

**Kingdom of Cambodia
Nation Religion King**

No.CS/RKM/0300/10

PREAH REACH KRAM

We

**Preahbath Samdech Preah Norodom Sihanouk Reach Harivong Uphatosucheat Visothipong
Akamohaborasratanak Nikarodom Thammikmohareacheathireach Boromaneat Boromabopit Preah Chau
Krong Kampuchea Thipdey**

- Referring to the 1993 Constitution of the Kingdom of Cambodia;
- Referring to Reach Kram No. NS/RKM/0399/01 of March 8, 1999 on the Amendment of the Articles 11, 12, 13, 18, 22, 24, 28, 30, 34, 51, 78, 90, 91, and 93 and Articles of Chapters VIII to XIV of the Constitution of the Kingdom of Cambodia;
- Referring to Reach Kret No. NS/RKT/1198/72 of November 30, 1998 on the Formation of the Royal Government of Cambodia;
- Referring to Reach Kram No. 02/NS/RKM/94 of July 20, 1994 promulgating the Law on the Organization and Functioning of the Council of Ministers;
- Referring to Reach Kram No. 01/NS/RKM/93 of December 28, 1993 promulgating the Law on the Financial System
- Referring to Reach Kram No. NS/RKM/0196/18 of January 24, 1996, promulgating the Law on the Establishment of the Ministry of Economy and Finance;
- Pursuant to the proposal of Samdech Prime Minister and the Senior Minister and Minister of Economy and Finance.

HEREBY PROMULGATE

The Law on Audit of the Kingdom of Cambodia as ratified by the National Assembly on January 12, 2000, at its plenary session of the second legislature and as ratified by the Senate as to its entire form and legality on January 21, 2000, at its second plenary session of the first legislature and was declared constitutional, except Article 40, by the Constitutional Council and whose meaning are as follow:

**LAW ON AUDIT
Chapter 1: General Provisions**

Article 1: The purpose of this law shall be to establish an independent National Audit Authority. The National Audit Authority will be responsible for executing the external auditing function of the Government. The Auditor-General shall be empowered to conduct an audit of transactions, accounts, systems, controls, operations and programs of government institutions in accordance with generally accepted auditing standards and Government auditing standards.

This law also provides for the establishment of an internal auditing function in government ministries and public enterprises.

Article 2: The institutions that are subject to this law shall include ministries, agencies, authorities of the national treasury, public financial institutions, public financial joint-ventures, public enterprises, public establishments, municipalities, provincial and local government offices, contractors or suppliers of goods and services to the government under contracts, and other organizations that have received financial assistance from the government for their equity and loans, including tax and duty exemptions and concessions granted by the government to non-profit organizations and private investment enterprises.

Article 3: As used in this law, an external auditing shall include the undertaking of the following audits:

- (a) Financial statement audits;
- (b) Externally funded loans and project administration audits;
- (c) Audits of ministerial/institution systems and operations;
- (d) Evaluation, procurement, performance audits;
- (e) Audits of non-profit organizations, associations, political parties, and private investment enterprises as stipulated in Article 2 of this law;
- (f) Audits of private investment organizations; and
- (g) Special request audits.

Article 4: External auditing is an examination or review of the accounting records, systems, operations, and controls of government institutions in accordance with generally accepted auditing standards and government auditing standards in order to ensure that:

- (a) the financial and economic activities are fairly presented in statements and reports;
- (b) such activities were performed in accordance with generally accepted accounting principles;
- (c) the controls, procedures, and practices are adequate to assure compliance with laws, regulations, agreements, systems, contracts, programs, and other criteria related to revenues, expenditures, and application of government resources.

Chapter 2: Types of Audits

Article 5: An audit of the financial statements and reports of ministries and institutions which form the basis of the government's consolidated financial statement, at the end of each financial year, which shall be prepared by the Ministry of Justice before presentation to the legislative body.

An audit of the accuracy, completeness, authorization, validation, and consistency of the financial data appearing on the statements of ministries and institutions and the government's consolidated financial statements.

An audit of the financial statements of public enterprises or authorities comprising of balance sheets, profit and loss statements and statements of accounts forming part of the financial statements. Such audit shall cover the financial statements of business enterprises of the ministries, institutions, municipalities, and provincial and local government agencies.

Article 6: An audit of the financial statements and reports required by international aid agencies and lenders under external funding projects. Such audit shall illustrate the appropriateness and accuracy of receipts for drawing and the payments/expenditure for each project enclosed by an illustrated minutes of compliance with the terms and conditions of the loan and project agreements. The audit shall further evaluate the achievement of objectives of projects after their completion.

Article 7: An audit of systems to form an opinion on the adequacy of controls in the systems and processes which are established by an institution that manages such activities and operations.

Article 8: A functional or cross-cutting audit to ensure that the activities and operations related to a function within government institutions are being conducted in a manner that complies with applicable laws, regulations, and policies. Such audits inter alia include public procurement, personnel payroll, contracts, management of public property, and travel.

Article 9: The audits shall be undertaken to assess the government's economy, and the efficiency and effectiveness of operations and program outcomes. These audits shall include a review or examination of any aspect of any public institution, whether or not it is a financial institution.

Article 10: The compliance audits shall be undertaken for the operations of non-profit organizations and associations and political parties which have received financial assistance from the government in the form of exemptions from customs duties, income tax, or any other form of tax as well as other privileges and immunities which have not been provided by the law. The objective of such audit is to ensure that the government is not being

deprived of revenue associated with the exemptions granted by abuse thereof and that the institution is conducting its affairs within the framework of its purpose.

Article 11: The compliance audits on private investment enterprises that have received exemptions and/or concessions from the Royal Government of Cambodia to exploit the natural resources in the Kingdom of Cambodia. Such audits will focus on compliance with the agreements and the terms and conditions of the government approvals.

Article 12: The audits at the request of the Finance and Banking Committee of the National Assembly, National Assembly, Senate, ministries/institutions, or authorities for a special review of some or all areas of any aspect of their own operations. The implementation of such audits shall be at the discretion of the Auditor-General.

Article 13: The audits covered in Articles 5 through 12 shall be undertaken by a National Audit Authority.

Chapter 3: The National Audit Authority (NAA)

Article 14: The National Audit Authority is an independent, public entity and shall report directly to the National Assembly, Senate, and the government for purpose of giving information. The National Audit Authority shall be governed by one Auditor-General who shall be assisted by two Deputy Auditor-Generals.

Article 15: In order to accomplish its mission and enforce this law, the National Audit Authority is empowered to issue decisions, regulations, circulars, and other instructions.

Article 16: The staff of the National Audit Authority shall have its own separate statute.

Article 17: The National Audit Authority shall have its own separate budget provided by the National Budget. The revenues and expenditures of the National Audit Authority shall be subject to the Law on Financial System.

Chapter 4: Appointment of the Auditor-General And Deputy Auditor-Generals

Article 18: The Auditor-General and the two Deputy Auditor-Generals shall be appointed by a Royal Decree at the recommendation of the Government and approved by a two-thirds majority vote of the entire National Assembly.

The appointment of the Auditor-General and the Deputy Auditor-Generals shall be for a term of five (5) years. The Auditor-General and the deputies can be reappointed upon the expiration of the first term of office for another five-year term with no further reappointment after the second term.

In case of death, resignation, disability, or gross mistake of the Auditor-General or the Deputy Auditor-Generals, new Auditor-General and Deputy Auditor-Generals shall be appointed under the provisions of this law.

The Auditor-General shall have a rank and privilege equivalent to that of a Senior Minister and the Deputy Auditor-General shall have a rank equivalent to that of a Minister.

Article 19: The candidates for an appointment to be Auditor-General and Deputy Auditor-General must be dignitaries who have:

- Cambodian nationality at birth;
- At least forty (40) years of age;
- Degree of higher education or equivalent degree in accounting or economics or finance or law or commerce with a proper certification;
- Professional or working experience of at least ten (10) years; and
- No position in the governing body of any political party.

Article 20: The Auditor-General shall serve as the chief executive officer of the National Audit Authority and shall be responsible for the execution of its policy, direction, and objectives and have the authority to act on all matters that are stipulated in this law.

Article 21: The Auditor-General shall appoint, replace, and apply sanctions to the civil servants and staff of the National Audit Authority and determine their salaries, fringe benefits, allowances, and bonus.

Chapter 5: Auditing Reports

Article 22: The government shall submit the documents of settlement of the annual budget to the National Assembly and Senate for their examination and approval, and at the same time the government shall also submit these statements to the National Audit Authority for auditing. The National Audit Authority must certify these statements and report to the National Assembly and the Senate.

Article 23: If the government fails to submit the statements of settlement of the budget to the National Audit Authority within a period of nine (9) months after the close of the financial year, the Auditor-General shall report such failure to the National Assembly and Senate.

Article 24: If at any time it appears to the Auditor-General that any serious irregularities have occurred in the accounting or custody of public moneys or public assets in the entity, the Auditor-General shall immediately bring the matter to the attention of the National Assembly, the Senate, the Council of Ministers, the Ministry of Justice, and related ministries.

Article 25: The Auditor-General shall prepare reports and, in accordance with the provisions of this law, make general comment upon all matters relating to public accounts, moneys, and public assets and liabilities.

Article 26: Notwithstanding any provision of any other law that relates to auditing, where the Auditor-General audits the accounts of any other authority or body he/she shall issue a certificate and report on such accounts to the head of that authority or body and to the National Assembly, the Senate, and other relevant ministries.

Article 27: The Auditor-General shall regularly submit a report to the National Assembly and the Senate upon any matter arising out of the performance of duties or the exercise of any of his/her powers under this law.

Article 28:

With respect to audits conducted by the Auditor-General, after preparing a proposed report on an audit, the Auditor-General must give a copy of the proposed report to the head of the government institution. If the head of the government institution gives written comments to the Auditor-General within twenty-eight (28) days after receiving the proposed report, the Auditor-General must consider those comments before preparing a final report. Otherwise, if the head of such institution has not replied during the time period specified above, the proposed reports shall be considered as valid reports.

Article 29: The reports issued by the Auditor-General are public documents.

Chapter 6: Information Gathering Powers

Article 30: The Auditor-General may, by written notice, direct the head or representative of the relevant institution to:

- (a) Provide the Auditor-General authorized official with any required information;
an "authorized official" means an official who is authorized by the Auditor-General, in writing, to exercise powers or perform functions under Chapter 6 of this law;
- (b) Attend and give evidence before the Auditor-General or an authorized official;
- (c) Produce to the Auditor-General or an authorized official any documents in the custody or under the control of the head or representative of such relevant institution.

Article 31: The Auditor-General may direct that:

- (a) institutions provide information either orally or in writing and legally certified as accurate; and

(b) the Auditor-General has the right to have the information and all submitted evidence certified as true.

Article 32: The Auditor-General or an authorized official:

- (a) may, during business hours, enter and remain on the premises of any entity to be audited (auditee);
- (b) shall be entitled to full and free access to any documents, reports, or property belonging to such Government ministry/institution;
- (c) may examine, make copies of, or take extracts from any documents or reports.

Article 33: Prior to entry or remaining onto the premises occupied by the auditee, an authorized official shall show such auditee written authorization signed by the Auditor-General. The auditee must provide the authorized official with all reasonable facilities for the effective exercise of the audit.

Article 34: A person is prohibited from making false statements whether in an oral or written report.

Chapter 7: Confidentiality of Information

Article 35: If an authorized official has obtained information directly or indirectly in the course of performing a function under this law, such official must not disclose, divulge, or communicate the information except in the course of performing an internal function of the National Audit Authority.

Article 36: The restriction in Article 35 of this law shall not prevent the Auditor-General from making, divulging, or communicating his/her conclusions, observations, or recommendations in any report.

Article 37: The Auditor-General must not include information in a public report if:

- (a) the Auditor-General is of the opinion that disclosure of such information would be contrary to the public interest for any of the reasons set out Article 38 of this law; or
- (b) the Royal Government has issued a certificate to the Auditor-General stating that disclosure of the information would be contrary to the public interest for any of the reasons set out Article 38 of this law;

Article 38: For the purpose of Article 37 of this law, the following reasons shall be treated as information that would be contrary to the public interest:

- (a) information that would prejudice the security, defense, integrity, or international relations of the Kingdom of Cambodia;
- (b) information that would unfairly prejudice the commercial interests of any legal entity or person.

Article 39: Under Article 37 of this law, the Auditor-General may decide:

- (a) not to prepare a report for public disclosure; or
- (b) to omit detailed information from a public report;

However, the Auditor-General shall include the information restricted under Article 37 of this law in a report to be submitted to the National Assembly, the Senate, and or other relevant ministries.

Chapter 8: Audit of the National Audit Authority

Article 40: In case of emergency, the Finance and Banking Committee of the National Assembly shall select an independent Auditor to review the activities and operations of the National Audit Authority.

Chapter 9: The Establishment of Internal Audit Function

Article 41: An Internal Audit Department shall be established within each ministry and state enterprise. The Internal Audit Department shall report to the head of its ministry, institution or public enterprise and shall submit its report and conclusion of each audit assignment to the National Audit Authority. The procedures for the organization and functioning of the Internal Audit Function shall be determined by an Anukret .

Article 42: Internal Auditing is an independent function to examine and evaluate the effectiveness, economy, and efficiency of the systems of internal controls established within the institution, ministry, or enterprise.

Article 43: Internal Control System is a process effected by government and management body within the institution, ministry, and public enterprise designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) effectiveness of operations;
- (b) reliability of financial reporting; and
- (c) compliance with applicable laws and regulations, policies, procedures, and arrangements.

Chapter 10: Penalties

Article 44: Regardless of any other possible penalties, any person who violates Articles 31 or 33 of this law shall be liable for a fine from one million (1,000,000) Riel to five million (5,000,000) Riel or imprisonment for a term from one (1) to three (3) months or both.

Article 45: Regardless of any other possible penalties, any person who violates Article 34 of this law shall be liable to a fine of five millions (5,000,000) Riel or more or imprisonment for a term from one (1) to five (5) years or both.

Chapter 11: Final Provisions

Article 46: All provisions contrary to this law shall be abrogated.

Article 47: This law is declared to be urgent.

This law was adopted by the National Assembly of the Kingdom of Cambodia on January 12, 2000, at the third session of the second legislature.

Phnom Penh, January 13, 2000
President of the National Assembly

Norodom Ranaridh