

Financial Management and Governance Issues in Cambodia

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Prepared Under Regional Technical Assistance (RETA)
5877: *Strengthening Financial Management and Governance in
Selected Developing Member Countries.*

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Foreword

This report describes financial management and governance arrangements for Cambodia, identifies deficiencies in those arrangements, and presents recommendations to address those deficiencies. For the purposes of this study, financial management and governance arrangements are narrowly defined as being accounting and auditing arrangements and practices. The report was prepared for the Asian Development Bank by Ted Godden (International Consultant) with overall guidance from Francis B. Narayan (Lead Financial Specialist, ADB) under Regional Technical Assistance (RETA) 5877 – *Strengthening Financial Management and Governance in Selected Developing Member Countries*. Savora Tia provided research assistance. The contents of the draft report were discussed and debated with representatives from the Government, the private sector, and international organizations at a workshop that was held in Phnom Penh on 6 July 2000. The issues and recommendations were further discussed at an international conference at ADB headquarters in Manila from 16-18 October 2000.

This report should be read in conjunction with the Summary Report, which identifies and examines selected issues in relation to financial management and governance.¹

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¹ Narayan, Francis B., Ted Godden, Barry Reid, and Maria Rosa P. Ortega. 2000. *Financial Management and Governance Issues in Selected Developing Member Countries: A Study of Cambodia, People's Republic of China, Mongolia, Pakistan, Papua New Guinea, Uzbekistan, and Viet Nam*. Asian Development Bank.

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Currency Equivalents

(as at 4 November 2000)

Currency Unit – Riel (KR)

KR1.00 – \$0.0002607

\$1.00 – KR3,835

Abbreviations

ADB	Asian Development Bank
ASOSAI	Asian Organization of Supreme Audit Institutions
AusAID	Australian Agency for International Development
CDC	Council for the Development of Cambodia
EFI	Economics and Finance Institute
GDP	Gross Domestic Product
IAAS	International Accounting and Auditing Standards
IAS	International Accounting Standard
IFAC	International Federation of Accountants
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
JICA	Japan International Cooperation Agency
MEF	Ministry of Economy and Finance
NBC	National Bank of Cambodia
PAC	Public Accounts Committee
PSC	Public Sector Committee
RETA	Regional Technical Assistance
RGC	Royal Government of Cambodia
SAI	Supreme Audit Institution
SOE	State-owned Enterprise
TA	Technical Assistance
UNDP	United Nations Development Program

Notes

- (i) The financial year of all organizations, including the Government, ends on 31 December.
- (ii) In this report, \$ refers to US dollars.

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Executive Summary

Background

Cambodia is situated in the Lower Mekong region between Thailand in the west, Viet Nam in the east, and Lao PDR (People's Democratic Republic) in the north. Its level of per capita Gross Domestic Product (GDP) makes it one of Asia's poorest countries – one third of Cambodia's people live in poverty. A great deal of the country's infrastructure has been destroyed by decades of conflict.

In 1999, Cambodia benefited from favorable weather conditions and an improved political climate. Consequently, economic growth was higher in 1999 than in the previous year. Lower inflation, a lower fiscal deficit, and a slightly increased capital account deficit accompanied the improved growth. If the government can maintain the political stability and reform progress achieved in 1999, economic growth of 6-7 percent per year can be expected over the medium term.²

Developments

Since independence in 1953, Cambodia has experienced frequent political and economic instability. Before 1953, Cambodia was a French colony for almost a century.

Economically, the worst period of Cambodia's history was from 1975 to 1979 when the country, then known as Democratic Kampuchea, was under the rule of the Pol Pot regime. The market economy and business activities were completely abolished. There was no private ownership, and no money or trade. The economy was cut off from the rest of the world except the People's Republic of China. During the period from 1979 to 1989, the People's Republic of Kampuchea (Cambodia) suffered from international embargoes and enforced isolation. This stunted the country's development, which had to start from scratch. The State ran all enterprises. In 1991 the main Cambodia political factions signed the Paris Peace Accord and the United Nations organized general elections. A new Constitution was promulgated in 1993 and a slow transition to a free market economy evolved.

Responses and Challenges

Under the new Constitution, democratic principles were reintroduced and private ownership was allowed. The public sector was organized

² Asian Development Bank. 2000. *Asian Development Outlook 2000*. p. 88.

through the Legislature, the Executive and the Judiciary. Important laws were passed including the Law on Investment (1994), the Chamber of Commerce Law (1995), the Commercial Register Law (1995), the Cambodia Investment Board (1995), the Law on Taxation (1997) and the Audit Law (2000). The current accounting problems include:

- no Company Law
- no Accounting Law
- no International Accounting and Auditing Standards
- no Profession or Accounting Society
- very few qualified Cambodian accountants
- very few regulatory agencies, and
- inadequate accounting education.

Accounting and Auditing in Cambodia

The General Accounting Plan that was issued by the Ministry of Economy and Finance (MEF) in 1993 governs the accounting system in Cambodia. The Plan contains a recommended Chart of Accounts, list of accounts to be applied, accounting treatment, accounting principles and guidelines for financial statement presentation. Foreign companies have unofficially adopted International Accounting Standards (IASs) due to the requirements of their overseas parent companies and the influence of existing international accounting firms in Cambodia.

The draft “Law on Corporate Accounts, their Audit and the Accounting Profession” if passed by the National Assembly, will pave the way for the establishment of an accounting profession, including accounting standards, an Institute of Certified Public Accountants (CPAs) and a National Accounting Council.

The Audit Law was passed in March 2000 and established the Auditor-General and a department. An Auditor-General has not yet been appointed. There are only seven accounting firms in Cambodia and three of the international big five accounting firms are represented.

Professional Infrastructure

There is no officially recognized accounting society or organization in Cambodia nor is there any regulated accounting profession. Cambodia’s market is cash based and there are limited commercial and industrial sectors. The draft Accounting Law, if passed, will provide for accounting regulations and the establishment of an Institute and a profession. The Royal Government of Cambodia has initiated a

Financial Accountability Development Program, the objectives of which are as follows:

- Establish an Institute of Certified Public Accountants in Cambodia.
- Establish an independent Financial Accounting and Auditing Standards Board.
- Design appropriate accounting and auditing education and training programs.

Accounting and Auditing Standards

The only “formal” accounting system in Cambodia is the General Accounting Plan. Some differences between the Plan and IASs are identifiable as follows:

- Balance Sheet presentation
- The Income Statement is recorded using expense items rather than functional classification
- Some extraordinary items would be classified as operating items under IAS.

A working party to consider the introduction of IAS was formed in 1995 and later disbanded in the same year by the Government. French Government assistance and World Bank assistance involving the introduction of IASs is currently being used on projects in Cambodia. No consideration has been given to the application of Public Sector Accounting Standards.

Education and Training

The availability of quality accounting and auditing training in Cambodia is limited. There are four State-owned public institutions and five privately owned institutions providing fulltime education in accounting. The general curriculum in four-year degree courses includes Analytical Accounting, General Accounting, Financial Accounting, Cost Accounting, Managerial Accounting, International Accounting and Auditing.

The Economics and Finance Institute is government-owned and covers short-term courses in Public Finance Management, Accounting and Control, National Budget Procedures and External Finance.

Government Budgeting and Accounting

The Constitution includes articles that cover the preparation and approval of the National Budget and the Administrative Accounts (Public Accounts). The National Budget is the responsibility of the Department of Budget and Finance – a Financial Management Law is passed each year, which proclaims the approval of the Budget. The Annual Public Accounts are submitted to the National Assembly each year for approval. The most recent approval given was for the year 1998.

There are no standard financial performance indicators used as benchmarks for project or enterprise performance.

The Department of Public Property is responsible for Asset Management and Control. A new computerized system of asset recording was introduced in 1999; however, the system is not operating and operators need to be trained in order to activate the system.

Donor Assistance

ADB Assistance include a Technical Assistance Project (TA 5866-CAM) for Developing Capacity in Audit and Inspectorate Function. The TA led to the drafting of the recently enacted Law on Audit and other procedures involving the establishment of an External and Internal Audit Function in Cambodia. In addition to this TA, further assistance for Capacity Building in Audit Function II and for Strengthening Capacity in Public Finance Management have recently been proposed.

French Government Assistance has recently been used in the areas of:

- Public Sector Accounting
- Private Sector Accounting
- Revenue Mobilization through Taxation
- Computerization for Ministry of Economy and Finance

World Bank Assistance (IDF Grant No. TF027305) has recently been used for the following tasks:

- Draft an Accounting and Auditing Law
- Draft Reports on Accounting and Auditing Standards
- Draft a Report recommending examination, certification, and licensing of professional accountants and auditors
- Develop a 30-hour training module for informing Government officials on the new proposed IASs for Cambodia

EXECUTIVE SUMMARY

European Union assistance has been used for the installation of a new computerized system of Government Asset Recording for both line ministries and provinces.

I. Introduction

1. Study Background

The 1997 financial crisis in Asia exposed structural weaknesses in the banking and corporate sectors of affected countries, owing largely to poor governance, lack of transparency, and weak supervision and regulation.³

The Asian Development Bank (ADB) has been taking a number of initiatives to assist Developing Member Countries (DMCs) in overcoming these structural problems. The focus on improved governance includes enhancing the effectiveness of public administration and development management at the sector level and in national institutions in the DMCs. Where appropriate, institutional development of the local and provincial agencies and the private sector is also covered. A sound regulatory financial framework and its enforcement, capable institutions, skilled human resources, and effective monitoring and supervision are important prerequisites to an efficient financial structure.

Regional Technical Assistance (RETA) No. 5877 – *Strengthening Financial Management and Governance in Selected DMCs* – was approved by ADB for the purpose of carrying out initial studies to identify gaps and weaknesses in financial management and governance and to recommend courses of action to overcome these problems.

2. Objectives

ADB has demonstrated its stand on the importance of good governance, through effective financial management, for sustained economic development. This RETA involved a diagnostic review of the existing accounting and auditing support, and standards in the selected DMCs. After carrying out this diagnostic review, the study assessed the need for assistance to improve the current situation. Objectives were to:

- (i) assess the capability and capacity within each country to provide efficient and effective accounting and auditing support, to meet international standards and best practices, and address the issue of training and capacity enhancement

³ Zhuang, Juzhong, David Edwards, David Webb and Ma. Virginita Capulong. 2000. *Corporate Governance and Finance in East Asia: A Study of Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand*. Asian Development Bank: Manila.

- (ii) determine the existing accounting and auditing standards of each country
- (iii) assess the degree of deviation from International Accounting and Auditing Standards (IAAS) while identifying weaknesses and possible corrective options
- (iv) discuss the fieldwork findings and introduce the concepts of the international standards through workshops
- (v) develop reference materials for potential users of the IAAS, and
- (vi) determine the level and type of assistance needed by each country in order to provide acceptable accounting and auditing support to the private and public sectors.

3. Scope

The RETA involved an in-depth study of the key issues relating to accounting and auditing support in the selected DMCs, identified gaps and weaknesses that need to be addressed to improve accounting and auditing support, and developed assistance programs in collaboration with other donors to rectify the identified weaknesses. Cambodia was one of seven countries participating in the RETA.

4. Country Case Studies and Workshops

The first part of this study examined the current accounting and auditing structure and systems adopted in Cambodia. It also:

- (i) analyzed the political, institutional, and regulatory and legal framework on accounting and auditing practice in Cambodia and the level of enforcement of existing laws, rules, and regulations;
- (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards; and
- (iii) identified alternative options to remedy the identified weaknesses, with the objective of eventually doing away with these.

The second part of this study disseminated the findings of the country research through in-country workshops. Each workshop provided a cross-section of views on the findings of the research and established ways to move forward to improve financial management and governance in the country. After carrying out the assessment of accounting and auditing support in Cambodia, the study findings and recommendations were discussed at a workshop in Phnom Penh on 6 July 2000, and at an international conference at ADB Headquarters in

Manila from 16 - 18 October 2000. This report incorporates feedback from the Workshop and the Conference.

5. ADB Focus on Financial Governance in Cambodia

The focus of ADB's operational strategy in Cambodia is poverty reduction and good governance is a core part of this strategy. This RETA complements other ADB interventions, which will lead to improved financial governance including a proposed TA for Strengthening Capacity in Public Finance Management and a proposed TA for Capacity Building in the Audit Function Stage II.

6. Cambodia

Cambodia is a monarchy with a population 11,561,000 people. The annual population growth rate is 2.5 percent. The capital is Phnom Penh and there are three other major municipalities; Sihanoukville, Kep, and Pailin. There are 20 provinces each administered by a governor. There are 183 districts, 1,609 communes, and approximately 13,500 villages. The area of Cambodia is approximately 181,000 sq. km.

Cambodia is situated in the Lower Mekong region between Thailand in the west, Viet Nam in the east, and Lao PDR in the north. The GDP per capita is approximately US\$256, making it one of the poorest countries in the Asian region. One third of Cambodia's people live in poverty. A great deal of the country's infrastructure has been destroyed by decades of conflict.

Cambodia's infrastructure must be improved, especially in rural areas, to create the environment for private sector investment. The agricultural sector accounts for 40 percent of GDP. Public administration needs improvement and the civil service is overstuffed and underpaid. Real wages are extremely low and below the poverty line. Technical and management skills need improvement and the country relies heavily on expatriate assistance. The best prospects for development are in agriculture, textiles, and tourism.

The main religion is Buddhism, and other faiths include Roman Catholicism and Islam. Table 1 describes adult literacy rates by sex and stratum (1999 Census).

Table 1: Adult Literacy Rates (percent)

Gender	Cambodia	Phnom Penh	Other Urban	Rural
Total Population	71.2	87.3	72.0	69.2
Male	82.9	94.3	83.3	81.5
Female	61.1	81.0	62.3	58.7

II. Accounting and Auditing in Cambodia

This chapter presents an overview of accounting and auditing arrangements in Cambodia. It provides context for the following chapters on professional infrastructure, accounting and auditing standards, accounting and auditing training, and government budgeting and accounting arrangements. The chapter comprises eight sections, in two parts, as follows:

Part One: Accounting

- 1 – Introduction
- 2 – The General Accounting Plan (*Plan Comptable General*) – describes the accounting system used in Cambodia
- 3 – Bases of Accounting – describes the bases of accounting used in Cambodia
- 4 – The Draft Accounting Law – describes the objectives and contents of the draft accounting law

Part Two: Auditing:

- 5 – Introduction
- 6 – General Inspectorate – describes the duties and responsibilities of the General Inspectorate Unit
- 7 – The Law on Audit – details the contents of the Law on Audit
- 8 – International Accounting Firms – details the international accounting firms operating in Cambodia

Part One. Accounting

1. Introduction

Since independence in 1953, Cambodia has experienced frequent political and economic instability. The establishment of Democratic Kampuchea (1975-79) by the Khmer Rouge brought massive destruction not only of political and economic systems, but also physical, human, social, business, and institutional resources of the country. This, and the subsequent international isolation of Cambodia during the 1980s, had a devastating impact on Cambodia's reconstruction and development and business systems were practically nonexistent.

The promulgation of a new Constitution in 1993 laid the foundation for the development of Cambodia's new governance system. The Constitution declared liberal democracy and a multi-party system as the

basis of the political regime of Cambodia. The Constitution defined a market economy as the foundation of Cambodia's economic system. As a result, business activity increased.

The *Plan Comptable General* (the General Accounting Plan) was issued by the MEF in 1993 and was applicable to all sectors of the economy. Although the Plan is not enforced, it is still the law for application of accounting procedures. However, there is now widespread adoption of IASs especially by the private sector and State-owned, self-accounting enterprises.

There is no company law, which outlines the reporting requirements of the private sector. However, a draft Law entitled "Corporate Accounts, their Audit and the Accounting Profession" has been drawn up, which, if approved, would require private sector companies to draw up annual financial statements, including a balance sheet, income statement and cash flow statement and notes to the financial statements "in compliance with the conceptual framework and with the accounting standards". A draft of this Law has been completed. It is expected to be presented to the National Assembly later in 2000. Until this Law is promulgated, the only "official" law on accounting systems and procedures is in the contents of the General Accounting Plan (*Plan Comptable General*).

2. The General Accounting Plan (*Plan Comptable General*)

The General Accounting Plan was issued by the MEF in 1993 and is applicable to the public sector, the private sector, and State-owned enterprises. The Plan contains a recommended Chart of Accounts, a list of the accounts to be applied, the accounting treatment for certain items, and accounting principles and guidelines for financial statement presentation. There is also a section that gives guidance for a new company in establishing its initial accounting records.

The General Accounting Plan requires that all companies, including State-owned enterprises, prepare and submit the annual financial statements including a balance sheet, income statement and notes to the accounts in the Khmer language. The following paragraphs outline the general features of this Plan.

The Balance Sheet

The Balance Sheet has a number of features that differ from IASs guidelines. The Balance Sheet classifications are similar to those of the

statement of cash flows. Appropriations are not recorded until approved by the shareholders; therefore, the Balance Sheet is presented before appropriations to reserve accounts.

Fixed Assets can also include other long-term assets, such as investments, and may include current assets e.g., short-term intercompany loans. The amortization of Intangible Assets, e.g. startup costs and development costs must not exceed five years.

Revaluations of tangible fixed assets may occur and, if the exercise is carried out, it must be carried out in respect to all tangible assets and long-term investments and the appropriate adjustments made. Any revaluation surplus is taxable. All investments should be revalued annually and adjusted downwards if the current market value is below cost.

The Income Statement

The Income Statement is divided into operational, financial and extraordinary classifications. Income and expenses are reported as to the nature of each item (e.g., wages, materials, general expenses, etc.) rather than in functional classifications (e.g., selling, distribution, operational, etc).

3. Bases of Accounting

The basic accounting doctrines and conventions applicable are historical cost, going concern, matching costs and revenue, consistency, materiality and prudence. Full accrual accounting is mostly practised in the private sector and by State-owned enterprises. However, government accounting appears to be on a cash basis.

4. The Draft Accounting Law

A draft accounting law has been drawn up for presentation to the National Assembly later in the year 2000. The law is entitled "Law on Corporate Accounts, their Audit and the Accounting Profession". When this law is promulgated, it will pave the way for Cambodia to move away from the present system and formally adopt appropriate standards.

The draft law will be applicable to any enterprise, which is required to keep their books and accounts pursuant to any law, and their accounts must be prepared and audited in accordance with the terms and conditions provided for under this draft law. Some State enterprises, especially those in service to the public industries (e.g.,

water and electricity organizations) may be subject to their own specific laws in relation to financial accounting.

The Accounting System

Under the draft accounting law, enterprises will be required to prepare annual financial statements that are in compliance with the conceptual framework and the accounting standards, the principles of which will be detailed by a decree (*Anuk Kreŭ*) of the Royal Government. The draft law is lacking in information – the comprehensive details will be included in decrees and sub-decrees when the law is passed.

The draft law also provides for the creation of a National Accounting Council which will be formed under the control of the MEF. If the draft law is passed, the Council's responsibilities will be to:

- review and give its opinion on all draft laws and regulations, including accounting provisions whatever the status of the enterprises concerned, or their sector of activity
- develop the conceptual framework and the accounting standards
- come up with proposals aimed at improving accounting, and
- represent Cambodia in international organizations and meetings dealing with accounting.

Financial Statements

The financial statements must be expressed in Cambodian Riels and must include a balance sheet, income statement, cash flow statement and explanatory notes. The financial year is the calendar year and these statements and supporting vouchers must be kept for 10 years.

The Accounting Profession

An Institute of Khmer Certified Public Accountants and Auditors will be formed under the control of the MEF.

Company Auditing

Under the draft accounting law, incorporated companies will be required to submit their accounts to an independent audit as soon as their turnover, balance sheet total and number of employees are above the limits set by decree of the MEF. The draft accounting law states that the auditor should be appointed for a period of three years and must be a member of the Institute.

Part Two. Auditing

5. Introduction

The General Inspectorate unit of the MEF has the overall responsibility for internal inspection of the Central Government, Provincial Governments, municipalities, and state agencies and institutions. The Ministry of Parliamentary Affairs and Inspection also plays a role in this area although it is unclear as to the exact nature of its responsibilities in this regard.

In the public sector the promulgation of the Law on Audit, which was passed by the National Assembly in March 2000, improved the situation immeasurably with regards to the government audit function in Cambodia. This law not only covers the Auditor-General and external audit but also includes internal control and internal audit.

In the private sector, company audits of annual financial statements are required when the turnover of a company is in excess of a certain limit. For service providing companies, the limit is KR250 million (\$66,000) and for trading companies, the limit is KR500 million (\$132,000). Companies with turnovers in excess of these limits must be audited. Private accounting firms normally undertake these audits and international accounting and auditing standards are generally applied.

6. General Inspectorate

The General Inspectorate unit of the MEF has the overall responsibility for internal inspection at the central and provincial/municipal levels of the Government.

At the central level, the General Inspectorate is required to conduct a regular inspection of the activities of entities under the control of the MEF and to prepare reports about the functioning of these entities to the Minister for Finance and Economy and propose improvement measures. The unit is also required to regularly cooperate with the National Audit Authority, when it is established, on matters related to public finance.

At the provincial / municipal level, the General Inspectorate is required to conduct inspections of the financial operations of all ministries, institutions, and provincial and municipal governments regarding the collection and recording of government revenues and expenses. The unit is also required to conduct inspections over all financial operations of public institutions, state corporations,

government joint ventures, and organizations and private companies that receive any form of benefit from the Royal Government of Cambodia (RGC).

In cases of litigation against the government, the General Inspectorate is also required to conduct investigations of claims and complaints made by citizens in connection with the financial management of the RGC.

7. The Law on Audit

The drafting of this Law and other procedures involving the establishment of an External and Internal Audit Function in Cambodia were sponsored by ADB under TA 2566 – Developing Capacity in Audit and Inspectorate Function. ADB will continue to assist in this area and have proposed a further TA – Capacity Building in Audit Function II.

This Law on Audit was enacted in March 2000 and the General Provisions provide for the establishment of a National Audit Authority that will be responsible for executing the external auditing function of the Government. This Law provides that the Auditor-General is “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 audit function in Government ministries and public enterprises.

As at September 2000 the Auditor-General had not been appointed and the external audit activity had not been implemented.

Institutions Subject to Audit Law

The institutions that are subject to this Law include ministries, agencies, authorities of national treasury, public financial institutions and 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 organisations and private investment enterprises.

Extent of Audit

External audits include the following:

- Financial statement audits
- Externally funded loans and project administration audits
- Audits of ministerial institution systems and operations
- Evaluation procurement performance audits
- Audits of nonprofit organizations, associations, political parties, and private investment enterprises
- Audits of private investment organizations, and
- Special request audits

The National Audit Authority

The National Audit Authority, formed by the passing of the Audit Law in March 2000, is established as an independent public entity which reports directly to the National Assembly, Senate and the Government for information purposes. The Auditor-General who is assisted by two Deputy Auditors-General governs the National Audit Authority. The National Audit Authority has its own budget.

Appointment of the Auditor-General and Deputy Auditors-General

The Auditor-General and the two Deputy Auditors-General are appointed by a Royal Decree at the recommendation of the Government and approved by a two-thirds majority vote of the National Assembly. The Auditor-General and his deputies have not yet been appointed (September 2000).

The appointment of the Auditor-General and the Deputy Auditors-General are for a term of five years and they may be re-appointed upon the expiration of the first term of office for another five-year term with no further re-appointments after the second term.

The candidates for appointment to Auditor-General and Deputy Auditor-General must be qualified as follows:

- Cambodian nationality at birth;
- At least 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 10 years; and
- No position in the governing body of any political party.

Audit Reports for the Government Sector

The Government submits 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 submits 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. These statements must be submitted within nine months of the end of the financial year.

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, the Auditor-General must immediately bring the matter to the attention of the National Assembly, the Senate and Council of Ministers, Ministry of Justice and the related ministries.

The Auditor-General may prepare reports in accordance with the provisions of any law on all matters relating to public accounts, public assets and liabilities. The Auditor-General may issue certificates and reports to the head of any authority and to the National Assembly in connection with the audit of the relevant accounts, including both compliance and performance audits. All reports of the Auditor-General are considered public documents.

The Internal Audit Function

The Law on Audit states that an Internal Audit Department will be established within each ministry and enterprise. The Internal Audit Department will report to the head of each ministry, institution and public enterprise and will submit reports to the National Audit Authority.

The Internal Auditing function has been established to examine and evaluate the efficiency of systems of internal controls established within each institution, ministry and enterprise.

8. International Accounting Firms

Three of the international big five accounting firms are represented in Cambodia: Ernst & Young International, KPMG Cambodia, and PriceWaterhouseCoopers (PWC). PriceWaterhouseCoopers and Ernst & Young International have recently agreed on a combination of business operations in Cambodia under the PWC legal entity. There are seven accounting firms in Phnom Penh.

The three major accounting firms mainly carry out the audit work of subsidiaries of foreign firms located in Cambodia, joint ventures and Cambodian economic entities and State-owned enterprises when the Government of Cambodia requests audits of these entities and enterprises. Very little audit work is done on the accounts of local firms because there is no law that requires the audit of the accounts unless certain turnover figures are reached. Local firms are not required to accurately assess profits for taxation purposes unless the turnover exceeds KR500 million (\$132,000) per annum in the case of trading companies and KR250 million (\$66,000) in the case of service companies. All major accounting firms confirmed that their clients apply IASs in their books of account.

The international accounting firms employ few qualified Cambodian accountants. Most employees are expatriates who have been recruited from the United Kingdom, the Philippines, New Zealand, Australia, and China. There are no statistics available on the number of qualified accountants and there has been no accountant needs analysis carried out in Cambodia.

III. Professional Infrastructure

This chapter describes the professional accountancy infrastructure in Cambodia. The chapter is structured as follows:

- 1 – Introduction
- 2 – Draft Accounting Law

1. Introduction

There is no officially recognized accounting society or organization in Cambodia, nor is there any identifiable and regulated accounting profession. Most of Cambodia's market economy is cash based and there are limited commercial and industrial sectors. In this environment the need for a structured, regulated, organized and highly educated accounting profession has not been a prime objective. However, as Cambodia overcomes its own financial problems, and foreign investment increases, the need for a strong accounting profession with appropriate accounting standards will become a necessary prerequisite for good financial governance. The accounting profession in Cambodia is not strong and there are only seven accounting firms in the country including three of the Big Five international firms. The promulgation of the draft accounting law, which is at present finalized and ready for consideration by the National Assembly, would enhance the status of the accounting profession in Cambodia.

There has been no formal adoption of international accounting standards in Cambodia nor has there been a consistent adoption of any type of Government accounting standards. The Law on Audit requires adoption of international accounting and auditing standards.

2. Draft Accounting Law

Under Article 13 of the above draft law (refer Chapter II, Section 4) an Institute of Khmer Certified Public Auditors and Accountants is to be formed among professional accountants of Khmer nationality and operating under the aegis of the Ministry of Finance.

If the draft accounting law is passed, the Institute will be formed to provide the country with a national professional body having responsibility in representing its members, promoting and defending the status and the interests of the profession and to participate in the work of the National Accounting Council, which is to be formed under the same draft accounting law.

The Institute will also prepare the rules and duties of the profession and organize the education of nationals wishing to have access to the profession of Certified Public Accountants and Auditors. Regulations relating to the composition, operation and duties of the Institute will be set out by decree in accordance with the provisions of the draft accounting law.

The Royal Government of Cambodia has initiated a financial sector development program that includes the establishment of an Institute of Certified Public Accountants.

IV. Accounting and Auditing Standards

This chapter describes the accounting and auditing standards that govern the preparation of external financial reports and the audit of those reports. The chapter is structured as follows:

Part One: Accounting Standards

- 1 – Introduction
- 2 – Differences between General Accounting Plan and IAS
- 3 – International Accounting Standards
- 4 – Public Sector Accounting Standards

Part Two: Auditing Standards

- 5 – Introduction
- 6 – Standards Included in the New Audit Law
- 7 – International Auditing Firms

Part One. Accounting Standards

1. Introduction

The only “formalized” accounting system in Cambodia is the Cambodia General Accounting Plan, which has been explained in Chapter II. A brief summary of the differences between International Accounting Standards (IASs) and the Cambodian system is included in this chapter.

2. Differences between General Accounting Plan and IAS

A brief summary of the differences between the Cambodia General Accounting Plan and IASs is as follows:

- The Cambodian form of balance sheet requires some modification to conform to IASs, however in general terms the information is readily available to make such reclassifications. There is no split between long and short-term assets and liabilities in the balance sheet however this information is included as a footnote in the Cambodian Plan.
- The Income Statement in the Cambodian Plan is recorded using expense items rather than on a functional basis. The conversion to functional classifications may be difficult and time consuming.

- Some items classified as extraordinary items in the Cambodian Income Statement are normal operating items under IAS and this would involve a further reclassification.
- Disclosure notes relating to Long-Term Debt regarding due dates, interest rates, currency split and type of debt are not required in the Cambodian Financial Statements.
- Last-in-First-out (LIFO) is not an acceptable method of stock inventory valuation under the Cambodian Standards; however, this method of stock valuation is included in most accounting textbooks used in Cambodian institutes.

From 1979 to 1996 there was an Accounting Department within the Ministry of Economy and Finance (MEF) that was responsible for the preparation of Public Accounting and General Accounting Standards, including accounting for the private sector. Since 1996 there has been no department established to provide guidance on accounting standards.

3. International Accounting Standards

The 1995 Working Group

The organization and regulation of accounting in Cambodia is incomplete and unstructured. This was also the case in 1995 when the Government decided to form a working group to review the then current state of accounting laws and regulations and devise a program for the introduction of IASs in Cambodia.

By late 1995 a draft decree and ministerial order had been prepared which, if promulgated, would have established an Accounting Standards Setting Committee responsible for the introduction of standards based on IAS. However, the Government decided to terminate the program and the decree and ministerial order were never issued.

French Government Assistance

In mid-1999 the MEF formally requested the French Government for assistance in upgrading the Cambodian Accounting Standards to IAS. The French Government agreed to this request and it was decided to utilize existing grants to fund the study in four parts: -

- Public Sector Accounting
- Private Sector Accounting
- Revenue Mobilization Through Taxation
- Computerization for MEF

The study was carried out in late 1999 by the French consultant *Conseil National de la Compagnie Nationale* and a set of documents was submitted to the MEF in March 2000. If implemented the documentation will assist in upgrading the present Cambodian system to IASs. The recommendations in the submission were mainly aimed at the private sector and included a framework for the preparation and presentation of financial statements, which were similar to those approved by the Board of the International Accounting Standards Committee in April 1989 and published in July 1989. The underlying framework included reference to the objectives of financial statements, underlying assumptions, qualitative characteristics of financial statements, and the elements of financial statements.

The French study also included a set of recommended IASs that were deemed appropriate for the Cambodian situation. These will be considered for adoption by the MEF once the sub-decree on Accounting becomes law. The recommended Cambodian Accounting Standards are as follows:

1. Presentation of Financial Statements (similar to IAS 1)
2. Inventories (similar to IAS 2)
3. Revenue (similar to IAS 18)
4. Depreciation Accounting (similar to IAS 16)
5. Provisions, Contingent Liabilities and Assets (similar to IAS 37)
6. Capital and Reserves (similar to IAS1, Standard 74)
7. Property, Plant and Equipment (Similar to IAS 16)
8. Intangible Assets (similar to IAS 38)
9. Construction Contracts (similar to IAS 11)
10. Accounting for Government Grants (similar to IAS 20)
11. Changes in Accounting Policy (similar in part to IAS 8)
12. Net Income (similar in part to IAS 8)
13. Borrowing Costs (similar to IAS 23)
14. Events After the Balance Sheet Date (similar to IAS 10)
15. Leases (similar to IAS 17)
16. The Effects of Changes in Foreign Exchange Rates (similar to IAS 21)
17. Simplified Accounting Systems for Small Companies (this is more in the nature of a guideline rather than an Accounting Standard)

World Bank Assistance

The World Bank is assisting the Royal Government of Cambodia with the development of a system of financial accountability under IDF Grant No.TF027305.⁴ This project is being accomplished under the Government's accountability development program which includes:

- The design of appropriate accounting and auditing education and training programs
- The establishment of an independent Financial Accounting and Auditing Standards Board to advise the Government on draft laws and regulations to introduce accounting, auditing and financial reporting standards consistent with IASs, issued by the International Accounting Standards Committee (IASC), and International Standards on Auditing, issued by the International Auditing Practices Committee (a subcommittee of the International Federation of Accountants).
- The establishment of an Institute of Certified Public Accountants in Cambodia.

4. Public Sector Accounting Standards

Introduction

The International Federation of Accountants has released the first eight International Public Sector Accounting Standards (IPSASs) designed to enhance the accountability and financial management of governments worldwide. The release of these documents means that for the first time there is an authoritative set of independent financial reporting standards for governments. The Standards are based on Cash or Accrual – there are no Standards for Modified Cash or Modified Accrual.

IPSASs 1-8 are the first in a set of accrual-based accounting standards applicable to the public sector and will contribute significantly to the provision by governments of comparable, relevant and understandable financial information.

The IPSASs are based on the International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC). The IASs are adapted as necessary to reflect their application to the public sector.

⁴ Grants from World Bank International Development Fund that are only available to countries with very low GDPs.

The Public Sector Committee (PSC) of the International Federation of Accountants also recognizes that many governments may not yet be in a position to adopt the accrual-based IPSASs. To assist these governments, the PSC has developed an exposure draft ED 9 *Financial Reporting under the Cash Basis of Accounting*. This sets out the requirements for the presentation of the primary financial statement under the cash basis of accounting, as well as the statement's structure and minimum content requirements. The requirements that are likely to emerge in this standard should lead to transparency where governments remain on the cash basis of reporting.

Building on the momentum of the recently released first set of final IPSASs, the International Federation of Accountants (IFAC) Public Sector Committee (PSC) released a further six new exposure drafts. The exposure drafts are another key step in the PSC's efforts to develop a comprehensive body of international accounting standards for governments around the world.

In addition to the new standards and exposure drafts, the Public Sector Committee has released a study, *Governmental Financial Reporting: Accounting Issues and Practices*. The new study aims to assist governments in the preparation of their financial reports and contains a detailed description of the common bases of accounting used by governments: cash accounting and accrual accounting, as well as a brief discussion of common modifications to the cash and accrual bases. The study also provides examples of actual financial statements prepared under each basis of accounting. A Summary of PSC Study 11, IPSASs 1-8 and EDs 9-15 are as follows:

- IFAC PSC Study 11 *Governmental Accounting Issues and Practices* aims to assist governments in the preparation of their financial reports and contains a detailed description of the common bases of accounting used by governments: cash accounting (including modified cash accounting) and accrual accounting (including modified accrual accounting). The Study also provides examples of actual financial statements prepared under each basis.
- IPSAS 1 *Presentation of Financial Statements* prescribes the overall considerations for the presentation of financial statements, guidance for the structure and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.
- IPSAS 2 *Cash Flow Statements* requires the provision of information about the historical changes in cash and cash equivalents of an

entity by means of a cash flow statement that classifies cash flows during the period from operating, investing and financing activities. Cash flow information allows users to ascertain how a public sector entity raised the cash it required to fund its activities and the manner in which that cash was used.

- IPSAS 3 *Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies* requires the classification and disclosure of extraordinary items and the separate disclosure of certain items in the financial statements. It also specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors.
- IPSAS 4 *The Effect of Changes in Foreign Exchange Rates* deals with accounting for foreign currency transactions and foreign operations. IPSAS 4 sets out the requirements for deciding which exchange rate to use and how to recognize in the financial statements the financial effect of changes in exchange rates.
- IPSAS 5 *Borrowing Costs* prescribes the accounting treatment for borrowing costs and generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
- IPSAS 6 *Consolidated Financial Statements and Accounting for Controlled Entities* requires all controlling entities to prepare consolidated financial statements that consolidate all controlled entities on a line-by-line basis. The Standard also contains a detailed discussion of the concept of control as it applies in the public sector and guidance on determining whether control exists for financial reporting purposes.
- IPSAS 7 *Accounting for Investments in Associates* requires all investments in associates to be accounted for in the consolidated financial statements using the equity method of accounting, except when the investment is acquired and held exclusively with a view to its disposal in the near future in which case the cost method is required.
- IPSAS 8 *Financial Reporting of Interests in Joint Ventures* specifies proportionate consolidation as the benchmark treatment for accounting for such joint ventures entered into by public sector entities. IPSAS 8 also permits – as an allowed alternative – joint

ventures to be accounted for using the equity method of accounting.

- ED 9 *Financial Reporting under the Cash Basis of Accounting* sets out the overall considerations for the presentation of the financial statements under the cash basis of accounting, guidelines for their structure, and minimum requirements for their content.
- ED 10 *Revenue from Exchange Transactions* proposes requirements for the accounting treatment of revenue arising from exchange transactions and addresses the issue of revenue recognition for these transactions.
- ED 11 *Inventories* proposes the accounting treatment for inventories under the historical cost system.
- ED 12 *Construction Contracts* proposes requirements for the accounting treatment of revenue and costs associated with construction contracts.
- ED 13 *Financial Reporting in Hyperinflationary Economies* proposes requirements for financial reporting under conditions of hyperinflation.
- ED 14 *Property, Plant and Equipment* proposes the accounting treatment for property, plant and equipment, including the timing of their initial recognition, and the determination of their ongoing carrying amounts and related depreciation.
- ED 15 *Leases* proposes requirements for the accounting treatment of leasing transactions.

Part Two. Auditing Standards

5. Introduction

Cambodia has not yet adopted any form of government auditing standards nor has it formally adopted international auditing standards. The Government has not yet established a body to be responsible for formulating and monitoring auditing standards.

When the National Audit Authority is operational and established as the Supreme Audit Institution in Cambodia, it should become a member of the International Organization of Supreme Audit Institutions (INTOSAI) and adopt the INTOSAI Standards as a base for the development of government auditing standards.

6. Standards Included in the New Audit Law

In the new Audit Law, provision has been made for accepting IASs as promulgated by the International Federation of Accountants and these Standards must be adopted by the National Audit Authority when conducting the audit of State-owned enterprises.

7. International Auditing Firms

International auditing firms conduct their audits in accordance with the procedures contained in the International Standards on Auditing that are established by the International Auditing Practices Committee and promulgated through IFAC. These Standards have been adopted because of the international acceptance of them by the parent organizations.

V. Accounting and Auditing Training

This chapter describes accounting and auditing education and training. It is structured as follows:

- 1 – Introduction
- 2 – Institutional Training Establishments
- 3 – Curricula for Bachelor and Master of Accounting Degrees
- 4 – Accountancy Students Statistics
- 5 – Government-Qualified Accountants
- 6 – Economics and Finance Institute (EFI)
- 7 – National Institute of Management
- 8 – Cambodia Electricity (*Electricite du Cambodge* or EdC)

1. Introduction

The availability of quality accountancy education and training in Cambodia is limited. As the market economy emerges and foreign investors continue to establish businesses in Cambodia, the need for skilled accountants and auditors, trained to international professional levels, will increase.

The Royal Government of Cambodia needs to increase the opportunities for its staff to become competent in the use of international accounting and auditing standards to keep pace with its neighbors and to institute global best practices.

2. Institutional Training Establishments

There are four State-owned public institutions and five privately owned institutions providing fulltime education in accounting, as follows:

- National Institute of Management (Public)
- Faculty of Law and Economic Sciences (Public)
- School of Commerce (Public)
- Economics and Finance Institute (Public)
- Norton University (Private)
- International Institute of Cambodia (Private)
- Institute of Technology Management (Private)
- Regent College (Private)
- Banana Center (Private)

3. Curricula for Bachelor and Master of Accounting Degrees

A general summary of the subjects available in the various accounting degrees is as follows:

National Institute of Management (BBA in Accountancy – four-year degree course)

- General Accounting
- Analytical Accounting
- Financial Accounting
- Cost Accounting
- Managerial Accounting
- International Accounting
- Auditing

Economics and Finance Institute

The Economics and Finance Institute (EFI) course takes six months on a part time basis. The fulltime course takes only three months. The course is not designed for qualified accountants, but rather for those who are working in the relevant fields from various government ministries. Approximately 80 percent of students are staff of the Ministry of Economy and Finance (MEF). The course contents are as follows:

- Basic Concepts of Accounting
- The Accounting Information System
- Adjusting the Accounts
- Completion of the Accounting Cycle
- Accounting for Merchandising Operations
- Financial Accounting
- Financial Statements: Concept and Analysis
- Current Assets
- Long-term Assets
- Liabilities
- Corporation Accounting
- Statement of Cash Flows

Faculty of Law and Economic Sciences

- Degree: *Diplome Universitaire de Comptable*, or University Diploma of Accounting
- Year 1: - Part one (*Les mecanique de base*, or The Basic Mechanism)
- Year 2: - Part two (*Les operations courantes*, or The Common Operations)
 - Part three (*Les operations inventaires*, or The Inventories)

Norton University

- Bachelor of Accounting:
- Year 1: - Principles of Accounting (I)
- Year 2: - Principles of Accounting (II)
- Year 3: - Cost Accounting, General Accounting, Managerial Accounting, and Advanced Accounting
- Year 4: - Auditing and Inventories

School of Commerce (Diploma in Accounting)

- Year 1: - Principles of Accounting
 - Financial Accounting:
 - Commercial Accounting
 - Inventories
 - Special Journal
- Year 2: - Financial Accounting:
 - Cash Control
 - Immobilizations
 - Clients
 - Cash Flow
 - Long-term Debts
 - Cost and Managerial Accounting

4. Accountancy Students Statistics

National Institute of Management:

The Institute did not provide accounting education for BBA in Accounting until the commencement of the year 1999/2000. Previously, the Institute only provided Bachelor of Business Administration in marketing, commerce, finance and banking, in which accounting is one

of the major subjects required. The Institute is now attempting to specialize in accountancy and other related fields. The training is entirely based on American textbooks. The number of students who have studied accounting by the end of the school year will be approximately 3,600.

School of Law and Economic Sciences

The total number of students graduated in accounting from the school is approximately 100. The school used to concentrate on the French Accounting System, adapted by the MEF, however, the Anglo-Saxon approach has been introduced to meet current demands.

Norton University

The total number of graduates in accounting is 173. The Anglo-Saxon methods are taught exclusively.

The School of Commerce

The school taught the French Accounting System from 1992 to 1993, and since 1994, the Anglo-Saxon methods have been taught. Total Diploma in Accounting graduates is 314.

5. Government-Qualified Accountants

The number of qualified accountants in the Royal Government of Cambodia is 15 (three in the Tax Department, one at the National Treasury, and 11 at the Department of Inspection). They each possess accounting degrees from various institutes.

Since 1998 when EFI first launched its Financial Accounting Program, the Institute has provided accounting certificates to 262 graduates (about 50 percent of the number enrolled).

The MEF has a current total staff of 4,268, of which about 26 percent work at the Ministry, 34 percent work at the Tax Department, 27 percent are customs officers/staff, and the rest are the staff of the National Treasury. Most of the EFI graduates in financial accounting are from these departments. There are no other government institutions which provide accounting training other than EFI, except for *Ecole Royal de Administration (ERA)* which provides some basic accounting knowledge for government students. Those who are graduates from ERA are

expected to hold important positions like diplomats, and administrators such as district/provincial governors.

6. Economics and Finance Institute (EFI)

EFI is a Government-owned institution that began in early 1998 with a series of in-house training programs developed by its management with the cooperation and assistance of the World Bank Institute (WBI).

EFI has provided training to Government officials of the MEF and line ministries based on the following categories:

- Training by specialists and consultants from international institutions: WBI, ADB, and United Nations Development Program (UNDP).
- Training by TA consultants working for the ministry and line ministries.
- Training by key Government officials of MEF and local trainers from line ministries and institutions.
- EFI's own trainers and training programs.

In 1999, EFI trained 2,913 officials of MEF and line ministries with 114 classes. EFI's training consists of the following categorized subjects:

- Economic Management: micro-macroeconomics, monetary policy, policy coordination, role of government and economic development, and economic analysis and forecasting.
- Financial Management: public accounting, public debt, public financial control, tax and customs, public procurement, public investment, and budget preparation.
- Accounting: financial accounting, auditing, financial statement analysis, and interpretation of commercial bank statements.
- Law: commercial law, contract law, international law, and legal process law
- Computer skills: introductory and intermediate computer skills, and intermediate access classes needed for conducting daily duties on economics and finance, and computer skills for Association of Southeast Asian Nations (ASEAN) customs and international cooperation.
- English Language: English related to economics and financial subjects, English for ASEAN customs and international cooperation, and English for training of trainers.

In addition to the above activities, EFI also conducted a number of workshops and seminars using relevant topics that are needed to

implement a number of rules of laws and important reform measures for MEF and line ministries. EFI also offered a number of topics on economics and finance that relate to actual situations in the country and the region. These programs were conducted with the cooperation of local and international institutes, namely the WBI, UNDP, etc.

Most of EFI short-term training programs aim at development and strengthening core concepts and theories as well as practical applications of subjects relating to:

- Economic management
- Public finance management
- Capital markets and financial systems
- International economics and finance
- General knowledge, and
- Applied laws.

In addition to the concepts listed above, EFI also conducts training that helps develop and enhance daily work performance and productivity that are specific to the ministry's developments and projects. These categories of training include the following:

- Accounting skills and auditing capability of the Tax, Customs, Accounting, Inspection, Budget, Financial Affairs, External Finance, Treasury, and State Property Department.
- Technology skills such as word processing, spreadsheet management, database management, software and hardware use, Internet and e-mail, etc.

Short-term courses of three to six months are offered in Public Finance Management and Accounting and Control. Subjects covered in the Public Finance Management Course include National Budget, Public Debts, Fiscal Policy and Management, Public Accounting, Fiscal Statistics, Control of Public Finance, Local Entity Finance, Customs Management, Public Procurement, Public Properties and Public Investment.

Subjects covered in the Accounting and Control Course include Financial Accounting, Financial Statement Analysis, Bank Accounting, Specialized Accounting, Auditing and Computerized Accounting.

7. National Institute of Management

The Institute was established in 1983 as the Center of Excellence for Economics and Business Education in Cambodia. It has five faculties: Management, Tourism, Commerce and Accountancy, Law and Social

Development. The graduate level was established in 1999 and the Institute now offers masters degree programs in Management, Economics, Tourism, Business, Public Administration and Accounting.

The Bachelor of Business Administration in Management Information Systems course provides basic skills in computer technology, office systems technology, telecommunications and networking technology.

The Bachelor of Business Administration in Accountancy course provides basic skills and knowledge of accounting for work in the commercial, industrial and public sectors.

The Bachelor of Business Administration in Finance and Banking course provides students with a good foundation in the techniques and issues of the finance and banking disciplines.

The Master of Business Administration course provides students with a higher degree of knowledge of Tourism, Marketing and Accounting.

8. Cambodia Electricity (*Electricite du Cambodge* or EdC)

As part of its assistance package to the EdC, ADB is funding a training program consisting of the following:

- Preparation of a Comprehensive Accounting Policy and Procedures (CAPP) manual for the establishment of effective internal controls within the head office and all provincial branches.
- Provision of training to EdC staff on key IAS principles, methods and applications and on the CAPP manual.
- Provision of training to EdC staff on the use of the accounting package or ACCPAC system upon successful installation of the upgraded version of modules purchased.

It is noted that staff are being trained on IAS principles in this State-owned enterprise.

VI. Government Budgeting and Accounting

This chapter describes government budgeting and accounting arrangements. For the purposes of this report, government is defined as central and local government organizations – State-owned enterprises (SOEs) are covered elsewhere along with private sector organizations. The chapter is structured as follows:

- 1 – Introduction
- 2 – The Constitution of Cambodia
- 3 – The Ministry of Economy and Finance (MEF)
- 4 – The National Treasury
- 5 – Budget Procedures
- 6 – Government Reporting
- 7 – Department of Budget and Finance
- 8 – Budget Preparation Procedures
- 9 – The Law on the Year 2000 Financial Management
- 10 – Donor Assistance on Public Expenditures
- 11 – Benchmarks, Ratios and Covenants
- 12 – Asset Management and Control
- 13 – Corruption Issues in the Civil Service

1. Introduction

In accordance with the Constitution, the National Assembly is the only authority that has the legislative power to approve the National Budget and the Administrative Accounts (Public Accounts). The preparation of the National Budget is the responsibility of the Department of Budget and Finance. The National Assembly enacts a law each year that promulgates the approval and implementation of each year's National Budget.

The Royal Government of Cambodia (RGC) applies the procedures of the General Accounting Plan in compiling the annual Public Accounts.

There are no financial performance indicators included as notes to the financial statements in the accounts of State-owned entities, nor is there any evidence of the calculation and use of these indicators. These indicators are covenanted requirements included in loan agreements with multilateral lending agencies.

Asset management and control is currently lacking because of difficulties encountered with the application of a new software package.

2. The Constitution of Cambodia

For the purpose of this section the relevant Chapters and Articles in the Constitution are as follows:

Chapter V: Economy

- Cambodia will adopt the market economy system and this process will be determined by law (Article 56).
- Tax collection and the national budget will be in accordance with and determined by law. Management of the monetary and financial system will be defined by law (Article 57).

Chapter VII: The National Assembly

- The National Assembly is the only authority to hold legislative power. The National Assembly approves the National Budget, State Plan, loans, lendings, and the creation, changes or annulment of tax. The National Assembly approves the Administrative Accounts (Article 90).

3. The Ministry of Economy and Finance (MEF)

The MEF is delegated by the Royal Government of Cambodia to guide and administer the economy and finance of Cambodia in order to support economic development and to improve the living standards of Cambodian people based on the principles of a free market economy and social equality. The main functions of the MEF are to:

- participate in the organization, implementation, and monitoring of the economic and financial policies of the Government
- administer and coordinate the structural reform of the economic and financial institutions
- promote good governance with regard to the economy and public finance
- allocate national revenues through the collection of income and programming and budgeting of public expenses
- establish a national uniform financial system and ensure a proper application of the law on the financial system and finance law as well as other relevant laws and regulations
- prepare and administer the National Budget
- collect all revenues and deposit them in the public accounts

- prepare balance sheets and statements of accounts for state financial operations
- manage and control public procurement transactions of the ministries/institutions, provinces/municipalities, and State-managed or autonomous institutions
- undertake inspection tasks on public finance, and
- conduct regular training for improvement of economic and financial skills of staff.

4. The National Treasury

The main functions of the National Treasury are to:

- manage the cash flow, national budget, autonomous budgets, and reserve accounts
- balance and control the State's revenue and expenses
- Participate in the orientation of currency policy performance
- regulate and follow up on the performance of finance policy and public debts
- maintain and follow up on the implementation of public accounts and centralized accounts
- design principles and accounting regulations
- ensure the general balance of accounts
- provide services to all ministries/ institutions, and provinces/ municipalities, as to the settlement of expenses, payrolls, and collection of revenues
- manage treasury bills in cooperation with the National Bank of Cambodia
- liaise with the National Bank of Cambodia in the implementation of monetary policy, and
- participate in preparing balance sheets for financial operations

The National Treasury has the power to manage and control all central, provincial and municipal customs and tax authorities as determined by the ministry.

5. Budget Procedures

The RGC has undertaken several key reforms in public finance since the promulgation of the new Constitution in 1993. The financial control and budget accountability were strengthened considerably with the

approval of the Organic Budget Law in 1993. The Government also passed the 1994 Budget that aimed at increasing revenues and restricting expenditures. The 1994 Finance Law provided the legal basis for major fiscal reforms that established principles necessary for the proper conduct of public financial management.

In order to improve Government transparency and accountability, the Council of Ministers approved, in 1995, a Sub-Decree on Public Procurement and a Sub-Decree on the General Rules and Principles Governing Public Accounting to ensure that all revenues and expenditures flowed through the budget and to ensure openness in tendering, procurement and contracting.

In accordance with Article 90 of the Constitution, the National Assembly is responsible for the approval of the National Budget.

ADB will provide assistance in this area with a proposed and confirmed TA involving Strengthening Capacity in Public Finance Management. This TA will include improvement in budget management through strengthening capacity in MEF and priority ministries.

6. Government Reporting

The National Treasury is required to submit Income and Expenditure Reports to the MEF on a daily and monthly basis. The annual public accounts are submitted to the National Assembly for approval each year. In July 2000, the Annual Accounts for 1998 were approved.

7. Department of Budget and Finance

The main functions of the Department of Budget and Finance in respect of the management and implementation of the State budget are to:

- develop laws and public finance regulations
- set revenue and expense indices for implementation by ministries, institutions, provinces and municipalities
- release budgeted funds to ministries and institutions at the central level and to provinces and municipalities according to their line items, articles and chapters in the Table of the National Budget
- maintain a record of the National Budget in the account book to indicate the status of its implementation
- cause the preparation of accounting reports and to participate in the development of the monthly financial balance sheet

- issue instructions concerning financial, technical, and budgetary needs for specialized entities at all levels
- follow up on the accounting for of all revenues and expenses in the National Budget
- summarize and conclude all budget performances, including project performance, and evaluate the economic and financial situations for the coming year
- create financial control of national expenditure, and
- prepare a monthly reconciliation of control against administrative accounts and revenue and expense accounts

8. Budget Preparation Procedures

The following procedures apply, in general, for the preparation of the National Budget:

- The MEF and the National Bank of Cambodia (NBC) draft an analysis of the budget after taking into account the previous year and the budget estimation for the last six months of the current year.
- The MEF and the NBC draft a comparison of revenue and expenditures.
- Based on this comparison, the MEF estimates maximum ceilings of expenditures and submits the first budget plan to the Council of Ministers.
- Based on this plan the Council of Ministers defines the budget ceilings of each ministry.
- The MEF requests all ministries to prepare a budget proposal based on the Circular of Technical Work of the Budget.
- All departments, provincial offices, agencies, institutions and ministries prepare a budget proposal.
- Each ministry reviews and centralizes the budget proposal and then forwards it to MEF.
- The budget department of the MEF centralizes all budget proposals and calculates the total budget requirement.
- A meeting is held between MEF and each ministry to discuss the budget proposal based on each ministry's appropriate supporting documents for expenditure.

- After discussion with all ministries involved, the MEF prepares a proposal for the National Budget for submission to the Council of Ministers.
- Following the Council of Ministers approval, MEF then prepares the Finance Law for submission to the Council of Ministers. The Finance Law (entitled The Law on the Year ... Financial Management) is prepared each year and includes the National Budget for that year.
- Discussions are then held between the MEF and the Council of Ministers before approval of the Finance Law.
- The National Assembly considers the Finance Law for approval.
- Following National Assembly approval, the Finance Law is signed by the Head of State.
- The Council of Ministers approves the distribution of the Finance Law.
- The MEF allocates budget credits amongst all ministries and other government institutions.
- The National Budgets Book, detailing revenues and expenditures of the RGC National Budget, is set up by the MEF.

9. The Law on the Year 2000 Financial Management

This Law contains the National Budget for the year 2000 and was adopted by the National Assembly on 16 December 1999, and approved by the Senate on 24 December 1999.

The Law contains the general provisions on Revenues and Expenditures of the State budget. The Revenues are divided into:

- Current Revenues
 - Duties and Taxes
 - Non-Fiscal Revenues
- Capital Revenue
 - Internal Capital Revenue
 - Foreign Capital Revenue

Revenues are further shown as current year, previous year and difference. Expenditures are divided into

- General Expenses
 - Central Administration
 - Provinces

Capital Expenditure

- Committed Credits
- Payment Credits
- Domestic Financing
- Foreign Financing
- Repayment of Loans

General Expenses are further shown as current, services, interest, public intervention and others. Capital Expenditure is shown as project cost, actual two years before, estimate one year before, current year, projections for one and two years and balance.

There are further sub-decrees issued which formally approve the division of Revenues and Current and Capital Expenditures into the various ministries and quasi-public institutions.

10. Donor Assistance on Public Expenditures

Public expenditures have been heavily dependent on assistance from donors in recent years. Almost 70 percent of all public expenditures (excluding defense and security) have been funded by donors and dependency on this form of assistance is highest in the economic sector, which stands at 80 percent.

11. Benchmarks, Ratios and Covenants

There are no standard performance ratios or covenants issued as a benchmark for enterprise performance. Social and financial covenants are applied to projects only, in accordance with loan agreements with multilateral lending agencies.

12. Asset Management and Control

The Department of Public Property is responsible for controlling and recording the Government's assets. In 1993 an inventory of government assets was taken and an asset recording system was introduced.

This system was lacking in detail and control and, with the assistance and guidance of the European Union, a new computerized system was formulated in 1997. The system is the focal point of asset recording and requires that assets be recorded under two categories:

- State property owned and controlled by line ministries, and
- State property owned by provinces and controlled by the Ministry of the Interior.

There are 33 sites at central level, this includes government agencies and institutions and there are 27 sites at provincial level. Public Enterprises (e.g. *Electricite du Cambodge*) maintain their own asset records and control. The new format was introduced in September 1999 and this required, as a starting point, that all ministries and provinces complete a rather detailed form that comprised comprehensive records of all assets at various locations. Unfortunately, to date only 11 ministries and 12 provinces have responded. Seminars were held throughout Cambodia and staff were shown how to fill in the new forms and insert information which was mainly based on the existing system plus more details, including description, model numbers, etc. All values are shown in millions of Riel.

The new Asset Recording System is based on a computerized central database system that relies on the receipt of information from provinces and line ministries. Unfortunately, the staff who are supposed to operate the system have not been trained sufficiently and they are unable to open or operate the data base hence no asset recording has commenced on the new system. The old system, with very few details, is still being maintained. It is not possible to obtain the gross or net value of government assets in Cambodia.

13. Corruption Issues in the Civil Service

The Terms of Reference of this Study do not involve an in-depth review of corruption issues in the civil service. However, in an emerging free market economy such as Cambodia's, coupled with a very low civil service salary structure, it is appropriate to consider how best to deal with corruption issues when studying financial governance.

One of the most basic structural problems in Cambodia is the low salary rates of the public sector. This has direct implications on the efficiency, integrity and reform process of the public service. The low salary issue needs to be seriously addressed otherwise the reform process may be impeded. Table 2 presents the monthly wages of selected paid employees (based on their primary occupation) by major occupation group and stratum for 1999.

GOVERNMENT BUDGETING AND ACCOUNTING

Table 2: Monthly Wages of Selected Occupations⁵

Occupation	Cambodia (KR)	Phnom Penh (KR)
Employed Population	165,000 (US\$43)	299,000 (US\$79)
Legislators, Senior Officials and Managers	138,000 (US\$36)	399,000 (US\$105)
Clerks	187,000 (US\$49)	307,000 (US\$99)
Plant and Machine Operators and Assemblers	302,000 (US\$70)	396,000 (US\$104)

The average salaries of senior Government officials in Phnom Penh was KR399,000 (US\$105) per month which is approximately two-and-a-half times the national average. The above table also shows that plant and machine operators and assemblers receive almost the same salary as senior government officials. Government salary rates are insufficient to afford a reasonable standard of living and most civil servants resort to more than one job or other means to support themselves and their families.

The Royal Government of Cambodia passed a sub-decree on the Establishment of the Unit to Fight all Corrupt Activities. The Unit is under the management of the Secretariat General for Administrative Reform and consists of the following members: -

- | | |
|--|-----------|
| • Administrative Reform Secretary General | President |
| • Advisor to National Authority against Drugs | Member |
| • Advisor to Prime Minister (two positions) | Member |
| • Chief Commander of the National Military Police | Member |
| • Undersecretary of the Ministry of Parliamentarians, Senate Relations and Inspections | Member |
| • Director of the General Inspectorate of MEF | Member |
| • Office of Government Jurists | Member |
| • Office Head of the Ministry of Justice | Member |

⁵ Socio-Economic Survey 1999.

VII. Donor Assistance

This chapter describes donor coordination mechanisms and discusses donor activities in relation to financial management and governance arrangements. It is structured as follows:

- 1 – Overview
- 2 – Coordination Mechanisms
- 3 – Asian Development Bank
- 4 – French Government Assistance
- 5 – The World Bank
- 6 – European Union

1. Overview

Foreign assistance continues to play an important role in Cambodia (Table 4). After the 1993 UNTAC-sponsored elections, Official Development Assistance (ODA) flowed to the country at the rate of \$500 million annually up to 1997. Following the July 1997 political crisis, Germany and the United States suspended their aid programs although the latter continued its humanitarian aid which accounted for about one-third of its aid package. Most donors, however, did not proceed with new projects until late 1998. The International Monetary Fund (IMF) suspended the Enhanced Structural Adjustment Facility (ESAF) and withdrew its representative in September 1997.⁶ Cambodia receives the third highest per capita level of external assistance of the seven countries participating in RETA-5877 (Table 3).

Table 3: Official Development Assistance⁷

	Cambodia	People's Republic of China	Mongolia	Pakistan	Papua New Guinea	Uzbekistan	Viet Nam
Dollars per capita	36	2	99	5	78	6	13
Percentage of GNP	12.1	0.2	26.7	1.0	7.8	0.5	4.1

⁶ Asian Development Bank. December 1999. *Country Assistance Plan (2000-2002): Cambodia*. p. 16.

⁷ Data is for 1997 and is sourced from: World Bank. 2000. *World Development Report 2000*.

Table 4: Overall External Assistance to Cambodia⁸

External Source (US\$ million)	Past Three Years (1995-1997)	1999 Program
	Annual Average	
	Loan/Credit/TA	Loan/Credit/TA
Multilateral		
ADB	35.1	88.0
European Union	41.1	..
IMF	14.2	17 - 20
UN Agencies	40.3	..
World Bank	32.5	60 - 80
Others (NGO)	35.5	56.0
	198.7	221-250
Bilateral		
Australia	25.0	..
Canada	3.8	..
China, People's Republic	7.8	..
Denmark	10.1	..
France	43.6	20.0
Germany	11.2	..
Japan/JICA	96.2	100.0
Netherlands	6.1	..
Sweden	19.6	20.0
United Kingdom	5.6	..
United States (USAID)	39.7	..
	268.7	220-299
Total	467.4	470.0

2. Coordination Mechanisms

A large number of bilateral and multilateral donors, United Nations agencies and nongovernment organizations are active in Cambodia. Recognizing the need for effective coordination among donors, the Government established the Council for the Development of Cambodia (CDC) in 1994. The third Consultative Group (CG) meeting was held in Tokyo in February 1999. The meeting welcomed Prime Minister Hun Sen's proposal to engage the donor community in periodic dialogue on policy and hold in-country monitoring meetings on a quarterly basis.

⁸ Asian Development Bank December 1999. Country Assistance Plan (2000-2002): Cambodia. p. 25.

The first such meeting was held in mid-June 1999. A monitoring framework with agreed targets and benchmarks is being developed.

3. Asian Development Bank

Cambodia re-established relations with ADB soon after the signing of the Paris Peace Accord in October 1991. Since the resumption of ADB operations in 1992 through to the end of 1998, ADB has approved 10 loans to Cambodia for a total of about \$287 million – only one of these was a program loan. At the same time, ADB had approved 54 technical assistance (TA) grants totaling \$42.2 million.⁹

All of the loans approved so far are currently classified as satisfactory or highly satisfactory in terms of development objectives. All projects except for one are satisfactory in terms of implementation progress. As of 31 December 1999, audited accounts were due for eight loans of which seven had complied. For the one late complying loan, submission was delayed by less than six months.¹⁰

The drafting of the recently enacted Law on Audit and other procedures involving the establishment of an External and Internal Audit Function in Cambodia were sponsored by ADB under Technical Assistance Project TA 2566 – Developing Capacity in Audit and Inspectorate Function. The ADB will continue to assist in this area and have proposed a further TA – Capacity Building in Audit Function II.

This Law on Audit was enacted in March 2000 and the General Provisions provide for the establishment of a National Audit Authority that will be responsible for executing the external auditing function of the Government. The Law also provides for the establishment of an internal audit function in Government ministries and public enterprises.

ADB is also sponsoring further technical assistance, which will lead to improved financial management and governance within the Royal Government of Cambodia (RGC). An Aide Memoire was recently agreed to which detailed a proposed TA for Strengthening Capacity in Public Finance Management.

⁹ Asian Development Bank. December 1999. *Country Assistance Plan (2000-2002): Cambodia*. pp. 6-7.

¹⁰ Asian Development Bank. March 2000. *Semi-Annual Report on Loan and Technical Assistance Portfolio Performance for the Period Ending 31 December 1999*. pp. 39-41.

4. French Government Assistance

In mid-1999 the Ministry of Economy and Finance (MEF) formally requested the French Government for assistance in upgrading the Cambodian Accounting Standards to International Accounting Standards. The French Government agreed to this request and it was decided to utilize existing grants to fund the study in four parts: -

- Public Sector Accounting
- Private Sector Accounting
- Revenue Mobilization through Taxation
- Computerization for Ministry of Economy and Finance

The study was carried out in late 1999 by the French consultant *Conseil National/de la Compagnie Nationale* and a set of documents was submitted to the MEF in March 2000. If implemented, the documentation will assist in upgrading the present Cambodian system to International Accounting Standards (IAS). The recommendations in the Submission were mainly aimed at the private sector and included a framework for the preparation and presentation of financial statements that was similar to those approved by the Board of the IAS Committee in April 1989 and published in July 1989.

5. The World Bank

The RGC has initiated a financial sector development program, the objectives of which are as follows:

- The design of appropriate accounting and auditing education and training programs.
- The establishment of an independent Financial Accounting and Auditing Standards Board to advise the Government on passing laws and regulations to introduce accounting, auditing and financial reporting standards consistent with IAS as promulgated by the International Federation of Accountants.
- The establishment of an Institute of Certified Public Accountants in Cambodia.

The World Bank has funded a Project¹¹ to cover certain aspects of this development program and the Consultant's Terms of Reference are as follows:

- Draft an Accounting and Auditing Law

¹¹ Refer IDF Grant No. TF027305. Project completion date is 30 April 2001.

- Draft Reports on Accounting and Auditing Standards
- Draft a Report recommending examination, certification and licensing professional accountants and auditors
- Develop a 30-hour training module for informing government officials on the new proposed IAS for Cambodia

6. European Union

The European Union has financed a new computerized system of Government Asset Recording that was formulated in 1997. The system is the focal point of asset recording and requires that assets be recorded under two categories as follows:

- State property owned and controlled by line ministries, and
- State property owned by provinces and controlled by the Ministry of the Interior.

Unfortunately, the staff responsible for operating the system have not been trained sufficiently and they are unable to open or operate the database hence no asset recording has commenced on the new system. The old system, with very few details, is still being maintained.

VIII. Issues and Recommendations

This chapter presents the issues and recommendations that are associated with gaps or weaknesses in accounting and auditing arrangements. The issues and recommendations are divided into two parts as follows.

- Part One: Where the matter referred to may be considered and, if any action is to be taken, this would be better achieved with external assistance.
- Part Two: Where the matter referred to may be considered and, if any action is to be taken, this may be achieved without the need for external assistance.

Part One. Where Donor Assistance Might be Appropriate

1. The Accounting Profession

Although Cambodian law appears to require that financial reporting be done in accordance with standards contained in The Cambodia General Accounting Plan, the application of these standards is not monitored nor is there any discouragement of other methods. The private sector, especially those firms which require their books to be audited, applies international accounting standards.

Under Article 3 of the Sub-Decree on The Organization and Functioning of the Ministry of Economy and Finance, the Ministry of Economy and Finance (MEF) is required to prepare balance sheets and statements of accounts for state financial operations. These statements are not prepared and it would not be possible to prepare an accurate set of financial statements using the present systems, e.g., the current system of non-current asset recording is not operable.

It is important that Cambodia adopts accounting standards which are internationally accepted before the Government puts in place the necessary facilities to achieve meaningful financial reports and annual financial statements. There are 104 member countries of the International Federation of Accountants and all of these nations have agreed to encourage their own public and private sectors to adopt International Accounting Standards (IASs). Other ASEAN members that belong to the International Federation of Accountants include Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam.

The adoption of international accounting standards will enhance foreign investor confidence in Cambodia and it would give added impetus to the reform of the financial sector.

Cambodia needs to establish an accounting profession that delivers a high quality of service to both the public and the private sector. In the case of the private sector, this aspect is currently undertaken mainly by expatriate accountants working for international accounting firms. In order to establish a strong accounting profession in Cambodia the following steps should be taken:

- Upgrade the level of accountancy training within Cambodia to that of an international standard. The first step in achieving this is to introduce an intensive training course for the training of Cambodian accounting professors and lecturers. Initially, this would involve a selection of people who would be attached to overseas organizations, who would be ultimately responsible for the design and application of suitable courses.
- Form a professional society of accountants within Cambodia by law.
- Adopt IASs by law and make application to join the International Federation of Accountants.
- Establish an independent Accounting Standards Board.

It is recommended that:

- **A professional institute of accountants be formed in Cambodia and be given due recognition by law. If adopted, the draft law on "Corporate Accounts, their Audit and the Accounting Profession" and the associated decrees and sub-decrees would legally establish such an institute.**

2. Accounting Training

There are a number of factors that will increase the need for highly qualified accounting and auditing professionals in Cambodia.

- The emerging market economy will require investors to seek competent advice on many accounting matters in order to ensure their businesses are successful.
- The increase in the foreign investment market will prompt overseas investors to seek local expert advice on financial matters such as tax, company, and banking laws.

- The need to strengthen the Government's financial expertise, especially in the Department of Tax and General Inspectorate Department, and the establishment of the National Audit Authority will increase the opportunities for highly qualified accountants and auditors.

The present institutions involved in accountancy and auditing training cater to local requirements and the courses fall short of international standards. However, these institutions are reasonably well equipped and consideration should be given to the possibility of upgrading accountancy education in Cambodia in order that an internationally accepted level is reached.

Other means of enhancing accountancy education is by distance learning or external correspondence courses with overseas universities. Many countries provide this facility including the United Kingdom, Australia, United States, Pakistan, etc. Bilateral aid agencies also offer scholarships for this type of education and this avenue should be explored.

It is recommended that:

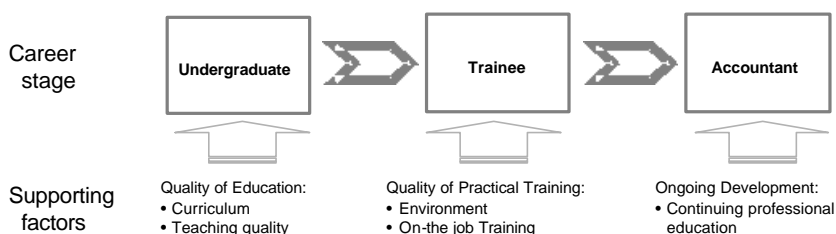
- **The accountancy and auditing training in Cambodia needs to be urgently upgraded to that of an international standard. In order to achieve this it is further recommended that:**
 - **The Royal Government of Cambodia (RGC) explore the possibility of upgrading the current accounting courses on offer in Cambodia to that of an international standard.**
 - **The RGC make inquiries as to the possibility of sponsored distance learning or correspondence courses with overseas universities on a quantitative basis.**
 - **The RGC approach bilateral aid agencies requesting accounting scholarships for Cambodian students.**
- **Technical assistance be provided in the field of post-graduate commercial training to assist the RGC in upgrading the accountancy training available in Cambodia to that of an international standard.**

3. Training for Accounting Lecturers and Professors

There is no specific advanced training program for continuing education of accounting lecturers and professors in Cambodia. In order to develop competent accounting graduates, the trainers themselves must be

thoroughly conversant with modern-day practices and trends. Figure 1 presents a simplified way of looking at the factors that support the development of competent accountants.

Figure 1: Developing Competent Accountants



The quality of undergraduate teachers is a key factor in developing competent accountants. It is noted that in Cambodia, only four accounting professors possess a degree in commerce or business studies.

It is recommended that:

- **a specific training program for accounting professors and lecturers be developed and implemented. This training program should include present day best practices in accounting procedures and current information available on International Accounting Standards. Important matters such as information technology (including both hardware and software) should also be included, and**
- **a professional organization be established in order that accounting professors and lecturers may further their education and share their technical knowledge through a common forum.**

4. Security and Control of Fixed Assets

Security and control of Non-Current Assets are lacking in existing government accounting procedures. The new Asset Recording System, which is the focal point of the asset recording function, would most likely be satisfactory as regards to format and detail. However, staff need to be urgently trained on the use of the software in order to make the system operative.

Another problem occurs in that, even if the new system were in place, there appears to be no reconciliation between the amounts spent on non-current assets and the values to be recorded in the Asset Register. There is no link or communication with the National Treasury

Department on capital expenditure; the Asset Register is updated on advice received from the recipient ministry or province.

It is recommended that:

- **The software for the Asset Recording System, which is the focal point for the asset-recording function, be reviewed in order to assess its adequacy and to determine whether a more suitable package may exist in today's market.**
- **If it is decided to continue with the existing software package the staff should immediately receive proper training on the use of the software.**
- **A monthly report be prepared by the National Treasury Department on the capital expenditure incurred and that this report be used as the basis for updating the Assets Register. A reconciliation should be carried out on a monthly basis. Reports should be sent to provinces and ministries requesting the physical verification of non-current assets with details contained in the Assets Register.**

5. The Draft Capital Market Law

The draft Capital Market Law appears to be a much-needed attempt to draft an important legal framework covering two aspects:

- The law relating to companies, and
- The law relating to a stock exchange.

This draft law may be adequate for the Stock Exchange Articles, however, there are urgent legal matters, and regulations, etc., which need to be promulgated immediately relating to Company Law which are not covered. Many foreign institutions including banks have established subsidiaries in Cambodia and are operating on an unregulated activity basis. Some laws relating to parts of the Company Law have been established (Law on Banking and Financial Institutions and Law on the Commercial Rules and Registration). However, all the laws relating to companies have to be established and consolidated into one Act.

There is presently a lack of a coherent code of Company Law in Cambodia with the result that it has been considered necessary to include within the draft Capital Market Law a number of articles covering those aspects of Company Law essential to the formation and ongoing regulation of public companies.

Since the Capital Market Law has not yet been passed it is considered necessary to promote a law relating to companies in the first instance, then, at the appropriate time, promote a law relating to the stock exchange.

The current draft Capital Market Law falls short of many topics that should be covered in a law related to companies. The following is a list of the more important topics that should be considered for inclusion in any law relating to companies:

- The Corporate Authority (could become the Securities Commission after the Stock Exchange Law is promulgated)
- Incorporation of Companies
- Memorandum and Articles of Association
- Registration
- Non-profit Organizations
- Companies Limited by Guarantee
- Conversion of Private Company to Public Company and Vice Versa
- Company Prospectus
- Issues and Transfers of Shares and Debentures
- Allotment of Shares
- Types of Shares and Share Capital
- Limited and Unlimited Companies
- Shareholders Rights
- Annual General Meeting
- Register of Members
- Meetings and Proceedings
- Directors
- Financial Accounts Requirements
- Dividends
- Audit
- Arbitration
- Receivers and Managers
- Winding Up by Court
- Voluntary Winding Up
- Liquidation
- Companies Established Outside Cambodia
- Legal Proceedings

Regulations would need to be established which would include such matters as form and content of Memorandum and Articles of Association, Reports Required, form of Prospectus and Documents, Form of Annual Return, Requirements of Balance Sheet and Profit and Loss Account, and Table of Fees, etc.

It was noted that a draft Law of Commercial Enterprises does exist which was prepared by the World Bank Legal Advisory Assistance Unit. The contents of this draft, which is being administered by the Ministry of Commerce, cover many of the points mentioned above. However, it is noted that no regulations have been drafted.

It is recommended that:

- **The current draft Capital Market Law and the draft Law of Commercial Enterprises be reviewed and replaced by a comprehensive Law on Companies and, at the appropriate time, a further law be drafted regarding the establishment of a Securities and Exchange Commission and a Stock Exchange.**
- **Technical assistance be provided for a legal expert with knowledge of Companies Law and Securities and Exchange Commission and Stock Exchange Law be engaged to undertake these tasks.**

6. Public Accounts Committee

Under Cambodian laws and regulations, there appears to be no independent body, which is separate from the Government, which carries out an independent review of all public expenditures incurred by Government ministries, agencies, and enterprises.

It has been suggested that the Finance and Banking Commission (FBC) fills the role of a Public Accounts Committee in an ad hoc fashion. However, the FBC has no official role or procedural document and its constitution has yet to be drafted. A well-meaning and competent Public Accounts Committee (PAC) made up of members of the National Assembly, instills public confidence in government financial operations.

The general functions of most public accounts committees are to examine the accounts of Government and State-owned enterprises to ensure that amounts expended were appropriate and in accordance with budget and were applicable to the service for which they were charged or allocated. Some countries go much further than this and the PAC is sometimes responsible for the examination of annual financial

statements and the examination of reports of the Auditor General which are submitted to Government. In most cases members of public accounts committees are not necessarily qualified accountants and their obligations and duties should reflect this fact.

The main advantages of having a competent PAC in operation are that it is independent from the Government and its decisions, findings and recommendations are formulated without bias. The hearings are transparent and open to the public and this adds public confidence to the results of the investigations.

It is recommended that:

- **A Public Accounts Committee be established and be comprised of members from the National Assembly. This committee should be established by law and the objectives, rules and procedures should be transparent and in the interests of the public.**
- **It is further recommended that the appropriate technical assistance be granted to assist in drafting the necessary laws and regulations.**

Part Two. Where External Assistance is Not Required

7. Establish Public Sector Accounting Standards Board

The International Federation of Accountants has released the first eight International Public Sector Accounting Standards (IPSASs) designed to enhance the accountability and financial management of governments worldwide. The release of these documents means that for the first time there is an authoritative set of independent financial reporting standards for governments.

IPSASs 1-8 are the first in a set of accrual-based accounting standards applicable to the public sector and will contribute significantly to the provision by governments of comparable, relevant and understandable financial information.

The IPSASs are based on the International Accounting Standards (IASs) issued by the International Accounting Standards Committee (IASC). The IASs are adapted as necessary to reflect their application to the public sector.

IFAC also recognizes that many governments may not yet be in a position to adopt the accrual-based IPSASs. To assist these

governments, the Public Sector Committee (PSC) of IFAC has developed an exposure draft ED Financial Reporting under the Cash Basis of Accounting. This sets out the requirements for the presentation of the primary financial statement under the cash basis of accounting, as well as the statement's structure and minimum content requirements. The requirements that are likely to emerge in this standard should lead to transparency where governments remain on the cash basis of reporting.

Building on the momentum of the recently released first set of final International Public Sector Accounting Standards (IPSASs), the International Federation of Accountants (IFAC) Public Sector Committee (PSC) released a further six new exposure drafts. The exposure drafts are another key step in the PSC's efforts to develop a comprehensive set of international accounting standards for governments around the world.

In addition to the new standards and exposure draft, the PSC has released a study, Governmental Financial Reporting: Accounting Issues and Practices. The new study aims to assist governments in the preparation of their financial reports and contains a detailed description of the common bases of accounting used by governments: cash accounting and accrual accounting, as well as a brief discussion of common modifications to the cash and accrual bases. The study also provides examples of actual financial statements prepared under each basis of accounting.

International importance is now being actively directed towards the issue of accounting standards for the public sector and it is appropriate that Cambodia should keep pace with developments. It is also appropriate for Cambodia to consider the establishment of a Public Sector Accounting Standards Board and the application of Public Sector Accounting Standards at a time when Cambodia is currently moving forward and making important changes in its accounting and auditing policies and regulations

It is recommended that consideration be given to the setting up of a Cambodia Public Sector Accounting Standards Board in order to plan and establish the Cambodian Public Sector Accounting Standards, and to organize and monitor the implementation of these Standards.

It is further recommended that the Public Sector Accounting Standards issued by IFAC be used as a base to develop the Cambodian Public Sector Accounting Standards.

8. Establishment of the Position of Accountant General

With the introduction of International Public Sector Accounting Standards, the MEF establishment needs to be reviewed in order that due recognition is given to developments in this area. There appears to be no senior officer within the Ministry whose duties include the monitoring and review of accounting standards. These responsibilities are best placed in a division headed by an Accountant General.

It is recommended that consideration be given to the creation of a position entitled "Accountant General." The duties of this position would ideally include the monitoring and review of International Public Sector Accounting Standards. Recommendations would come from this Officer regarding the adoption of Standards and these submissions would be made to the Public Sector Accounting Standards Board.

It is further recommended for consideration that the functions and responsibilities of Public Accounts be included in the duties of the Accountant General.

9. Transparency

There is a lack of transparency with Government reporting. There is practically no interface with the public nor the private business sector and at times it is most difficult to ascertain what financial reports are issued by the Government.

There appear to be no financial reports that disclose information on how resources have been used and accounted for, nor does there appear to be any financial instructions on these matters.

Article 90 of the Constitution states that "The National Assembly shall approve Administrative Accounts." It was not possible to view the "Administrative Accounts" nor was it possible to confirm their existence.

It is known that a document does exist which is referred to as the "Implementing Budget" and another document that may be the same document, referred to as "The Statement of Settlement of Budget." It was not possible to view an English version of these documents.

The National Budget itself is a public document and is freely available, however it was difficult to obtain information on actual Government expenditures and revenues and what reports, if any, were available as public documents.

One criterion of good governance is transparency and this is based on the extent to which information on public sector decision-making, policies, actions, and performances are made available to the public.

It is recommended that all government accounts of public expenditures and revenues be available for public information and that all statistical data, inventories of public property, government rules and procedures, procurement policies, etc., be also classified as public information.

10. Financial Performance Indicators

In many countries, State-owned enterprises, in particular those that generate their own revenue, often include financial performance indicators as Notes to the Financial Statements. These financial performance indicators include Rate of Return, Self-Financing Ratio (Contribution to Capital Ratio) and Debt Equity Ratio.

The Rate of Return measures the profitability of an organization based on the return (expressed as a percentage) it achieves on the invested capital.

The Self-Financing Ratio measures the amount of self-generated funds invested in the acquisition of capital assets.

The Debt Equity Ratio is a measurement of long-term debt expressed as a ratio of long-term debt and equity.

These financial performance indicators assume greater significance when used as a benchmark for comparisons between financial periods.

The financial performance indicators described above are often included as covenants in Project Agreements and Loan Agreements with international finance institutions.

It is recommended that consideration be given to the adoption of financial performance indicators as benchmarks for comparison purposes between financial periods in State-owned enterprises that generate their own income. If adopted, the indicators recommended are the Rate of Return, the Self-Financing Ratio and the Debt Equity Ratio; and further, that these indicators be included as Notes to the Financial Statements.

11. Budget Monitoring Process

There appears to be no transparent budget monitoring process where actual performance can be compared against planned performance on a regular basis. There needs to be a coordinated approach by line ministries and provinces and institutions with the core budget departments of MEF in order that budgeted revenues and expenditures are monitored, at least on a monthly basis, in order that planned targets may be met.

The roles of various officers in the departments concerned should be reviewed to ensure that responsible officers are undertaking these monitoring procedures. The tasks involve not only the monitoring process but also the investigation of discrepancies and the institution of remedial action where necessary.

The budget cycle appears to be timed so that final discussions are held with the Council of Ministers by early December. This leaves little time for a final review and adjustment and it is considered that the cycle should be revised in order that these discussions are held approximately two months earlier.

It is recommended that:

- **The budget monitoring process be reviewed in order that adequate procedures are put in place to better attain planned targets. This will involve the dissemination of actual costs of expenditures and revenues to line ministries, provinces, agencies and institutions on a monthly basis showing actual and budgeted figures and requiring explanations of discrepancies. Remedial action should also be advised.**
- **The functions and responsibilities of senior staff in line ministries, provinces, agencies and institutions are reviewed in order that the budget monitoring process will be effective.**
- **The budget cycle be revised in order that final discussions are held with the Council of Ministers in October each year.**

12. ADB Anti-Corruption Policy

ADB's anti-corruption policy is centered on three objectives: (i) Supporting competitive markets, and efficient, effective, accountable, and transparent public administration as part of ADB's broader work in governance and capacity building; (ii) Supporting promising anti-corruption efforts on a case-by-case basis and improving the quality of

ADB's dialogue with its developing member countries (DMCs) on a range of governance issues, including corruption; and (iii) Ensuring that ADB's projects and staff adhere to the highest ethical standards.

In order to combat corruption in the public service, it is recommended that:

- **A Public Accounts Committee needs to be established and adequately recognized in the Constitution or by legislation. The advantages of establishing an independent Public Accounts Committee and its functions have been detailed previously.**
- **Adequate accountability measures should be in place within the public service. These measures should be transparent to the individuals concerned and should be covered in position descriptions or included in finance instructions.**
- **Procedures should be in place for the detection and investigation of corruption. Strengthening internal control procedures or broadening the scope of the internal audit may achieve this.**
- **The employment and training of accountants should be enhanced within the public service. All accounting bodies have a stringent code of ethics and deviations from this code could lead to dismissal from the accounting society. The employment of people committed to these ethical codes of behavior will enhance the overall integrity of public servants. Employees should be encouraged to further their careers by taking up additional training that will lead to obtaining professional qualifications. The Government should undertake Retraining and training in government procedures.**
- **Effective internal controls with properly constructed transparent guidelines should be established and adherence to these guidelines should be monitored. This monitoring process could be achieved by inclusion in the mandate for internal audit.**

IX. Main Deficiencies and Action Plan

Cambodia has made reasonable progress in reforming accounting and auditing arrangements to meet the needs of a mixed market economy. Given the scale of this task, it is not surprising that this study has identified several gaps and weaknesses that may be categorized as follows:

- Those deficiencies that are better able to be resolved with external assistance; and
- Those deficiencies that are able to be resolved without the need for external assistance.

Issue	Priority	Donor Assistance?	Country Support	2001 ~ 2005
Supporting the upgrading of accounting and auditing training	High	✓	✓	■■■■■■■■
Assisting in the training of accounting lecturers and professors	High	✓	✓	■■■■■■■■
Assisting a review of the asset recording system	High	✓	✓	■■■■■■
Assisting in the formation of a professional institute of Accountants	Medium	✓	✓	■■■■■■■■
Assisting the upgrading of postgraduate training	Medium	✓	✓	■■■■■■■■■■
Supporting the preparation of a monthly report on capital expenditure	Medium	✓	✓	■■■■■■
Supporting the replacement of the existing draft laws on Capital Markets and Commercial Enterprises with a comprehensive Law on Companies	Medium	✓	✓	■■■■■■

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Issue	Priority	Donor Assistance?	Country Support	2001 ~ 2005
Lack of transparency in government reporting	Medium	✗	✓	■■■■■
Inadequacies in the budget monitoring process	Medium	✗	✓	■■■■■
Supporting the establishment of a Public Accounts Committee	Low	✓	✓	■■■■
The absence of a Public Sector Accounting Standards Board	Low	✗	✓	■■■■■■■■
Absence of Public Sector Accounting Standards	Low	✗	✓	■■■■■■■■
Absence of Accountant General position	Low	✗	✓	■■■■■

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Appendix 1 Interviewees

Our appreciation is acknowledged to the following people who gave their valuable time for discussions and interviews:

Sally Relph	Country Manager	PriceWaterhouseCoopers
Seneka Fernando	Resident Manger	Ernst & Young
Rany Chung	Country Manager	KPMG
Mam Nich	Inspector General	General Inspectorate, Ministry of Economy and Finance
Tep Yath	Deputy Inspector General	General Inspectorate, Ministry of Economy and Finance
Lonh Ponnara	Officer	General Inspectorate
Sim Eang	Deputy Director	Tax Department, Ministry of Economy and Finance
Chem Veasna	Deputy Head	Tax Policy Unit, Tax Department, Ministry of Economy and Finance
H.E. Ngy Tayi	Undersecretary of State	Ministry of Economy and Finance
Hak Ponnarin	Deputy Head Office	ADB Unit, Ministry of Economy and Finance
Net Mony	Vice Director	State Property Department
Hem Sivorn	Office Head	Inventory Office, State Property Department, Ministry of Economy and Finance
Men Sarun	Officer	Inventory Office, State Property Department, Ministry of Economy and Finance

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Mey Vann	Deputy Director	Financial Industry, Ministry of Economy and Finance
Michel Connen	Conseiller Economics and Commerce	French Embassy
Genevieve Javaloyes	Directrice	Agency of French Development
Pen Thirong	Chief	ADB Unit, Ministry of Economy and Finance
Urooj Malik	Resident Representative	Asian Development Bank, Cambodia Resident Mission
Piseth Long	Programs-Operations Analyst	Asian Development Bank, Cambodia Resident Mission
Peter Cordukes	Consultant	Asian Development Bank, Consultant
Nihal Fernandopulle	Consultant	Asian Development Bank, Consultant

Appendix 2 RETA-5877 (Regional Study) Information

1. Study Phases

The study had four broad phases as follows:

- Phase I – Cambodian Case Study on Accounting and Auditing Support and Structures
- Phase II – Phnom Penh Workshop (6 July 2000)
- Phase III – Development of Reference Materials
- Phase IV – Formulation of Action Plan

2. Phase I: Cambodian Case Study

This phase involved the examination of Cambodia's current accounting and auditing structure and systems. It also (i) analyzed Cambodia's political, institutional, and regulatory and legal framework on accounting and auditing practice and the level of enforcement of existing laws, rules, and regulations; (ii) identified gaps and weaknesses in accounting and auditing support available and deviations from international standards; and (iii) identified alternative options to remedy the identified weaknesses, with the objective of eventually doing away with these. A structured questionnaire, that covered the following areas, was used to collect descriptive information:

- (i) Legal and regulatory framework (public and private sector)
- (ii) Accounting infrastructure (professional bodies and accounting standards)
- (iii) Institutional issues (public and private sector)
- (iv) Government and administrative arrangements
- (v) Financial reporting (public and private sector)
- (vi) Accounting and computerization (public and private sector)
- (vii) Accountancy education and training
- (viii) Budgeting (public sector)
- (ix) External audit (public and private sector)
- (x) Previous studies and initiatives on financial management and governance.

Ted Godden conducted the study fieldwork, with the assistance of Savora Tia, from 10 June to 8 July 2000. Financial management and governance arrangements were discussed with representatives from: the Ministry of Economy and Finance, other government organizations, professional accounting and auditing bodies, private sector businesses, tertiary institutions, bilateral donors, and multilateral donors.

3. Phase II: Phnom Penh Workshop

Issues arising from the study were discussed and debated at a workshop held in Phnom Penh on 6 July 2000. His Excellency, Dr Aun Porn Moniroth, Secretary General, Ministry of Economy and Finance, chaired the workshop. Francis B. Narayan, Lead Financial Specialist, ADB, participated in the Workshop as a resource person and provided overall guidance with respect to the objectives of the Study. Ninety-four participants, representing the following organizations, attended the workshop:

- Asian Development Bank Resident Mission
- Australian Agency for International Development (AusAID)
- BSI / MOEYS
- Chamber of Commerce
- Department of Public Works and MPP
- DPWT/MPP
- EdC
- Faculty of Law and Economic Sciences
- Foreign Trade Bank of Cambodia
- Hotel Intercontinental
- MIME
- Ministry of Economy and Finance
- Ministry of Economy and Finance, Budgeting Department
- Ministry of Economy and Finance, Department of Public Procurement
- Ministry of Economy and Finance, Economics and Finance Institute
- Ministry of Economy and Finance, Financial Industry
- Ministry of Economy and Finance, Inspectorate
- Ministry of Economy and Finance, National Treasury
- Ministry of Economy and Finance, Personnel Department
- Ministry of Economy and Finance, State Property Department
- Ministry of Education, Youth and Sports
- Ministry of Health
- MPWT
- National Bank of Cambodia
- PMO/MRD, AFC
- PPWSA
- PriceWaterhouseCoopers
- SSCH
- Swedish Embassy
- TCO-EC
- The Asia Foundation
- World Health Organization (WHO)

4. Phase III: Development of Reference Materials

In phase III, reference materials on IAAS were developed. In developing these materials, consideration was given to; (i) alternative transition systems and associated benchmarks as well as underlying institutional prerequisites, and (ii) production of these materials in local languages.

5. Phase IV : Formulation of Action Plan

Phase IV assessed the roles that ADB and other funding agencies played in improving the current situation in the selected DMCs. The roles included policy intervention, projects and program assistance, and mobilization of cofinancing resources to address the identified problems and weaknesses. This activity was undertaken in close consultation with the Government, regulatory authorities, representatives of the accounting and auditing professions, and other local interest groups and funding agencies. At this stage of the RETA, the commitment in principle of each selected country to implement the findings and recommendations of the study was agreed. The findings of the RETA were disseminated and debated at a conference in Manila on 16-18 October 2000 and the developed action plan was finalized for implementation.

Appendix 3 Regulatory and Legal Framework

1. Introduction

Since the promulgation of the Constitution in 1993 the Royal Government of Cambodia (RGC) has enacted many laws and regulations which are necessary to underpin the constitutional objective of a free market economy. These laws have been mainly directed towards private ownership, the safeguarding of contracts, and the transparency and predictability of public administration.

The RGC has made considerable progress in promulgating laws relating to financial governance since 1993. The Law on Investment was passed in 1994 which gave incentives to private investors and removed barriers. The institutional structure was strengthened with the approval of the Sub-Decree on the Organization and Functioning of the Council for the Development of Cambodia (CDC). A Law on Accounting has been drafted and the RGC has stated its intention to review and update this Law.

The commercial laws and regulations of Cambodia are subject to frequent changes and with the impetus of an emerging economy, it is often the case that local practice may not necessarily be in strict accord with the law.

This appendix contains a brief examination of the Constitution, the process of law making, and laws and regulations which pertain to financial management and governance.

2. The Constitution of Cambodia

The Constitution was adopted by the Constitutional Assembly at its second Plenary Session held in Phnom Penh on 21 September 1993. The Constitution is divided into 14 parts as follows:

Chapter I	Sovereignty
Chapter II	The King
Chapter III	The Rights and Obligations of Khmer Citizens
Chapter IV	On Policy
Chapter V	Economy
Chapter VI	Education, Culture, Social Affairs
Chapter VII	The National Assembly
Chapter VIII	The Royal Government
Chapter IX	The Judiciary
Chapter X	The Constitutional Council

Chapter XI	The Administration
Chapter XII	The National Congress
Chapter XIII	Effects, Revisions and Amendments of the Constitution
Chapter XIV	Transitional Provisions

Individual Articles contained in the Constitution are covered in various parts of this report as they relate to each individual topic.

3. Process of Law Making

The legislative process leading to the promulgation of laws may be derived by the drafting of laws by the RGC followed by presentation to the National Assembly or by proposed laws from members of the National Assembly.

In the first case the ministry concerned drafts the proposed law. The draft law is studied by the Council of Jurists under the Council of Ministers to check conformity with the Constitution and with any existing legislation. The draft law is then examined and adopted by the Council of Ministers. The draft law is then submitted to the Permanent Committee of the National Assembly for approval accompanied by a “Statement of Purpose”. The draft law is then examined by a specialized commission before submission to the National Assembly. After approval by the National Assembly the law is then promulgated by the King through the issue of a Royal *Kram*, (decree). The law becomes effective 10 days after signing in Phnom Penh and 20 days after signing in the rest of the country. All promulgated laws are published in the Official Gazette.

The Prime Minister and the Members of Parliament also have the right to initiate new laws or amendments to existing laws. A “Statement of Purpose” also has to accompany the draft written law for presentation to the reviewing Commission. The reviewing Commission may request the National Assembly not to consider the law or to express an opinion first as to whether the law should be considered. The law is then submitted to the National Assembly for debate. The Constitutional Council is the only authority which has the right to annul a law if it considers that the adopted law contravenes the principles of preserving national independence or is unconstitutional.

The Supreme Law of Cambodia is the Constitution and all other laws must be in strict conformity with the Constitution.

A further source of law is the recognition of international treaties in accordance with the conditions of Article 26 of the Constitution.

Laws that are passed by the National Assembly and refer to the creation of a state institution and its structures are referred to as the Organic Laws.

Royal Decrees are used by the King in the exercise of his constitutional powers. A Royal *Kram* is issued for the promulgation of laws and a *Reach Kret* is issued by the King for appointments following proposals by the Council of Ministers.

Decrees are signed by the King following adoption by the Council of Ministers.

Sub-decrees are signed by the Prime Minister and counter-signed by the minister responsible for their execution following adoption by the Council of Ministers.

4. Law on Ratification of Credit Agreement Between Cambodia and ADB

This Law which is dated March 3 1995 is administered by the MEF and ratifies the Credit Agreement No. 1345 CAM (SF) between ADB and Cambodia for an amount of SDR19,197,000 to fund the rehabilitation and development of the electricity sector.

5. Law on Commercial Rules and Registration (1995 and 1999)

This Law is administered by the Ministry of Commerce and outlines the rules and registration procedures for merchants and commercial companies. The Law covers such matters as declaration forms, new businesses, cessation of business, commercial register, Official Gazette notification, and penalties.

6. Sub-Decree on General Provisions of Public Accounting (1995)

This sub-decree is administered by the MEF and covers the responsibilities for authorizing expenditure, the roles of the public accountants, and broad principles governing the collection of public revenue and expenditure of public moneys.

7. Law on the Organization and Functions of Bank of Cambodia (1996)

This law is administered by the National Bank of Cambodia which is an autonomous public entity and recognized as the Cambodia's "Central Bank." The Law covers all central banking matters including functions and duties, autonomy, management, capital income allocation, budget, financial relations, exchange policy, relations with financial institutions, currency, accounts and audit and penalties.

8. Law on Taxation (1997)

This Law is administered by the MEF. The Law covers all matters relating to the administration of taxes including taxable profit, tax rates, deductions, withholding tax, taxpayers obligations, tax on salary, value added tax (VAT), tax rules and procedures, tax evasion penalties and criminal violations.

9. Sub-Decree on Value Added Tax (1999)

This sub-decree is administered by the MEF. The Law covers the procedures for the registration of taxable persons for VAT, registration of investment enterprises, cancellation of registration, credit for input tax, tax invoices, books, records, and information, supply of goods or services for consumers, supply by an agent and collection of VAT at importation.

10. Law on Banking and Financial Institutions (1999)

The National Bank of Cambodia administers this Law. The Law covers all general banking matters including banking and financial intermediation scope of the law, legal form, licensing, capital requirements, directors and managers, shareholders, partners, establishment abroad, regulatory powers, internal control, accounting obligations, external auditors duties, professional secrecy, money laundering and penalties, customer protection and organization of the profession.

11. Law on Year 2000 Financial Management (1999)

This Law is administered by the MEF. The Law covers the approval of the year 2000 Budget which is classified into Revenues, Expenditures,

and Capital Expenditures. This Law is explained in more detail in Chapter VI.

12. Sub-Decree on the Organization and Functioning of the MEF (2000)

This sub-decree is administered by the MEF and determines the organization and missions of the ministry, general secretariat, general inspectorate and other finance departments.

13. Law on Audit (2000)

This Law is administered by the MEF. The Law covers the establishment of an independent National Audit Authority that will be responsible for the external auditing function of the Government. This Law is explained in more detail in Chapter II.

14. Draft Cambodian Capital Market Law

The Capital Market Law for Cambodia was drafted in 1997 and has not yet been passed by the National Assembly.

The objectives of the law are to encourage public savings through investment in publicly issued securities, promote the effective regulation and orderly development of a capital market, protect the lawful rights of investors, encourage foreign investment, assist in privatization of business enterprises, and promote information on securities and capital market activities. Chapters are devoted to the following topics:

- General Provisions
- The Securities Commission of Cambodia
- Requirements for Public Companies
- Public Offer of Securities
- Ongoing Obligations of Public Companies
- Collective Investment Funds
- Issue of Company Bonds
- Listing and Trading of Securities on the Securities Exchange of Cambodia
- Licensing
- Conduct of Securities Business and Accounting
- Revocation of Licenses
- The Stock Exchange and Other Bodies (Establishment, Board of Management)

APPENDIXES

- Preventing Unfair Trading Practices
- Disclosure of Interest and Takeovers
- Compensation Schemes (Handling of Violations, Implementing Provisions)

Appendix 4 The Royal Government of Cambodia

1. Introduction

Cambodia has a two-tier system of Parliament consisting of the National Assembly and the Senate. The National Assembly holds primary legislative power and the senate acts as a “filter” for laws approved by the National Assembly.

The Royal Government of Cambodia holds the executive power, and consists of civil administration and the armed forces. The Royal Government has moved forward to adjust and reform the governance structure towards a liberal democracy and a market economy since 1993.

2. The Constitution of Cambodia

For the purpose of this Section the main Chapters and Articles of the Constitution are as follows:

Chapter II: The King

- The King is the Head of State and will reign but not govern (Article 7).
- On the King's death, the new monarch will be chosen by the Royal Council of the throne (Article 13).
- The King will sign the law promulgating the Constitution, laws adopted by the National Assembly, and sign decrees presented by the Council of Ministers (Article 28).
- In the absence of the King, the President of the National Assembly will act as Head of State (Article 30).

Chapter VII: The National Assembly

- The National Assembly consists of at least 120 members and the deputies (members) are elected by a free, universal, equal, direct, and secret ballot (Article 76).
- The term of the National Assembly is five years and terminates on the day when the new Assembly convenes (Article 78).
- The deputies enjoy parliamentary immunity (Article 80).
- Before taking office, the National Assembly votes to choose a Chairman, Vice-Chairmen and members of each Commission by a two-thirds majority vote (Article 82).

- The National Assembly holds two ordinary sessions per year and each session should last for at least three months (Article 83).
- The Standing Committee manages the work of the National Assembly between meetings. The Standing Committee consists of the Chairman of the National Assembly, the Vice-Chairmen, and the Chairmen of National Assembly Commissions (Article 84).
- All laws approved by the National Assembly and signed by the King for promulgation are published in the Official Gazette and are available throughout the country (Article 93).

Chapter VIII: The Royal Government

- The Council of Ministers is the Royal Government of Cambodia. The Council of Ministers is led by one Prime Minister assisted by two Deputy Prime Ministers and by Senior Ministers, Ministers, and Secretaries of State as members (Article 99).
- Members of the Royal Government are collectively responsible to the National Assembly for the overall policy of the Royal Government (Article 102).

Chapter X: The Constitutional Council

- The Constitutional Council has the duty to safeguard respect for the Constitution and the laws passed by the National Assembly (Article 117).
- The Constitutional Council consists of nine members with a nine-year mandate. One third of the members are replaced every three years. Three members are appointed by the King, three by the National Assembly and three by the Supreme Council of the Magistracy. The Chairman is elected by the members of the Council (Article 118).
- Members of the Constitutional Council should hold a higher-education degree in law, administration, diplomacy or economics, and have considerable work experience (Article 119).
- The Constitutional Council is responsible for the examination of draft bills and various organizational laws placed before it, prior to their promulgation. (Article 121).

Chapter XI: The Administration

- Cambodia is divided into provinces and municipalities. Provinces are divided into districts (*srok*) and districts into communes (*khum*). Municipalities are divided into *khan* and *khan* into *sangkat* (Article 127).

3. Political Climate

Since independence in 1953 Cambodia has experienced frequent political and economic instability. The establishment of Democratic Kampuchea (1975-79) by the Khmer Rouge brought massive destruction not only of previous political and economic systems, but also physical, human, social and institutional resources of the country. This, and the subsequent international isolation of Cambodia during the 1980s, had a devastating impact on Cambodia's reconstruction and development.

The promulgation of a new Constitution in 1993 laid the foundation for the development of Cambodia's new governance system. The Constitution declared liberal democracy and a multi-party system as the basis of the political regime of Cambodia. The Constitution defined a market economy as the foundation of Cambodia's economic system.

The Royal Government of Cambodia has moved forward to adjust and reform the governance structure towards a liberal democracy and a market economy since 1993. Several new laws have been enacted, and a large number of administrative orders have been issued to implement these laws. New institutions and organizations have been created to carry out important responsibilities in the public sector.

4. The Legislature

The National Assembly holds primary legislative power. The Constitution was amended in March 1999 to effect a political compromise between Cambodia's two main political parties after the 1998 elections. This led to the creation of a second legislative body, the Senate. The main role of the senate is to review draft laws approved by the National Assembly. The Senate has the authority to review legislation and may compel reconsideration by the Assembly before its promulgation.

5. The Executive

The Royal Government of Cambodia (RGC) holds the executive power, and consists of civil administration and the armed forces. The Council of Ministers is the Royal Government of Cambodia. In 1999 the total number of civil servants reached 163,000. This figure has since been reduced by 2,000 personnel. There are also some 21,000 employees classified as “special status” – such as commune personnel and village chiefs on the payroll of the RGC. The Ministry of Education is the largest ministry in terms of staff, accounting for nearly 50 percent of total civil servants in the country. Nearly 50 percent of the Government funded budget has been spent on the military and security in recent years. Military reforms in the context of demobilization are currently being pursued.

The RGC has undertaken several key reforms of public finance and public administration since 1993. The RGC launched a major public finance reform through an Organic Budget Law (1993) to fight inflation and bring macroeconomic stability in the economy. The Law, which imposed stringent fiscal discipline, proved effective in fighting inflation. Its effectiveness also contained inflation after mid-1997 when twin shocks hit Cambodia’s economy: the July events in 1997 and the Asian financial crisis. The RGC also implemented a Law on Taxation (1997) to improve the weak revenue-raising capacity of the Government. Following the launch of a new RGC in the late 1998, these reform initiatives regained momentum in 1999.

Appendix 5 The Private Sector

1. Introduction

The Government has promoted the transition to a market economy and the development of a private sector framework since 1993. A series of important laws regulating the private sector were enacted. These included a Law on Investment (1994); Law on Organization and Functioning of the Council for Development in Cambodia and Cambodia Investment Board (1995); and a Law on Taxation (1997). New institutions were created to enforce these laws. For example, the Cambodia Investment Board under the Council for Development in Cambodia has authority to grant tax incentives contained in the Law on Investment for investment projects carried out by the private sector.

The development of the private sector framework has been enhanced since the formation of a coalition government in November 1998. A series of draft laws related to the private sector were submitted to the National Assembly and the Senate in the second half of 1999. The economy also started to recover, and its growth rate was estimated around 4 percent in 1999.

2. Privatization

The Royal Government of Cambodia has stated its commitment to privatization of its business enterprises and, in 1994, the Council of Ministers adopted a privatization strategy which included a reduction program in the number of remaining State-owned enterprises. In 1995 a Sub-Decree on the Procedures for Privatization of State-owned Enterprises was passed and the implementing regulations were also passed in the same year (Implementing Circular on the Privatization of State-owned Enterprises).

3. Corporate Taxation

Corporate tax rates on profits vary depending on the type of activity of the enterprise:

Investment Enterprise	0% or 9%
Insurance	5%
Natural Resources	30%
General	20%

The Council for the Development of Cambodia (CDC) may approve certain investment projects for exemption from corporate tax on profits for up to eight years or at a reduced rate of 8 percent.

In the case of a service providing company with a turnover in excess of KR250 million (US\$66,000) or a trading company with a turnover in excess of KR500 million (US\$132,000), these organizations are required to submit audited annual accounts for taxation purposes. The accounts are compiled using IASs. Companies earning less than the stated turnovers are not required to submit audited accounts and their corporate tax liability is calculated on 10 percent of the turnover.

Insurance companies are taxed at 5 percent on gross premiums received in Cambodia.

Companies involved in oil or natural gas production or the exploitation of natural resources e.g., mining of ore, gold and precious stones are taxed at the rate of 30 percent on realized corporate profits.

Tax losses may be carried forward and used to offset profits for a maximum of five years.

The corporate tax return must be lodged annually within three months of the end of the financial year, i.e., 31 December. Supporting accounting records must be kept for a minimum of 10 years.

Value Added Tax (VAT) was promulgated in the 1997 Law on Taxation and introduced on the 1 January 1999 to replace the turnover tax. A 10 percent rate is applied on all goods and services in Cambodia, except exports. Exempt goods and services include postal, medical, public transport, insurance and financial services, personal articles and certain nonprofit activities.

Cambodia has not negotiated any double taxation arrangement with any other country.

Appendix 6 Institutional

1. Introduction

The public sector of Cambodia consists of the central Government, 20 provincial governments and four municipalities.

2. Royal Government of Cambodia

The Royal Government of Cambodia (RGC) consists of the Council of Ministers, led by a Prime Minister, assisted by deputy Prime Ministers and by Senior Ministers, Ministers, and State Secretaries as members. Collectively, members of the Royal Government are responsible to the National Assembly for the overall policy of the Royal Government. There are 24 ministries as follows:

- Education, Youth and Sports
- Culture and Fine Arts
- Public Works and Transport
- Justice
- Industry, Mines and Energy
- Health
- National Defense
- Interior
- Foreign Affairs and International Cooperation
- Planning
- Rural Development
- Agriculture, Forestry and Fisheries
- Information
- Tourism
- Commerce
- Social Affairs, Labor, Vocational Training, and Youth Rehabilitation
- Economy and Finance
- Religions and Cults
- Post and Telecommunications
- Environment
- Women Affairs and Veterans
- Parliamentary Affairs and Inspection
- Territorial Organization, Urbanization and Construction
- Water Resources and Meteorology

There are also State Secretariats established for: Civil Aviation, and Public Service.

3. Provincial Authorities

Article 126, Chapter XI of the Constitution divides the territory of Cambodia into provinces and municipalities. Provinces are further divided into districts and districts into communes. There are 20 provinces and four municipalities in Cambodia and these are governed in accordance with the Law on the Establishment of The Ministry of The Interior (1996). Article 2 states “The Ministry of the Interior shall have the mandate to guide and control all levels of provincial administrative authorities, supervise the national police, protect social order and security, and provide safety to the people of Cambodia.”

Each provincial and municipal administration is governed by a governor and three deputies.

The City Hall is the administrative center and has the following organizational structure:

- Cabinet
- General Secretariat
- Finance Unit
- Inspection Unit

4. Organization – Ministry of Economy and Finance

The Minister heads the MEF and the Secretary of State and Undersecretary manage the operations of the Ministry. Its structure is as follows:

- Central Level
 - General Secretariat
 - Cabinet of Minister
 - General Inspectorate
 - Tax Department
 - Customs House and Excise
 - National Treasury
 - Department of Budgeting and Finance
 - Department of Public Procurement
 - Department of Public Property
 - Department of Economic Analysis and Forecasting
 - Department of Investment and Cooperation
 - Department of Economic Integration and ASEAN
 - Department of Financial Industry
 - Department of Personnel

- Department of Administration and Finance
 - Department of Legislation; and
 - Economics and Finance Institute
- Provincial/Municipal Level
 - Economic and Finance Office
 - Treasury
 - Tax Office
 - Customs and Tax Office
 - Customs and Tax Office at Border Gates
 - Finance Control Team

Appendix 7 The National Bank of Cambodia

1. Introduction

The National Bank of Cambodia is the “Central Bank” which is an autonomous public entity.

The Central Bank is a legal entity with full jurisdiction and has the capacity to lend, borrow and enter into all other contracts; institute legal proceedings and be subject to such proceedings; and, for the purpose of its business, acquire, hold, and dispose of property.

The principal mission of the Central Bank is to determine and direct the monetary policy aimed at maintaining price stability in order to facilitate economic development within the framework of Cambodia’s economic and financial policy. The Central Bank has the following functions and duties:

- To determine monetary policy objectives, in consultation with the Royal Government and consideration of the frame work of the economic and financial policy of Cambodia;
- To formulate, implement and monitor monetary and exchange policies aimed at the determined objectives;
- To conduct regular economic and monetary analysis, make public the results, and submit proposals and measures to the Royal Government;
- To license, de-license, regulate and supervise banks and financial institutions and other relevant establishments;
- To oversee payments systems in Cambodia, and to enhance interbank payments;
- To act as the sole issuer of national currency of Cambodia;
- To undertake and perform, in the name of Cambodia, transactions resulting from the participation of Cambodia in public international institutions in the banking, credit, and monetary spheres;
- To establish the balance of payments;
- To participate in the management of external debt and claims;
- To participate in the formation and supervision of the money and financial markets.
- To license, de-license, regulate and supervise all those institutions operating in the securities and foreign exchange markets, and the market for precious stones and precious metals.

The Central Bank may open accounts in its books on behalf of state agencies and instrumentalities of the central Government notably the National Treasury; banks and financial institutions licensed by the Central Bank; foreign central banks, and public international financial institutions.

The Central Bank may not open accounts for enterprises, including those owned by the State.

The Board of the Bank consists of the Governor, Deputy Governor and five other directors. The Board is responsible for:

- Establishing the policies for operation of the Central Bank;
- Issuing decisions, regulations, circulars, and other directives to govern the business of the Central Bank;
- Establishing internal rules and regulations;
- Establishing staff rules;
- Establishing departments of the Central Bank;
- Establishing an audit committee; and
- Establishing a staff training committee.

The Bank determines the net income of the Central Bank for each financial year after allowing for the operations expenses and after providing for:

- Risk, depreciation, and amortization of assets;
- A contribution to a pension fund, the amount of which to be fixed by the Board;
- A General Reserve equal to 20 percent of net profit after deduction of the amounts in 1, and 2, above;
- The redemption of Government securities held by the Central Bank; and
- Investment of a collective fund for the Central Bank to be determined by the Board.

Any balance of net income is then transferred to the National Budget after deduction of: 5 percent for the personnel, excluding the Board; and 0.5 percent for the board members.

All proposed expenditure of the Central Bank is reported in an annual budget approved by the Board of the Central Bank and submitted for information to the Royal Government and the National Assembly.

The Central Bank, in consultation with the Royal Government and in consideration of the framework of the economic and financial policy of Cambodia, determines and implements Cambodia's exchange

arrangements and policy. The Central Bank maintains the foreign currency reserve.

The Central Bank is required to:

- Keep books of account and other books and records in which is recorded all its financial transactions, that reflect accurately its financial condition in accordance with generally accepted accounting principles applicable to central banks.
- Prepare and publish a monthly summary statement of its activities.
- Within six months after the close of each financial year, submit to the Government and the National Assembly a copy of its annual accounts together with a report on its operations and on monetary and economic conditions during the year.

2. Relationship between Bank of Cambodia and Banks

The Central bank is exclusively responsible for the licensing, de-licensing and supervision of banks and financial institutes subject to the banking law.

The Central Bank may open accounts for and accept deposits from banks and financial institutions doing business in Cambodia under terms and conditions, including the payment of interest and the establishment of charges, as it may determine.

The Central Bank may prescribe the maintenance of required reserves.

The Central Bank may grant to commercial banks advances on their current account that are secured by Government securities or Government guaranteed securities.

3. Banking System Statistics

As of 1 January 1999 there were two State-owned banks under the control of the National Bank of Cambodia: the Foreign Trade Bank and the Rural Bank for Development. There were seven branches and one representative office of foreign banks and 22 locally incorporated banks. The National Bank of Cambodia had 20 provincial branch offices.

Appendix 8 Draft Law on Corporate Accounts, their Audit and the Accounting Profession

Article 1 – Any enterprise, either a natural or legal person, required to keep their books and accounts pursuant to the laws in force, shall prepare them and have them audited in accordance with the terms and conditions provided for under this law.

As far as their keeping of accounts and their audit are concerned, State-owned enterprises or enterprises belonging to the local authorities are subjected to the specific laws governing them when they depart from this law.

Part 1 – Accounting System

Chapter One – General Provisions

Article 2 – Enterprises shall prepare on a yearly basis financial statements that are in compliance with the conceptual framework and with the accounting standards, the principles of which are set forth by *Anuk Kret* (decree) of the royal government.

Article 3 – Enterprises shall keep their accounts in accounting books as defined by *Anuk Kret* of the royal government. Accounts keeping is based upon vouchers.

Article 4 – Small enterprises shall be allowed to keep their accounts and prepare financial statements pursuant to the specific provisions as set out by *Anuk Kret* of the royal government and defined by the accounting standards.

Article 5 – A National Accounting Council shall be formed which is a consultative body under the aegis of the Ministry of Economy and Finance.

Article 6 – The Khmer National Accounting Council shall have responsibility to:

- review and give its opinion on all draft laws and regulations including accounting provisions whatever the status of the enterprises concerned or their sector of activity;
- develop the conceptual framework and the accounting standards referred to in article 2;
- come up with proposals aimed at improving accounting; and
- represent Cambodia in the international organizations and meetings dealing with accounting.

The composition and operation of the National Accounting Council shall be set forth by *Anuk Kret* of the royal government.

Chapter Two – Financial Statements

Article 7 – The accounting records referred to in article 11 shall be prepared in the Khmer language and are expressed in Riels. The enterprises making transactions with foreign countries or which are subsidiaries of foreign companies may be authorized by the Minister for Finance, in accordance with the requirements set by law, to prepare accounting records in a language other than the Khmer language and/or in a currency other than the Riel. Nevertheless the financial statements referred to in article 2 are prepared in the Khmer language and are expressed in Riels.

Article 8 – The financial statements shall include the balance sheet, the income statement, the cash flow statement and explanatory notes. They shall make a inseparable whole.

Article 9 – The duration of the financial year shall be 12 months, beginning with the first day of January and ending on 31 December of the same year. The accounting standards referred to in article 2 may set another date for specific industries.

Article 10 – The financial statements shall be prepared at the latest within the three months following year-end closure. In the event when an enterprise is not in a position to comply with this deadline, it shall request authorization from the Minister for the Economy and Finance to prepare them as on another date.

Chapter Three – Miscellaneous Provisions

Article 11 – The financial statements relating to a financial year as well as the ledgers and corresponding vouchers shall be kept for 10 years at least. Such ledgers include a general journal, a ledger and an annual accounts ledger.

Article 12 – The financial statements and the accounting ledgers provided for in article 11 of this law may be taken as evidence in justice, provided that they are in compliance with the provisions of this law.

Part 2 – Audit of Companies and Accounting Profession

Chapter One – General Conditions

Article 13 – An Institute of Khmer Certified Public Auditors and Accountants is formed among professional accountants of the Khmer nationality and operating under the aegis of the Ministry of Economy and Finance.

The Institute is created in particular with a view to:

- provide the country with a national professional body having responsibility in representing its members, promoting and defending the status and the interests of the profession;
- participate in the work of the National Accounting Council;
- prepare the rules and duties of the profession and make abide by them; and
- organize the education of nationals wishing to have access to the profession of Certified Public Auditors and Accountants.

Regulations relating to the composition, operation and duties of the Institute shall be set out by decree. The same shall hold true for the regulation of the profession of Certified Public Auditors and Accountants inscribed on two separate lists respectively.

Chapter Two – Company Auditing

Article 14 – Undertakings incorporated as companies shall submit their accounts to an independent audit as soon as their turnover, balance sheet total and number of employees are above the limits set by law of the Ministry of Economy and Finance. The audit is carried out by a natural or a physical person inscribed on the list of statutory auditors referred to article 13 of this law and appointed for a period of three financial periods.

State-owned enterprises or enterprises belonging to the local authorities shall be subjected to the same conditions as the enterprises incorporated, except when the laws governing them shall specifically provide for that they be exempted.

Chapter Three – Accounting Profession

Article 15 – The practice as a professional accountant shall be carried out by a natural or a legal person inscribed on the list of Khmer professional accountants as referred to in article 13 of this law.

Section 3 – Final Provisions

Article 16 – The accounting law promulgated by decree number 90 of 27 August 1992 shall no longer be applicable to the periods beginning on or after 1 January 2001.

Article 17 – The natural persons and heads of corporations contravening to this law shall be liable to imprisonment for a term between six months and two years and to a fine between KR8 million to KR40 million or to either one of such penalties.

Section 4 – Transitional Provisions

Article 18 – The Khmer National Accounting Council and the Institute of Khmer Certified Public Auditors and Accountants shall be formed on

30 September 2000 at the latest. The provisions referred to in Section 1 of this law shall be applicable to the keeping of accounts relating to periods beginning on or after 1 January 2001. Also the provisions relating to the audit of enterprises and to the accounting profession shall be applicable from 1 January 2001.

Article 19 – The founding members of the Institute of Khmer Certified Public Auditors and Accountants shall be appointed for a five-year period by *Anuk Kret* of the royal government as soon as this law is promulgated.

Article 20 – Any provisions contrary to this law are deemed null and void. This law is a matter of urgency.

Appendix 9 Workshop Participants

The Workshop was held at the Economics and Finance Institute (Ministry of Economy and Finance) on 6 July 2000.

Name	Title	Organization
Sam Ghanty	Advisor	Economics and Finance Institute, Ministry of Economy and Finance
Thao Sok Muny	Chief of WB Division	Ministry of Economy and Finance
Ung Silan	First Deputy Director	Inspection, Ministry of Economy and Finance
Net Mony	Deputy Director	State Property Department, Ministry of Economy and Finance
Hem Moeun		State Property Department, Ministry of Economy and Finance
Kuy Savuth	Deputy Director	Personnel Department, Ministry of Economy and Finance
Yong Pich	Chief Financial Controller	Ministry of Economy and Finance
Yi Sopheap	Chief Financial Controller	Ministry of Economy and Finance
Hauv Dara	Financial Inspector	Inspectorate, Ministry of Economy and Finance
Lonh Ponnara	Financial Inspector	Inspectorate, Ministry of Economy and Finance
Keo Chea	Financial Inspector	Inspectorate, Ministry of Economy and Finance
Tou Chhorn	Financial Inspector	Inspectorate, Ministry of Economy and Finance
Chay Vuth	Director	Ministry of Economy and Finance
Kun Nhem	Deputy Director	Ministry of Economy and Finance
Touch Norun		Ministry of Economy and Finance

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Name	Title	Organization
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Mam Ponn	Deputy Director	Budgeting Department, Ministry of Economy and Finance
Mey Vann	Deputy Director	Financial Industry, Ministry of Economy and Finance
Sam Soeun	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Khieu Moly Sang	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Neang Sopheavy	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Yi Naky	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Ly Hach	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Leang Eam	Financial Controller	Budgeting Department, Ministry of Economy and Finance
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FINANCIAL MANAGEMENT AND GOVERNANCE ISSUES IN CAMBODIA

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Chan Hoeun	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Dary Chetana	Financial Controller	Budgeting Department, Ministry of Economy and Finance
Prak Samon	Secretary	Budgeting Department, Ministry of Economy and Finance
Sann Saror		Ministry of Economy and Finance
Seng Bunkheang		Department of Public Procurement, Ministry of Economy and Finance
Kong Samphos	Technical Evaluator 1	Department of Public Procurement, Ministry of Economy and Finance
Seng Kong	Technical Evaluator 2	Department of Public Procurement, Ministry of Economy and Finance
Sam Sokhon		Ministry of Economy and Finance
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Kol Livouth		National Treasury, Ministry of Economy and Finance
Var Run		National Treasury, Ministry of Economy and Finance
Hor Bunvoath		National Treasury, Ministry of Economy and Finance
Heang Song Houth		National Treasury, Ministry of Economy and Finance
Chhieng Hieng Chum Kosal Mony		
Tim Bophal	Deputy Director	Foreign Trade Bank of Cambodia
Sok Phearak	Official	National Bank of Cambodia
Sao Sithay		National Bank of Cambodia
Heng Sokny		National Bank of Cambodia
Sok Sopros		National Bank of Cambodia
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Chea Tean		National Bank of Cambodia
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Neak Sarin	Deputy Director	National Bank of Cambodia
So Maly	Section Deputy Head	National Bank of Cambodia

FINANCIAL MANAGEMENT AND GOVERNANCE ISSUES IN CAMBODIA

Name	Title	Organization
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Phy Sophart	Deputy Project Director	MPWT
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Samreth Sovithia	Manager, PMV	PPWSA
Ros Kim Leang	Chief	PPWSA
Yim Seng Kry	TN.	
Hou Hean	TN.	PPWSA
Char Meng Chuor	PCU Manager	Ministry of Health
Ly Sokheng		MIME
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Kea Nay Leang	Director General	Ministry of Education, Youth and Sports
Nou Vaddhanak	Office Manager	MPWT
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Ouk Sarun	Accounting Tutor	Faculty of Law and Economic Sciences
Anders	Secretary	Swedish Embassy
Sylvine Devaux	Assistant	TCO-EC
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Sally Relph	Resident Manager	PriceWaterhouseCoopers
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