed by the Constitutional Council to be in accordance with the Constitution except for point 4 in article 7 in decision number 159/001/2016 ក្រសួង of 3 April 2016, has the full text as follows:

## **CHAPTER 1**

### **GENERAL PROVISION**

#### **Article 1.**

The purpose of this law is to govern the accounting and auditing with effectiveness, transparency, and reliability in the Kingdom of Cambodia.

#### **Article 2.**

This law is intended to:

- set the legal framework for regulating the accounting and auditing
- Strengthen and develop the competency of regulatory institutions of accounting and auditing.
- Strengthen and develop the professional capacities and responsibilities of accountants and auditors.
- Set the legal framework for promulgating the accounting standards, standards on auditing, and a code of ethics for accountants and auditors that in principle shall be consistent with international standards and reflect Cambodian best practice.
- Set the mechanisms, rules and legalities for monitoring, controlling and evaluating the enforcement of this law.
- Strengthen and develop the accounting and auditing professions in the Kingdom of Cambodia.

#### **Article 3.**

This law shall apply to public institutions, enterprises, not-for-profit entities, accountants and auditors.

This law shall not apply to the National Bank of Cambodia and the functions and duties that are under the capacity of the National Audit Authority.

#### **Article 4.**

Key terms used in this law are defined in a Glossary as annexed herewith.

## **CHAPTER 2**

### **THE NATIONAL ACCOUNTING COUNCIL**

#### **Article 5.**

Shall be established The National Accounting Council, hereafter referred to as NAC, under the leadership of the Minister of the Ministry of Economy and Finance.

The members of the NAC have a mandate of five years, and may be withdrawn or removed from duty before the expiration of their mandate if necessary. NAC members can have their mandate renewed for a new term following a proposal from the Chairman of the NAC.

## Article 6.

The NAC shall have the following composition:

1. The Minister of the MEF or representative		Chairman
2. Representative from MEF	1 person	Vice-chairman
3. Representatives from MEF	a few	member
4. Representative from the National Bank of Cambodia	1 person	member
5. Representative from the SECC	1 person	member
6. Representatives from relevant ministries		member
7. The Director General of the NAC secretariat	1 person	member
8. Professionals in accounting and auditing	a few	Consultative member
9. Representatives from business or professional associations	a few	Consultative member

The consultative members can be appointed as members of the NAC if it deemed necessary in order to provide opinions but they have no voting right in any decision.

The members of the NAC shall be appointed by the Sub-Decree following a proposal from the Minister of Ministry of Economy and Finance.

The NAC members who are representatives from the ministries and institutions must have a degree of higher education, and have at least five year's experience and knowledge relating to accounting, auditing or finance.

## Article 7.

The NAC has the following functions and duties:

- Prepare, update, and approve drafts of:
  - a) accounting standards
  - b) standards on auditing
  - c) rules and regulations on enforcement of accounting standards and standards on auditing,
- Provide, suspend, and withdraw the professional licenses of accounting and auditing in Kingdom of Cambodia,
- Prepare, approve, and implement the rules and legal procedures for monitoring and controlling the law enforcement and regulations that are in effect relating to the accounting and auditing,
- Examine and resolve claims or disputes relating to accounting and auditing
- Take disciplinary measures or administrative punishment against acts of abuse of accounting and auditing regulations,
- Be the representative of the Ministry of Economy and Finance at judicial institutions for claims and conflicts relating to accounting and auditing,
- Cooperate with national and international organizations in the area of accounting and auditing,
- Regulate and develop the accounting and auditing sectors,

- Review, monitor, and evaluate strategic plans and implementation, and activities of the accounting and auditing professional body,
- To be the representative of the Kingdom of Cambodia in international and national organizations in the area of accounting and auditing.

**Article 8.**

The establishment and functions of the NAC shall be determined in a Sub-Decree in accordance with a proposal of the Minister of Ministry of Economy and Finance. The NAC shall have its own budget which is a separate budget in the budget of the Ministry of Economy and Finance.

### **CHAPTER 3**

#### **ACCOUNTING AND AUDITING PROFESSIONAL BODY**

**Article 9.**

The accounting and auditing professions in the Kingdom of Cambodia shall be governed and supported by only one professional body of accounting and auditing and shall have professional independence.

**Article 10.**

The establishment, composition and functions of the professional body of accounting and auditing shall be determined by Sub-Decree.

### **CHAPTER 4**

#### **ACCOUNTING STANDARDS**

**Article 11.**

Accounting Standards shall be approved by Prakas of the Minister of the Ministry of Economy and Finance in accordance with the proposal of the NAC.

The accounting standards shall be applied by public institutions, enterprises, and not-for profit organizations.

### **CHAPTER 5**

#### **STANDARDS ON AUDITING**

**Article 12.**

Standards on Auditing shall be approved by Prakas of the Minister of the Ministry of Economy and Finance in accordance with the proposal of the NAC.

The Standards on Auditing shall be applied by all auditors practicing their services in the Kingdom of Cambodia.

## **CHAPTER 6**

### **CODE OF ETHICS**

#### **Article 13.**

Accountants shall have a code of ethics set by Prakas of the Minister of the Ministry of Economy and Finance in accordance with a proposal of from NAC.

#### **Article 14.**

Auditors shall have a code of ethics set by the Prakas of the Minister of the Ministry of Economy and Finance in accordance with a proposal of the NAC.

#### **Article 15.**

Auditors shall not conduct auditing services for any enterprises or not-for-profit organizations that the auditors have previously provided accounting services unless those accounting services were completed at least three years prior.

Auditors shall not conduct services for enterprises or not-for-profit organizations for a period exceeding consecutive five years.

Auditors, who have direct or indirect interests or management rights through their spouses or relatives or relatives by marriage up to a 3<sup>rd</sup> level, shall not conduct auditing services for those enterprises or not-for-profit organizations,.

## **CHAPTER 7**

### **OBLIGATION FOR PREPARATION OF FINANCIAL STATEMENTS**

#### **Article 16.**

Financial Statements shall be the statements defined in the Accounting Standards.

#### **Article 17.**

Excluding public institutions, enterprises and not-for-profit organizations are obliged to prepare their financial statements within three months of the end of each financial year.

In the event that an enterprise or a not-for profit organization cannot comply with above paragraph, it shall make a written request for the extension of preparations of the financial statements, with precise and reasonable facts and in accordance with effective law and regulations, to the National Accounting Council or relevant regulators.

#### **Article 18.**

Financial statements can be required to be submitted for audit according to conditions set out by Prakas of the Minister of the Ministry of Economy and Finance following a proposal of the NAC.

#### **Article 19.**

Financial statements shall be the basis for fulfilling tax obligations in accordance with effective laws and regulations.

#### **Article 20.**

Enterprises and not-for-profit organizations are obligated to keep accounting records.

Public institutions are obligated to keep accounting records in accordance with effective laws and regulations.

Every accounting transaction must be based on valid accounting vouchers.

**Article 21.**

Each accounting period shall be twelve months starting on the first day of January and ending on the 31<sup>st</sup> day of December of the same year.

For newly established enterprises and not-for profit entities, the first accounting period shall start from the date of its formal formation and ended on the 31<sup>st</sup> day of December of the same year.

Accounting periods other than the above periods can be set for special purpose activities determined by Prakas of the Minister of the Ministry of Economy and Finance in accordance with the proposal of the NAC.

**Article 22.**

Accounting records and financial statements shall be in Khmer language and expressed in Khmer Riel.

Enterprises or a not-for profit entities which has regular carry transactions with foreign entities, may be allowed to prepare their accounting records and financial statements in English and use a foreign currency to accompany the accounting records and financial statements in Khmer language and in Khmer Riel following conditions set out by Prakas of the Minister of the Ministry of Economy and Finance and proposed by the NAC.

**Article 23.**

Every Enterprise and not-for profit entity is obligated to maintain their respective accounting records at least for a period of ten (10) years starting from the date of the records were created.

## **CHAPTER 8**

### **AUDIT REPORT**

**Article 24.**

Audit reports shall be reports set out in the Standards on Auditing.

**Article 25.**

The audit report shall be prepared in Khmer language and English language may be used to accompany the report.

**Article 26.**

Audit evidence shall be maintained for at least ten (10) years from the date of issuance of the audit report.

## **CHAPTER 9**

### **ACCOUNTANTS AND AUDITORS**

#### **Article 27.**

Natural persons or legal entities can be accountants and/or auditors only if he/she is registered in the list of members of the accounting and auditing professional body.

#### **Article 28.**

The categories the accountants and auditors who are members of the accounting and auditor professional body shall be set by an Sub-Decree on the establishment and function of professional body of accounting.

The practice of professional accounting and/or auditing services has a conflict of interest with public and political functions in legislative bodies, executive bodies and the judiciary.

## **CHAPTER 10**

### **LICENSES**

#### **Article 29.**

Every individual both natural person or legal entity, can practice the accounting or auditing profession unless he/she registers to be a member of the accounting and auditing professional body, and shall have professional license(s) from the NAC.

#### **Article 30.**

There are two categories of license: A license for professional accounting services and a license for auditing services.

Terms and conditions for providing license(s) shall be determined by Prakas of the Minister of the Ministry of Economy and Finance following a proposal of from the NAC.

## **CHAPTER 11**

### **PENALTIES**

#### **Article 31.**

An accountant or auditor who acts against code of ethics shall be punished in one of the following ways:

- Oral reproach
- Reproach with written letter
- Temporary prohibition to practice his/her profession
- Permanent prohibition to practice his/her profession

#### **Article 32.**

Criminal acts punished with administrative penalties shall be set out by an Sub-Decree

#### **Article 33.**

Any person practicing professional accounting or auditing service without a license, shall be liable to a term of imprisonment of 6 (six) months to 1 (one) year and a fine of 2,000,000 (two millions) to 8,000,000 (eight million) riels.

**Article 34.**

Legal entities may be pronounced to be criminally responsible according to conditions of Article 42 (Criminal Responsibilities of Legal Entities) for offences prescribed in Article 33 of this law.

Legal entities shall be liable to a fine of 5,000,000 riels to 20,000,000 riels and additional penalties of one or more of the following:

1. Dissolution as determined by article 170 (Dissolution and Liquidation of Legal Entities) of the penal code,
2. Placement under court surveillance as determined by article 171 (Placement under Court Surveillance) of the penal code,
3. Prohibition against pursuing an activity or many activities as determined by article 172 (Prohibition against Pursuing Activities) of the penal code,
4. The penalty of posting the decision as determined by article 180 (Posting the Decisions) of the penal code,
5. The penalty of broadcasting the decision by all means of audio-visual communications as determined by the article 181 (Broadcasting of Decision by means of Audio-Visual Communications) of the penal code.

**Article 35.**

Auditors who fake an audit report shall be liable to a term of imprisonment of 2 (two) years to 5 (five) years and a fine of 8,000,000 (eight millions) to 20,000,000 (twenties million) riels.

**Article 36.**

Legal entities may be pronounced criminally responsible according to conditions of Article 42 (Criminal Responsibilities of Legal Entities) for offences prescribed in Article 35 of this law.

Legal entities shall be liable to a fine of 5,000,000 riels to 20,000,000 riels and additional penalties in one or more of the following:

1. Dissolution as determined by article 170 (Dissolution and Liquidation of Legal Entities) of the penal code,
2. Placement under court surveillance as determined by article 171 (Placement under the Court Surveillance) of the penal code,
3. Prohibition against pursuing an activity or many activities as determined by article 172 (Prohibition against Pursuing Activities) of penal the code,
4. The penalty of posting the decision as determined by article 180 (Posting the Decisions) of penal code,

5. The penalty of broadcasting the decision by all means of audio-visual communications as determined by article 181 (Broadcasting of Decision by means of Audio-Visual Communications) of the penal code.

**Article 37.**

Auditors who fail to complain to the court authorities of criminal acts which he/she has come to know while in office or during the performance of his/her functions is punishable as determined in article 528 (Failure to File Complaint of a Felony or Misdemeanour by a Public Agent) of the penal code.

**CHAPTER 12**

**TRANSITIONAL PROVISIONS**

**Article 38.**

The judicial papers or documents that have been enforced based on the Law on Corporate Accounts, Their Audit, and the Accounting Profession which were promulgated for use by Royal Kram No. NS/RKM/0702/011 dated 8 July 2002 shall continue to be valid until new regulations come into effect.

**CHAPTER 13**

**FINAL PROVISION**

**Article 39.**

The Law on Corporate Accounts, Their Audit, and Accounting Profession that was promulgated for use by Royal Code No. NS/RKM/0702/011 dated 8 July 2002 and other regulations which contrast this law are hereby invalidated.

Signed in the Royal Palace on 11 April 2016

His Royal Majesty

Norodom Sihamoni

## GLOSSARY

### APPENDIX TO THE LAW ON ACCOUNTING AND AUDITING

*The key terms used in this law have the meaning below:*

1. **Code of conduct** refers to principles, values, standards, or rules of behavior of the accountants and auditors.
2. **Accounting** refers to recording, classifying, measuring, integrating and presenting the financial information.
3. **Accountant** refer to natural person and legal entity who is a member of the professional body of accounting and audit.
4. **Accounting records** refer to the lists of books for recording accounting transactions which include but are not limited to acceptable documentary evidence, journals (general journal), ledgers (general ledger).
5. **Audit evidence** refers to information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in accounting records underlying the financial statements and other information.
6. The **audit report** refer to a formal opinion, or disclaimer thereof, issued by auditor as a result of an internal or external audit or evaluation performed on a legal entity or subdivision thereof (called an "auditee").
7. A **financial statement** refers to a structured representation of historical financial information, including related notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information.
8. **Audit** refers to a systematic and independent examination of data, statements, records, operations and performances (financial or otherwise) of an enterprise, not-for-profit organization and/or an institution for a stated purpose.
9. **Auditor** refers to natural persons and legal entities which provide auditing services and are members of the professional body of accounting and audit.
10. **Enterprises** refers to entities or institutions which seek profit, including public and private entities, banks, financial institutions, small and medium enterprises, and microenterprise.
11. **Accounting Standards** refers to the collection of guidelines for preparing financial reports to prepare and disclose income, expense, assets, liabilities, and equity of an entity, together with other necessary information.

- 12. Auditing Standards** refers to the collection of guidelines or norms that are use by auditors in carrying out audits.
- 13. International Standards** refers to accounting standards or auditing standards that have been issued, including any amendments of individual standards, by the International Accounting Standards Board and the International Federation of Accountants.
- 14. Public Entities** refers to legislative bodies, executive bodies, and judicial bodies of the Kingdom of Cambodia, including public administrative establishments.
- 15. Not-for-profit Organisation** refers to enties with activities in the Kingdom of Cambodia with the aim of not seeking profit in accordance with laws in effect.
- 16. Professional Accountant and Auditor** refers to members of the accounting and audit professional body that are not carrying out the accounting or auditing profession while a member of the NAC.