

PREAH REACH KRAM

WE

PREAHKARUNA PREAHBATH SAMDECH PREAH BOROMNEATH NORODOM SIHAMONI
SAMANPHOUM CHEATSASNA RAKHATKHAEYA KHEMERAROTHREAS
PUTHINTHREATHOREAMMOHAKSAT KHEMEREACHNEA SAMOHOPHEAS
KAMPUCHEKREACHROATHBORANAKSANTI SOPHEAKMONGLEA SEREYVIBOLEA
KHEMERASREYPIREAS PREAH CHAO KRONG KAMPUCHEA THIPDEY

- Have seen the constitution of the Kingdom of Cambodia.
- Have seen the Preah Reach Kret No. NS/RKT/0913/903 dated 24 September 2013 on the appointment of the Royal Government of the Kingdom of Cambodia.
- Have seen the Preah Reach Kram No. 02/NS/94 dated 20 July 1994 promulgating the Law on Organization and Functions of the Council of Ministers.
- Have seen the Preah Reach Kram No. CS/RKM/0498/06 dated 08 April 1998 promulgating the Law on the Organization and Functions of the Constitutional Council.
- Have seen Preah Reach Kram No. NS/RKM/0107/005 dated 31 January 2007 promulgating the Law on Amendment on the Law on the Organization and Functions of the Constitutional Council.
- Have seen the Preah Reach Kram No. NS/RKM/0196/18 of 24 January 1996 promulgating the Law on the Establishment of the Ministry of Economy and Finance
- 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 as have been approved by the National Assembly on 14 January 2016 at the 5th ordinary session of the 5th legislature, reviewed by the senate as to its entire form and legality on 5 February 2016 at the 8th full session of the 3rd legislature, and the Constitutional Council declared that the law is in line with the constitution except 4th point of the article 7 of this law as stated in statement of decision No. 159/001/2016 KBT.C dated 03 March 2016, whose meaning is as follows:

Law
On
Accounting and Auditing

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, the standards on auditing, and code of ethics for accountants and auditors that is in principles they shall be in consistency with international standards and in reflections of the Cambodia's best practice.
- Set the mechanisms, rules and legalities for monitoring, controlling and evaluating the enforcements 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 is in the capacities 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 Minister of the Ministry of Economy and Finance.

The member of the NAC have a mandate of five years, and shall be withdraw or remove from the duty before the expiration of the mandate in necessity of his/her functions. The members of NAC can renew to a new term following the proposal from the Chairman of the NAC.

Article 6.

The NAC shall have the following compositions:

- | | | |
|--|----------|---------------|
| 1. Minister of the MEF or his/her Representative | | Chairman |
| 2. Representative from MEF | 1 person | Vice-chairman |
| 3. Representatives from MEF | many | member |
| 4. Representative from the National Bank of Cambodia | 1 person | member |
| 5. Representative from SECC | 1 person | member |
| 6. Representatives from relevant ministries | | member |

7. Director General of NAC's 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 member of NAC if it deems necessary in order to provide opinions but they have no voting right in any decisions.

The members of NAC shall be appointed by the Anukret following the proposal from the Minister of Ministry of Economy and Finance.

The representatives from the ministries and institutions for the members of NAC shall have a degree of higher education, and have at least 5 (five) years experiences and knowledge relating to accounting, auditing or finance.

Article 7.

The NAC has the following functions and duties to:

- Prepare, update, and approve on draft of:
 - a) accounting Standards
 - b) standards on Auditing
 - c) rules and regulations for enforcements 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 is in effective relating to the accounting and auditing
- Examine and resolve claims or conflict relating to accounting and auditing
- Take disciplinary measures or administrative punishments against the acts of abuses of the accounting and auditing regulations
- Be a representative of the Ministry of Economy and Finance at jurisdictional institutions for claims and conflicts relating to the accounting and auditing
- cooperate with national and international entities relating to the accounting and auditing
- regulate and develop the accounting and auditing sectors
- Review, monitor, and evaluate strategic plans and implementations, and activities of professional body of the accounting and auditing
- To be a 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 an Anukret in accordance with the 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 03
PROFESSIONAL BODY OF ACCOUNTING AND AUDITING

Article 9.

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

Article 10.

The establishment, composition and functions of the professional body of accounting and auditing shall be determined by an Anukret.

CHAPTER 04
ACCOUNTING STANDARDS

Article 11.

The accounting Standards shall be approved for application by the Prakas of the Minister of the Ministry of Economy and Finance by the proposal of the NAC.

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

CHAPTER 05
STANDARDS ON AUDITING

Article 12.

The Standards on Auditing shall be approved for application by the Prakas of the Minister of the Ministry of Economy and Finance by the proposal of the NAC.

The Standards on Auditing shall be implemented by every auditor who is practicing his/her services in the Kingdom of Cambodia.

CHAPTER 06
CODE OF ETHICS

Article 13.

The accountants shall have their code of ethics which shall be determined by the Prakas of the Minister of the Ministry of Economy and Finance by the proposal of the NAC.

Article 14.

The auditors shall have their code of ethics which shall be determined by the Prakas of the Minister of the Ministry of Economy and Finance in accordance with the proposal of the NAC.

Article 15.

The auditors shall not conduct their auditing services for the enterprises or not-for-profit entities that they used to provide their accounting services unless their accounting services had been completed (cooled off) at least for a period of three years.

The auditors shall not conduct their services for the enterprises or not-for-profit entities for a period of not more than consecutive five years.

The auditors, who by themselves directly or indirectly have interests or management right through their spouses or relatives or relatives by marriage up to 3rd level of benign, shall not conduct their auditing services for those enterprises or not-for-profit entities,.

CHAPTER 7

OBLIGATION FOR PREPARATION OF FINANCIAL STATEMENTS

Article 16.

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

Article 17.

By excluding public institutions, enterprises and not-for-profit organizations are obliged to prepare their financial statements within the period of three months following the closure 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.

The financial statement can be required to submit for audit with conditions set out by the Prakas of the Minister of the Ministry of Economy and Finance by the proposal of the NAC.

Article 19.

The financial statements shall be a basis for fulfilling tax obligations in accordance with relevant laws and regulations in effect.

Article 20.

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

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

Each transactions shall 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 31st day of December of the same year.

As for a newly established enterprise and not-for profit entity, its first accounting period shall be started from the date of its formal formation and be ended on the date of 31st day of December of the same year.

The accounting periods rather than the above periods can be set otherwise for special activities which shall be determined by the Prakas of the Minister of the Ministry of Economy and Finance by the proposal of the NAC.

Article 22.

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

An enterprise and a not-for profit entity, who is regularly carrying out its activities with foreign entities, are allowed to prepare its respective accounting records and financial statements in English and use a foreign currency by attaching with the accounting records and financial statements in Khmer language and in Khmer

Riel in accordance with the conditions set out by the Prakas of the Minister of the Ministry of Economy and Finance by the proposal of the NAC.

Article 23.

Enterprises and not-for profit entities are obligated to maintain their accounting records at least for a period of ten (10) years starting from the date of the establishment of the records.

**CHAPTER 8
AUDIT REPORT**

Article 24.

The audit report shall be the statements defined in Standards on Auditing.

Article 25.

The audit report shall be prepared in Khmer language in which English language can be used to accompanying with the report.

Article 26.

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

**CHAPTER 09
ACCOUNTANTS AND AUDITORS**

Article 27.

Natural person or legal entity can become an accountant and/or auditor unless he/she register in the list of members of the professional body of accounting and auditing.

Article 28.

The categories of the accountant and auditor who is a member of the professional body of accounting and auditing shall be determined by an Anukret on the establishment and function of professional body of accounting and auditing.

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

**CHAPTER 10
LICENSES**

Article 29.

Both every individual natural person and legal entity can practice their accounting or auditing professions unless he/she registers to be a member of professional body of accounting and auditing and have professional license(s) from the NAC.

Article 30.

There are two categories of licenses: license for professional accounting service and license for auditing service.

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

CHAPTER 11

PENALTIES

Article 31.

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

- Orally reproach
- Reproach with written letter in personal document
- Temporary prohibit to practice his/her profession
- Permanently prohibit to practice his/her profession

Article 32.

The criminal acts that shall be punished by the disciplinary inconvenience shall be determined by an Anukret.

Article 33.

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

Article 34.

A legal entity 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.

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

Article 35.

An auditor, who counterfeit the audit report, shall be liable to the 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.

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

A legal entity shall be liable to a fine of 5,000,000 Riel to 20,000,000 Riels and additional penalties in one or more of the following:

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

Article 37.

Auditor, who fails to complain to the court authority of the felony or misdemeanour in which he/she has known while in the 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 penal code.

CHAPTER 12

TRANSITIONAL PROVISIONS

Article 38.

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

CHAPTER 13

FINAL PROVISION

Article 39.

Law on Corporate Accounts, Their Audit, and Accounting Profession that had been promulgated for use by the Royal Kram No. NS/RKM/0702/011 dated 08 July 2002 and other regulations which are against to this law shall be invalid.

Royal Palace, Day 11 Month of April Year 2016

Royal signature and seal

Norodom Sihamony

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APPENDIX

The key terms used in this law shall have their meaning as 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 not limited to the acceptable documentary evidences, 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 the 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. **Financial statements** 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 person and legal entity who provide the auditing service and is member of the professional body of accounting and audit.
10. **Enterprises** refers to entities or institutions who are seeking profit including public and private entities, banks, financial institutions, small and medium enterprises, and microbusiness.
11. **Accounting Standards** refer to a set of guidelines for financial statement preparer in preparing and disclosing revenues, expenses, assets, liabilities, and equity of the entity and other relevant information.
12. **Standards on Auditing** refer to a set of guidelines or standards for auditors for conducting their audit works.
13. **International Standards** refer to accounting standards or standards on auditing including their updates of those standards which are issued by International Accounting Standard Board (IASB) and International Federation of Accountant Committees (IFAC).
14. **Public institutions** refer to the legislative bodies, executive bodies and the judiciary bodies in the Kingdom of Cambodia including public administrative entities.

15. **A not-for-profit organization** refer to entity who operating its activities in the Kingdom of Cambodia for not-for profit purposes in accordance with the effective laws.
16. **Accounting and auditing professionals** refer to members of the professional body of accounting and auditing who are not practicing their accounting and auditing while he/she is a member of the National Accounting Council.