ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF PUBLIC WORKS AND TRANSPORT

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Financial Statements and Statement of Compliance for the year ended 31 December 2021

Project information

Project title	Integrated Urban Environmental Management in the Tonle Sap Basin Project
Project number	42285-013
Project status	Active
Sector/Subsector	- Water and other urban infrastructure and services /Urban flood protection - Urban policy, institutional and capacity development - Urban sanitation - Urban solid waste management
Executive Agency	ROYAL GOVERNMENT OF CAMBODIA Ministry of Public Works and Transport Street 598 (H.E. Chea Sophara Street), Sangkat Chrang Chamres 2 Khan Russey Keo, Phnom Penh, Cambodia
Source of Funding	Asian Development Fund - ADB Loan No. 3311 – CAM (COL) Strategic Climate Fund - ADB Loan No. 8295 – CAM (SCF) Strategic Climate Fund - ADB Grant No. 0454 – CAM (SCF) Royal Government of Cambodia
Project period	2 March 2016 to 30 April 2024
Project costs	US$46,903,144
Reporting period	For the period from 1 January 2021 to 31 December 2021
Principal banker	National Bank of Cambodia
Auditors	KPMG Cambodia Ltd

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

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PART I

Financial Statements
for the year ended 31 December 2021
and
Report of the Independent Auditors

Ministry of Public Works and Transport

KINGDOM OF CAMBODIA
Nation Religion King

Statement by the management

I, the undersigned, do hereby state that in my opinion, the accompanying financial statements, which comprise the statement of receipts and payments and statement of advance account for the year ended 31 December 2021 and notes as set out on pages 5 to 26 of the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project"), financed under the Asian Development Bank Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF), implemented by the Ministry of Public Works and Transport ("MPWT", "the Executing Agency" or "EA"), present fairly, in all material respects, in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

On behalf of the Project's management:

H.E. Vong Pisith
Project Director
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

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Report of the independent auditors
To the Ministry of Economy and Finance
Royal Government of Cambodia

Opinion

We have audited the accompanying financial statements of the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project"), financed under the Asian Development Bank Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF), implemented by the Ministry of Public Works and Transport ("MPWT", "the Executing Agency" or "EA"), which comprise the statement of receipts and payments and statement of advance account for the year ended 31 December 2021 and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 26 (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash receipts and payments and the cash balance of the Project as at 31 December 2021 and for the year then ended in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Appendix I on page i, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter - Restriction on Use

We draw attention to Note 2 to the financial statements, which describes the financial statements are prepared for the information of and use by the management of the Project, the Ministry of Economy and Finance ("MEF") and the Asian Development Bank ("ADB"). As a result, the financial statements may not be suitable for another purpose. Our audit report is intended solely for the management of the Project, MEF and ADB and should not be used by other parties other than the management of the Project, MEF and ADB. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with CPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the EA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease the operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the EA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the EA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For **KPMG Cambodia Ltd**

KPMG CAMBODIA LTD.

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

31 May 2022

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Statement of receipts and payments for the year ended 31 December 2021

	Note	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 2 March 2016 to 31 December 2021
		ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	US$	US$
Receipts							
Asian Development Bank	5	4,281,946	1,212,860	-	5,494,806	4,825,769	14,000,669
Royal Government of Cambodia	5	-	-	21,458	21,458	27,483	147,295
		4,281,946	1,212,860	21,458	5,516,264	4,853,252	14,147,964
Payments by category and financier							
Civil works	6	3,327,633	949,032	-	4,276,665	3,593,944	7,870,609
Consulting services	7	905,689	199,176	-	1,104,865	954,313	5,081,885
Incremental administrative costs	8	102,222	-	20,536	122,758	101,264	633,028
Interest charge		63,824	-	-	63,824	38,873	145,881
		4,399,368	1,148,208	20,536	5,568,112	4,688,394	13,731,403
(Decrease)/Increase in Cash		(117,422)	64,652	922	(51,848)	164,858	416,561

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Statement of receipts and payments (continued)
for the year ended 31 December 2021

		Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 2 March 2016 to 31 December 2021
	Note	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	US$	US$
Cash at beginning of the year	4	365,617	101,650	1,142	468,409	303,551	-
(Decrease)/Increase in Cash		(117,422)	64,652	922	(51,848)	164,858	416,561
Cash at end of the year	4	248,195	166,302	2,064	416,561	468,409	416,561

H.E. Vong Pisith
Project Director
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

Mr. Mao Dor
Financial Management Specialist
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

The accompanying notes form an integral part of these financial statements.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Statement of advance account
for the year ended 31 December 2021

	Note	Year ended 31 December 2021			Year ended 31 December 2020	Cumulative period from 2 March 2016 to 31 December 2021
		ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	Total US$	US$	US$
Part A						
Beginning cash balance		365,617	101,650	467,267	301,534	-
Receipt:						
Initial advance		-	-	-	-	630,000
Amount replenished by ADB		-	342,360	342,360	586,037	1,886,203
		365,617	444,010	809,627	887,571	2,516,203
Payments made from advance account:						
Civil works		-	78,532	78,532	-	78,532
Consulting services	7	15,200	199,176	214,376	347,398	1,529,324
Incremental administration	8	102,222	-	102,222	72,906	493,850
		117,422	277,708	395,130	420,304	2,101,706
Ending cash balance	4	248,195	166,302	414,497	467,267	414,497

Statement of advance account (continued) for the year ended 31 December 2021

	Note	Year ended 31 December 2021			Year ended 31 December 2020	Cumulative period from 2 March 2016 to 31 December 2021
		ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	Total US$	US$	US$
Part B – Advance account reconciliation						
Initial advance	A	**436,000**	**194,000**	**630,000**	**630,000**	**630,000**
Balance of advance account as of 31 December per bank statement		248,195	166,302	414,497	467,267	414,497
Less: Outstanding cheque		-	-	-	-	-
Add: Petty cash balance		-	-	-	-	-
Total cash balance	B	**248,195**	**166,302**	**414,497**	**467,267**	**414,497**
Add: Amount claimed in previous year not yet credited at date of bank statement	C	-	-	-	-	-
Less: Amount claimed in current year not yet credited at date of bank statement	D	-	-	-	-	-
Less: Interest income	E	-	-	-	-	-

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Statement of advance account (continued)
for the year ended 31 December 2021

	Note	Year ended 31 December 2021 ADB Loan No. 3311 US$	Year ended 31 December 2021 ADB Grant No. 0454 US$	Year ended 31 December 2021 Total US$	Year ended 31 December 2020 US$	Cumulative period from 2 March 2016 to 31 December 2021 US$
Part B – Advance account reconciliation (continued)						
Total amount withdrawn from the advance account but not yet claimed for replenishment (a+b+c+d)	**F**	**187,805**	**27,698**	**215,503**	**162,733**	**215,503**
a. Sub-accounts		-	-	-	-	-
b. Transfer in transit		-	-	-	-	-
c. Current year withdrawn from advance account but not yet claimed for replenishment		117,422	27,698	145,120	162,733	145,120
d. Other – Previous year withdrawn from advance account but not yet claimed for replenishment		70,383	-	70,383	-	70,383
Total advance accounted for (B+C+D+E+F)		436,000	194,000	630,000	630,000	630,000

H.E. Vong Pisith
Project Director
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

Mr. Mao Dor
Financial Management Specialist
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

The accompanying notes form an integral part of these financial statements.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Notes to the financial statements
for the year ended 31 December 2021

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1. Background and activities

Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project") was established under the Loan Agreement No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF), signed on 25 December 2015 between the Asian Development Bank ("ADB") and the Royal Government of Cambodia ("RGC") (represented by the Ministry of Economy and Finance).

The financing agreements became effective for implementation on 22 December 2015 and the closing date is expected to be completed by 30 April 2023. On 31 December 2020, the Project submitted the extension letter to ADB to extent the loans and grant closing dates from 30 April 2023 to 30 April 2024. This request has been approved by the ADB on 14 July 2021.

ADB approved the captioned loan and grant on 22 December 2015 including project cost is approximately US$52.59 million, of which the Asian Development Bank ("ADB") finances SDR26,382,000 (US$37 million equivalent at the time of loan negotiation) from the Asian Development Fund ("ADF"), ADB Strategic Climate Fund Loan finances US$5 million, ADB Strategic Climate Fund Grant of US$5 million, Communities beneficiaries finance US$0.21 million covers its 10% contribution to output village grants and the Royal Government of Cambodia contributes US$5.37 million equivalent for safeguards costs, in-kind expenditures on staff and office facilities, and costs of taxes and duties, costs for land acquisition and resettlement. The project will rehabilitate about 15.1 km along Tonle Sap riverbank through improvement of the existing embankment and construction of new embankment where required; construction of a new controlled landfill site of 10 ha at Phnom Tauch village (Pongro commune, Rolea Bier district) with increased capacity; provision of equipment for solid waste collection; and landfill management, including supervised closing of two open dumpsites in Kul Kuk village and Trork village (Sre Thmei commune, Rolea Bier district). The Project also supports on construction of about 9.9 km of primary and secondary drains in the town center with associated road improvements and improved wastewater treatment; (ii) riverbank erosion protection in selected locations along the Pursat River, including revetment and groins; (iii) development of new controlled landfill of about 28 ha at Toul Mkak village (Roleap Sangkat, Pursat town) and associated access road of about 900 meters; (iv) provision of equipment for solid waste collection; and (v) landfill management, including equipment and closure of two old open dumpsites in Toul Mkak village (Roleap Sangkat, Pursat town) and Sras Srang village (Prey Gny Sangkat, Pursat town).

1. Background and activities (continued)

A Project Management Unit ("PMU") is to be established within the Ministry of Public Works and Transport ("MPWT"). The implementing agencies (IAs), Provincial Department of Public Works and Transport ("PDPWT") and Municipal Governments in Kampong Chhnang and Pursat. A Project Steering Committee ("PSC") will be established by MPWT. The objective of the Project is improved urban services and enhanced climate change resilience in Kampong Chhnang and Pursat municipalities.

The Project comprises the following outputs:

Output 1: Kampong Chhnang urban area environmental improvements

Includes flood protection totalling 15.1 km along Tonle Sap riverbank through improvement of the existing embankment and construction of new embankment where required; construction of a new controlled landfill site of 10 ha at Phnom Tauch village (Pongro commune, Rolea Bier district) with increased capacity; provision of equipment for solid waste collection; and landfill management, including supervised closing of two open dumpsites in Kul Kuk village and Trork village (Sre Thmei commune, Rolea Bier district). It complements the Japan International Cooperation Agency's drainage project in Kampong Chhnang and GIZ's support for development of an urban master plan. Embankment protection will prevent flooding from the Tonle Sap into Kampong Chhnang town, reducing its vulnerability to flooding and providing protection to 1 in 50 year high water levels. In the dry season, outlets will accommodate the natural streams flowing into the Tonle Sap and sluice gates will avoid backflow into the town as the water rises. In the wet season, natural retention areas will retain wet season flows. The embankment is imperative for resident to have continued access to social services and economic activities in the town (e.g., rice processing mills). Improved flood protection will assist farmers in the eastern part of the municipality to increase agricultural production from two to three crops per year.

Following the request from the Ministry of Economy and Finance ("MEF") daed 6 February 2019, ADB approved, on 12 July 2021, a major change in the scope to cancel this output, and replace with a new output, Kampong Chhnang Sewerage, Flood Protection and Wastewater Treatment.

Revised output 1: Kampong Chhnang Sewerage, Flood Protection and Wastewater Treatment

Includes construction of a 38 km sewer network benefitting 20,000 people, a wastewater treatment plant with a capacity of 4.2 MLD, and an 8.5 km extension to Kampong Chhnang's stormwater drainage network to alleviate flooding. This is estimated to cost $22 million, with a construction period of 17 months.

1. Background and activities (continued)

Output 2: Pursat urban area environmental improvements

Includes construction of about 9.9 km of primary and secondary drains in the town center with associated road improvements and improved wastewater treatment; (ii) riverbank erosion protection in select locations along the Pursat River, including revetment and groins; (iii) development of new controlled landfill of about 28 ha at Toul Mkak village (Roleap Sangkat, Pursat town) and associated access road of about 900 meters; (iv) provision of equipment for solid waste collection; and (v) landfill management, including equipment and closure of two old open dumpsites in Toul Mkak village (Roleap Sangkat, Pursat town) and Sras Srang village (Prey Gny Sangkat, Pursat town). It complements ADB‘s previous support to the Dhamnak Chheukrom Irrigation System Rehabilitation (located about 40 km upstream). About 20% of the town‘s roads have drains with National Highway No. 5 and other main roads lacking side drains. The construction of drains in the town center will improve and strengthen the stormwater drainage system to accommodate more intensive rainfall. It will support increased economic activities in the town center (e.g., marble process and carvings), and facilitate residents‘ continued access to social services.

Output 3: the community mobilisation and environmental improvements

Aims to address the climate change and environmental needs of the urban poor and vulnerable, including ethnic Cham and Vietnamese in Kampong Chhnang and Pursat – making the project more inclusive by extending benefits from large infrastructure investments. It includes improved household sanitation for IDPoor 1 and 2 in the current municipality area; climate change and hygiene awareness and action; and community small-scale infrastructure improvements in pre-identified poor and vulnerable areas in each municipality. Small-scale infrastructure improvements will be prioritized by the communities and will be financed by the project, national government, and community. The output will help extend project benefits to the poor and vulnerable groups. It will be implemented in partnership with an international non-governmental organization (NGO), which must demonstrate in its proposal experience working with Tonle Sap communities, including ethnic Cham and Vietnamese. See Annex B for details and the Annex C, Package IV for the terms of reference of the NGO.

Output 4: Strengthened Sector Coordination and Operations

Supports the MPWT to convene national urban development task force meetings with other ministries and development partners in the urban sector (about twice per year); strengthen climate change regulations, focusing on improved building codes in provincial towns around the Tonle Sap to reflect key climate resilience features, including appropriate sanitation; and support the establishment of urban service units (or special operating agencies) for improved delivery and management of decentralized urban services. If successful, USUs will demonstrate a mechanism for the sustainability and delivery of quality decentralized urban services, which could be replicated in other municipalities. Climate change financing will support the Government in implementing the TSUADF in partnership with subnational governments around the Tonle Sap by developing a consultation program and a plan for climate change adaptation in urban areas. It complements the MPWT parallel climate change initiatives in the transport sector.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2021

1. Background and activities (continued)

The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF), ADB Grant No. 0454 – CAM (SF) and RGC financing and the allocation of amounts of the financing to each such category:

No.	Item	ADB Loan No. 3311 – CAM (COL)			ADB Loan No. 8295 – CAM (SCF)		ADB Grant No. 0454 – CAM (SF)		Total (US$)
		Amount Allocated (SDR)	Amount Allocated (equivalent to US$)	Basis for Withdrawal	Amount Allocated (US$)	Basis for Withdrawal	Amount Allocated (US$)	Basis for Withdrawal	
1	Civil works	16,079,000	23,070,437	100% of total expenditure claimed	-	Not applicable	3,480,000	100% of total expenditure claimed	26,550,437
2	Equipment	1,184,000	1,705,280	100% of total expenditure claimed	-	Not applicable	-	Not applicable	1,705,280
3	Workshops	422,000	606,304	100% of total expenditure claimed	-	Not applicable	210,000	100% of total expenditure claimed	816,304
4	Consulting services	2,554,000	3,550,629	100% of total expenditure claimed	-	Not applicable	1,110,000	100% of total expenditure claimed	4,660,629
5	Incremental administration	404,000	562,045	100% of total expenditure claimed	-	Not applicable	-	Not applicable	562,045
6	Interest during implementation	995,000	1,430,319	100% of total expenditure claimed	-	Not applicable	-	Not applicable	1,430,319
7	Unallocated	4,744,000	6,823,092	100% of total expenditure claimed	-	Not applicable	200,000	100% of total expenditure claimed	7,023,092
8	Kampong Chhnang Flood Protection	-	-	Not applicable	4,982,000	100% of total expenditure claimed*	-	Not applicable	4,982,000
9	Service charge during implementation	-	-	Not applicable	18,000	100% of total amount due	-	Not applicable	18,000
	Total	**26,382,000**	**37,748,106**		**5,000,000**		**5,000,000**		**47,748,106**

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2021

1. Background and activities (continued)

In accordance with the revised Project Administration Manual in June 2021, the table below sets forth the categories of items of expenditure to be financed out of the reallocated proceeds of the ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF), ADB Grant No. 0454 – CAM (SF) and RGC financing and the allocation of amounts of the financing to each such category:

No.	Item	ADB Loan No. 3311 – CAM (COL)			ADB Loan No. 8295 – CAM (SCF)		ADB Grant No. 0454 – CAM (SF)		Total (US$)
		Amount Allocated (SDR)	Amount Allocated (equivalent to US$)	Basis for Withdrawal	Amount Allocated (US$)	Basis for Withdrawal	Amount Allocated (US$)	Basis for Withdrawal	
1	Civil works	18,761,783	26,285,530	100% of total expenditure claimed	-	Not applicable	3,230,000	100% of total expenditure claimed	29,515,530
2	Equipment	1,374,590	1,923,850	100% of total expenditure claimed	-	Not applicable	-	Not applicable	1,923,850
3	Workshops	62,901	87,152	100% of total expenditure claimed	-	Not applicable	1	100% of total expenditure claimed	87,153
4	Consulting services	2,954,649	4,094,715	100% of total expenditure claimed	-	Not applicable	1,658,009	100% of total expenditure claimed	5,752,724
5	Incremental administration	400,000	550,288	100% of total expenditure claimed	-	Not applicable	-	Not applicable	550,288
6	Interest during implementation	772,133	1,081,113	100% of total expenditure claimed	-	Not applicable	-	Not applicable	1,081,113
7	Unallocated	2,055,944	2,880,496	100% of total expenditure claimed	-	Not applicable	111,990	100% of total expenditure claimed	2,992,486
9	Kampong Chhnang Flood Protection	-	-	Not applicable	4,991,296	100% of total expenditure claimed*	-	Not applicable	4,991,296
10	Service charge during implementation	-	-	Not applicable	8,704	100% of total amount due	-	Not applicable	8,704
	Total	**26,382,000**	**36,903,144**		**5,000,000**		**5,000,000**		**46,903,144**

(*) The government will finance taxes and duties through exemption and/or cash contribution for other costs.

There has been no disbursement from ADB Loan No. 8295 – CAM (SCF) due to the General Department of Resettlement ("GDR") has not yet carried out the detail measurement survey in order to ensure that affected households could be compensated until this reporting date.

2. Basis of accounting

(a) Statement of compliance

The financial statements have been prepared in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

The financial statements are prepared for the information of and use by the management of the Project, the Ministry of Economy and Finance ("MEF") and the Asian Development Bank ("ADB"). As a result, the financial statements may not be suitable for another purpose.

(b) Basis of measurement

The financial statements expressed in United States Dollars (US$) have been prepared under the historical cost convention.

3. Significant accounting policies

(a) Fund receipts and payments

Fund receipts are defined as the fund received by the Project from Development Partners and RGC. This is recognised when received and recorded as gross amounts of bank charges.

Payments represents all costs paid to support the objective of the Project and are recognised when paid.

(b) Statement of advance account

The statement of advance account is prepared in accordance with the Loan and Grant Agreements and is purely used to receive and disburse for expenditure financed by the ADB loan and grant proceeds.

(c) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of receipts and payments and statement of advance account upon acquisition. For control and management purposes, a memorandum account for non-expendable equipment is maintained by way of a non-expendable equipment listing.

(d) Interest charge

The interest charged by the ADB is a direct payment, and accounted for in the statement of receipts and payments as receipts with corresponding payment category.

3. Significant accounting policies (continued)

(e) Foreign currency transactions

The Project transacts its operations and maintains its accounting records primarily in United States Dollars ("US$"). Transactions in currencies other than US$ are converted into US$ at the rates of exchange prevailing on the transaction dates published by the National Bank of Cambodia.

Cash and bank balances in currencies other than US$ are translated into US$ at the open market rates of exchange at the year/period-end date. All foreign exchange differences are recognised in the statement of receipts and payments and the statement of advance account.

(f) In-kind contribution

All in-kind contribution from the RGC to the Project is not accounted for in the statement of receipts and payments and statement of advance account. In-kind contribution is disclosed in the note to the financial statements for information only.

4. Cash

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents consist of balances with banks.
Cash included in the statement of receipts and payments and statement of

advance account comprise the following amounts:

	As at 31 December 2021 US$	As at 31 December 2020 US$
Cash in bank – ADB No. 3311	248,195	365,617
Cash in bank – ADB No. 0454	166,302	101,650
Cash balance – ADB	414,497	467,267
Advance account – Government Counterpart Fund (*)	2,064	1,142
	416,561	468,409

(*) These represent bank balances maintained in a separate bank account with the National Bank of Cambodia ("NBC").

5. Receipts

	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 2 March 2016 to 31 December 2021
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	Total US$	Total US$
ADB						
Initial advances	-	-	-	-	-	630,000
Replenishment	-	342,360	-	342,360	586,037	1,886,203
Direct payments (*)	4,218,122	870,500	-	5,088,622	4,200,859	11,338,585
Interest charge	63,824	-	-	63,824	38,873	145,881
	4,281,946	1,212,860	-	5,494,806	4,825,769	14,000,669
RGC						
Initial advances	-	-	-	-	-	18,000
Replenishment	-	-	21,458	21,458	27,483	129,295
	-	-	21,458	21,458	27,483	147,295
	4,281,946	1,212,860	21,458	5,516,264	4,853,252	14,147,964

(*) Direct payments represent payments made by ADB directly to the suppliers on behalf of the Project.

Receipts from the Asian Development Bank for Loan No. 3311 – CAM (COL) and Grant No. 0454 – CAM (SCF) were paid into the advance accounts held by the Ministry of Economy and Finance. There are separate bank accounts held exclusively for ADB Loan No. 3311 – CAM (COL) and Grant No. 0454 – CAM (SCF). The receipts were then disbursed to advance account held by the Ministry of Public Works and Transport at the National Bank of Cambodia.

6. Civil works

	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 2 March 2016 to 31 December 2021
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	Total US$	Total US$
Direct payments						
Kiri Dangrek Construction Co., Ltd	2,046,700	870,500	-	2,917,200	3,064,617	5,981,817
Ung Simsia Construction Co., Ltd	1,280,933	-	-	1,280,933	529,327	1,810,260
	3,327,633	870,500	-	4,198,133	3,593,944	7,792,077
Replenishments						
Kiri Dangrek Construction Co., Ltd	-	78,532	-	78,532	-	78,532
	3,327,633	949,032	-	4,276,665	3,593,944	7,870,609

7. Consulting services

	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 2 March 2016 to 31 December 2021
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	Total US$	Total US$
Direct payments						
Korea Engineering Consultants Corp.	890,489	-	-	890,489	606,915	3,422,027
Partnership for Development in Kampuchea in Association with West East Development (Cambodia)	-	-	-	-	-	124,482
	890,489	-	-	890,489	606,915	3,546,509
Advance account						
Korea Engineering Consultants Corp.	15,200	-	-	15,200	22,800	245,670
Partnership for Development in Kampuchea in Association with West East Development (Cambodia)	-	199,176	-	199,176	324,598	993,158
SMEC International Pty Ltd	-	-	-	-	-	290,498
Audit fee	-	-	-	-	-	6,050
	15,200	199,176	-	214,376	347,398	1,535,376
	905,689	199,176	-	1,104,865	954,313	5,081,885

8. Incremental administrative costs

	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 2 March 2016 to 31 December 2021
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	Total US$	Total US$
Advance account						
Office and travel expenses	95,324	-	20,536	115,860	96,194	435,121
Vehicles	6,898	-	-	6,898	5,070	156,889
Office equipment	-	-	-	-	-	41,018
	102,222	-	20,536	122,758	101,264	633,028

Notes to the financial statements (continued)
for the year ended 31 December 2021

9. Statement of disbursement

Details of statement of disbursement from ADB fund are as follows:

		Year ended 31 December 2021	Year ended 31 December 2020	Cumulative period from 2 March 2016 to 31 December 2021
		US$	US$	US$
ADB fund claims during the year				
Initial advance		-	-	630,000
Replenishments		342,360	586,037	1,886,203
Direct payments and interest charge		5,152,446	4,239,732	11,484,466
Sub-total	(A)	5,494,806	4,825,769	14,000,669
Total payments made during the year	(B)	5,568,112	4,688,394	13,731,403
Less: Payments made out of RGC	(C)	(20,536)	(28,358)	(145,231)
Initial advances not yet liquidated	(D)	-	-	630,000
Payments not yet claimed during the year	(E)	(145,120)	(162,733)	(215,503)
Payments incurred previous year but claimed during the year	(F)	92,350	328,466	-
Total eligible payments claimed (A=G=B+C+D+E+F)	(G)	5,494,806	4,825,769	14,000,669

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2021

10. Payments by category and financier

Particulars	ADB Loan No. 3311 – CAM (COL)		ADB Loan No. 8295 – CAM (SCF)		ADB Grant No. 0454 – CAM (SF)		RGC Fund		Total
	Actual payments		Actual payments		Actual payments		Actual payments		
	US$	%	US$	%	US$	%	US$	%	US$
Civil works	3,327,633	78	-	-	949,032	22	-	-	4,276,665
Consulting services	905,689	82	-	-	199,176	18	-	-	1,104,865
Incremental administrative costs	102,222	83	-	-	-	-	20,536	17	122,758
Interest charge	63,824	100	-	-	-	-	-	-	63,824
Total payments – for the year ended 31 December 2021	**4,399,368**		**-**		**1,148,208**		**20,536**		**5,568,112**
Total project cost	**37,748,106**		**5,000,000**		**5,000,000**		**605,130**		**47,748,106**
% of total project costs – for the year ended 31 December 2021	**12**		**-**		**23**		**3**		**12**
% of cumulative expenses to total project costs – for the period from 2 March 2016 to 31 December 2021	**25**		**-**		**81**		**24**		**28**

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2021

11. Statement of withdrawals

Withdrawal application No.	Description	Date	Currency	Initial advance	Civil works	Consulting services	Incremental administrative costs	Interest charge	Total
Year ended 31 December 2021									
ADB Loan No. 3311 – CAM (COL)									
Direct payment									
A0019	Direct Payment	4-Feb-21	US$	-	236,365	-	-	-	236,365
A0020	Direct Payment	23-Feb-21	US$	-	-	148,824	-	-	148,824
A0021	Direct Payment	25-Feb-21	US$	-	181,882	-	-	-	181,882
A0022	Direct Payment	14-Apr-21	US$	-	180,331	-	-	-	180,331
A0023	Direct Payment	6-May-21	US$	-	60,543	-	-	-	60,543
A0024	Direct Payment	25-Jun-21	US$	-	-	298,433	-	-	298,433
A0025	Direct Payment	1-Jul-21	US$	-	158,399	-	-	-	158,399
A0026	Direct Payment	3-Aug-21	US$	-	1,077,412	-	-	-	1,077,412
A0027	Direct Payment	22-Sep-21	US$	-	278,284	-	-	-	278,284
A0028	Direct Payment	30-Sep-21	US$	-	614,827	-	-	-	614,827
A0029	Direct Payment	13-Oct-21	US$	-	-	125,665	-	-	125,665
A0030	Direct Payment	2-Nov-21	US$	-	245,673	-	-	-	245,673
A0031	Direct Payment	19-Nov-21	US$	-	293,917	-	-	-	293,917
A0032	Direct Payment	26-Nov-21	US$	-	-	317,567	-	-	317,567
CAP	Direct Payment	1-Apr-21	US$	-	-	-	-	28,557	28,557
CAP	Direct Payment	1-Oct-21	US$	-	-	-	-	35,267	35,267
Sub-total (A)			US$	**-**	**3,327,633**	**890,489**	**-**	**63,824**	**4,281,946**
ADB Grant No. 0454 – CAM (SCF)									
Direct payment									
C0016	Direct Payment	24-Mar-21	US$	-	597,742	-	-	-	597,742
C0017	Direct Payment	6-May-21	US$	-	272,758	-	-	-	272,758
Sub-total (B)			US$	**-**	**870,500**	**-**	**-**	**-**	**870,500**

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2021

11. Statement of withdrawals (continued)

Withdrawal application No.	Description	Date	Currency	Initial advance	Civil works	Consulting services	Incremental administrative costs	Interest charge	Total
ADB Grant No. 0454 – CAM (SCF) (continued)									
Replenishments									
C0015	Replenishment	23-Mar-21	US$	-	-	106,823		-	106,823
C0018	Replenishment	8-Oct-21	US$	-	-	123,254		-	123,254
C0019	Replenishment	2-Dec-21	US$	-	78,532	33,751	-	-	112,283
Sub-total (C)			US$	**-**	**78,532**	**263,828**	**-**	**-**	**342,360**
Sub-total (D=B+C)				**-**	**949,032**	**263,828**	**-**	**-**	**1,212,860**
RGC fund									
Replenishment									
R0010	Replenishment	4-Jan-21	US$	-	-	-	9,958	-	9,958
R0011	Replenishment	9-Jun-21	US$	-	-	-	11,500	-	11,500
Sub-total (E)			US$	**-**	**-**	**-**	**21,458**	**-**	**21,458**
Total fund receipts for the year ended 31 December 2021 (F=A+D+E)			US$	**-**	**4,276,665**	**1,154,317**	**21,458**	**63,824**	**5,516,264**
Year ended 31 December 2020									
ADB Loan No. 3311 – CAM (COL)			US$	**-**	**2,004,444**	**611,856**	**112,747**	**38,873**	**2,767,920**
ADB Grant No. 0454 – CAM (SCF)			US$	**-**	**1,589,500**	**468,349**	**-**	**-**	**2,057,849**
RGC fund			US$	**-**	**-**	**-**	**27,483**	**-**	**27,483**
Total fund receipts for the year ended 31 December 2020			US$	**-**	**3,593,944**	**1,080,205**	**140,230**	**38,873**	**4,853,252**

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2021

11. Statement of withdrawals (continued)

Withdrawal application No.	Description	Date	Currency	Initial advance	Civil works	Consulting services	Incremental administrative costs	Interest charge	Total
Cumulative period from 2 March 2016 to 31 December 2021									
ADB Loan No. 3311 – CAM (COL)			US$	436,000	5,332,077	3,529,696	344,045	145,881	9,787,699
ADB Grant No. 0454 – CAM (SCF)			US$	194,000	2,538,532	1,480,438	-	-	4,212,970
RGC fund			US$	18,000	-	-	129,295	-	147,295
Total fund receipts for the cumulative period from 2 March 2016 to 31 December 2021			US$	648,000	7,870,609	5,010,134	473,340	145,881	14,147,964

H.E. Vong Pisith
Project Director
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

Mr. Mao Dor
Financial Management Specialist
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

12. Advance to contractors

There was neither advances made to the contractor during the year (2020: Nil) nor unliquidated advance as at 31 December 2021 (31 December 2020: Nil)

13. Items not recognised in the statement of receipts and payments

13.1. Receipts from selling bid documents

During the year, there was no receipts from selling bid documents (2020: Nil).

13.2. In-kind contribution

The Project's management has identified and calculated in-kind contribution from the RGC which was based on the MEF's guideline as follows:

	Year ended 31 December 2021 US$	Year ended 31 December 2020 US$	Cumulative period from 2 March 2016 to 31 December 2021 US$
Office space	17,856	17,856	107,136
Utilities (electricity and water)	10,238	10,238	61,430
Salaries of project staff	49,152	49,152	267,192
Taxation			
Civil works	447,584	391,854	839,438
Consulting services	132,024	94,266	657,915
Importing duties	-	-	19,538
	656,854	563,366	1,952,649

13.3. Payment commitments

As at 31 December 2021, the Project had the following payment commitments:

	As at 31 December 2021 US$	As at 31 December 2020 US$
Contracted, but not yet paid:		
Civil works	7,027,955	8,452,902
Consulting services	773,663	1,844,379
	7,801,618	10,297,281

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF)

Appendix I: Statement of budget versus actual payments for the year ended 31 December 2021

Description	Year ended 31 December 2021				Year ended 31 December 2020				Cumulative period from 2 March 2016 to 31 December 2021			
	Budget	Actual	Variance		Budget	Actual	Variance		Budget	Actual	Variance	
	US$	US$	US$	%	US$	US$	US$	%	US$	US$	US$	%
Investment												
Civil works	4,457,713	4,276,665	181,048	4	3,765,940	3,593,944	171,996	5	8,223,653	7,870,609	353,044	4
Consulting services	1,161,034	1,104,865	56,169	5	1,112,358	954,313	158,045	17	5,028,064	5,081,885	(53,821)	-1
Incremental administrative costs	143,965	122,758	21,207	15	113,126	101,264	11,862	12	771,920	633,028	138,892	18
Interest charge	65,000	63,824	1,176	2	38,873	38,873	-	-	147,057	145,881	1,176	1
Total	**5,827,712**	**5,568,112**	**259,600**	**4**	**5,030,297**	**4,688,394**	**341,903**	**7**	**14,170,694**	**13,731,403**	**439,291**	**2**

H.E. Vong Pisith
Project Director
Ministry of Public Work and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

Mr. Mao Dor
Financial Management Specialist
Ministry of Public Work and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

PART II

Independent Assurance Report
on Compliance with
the Financing Agreements

for the year ended 31 December 2021

Ministry of Public Works and Transport

Management assertion

I, on behalf of the Project's management of the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project") under ADB Loan No. 3311 – CAM (COL) and 8295 – CAM (SCF), and the Grant No. 0454 – CAM (SCF) ("Financing Agreements"), do hereby state that the Project is, in all material respects, in compliance with the Financing Agreements as stated in the Statement of Compliance for the year ended 31 December 2021, in particular:

(i) The EA has utilised the proceeds of the loan/grant, in all material respect, for the purpose of the Project in accordance with the terms and conditions set out in the Financing Agreements;

(ii) The EA has complied, in all material respects, with the financial covenant set out in the Financing Agreements;

(iii) The Advance account procedures, have been operated, in all material respects, in accordance with ADB's Loan/Grant Disbursement Handbook;

(iv) The Project has complied, in all material respects, with the statement of expenditure ("SOE") procedure set out in ADB's Loan/Grant Disbursement Handbook for the year ended 31 December 2021. In addition, adequate supporting documentation has been maintained to authenticate claims stated on SOE procedure for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account; and

(v) The effective internal control, including the procurement process was maintained.

H.E. Vong Pisith
Project Director
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2022

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INDEPENDENT REASONABLE ASSURANCE REPORT
To Ministry of Economy and Finance
on the Compliance with Financing Agreements

We refer to the ADB Loan Agreements No. 3311 – CAM (COL) and 8295 – CAM (SCF), and the Grant Agreement No. 0454 – CAM (SCF) ("the Financing Agreements"), which sets out the requirements for the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project") to comply with the Loan and Grant covenants.

Pursuant to the terms and condition set out in the Financing Agreements, the management of the Project has determined key relevant provisions in which the management believes are important to report and prepared a Statement of Compliance with the Financing Agreements (the "Statement of Compliance"), a copy of which is attached to this independent assurance report.

We were engaged by the Ministry of Economy and Finance ("MEF") to report on the Project's compliance with the Financing Agreements for the year ended 31 December 2021 as stated in the Statement of Compliance set out on pages 31 to 34, in the form of an independent reasonable assurance conclusion about whether the Project is, in all material respects, in compliance with the requirements set out in the Financing Agreements.

Our report is intended to provide a conclusion on the following specific matters, established by the terms and conditions of the Financing Agreements whether:

(i) The Project's funds have been used, in all material respects, for the purposes of the Project in accordance with the terms and conditions set out in the Financing Agreements.

(ii) The Project has complied, in all material respects, with the covenant of Financing Agreements.

Management's responsibilities

The management of the Project is responsible for the preparation of the Statement of Compliance that is free from material misstatement and in accordance with those requirements set out by the Financing Agreements and for the information contained therein on pages 31 to 34.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the Statement of Compliance that is free from material misstatement, whether due to fraud or error. It also includes ensuring the Project's compliance with those requirements set out in the Financing Agreements; selecting and applying policies; making judgements and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the Statement of Compliance. The management of the Project is also responsible for preventing and detecting fraud and for identifying and ensuring that the Project complies with laws and regulations applicable to its activities. The management is responsible for ensuring that staff involved with the preparation of the Statement of Compliance are properly trained, information systems are properly updated and that any changes in reporting encompass all significant reporting units.

Our responsibilities

Our responsibility is to examine the Statement of Compliance prepared by the management and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with Cambodian International Standard on Assurance Engagements ("CISAE") 3000, Assurance Engagement Other than Audits or Reviews of Historical Financial Information. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the Statement of Compliance is properly prepared in accordance with the relevant terms and conditions set out in in the Financing Agreements, in all material respects.

We apply Cambodian International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Procedures Performed

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Statement of Compliance whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation of the Statement of Compliance, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Project's internal control over the preparation of the Statement of Compliance.

Our engagement also included assessing the appropriateness of the Statement of Compliance, the suitability of the criteria being the terms and conditions specified by the Financing Agreements, used by the Project's management in preparing the Statement of Compliance in the circumstances of the engagement, obtaining an understanding of the compilation of the financial and non-financial information in the Statement of Compliance by enquiry of management, reference to the Financing Agreements and performance of testing on the Project's management assertions on a sample basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the Project is, in all material respects, in compliance with the requirements of the Financing Agreements for the year ended 31 December 2021, in particular the following assertions by management of the Project as stated in the Statement of Compliance, are properly represented:

(i) The Project's funds have been used, in all material respects, for the purposes of the Project in accordance with the terms and conditions set out in the Financing Agreements.

(ii) The Project has complied, in all material respects, with the covenant of Financing Agreements.

Restriction on Use of Our Report

Our report should not be regarded as suitable to be used or relied on by any party other than the Project, MEF and ADB for any purpose or in any context. Any party other than the Project, MEF and ADB who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

We accept or assume no responsibility and deny any liability to any party other than the Project, MEF and ADB for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to the Project, MEF and ADB on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent.

For **KPMG Cambodia Ltd**

KPMG CAMBODIA LTD.

Nge Huy

Partner

Phnom Penh, Kingdom of Cambodia

31 May 2022

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of Compliance with the Financing Agreements
for the year ended 31 December 2021

1. Criteria

This Statement of Compliance is prepared in accordance with the criteria determined by the ADB in accordance with the Loan Agreements No. ADB Loan No. 3311 – CAM (COL), ADB Loan No. 8295 – CAM (SCF) and the Grant Agreement No. 0454 – CAM (SCF) ("the Financing Agreements"), which sets out the requirements for Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project") to comply with and is prepared by the Project's management based on the key relevant provisions in which the management believes are important to report on and is not intended to cover the complete set of the Financing Agreements taken as a whole. These criteria are described below. The management has assessed its compliance with the relevant requirements and included the results of its assessment below.

Article No.	Description	Management's assertions
Article III Use of Proceeds of the Loan		
3.01	The Borrower shall cause the proceeds of the Loan and Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of the Financing Agreements.	Yes, complied with.
3.02	The proceeds of the funds shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreements, as such Schedule 3 (See Appendix) may be amended from time to time by agreement between the Borrower and ADB.	Yes, complied with.
3.03	Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, items of expenditure to be financed out of the proceeds of the Loan and Grant in accordance with the provisions of Schedule 4 (See Appendix) of the Agreements.	Yes, complied with.
4.02	(a) The Borrower shall: (i) Maintain separate accounts and records for the Projects; (ii) prepare annual financial statements for the Project in accordance with generally accepted accounting principles acceptable to ADB;	(a): (i) Yes, complied with (ii) The Project prepared financial statements in accordance with a Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

1. Criteria (continued)

Section	Description	Management's assertions
Article IV Particular Covenants		
4.02	(iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with International Standards for auditing or the national equivalent acceptable to ADB; in accordance with international standards for auditing or the national equivalent acceptable to ADB;	(iii) Financial statements are audited by KPMG Cambodia Ltd.
	(iv) as part of each such audit, have the auditor prepare a report which includes the auditor's opinions on the financial statements and the use of the loan proceeds, and management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any);	(iv) Refer to Report of Independent Auditor and the Independent Reasonable Assurance Report.
	(v) Furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.	(v) Yes, complied with. The 2020 financial statements were issued on 31 May 2021 submitted to ADB on 9 June 2021.
	(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.	(b) Yes, complied with. The 2020 audited financial statements were posted on ADB's website on 30 June 2021.
4.03	The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	Yes, complied with.

2. Appendix to the Statement of Compliance

Schedule No.	Description
Schedule 3: Allocation and Withdrawal of Loan Proceeds	
2	The proceeds of the Loan shall be allocated to items of expenditure and disbursed on the basis of the withdrawal percentage for each item of expenditures set forth in the table.
5	The Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
Schedule 4: Procurement of Goods, Works and Consulting services	
1	The procurement of Goods, Works, and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines respectively.
4	Goods and Works shall only be procured on the basis of the methods of procurement set forth below: (a) International Competitive Bidding; (b) National Competitive Bidding; and (c) Shopping.
7	The Borrower shall cause the Project Executing Agency and each Project Implementing Agency not to award any Works contract: (a) which involves envirosnmental impacts; (b) which involves involuntary resettlement impacts
8	The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.
9 (a)	The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of Compliance with the Financing Agreements (continued)
for the year ended 31 December 2021

2. Appendix to the Statement of Compliance (continued)

Schedule No.	Description
Schedule 4: Procurement of Goods, Works and Consulting services (continued)	
9 (b)	The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters.
10	The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.