

KINGDOM OF CAMBODIA
Nation Religion King

PRAKAS
ON
ACCREDITATION OF PROFESSIONAL ACCOUNTING
FIRM PROVIDING PROFESSIONAL SERVICES
IN THE SECURITIES SECTOR

Deputy Prime Minister
Minister of Economy and Finance
and the Chairman of the Securities and Exchange Commission of Cambodia

- Having seen the Constitution of the Kingdom of Cambodia;
- Having seen the Preah Reach Kret No. NS/RKT/0908/1055 on 25 September 2008 on the Appointment of the Royal Government of the Kingdom of Cambodia;
- Having seen the Preah Reach Kram No. 02/NS/94 on 20 July 1994 promulgating the Law on the Organizing and Functioning of the Council of Ministers;
- Having seen the Preah Reach Kram No. NS/RKM/0196/18 on 24 January 1996 promulgating the Law on the Establishment of the Ministry of Economy and Finance;
- Having seen the Preah Reach Kram No. NS/RKM/0107/001 on 10 January 2007 promulgating the Law on Government Securities;
- Having seen the Preah Reach Kram No. NS/RKM/0107/028 on 19 October 2007 promulgating the Law on the Issuance and Trading of Non-Government Securities;
- Having seen the Anukret No. 97/ANKR/BK on 23 July 2008 on the Organizing and Functioning of the Securities and Exchange Commission of Cambodia;
- Having seen the Anukret No. 54/ANKR/BK on 08 April 2009 on the Implementation of the Law on the Issuance and Trading of Non-Government Securities;
- In accordance with the approval made by the plenary session of the Securities and Exchange Commission of Cambodia on ...

HEREBY DECIDES
CHAPTER I
GENERAL PROVISIONS

ARTICLE 1. Purpose

The purpose of this Prakas is to prescribe requirements relating to accredit and determine the obligations of a professional accounting firm and its external auditor that provide professional services in the Securities Sector pursuant to the Law and Anukret on the Issuance and Trading of Non-Government Securities.

ARTICLE 2. Definitions

Unless the context requires otherwise, the terms using in this Prakas have the meaning defined in this article or the Glossary Annexed to the Law and Anukret on the Issuance and Trading of Non-Government Securities.

- 1- “Code of Ethics” means the Code of Professional Ethics for Certified Public Accountants and statutory auditors promulgated by competent organizations in the kingdom of Cambodia.
- 2- “Professional accounting firm” means an accounting firm established in accordance with the Law on Corporate Accounts, Their Audit and the Accounting Profession of the kingdom of Cambodia and other related provisions.
- 3- “Family member” means the husband, wife, child, parent, brother or sister of the individual.
- 4- External auditor means a statutory auditor who is an active member of the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA) and under employ in the professional accounting firm.
- 5- “Audit” means a systematic review or examination of the assertions or actions or financial statements of a business entity to evaluate whether that entity is complied with the Cambodian International Financial Reporting Standards (CIFRSs).

CHAPTER II
REQUIREMENTS AND PROCEDURES FOR ACCREDITATION
OF PROFESSIONAL ACCOUNTING FIRM
AND EXTERNAL AUDITOR

ARTICLE 3. Requirements for Accreditation of Professional Accounting Firm

A professional accounting firm that applies for accreditation with the Securities and Exchange Commission of Cambodia (SECC) shall satisfy the following requirements:

- 1- Operate in accordance with the Law on Corporate Accounts, Their audit and the Accounting Profession and other related provisions;
- 2- At least having the capital 500,000,000 (five hundred million) Riels;

- 3- At least having 05 (five) external auditors and fully satisfying the conditions prescribed in Article 5 of this Prakas;
- 4- Having professional liability insurance for the firm and for the external auditors who accredited by the SECC;
- 5- Having been established and engaged business activities in the kingdom of Cambodia at least 05 (five) years up to date of filling the application for accreditation to the SECC;
- 6- Having a good reputation in conducting auditing services;
- 7- Having the financial statements that audited by independent auditor for last 03 (three) years;
- 8- Having at least 30 (thirty) clients a year, 50 (fifty) percent are clients to which firm provided audit service;
- 9- Submitting application for accreditation to the SECC to provide professional services in the Securities Sector according to Article 4 of this Prakas.

ARTICLE 4. Application for Accreditation of Professional Accounting Firm

A professional accounting firm that applied for accreditation shall complete application form to the SECC together with the following documents:

- 1- Company registration certificate;
- 2- Certificate of membership from the KICPAA;
- 3- Approval from Ministry of Economy and Finance;
- 4- The list of updated external auditors registered as active members with the KICPAA and enclosed with curricula vitae of such external auditors, which summarize work duration of the auditors and work experience;
- 5- Audited financial statements for the last 03 (three) years preceding the date of application for accreditation;
- 6- The list of audited clients for the last 03 (three) years;
- 7- The operation report for the last 03 (three) years;
- 8- Statement of material changes that affect the operation and business result for the last 03 (three) years;
- 9- Statement of material changes related to the external auditors due to the increase or decrease in the number of auditors, violations of provisions and violations of the code of ethics by the external auditors for the last 03 (three) years;

10- Other documents requested by the Director General of the SECC.

ARTICLE 5. Requirements for Accreditation of External Auditor

An external auditor of professional accounting firm that applies for accreditation with the SECC shall satisfy the following requirements:

- 1- Registered as active member of the KICPAA. For foreigner external auditor shall have resident in the kingdom of Cambodia;
- 2- Having at least 05 (five) years experience in external audit;
- 3- Having never been sanctioned definitively of any felony or violation of the code of ethics;
- 4- Having never been sanctioned definitively of any misdemeanor not more than last 10 (ten) years;
- 5- Submitting application for accreditation to the SECC to provide professional services in the Securities Sector according to Article 6 of this Prakas.

ARTICLE 6. Application for Accreditation of External Auditor

An external auditor that applies for accreditation shall complete application form to the SECC together with the following documents:

- 1- Certificate of Certified Public Accountants (CPAs) or equivalent;
- 2- Certificate of active membership issued by the KICPAA;
- 3- A statement proving that external auditor has never been subject to any administrative sanctions;
- 4- Criminal record issued by competent authorities;
- 5- Other documents requested by the Director General of the SECC.

ARTICLE 7. Validation of Accreditation of Professional

Accounting Firm and External Auditor The validation of accreditation of professional accounting firm and external auditor shall be 03 (three) years. During 45 (forty five) days before the accreditation expires, professional accounting firm and external auditor that aim to resume providing professional services shall apply to renew the validation of accreditation to the SECC.

In case a professional accounting firm and external auditor that have not renewed the validation of accreditation before 45 (forty five) days of the accreditation expires as

prescribed in the first paragraph of this Article, professional accounting firm and external auditor shall reapply for accreditation and be liable for penalty as prescribed in the third paragraph of Article 24 of this Prakas.

ARTICLE 8. Duration of Notification to a Person Applies for Accreditation

The Director General of the SECC shall notify on accredited or not accredited professional accounting firm and external auditor within 45 (forty-five) days after receiving the completed document.

CHAPTER III**OPERATIONAL REQUIREMENTS FOR ACCREDITED
PROFESSIONAL ACCOUNTING FIRM
AND EXTERNAL AUDITOR****ARTICLE 9. The Selection of Professional Accounting Firm and External Auditor**

All securities firm, investment advisory firm, securities market operator, clearance and settlement facility operator, securities depository operator, issuing company, professional accounting firm and other companies that conduct a business in the Securities Sector shall select among professional accounting firms and external auditors that are accredited and formally published by the SECC.

ARTICLE 10. Impermissible Conditions for Auditing

A professional accounting firm and external auditor in the following situations are not allowed to audit the audited entity:

- 1- Having material financial relations with the audited entity;
- 2- Family member of director, chief executive officer, internal audit, chief of finance or other senior officers of the audited entity;
- 3- Having such economic relations as of joint ventures with audited entity;
- 4- Having share capital in the audited entity;
- 5- Obtaining the direct or indirect interests from the audited entity;
- 6- Any other relationship, as determined by the SECC that may reasonable conflict of interest with audited entity.

ARTICLE 11. Impermissible Non-Audit Services

A professional accounting firm and external auditor shall not provide the following services to the audited entity:

- 1- Bookkeeping or other services related to the accounting records or financial statements of the audited entity;
- 2- Financial information systems design and implementation;
- 3- Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

- 4- Actuarial services;
- 5- Internal audit outsourcing services;
- 6- Management functions or human resources;
- 7- Broker or dealer, investment adviser, or investment banking services;
- 8- Legal services;
- 9- Tax consultation services and
- 10- Any other services, as determined by the SECC that may reasonably conflict of interest.

In case the accounting firm and auditor have already provided any of the above- mentioned non-audit services to any company, the professional accounting firm and external auditor are not allowed to sign contract providing audit services to that company within 01 (one) year after above-mentioned non-audit serves completed.

CHAPTER IV

OBLIGATIONS OF ACCREDITED PROFESSIONAL ACCOUNTING FIRM AND EXTERNAL AUDITOR

ARTICLE 12. Financial Statements Subject to be Audited and Reviewed

A professional accounting firm and external auditor have obligation to audit and review the following financial statements:

- 1-Statement of Financial Position;
- 2-Statement of Comprehensive Income;
- 3-Statement of Cash flow;
- 4-Statement of Change in Equity;
- 5-Explanatory notes;
- 6-Additional reports as determined by the SECC.

ARTICLE 13. Application Standards

A professional accounting firm and external auditor shall comply regularly with the following standards:

- 1- Cambodian International Financial Reporting Standards (CIFRSs);
- 2- Standards on Auditing that promulgated in the Kingdom of Cambodia;

3- Code of Ethics;

4- Others related laws and provisions.

ARTICLE 14. Obligations of Accredited Professional Accounting Firm and External Auditor

An accredited professional accounting firm and external auditor shall have the following obligations:

1- Explain or supply information and data related to auditing activities as requested by the Director General of the SECC;

2- In the course of auditing, if the professional accounting firm and external auditor detect that an audited entity fails to comply with laws and regulations prescribed in Article 13 of this Prakas, shall notify such to the audited entity and propose the latter to take measures to prevent, remedy and handle such violations. They also provide their comments on errors or violations not yet handled according to Standards on Auditing in auditing reports and management letters;

3- Shall report to the Director General of the SECC of the following findings:

- a. Material Fraud or error that affect on decision of securities investors or related parties;
- b. Losses or potential losses the aggregate of which amount to at least 10% (ten percent) of the consolidated total asset of the audited entity;
- c. Assets of the company are not adequate to cover the total claims of creditors.

4- Upon resignation, dismissal or cessation of providing professional services in the Securities Sector, professional accounting firm and external auditor shall report in writing to the Director General of the SECC not later than 07 (seven) working days;

5- The contract between the audited entity and professional accounting firm shall state the right of the professional accounting firm or external auditor to disclose information or to submit an audit report to the SECC;

6- If the Director General of the SECC requires to review some doubtful points; the professional accounting firm shall implement the review as requested by the Director General of the SECC;

7- If the SECC detects that professional accounting firm has made untruthful or inaccurate audit reports and causing damage to their audited entity and user of auditing results, such professional accounting firm shall compensate according to existed law and provisions;

8- Professional accounting firm shall submit quarterly business report to the SECC within 01 (one) month after the end of each quarter and submit annually business report within 03 (three) months after the end of each financial year;

9- Professional accounting firm and external auditor shall perform other obligations required by the SECC.

CHAPTER V FEES AND CHARGES

ARTICLE 15. Application Fee for Accreditation of Professional Accounting Firm

A professional accounting firm shall pay for the application fee for accreditation and documents processing of 2,000,000 (two million) Riels.

A professional accounting firm shall pay for the application fee for renewal of accreditation and documents processing of 1,000,000 (one million) Riels.

ARTICLE 16. Application Fee for Accreditation of External Auditor

An external auditor shall pay for the application fee for accreditation and documents processing of 1,000,000 (one million) Riels.

An external auditor shall pay for the application fee for renewal of accreditation and documents processing of 500,000 (five hundred thousand) Riels.

ARTICLE 17. Annual Accreditation Fee for Professional Accounting Firm

An accredited professional accounting firm shall pay the annual accreditation fee to the SECC of 2,000,000 (two million) Riels from the date of accreditation. For the first year, annual accreditation fee shall pay on the accredited date. For the following years, annual accreditation fee shall pay no later than 30 (thirty) days before the accredited date.

ARTICLE 18. Annual Accreditation Fee for External Auditor

An accredited external auditor shall pay the annual accreditation fee to the SECC of 1,000,000 (one million) Riels from the date of accreditation. For the first year, annual accreditation fee shall pay on the accredited date. For the following years, annual accreditation fee shall pay no later than 30 (thirty) days before the accredited date.

ARTICLE 19. Payment for Application Fee and Documents Processing and Accreditation Fee

Payment for application fee and documents processing and annual accreditation fee to the SECC are not returnable in case of obtain or refusal of accreditation or have been suspended or have been cancelled accredited status.

CHAPTER VI SUSPENSION AND CANCELATION OF ACCREDITED STATUS

ARTICLE 20. Suspension of Accredited Status

The Director General of the SECC may suspend the accredited status of professional accounting firm or external auditor in the following cases:

- 1- Not performing the obligations prescribed in the chapter 4 of this Prakas;
- 2- The SECC detects that information in application form and attached documents are untruthful;
- 3- No independence in auditing as provided under the Code of Ethics;
- 4- Professional accounting firm has failed to have a sufficient number of 05 (five) accredited external auditors for 03 (three) consecutive months;
- 5- Exist lawsuits against auditing result;
- 6- Contravene Article 10 and Article 11 of this Prakas.

ARTICLE 21. Cancellation of Accredited Status

The Director General of the SECC may cancel the accredited status of professional accounting firm or external auditor in the following cases:

1- For Professional Accounting Firm:

- Business registration certificate, member registration certificate with KICPAA or approval of Ministry of Economy and Finance has been revoked;
- Upon the expiry of the suspension duration prescribed in Article 20 of this Prakas professional accounting firm still fail to handle the faults which lead to the suspension;
- Professional accounting firm has contravened accounting or auditing prescribed in the Law on Corporate Accounts, Their audit and Accounting Profession and other related laws and provisions.

2- For External Auditor:

- Registration Certificate as an active member of external auditor has been revoked;
- Upon the expiry of the suspension duration prescribed in article 20 of this Prakas external auditor still fail to handle the faults which lead to the suspension;
- External auditor has contravened accounting or auditing prescribed in the Law on Corporate Accounts, Their audit and Accounting Profession and other related laws and provisions.

ARTICLE 22. Impermissible Business Activities during Suspension and Cancellation of Accredited Status

A professional accounting firm or external auditor whose accreditation has been suspended or canceled as prescribed in Article 20 and Article 21 of this Prakas shall terminate the business activities in the Securities Sector from the date that of issuing a written notice of suspension or cancelation from the Director General of the SECC. In the

case where a professional accounting firm or external auditor has been suspended, it may resume to conduct a business after it receives a written notice from the Director General of the SECC.

CHAPTER VII PENALTIES

ARTICLE 23. Administrative Sanctions

A professional accounting firm and external auditor that contravene any provisions of this Prakas may receive the following administrative sanctions:

- 1- A warning;
- 2- A correction order;
- 3- Suspension or cancellation of accredited status.

ARTICLE 24. Penalties

A professional accounting firm that contravenes any provisions of this Prakas may be liable for a cash penalty from 20,000,000 (twenty million) to 50,000,000 (fifty million) Riels.

An external auditor who contravenes any provisions of this Prakas may be liable for a cash penalty from 10,000,000 (ten million) to 20,000,000 (twenty million) Riels.

In case an accredited professional accounting firm and external auditor apply for renewal of accreditation to the SECC later than 45 (forty five) days before the validation of accreditation expires, a professional accounting firm and external auditor shall be liable for a cash penalty for late apply 200,000 (two hundred thousand) Riels per day.

CHAPTER XII FINAL PROVISIONS

ARTICLE 25. Adoption of Guidelines

The SECC may adopt guidelines in accordance with the Law, Anukret, and this Prakas for facilitating the understanding and enforcement of the requirements of this Prakas to professional accounting firms, external auditors, stakeholders, related parties, securities market participants and the public.

ARTICLE 26. Abrogated

All provisions contrary to this Prakas are hereby abrogated.

ARTICLE 27. Application

The Director General, Deputy-Director General of the SECC, Securities Issuance Department, other Departments and other units of the SECC and related parties shall implement this Prakas after the date of signing.

Phnom Penh,2010

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- Securities and Exchange Commission of Cambodia
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