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INSIGHTS

AUDIT & ASSURANCE

ISA 250 laws and regulations in Cambodian audits

How a Cambodian auditor considers laws and regulations under ISA 250: the two categories, non-compliance, tax and licensing, reporting to governance and the effect on the opinion.



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HOW DOES ISA 250 APPLY TO LAWS AND REGULATIONS IN A CAMBODIAN AUDIT?

ISA 250 requires the auditor to consider laws and regulations in an audit of financial statements. The auditor's responsibility is to obtain sufficient appropriate evidence about compliance with the laws and regulations that have a direct effect on the determination of material amounts and disclosures, and to perform procedures to identify non-compliance with other laws and regulations that may have a material effect. In Cambodia, tax, the Law on Accounting and Auditing, labour, licensing and anti-corruption rules are the main areas; the auditor should obtain management representations, inspect correspondence and consider the GDT and regulatory notices.

IN SHORT

- ISA 250 distinguishes laws with a direct effect on the financial statements from other laws that may have a material effect.
- The auditor obtains evidence about compliance with direct-effect laws and performs procedures for other laws.
- Non-compliance is investigated, discussed with management and governance, and evaluated for its effect on the financial statements.
- The auditor is not a compliance officer and does not guarantee compliance; the responsibility remains with management.
- In Cambodia, tax, the LAA, labour, licensing and anti-corruption are the main areas to consider.

The two categories of laws and regulations

ISA 250 distinguishes two categories. The first is laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws. The second is other laws and regulations that do not have a direct effect on the amounts but whose non-compliance may have a material effect on the financial statements, such as licensing, labour, environmental or anti-corruption rules.

For the first category, the auditor obtains sufficient appropriate audit evidence about compliance. For the second, the auditor performs procedures to identify non-compliance that may have a material effect, such as inquiries of management, inspection of correspondence with regulators and review of regulatory reports.

The auditor is not expected to test compliance with every law. The procedures are designed to identify non-compliance that could materially affect the financial statements, not to provide a guarantee of compliance.

LAWS AND REGULATIONS IN A CAMBODIAN AUDIT

Category	Examples	Auditor's procedures

Category	Examples	Auditor's procedures
Direct effect	Tax, accounting and auditing law, pension/NSSF	Obtain evidence of compliance; test amounts
Other laws	Licensing, labour, environment, anti-corruption	Inquire, inspect correspondence, consider indicators
Non-compliance	GDT assessment, labour claim, licence lapse	Investigate, discuss, evaluate, report

Procedures and inquiries

The auditor's procedures include inquiries of management and those charged with governance about compliance, inspection of correspondence with the tax authority, the regulator and legal counsel, and review of regulatory reports and licences. The auditor should also consider the entity's policies and controls over compliance.

In Cambodia, the GDT notices, the ACAR filing, the MOC annual declaration, the labour and NSSF filings and the licences are key documents. The auditor should inspect the correspondence and confirm the status of any assessment, dispute or renewal.

The auditor should obtain written representations about compliance and about any known non-compliance. The representations support, but do not replace, the other evidence.

When non-compliance is identified

If the auditor becomes aware of non-compliance, the auditor should understand the nature of the act, the circumstances and the possible effect on the financial statements. The auditor discusses the matter with management and, where appropriate, those charged with governance, and considers whether the entity has taken remedial action.

The auditor may need to obtain legal advice, inspect the regulator's correspondence, or consider the effect on the financial statements, including provisions, contingencies, fines and disclosure. The auditor should document the matter, the discussions and the conclusion.

If the non-compliance is material, the auditor considers the effect on the audit opinion. The auditor may also have a legal or professional duty to report the matter to a regulator or another party, depending on the law and the professional rules.

> **The auditor is not a compliance officer**
>
> ISA 250 requires the auditor to consider laws and regulations, not to guarantee compliance. Management remains responsible for compliance and for the controls over it.

Reporting and withdrawal

The auditor communicates the non-compliance to management and, where appropriate, those charged with governance. The communication should be timely and should explain the effect on the financial statements and the audit.

In some circumstances, the auditor may need to report the matter to a regulator or another party. The auditor should consider the legal and professional requirements, the confidentiality obligations and the entity's response before making the report.

If the entity does not take the necessary action and the effect is material, the auditor may need to modify the opinion or withdraw from the engagement where the law permits.

Cambodian areas of focus

Tax is the most common direct-effect area: the annual Tax on Income, VAT, withholding tax, salary tax and the GDT assessments. The auditor should reconcile the tax returns to the financial statements and inspect the GDT correspondence.

The Law on Accounting and Auditing, the ACAR filing, the MOC annual declaration, the labour law, the NSSF and the work permits are common other-law areas. A licence lapse, an unfiled declaration or a labour claim can have a material effect on the financial statements and the entity's ability to operate.

Anti-corruption, sanctions and environmental rules may be relevant for donors, lenders and listed companies. The auditor should consider the entity's sector and the requirements of its stakeholders.

- GDT returns, assessments and correspondence.
- ACAR, MOC and NSSF filings.
- Labour, work permit and licence status.
- Legal claims and regulator correspondence.

- Written representations and legal advice.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Does the auditor guarantee that the company complies with all laws?

No. ISA 250 requires the auditor to consider laws and regulations and to obtain evidence for the direct-effect laws. The auditor does not guarantee compliance, and management remains responsible for

compliance.

Are tax laws a direct-effect category?

Generally yes. Tax laws have a direct effect on the amounts and disclosures in the financial statements, so the auditor obtains sufficient appropriate evidence about compliance and tests the tax balances.

What happens if the auditor finds non-compliance?

The auditor investigates, discusses with management and governance, evaluates the effect on the financial statements, considers legal advice and reports as required. A material non-compliance may lead to a modified opinion or withdrawal.

Does the auditor report non-compliance to the regulator?

It depends on the law and the professional rules. In some cases, the auditor has a legal or professional duty to report; in others, confidentiality applies. The auditor should consider the requirements and obtain legal advice where necessary.

SOURCES

Where the rules come from

01 ISA 250 Consideration of Laws and Regulations in an Audit of Financial Statements — IAASB / KICPAA

02 ISA 240 Fraud, ISA 550 Related Parties and ISA 580 Written Representations — IAASB / KICPAA

03 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023) (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation

04 Law on Accounting and Auditing (Royal Kram NS/RKM/0416/006, 11 April 2016) and ACAR filing requirements (https://www.acar.gov.kh) — Kingdom of Cambodia / Accounting and Auditing Regulator