

**ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF PUBLIC WORKS AND TRANSPORT**

**Second Greater Mekong Subregion
Corridor Towns Development Project**

ADB Loan No. 3314 – CAM (COL)

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

Project information

Project title	Second Greater Mekong Subregion Corridor Towns Development Project
Project number	46443-002
Project status	Active
Sector/Subsector	Water and other urban infrastructure and services/Urban flood protection - Urban sewerage - Urban solid waste management
Executing Agency	Ministry of Public Works and Transport 4th Floor Eastern Building Corner Norodom Boulevard and Street 106 Phnom Penh, Cambodia
Funding Agency	Asian Development Bank - ADB Loan No. 3314 – CAM (COL) Royal Government of Cambodia
Project period	29 February 2016 to 31 December 2023
Project cost	US\$33,000,000
Reporting period	For the period from 1 January to 31 December
Principal banker	National Bank of Cambodia
Auditors	KPMG Cambodia Ltd

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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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

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 the statement of advance account for the year ended 31 December 2021 and notes as set out on pages 5 to 23 of the Second Greater Mekong Subregion Corridor Towns Development ("the Project"), financed under the Asian Development Bank Loan No. 3314 – CAM (COL) and implemented by the Ministry of Public Works and Transport, 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

2 June 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 Second Greater Mekong Subregion Corridor Towns Development (“the Project”), financed under the Asian Development Bank Loan No. 3314 – CAM (COL), implemented by the Ministry of Public Works and Transport (“the Project Management Unit” or “PMU”), which comprise the statement of receipts and payments and the 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 23 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, then 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 Executing Agency’s (“EA”) 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

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

2 June 2022

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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

	Note	Year ended 31 December 2021		Total US\$	Year ended 31 December 2020		Cumulative period from 29 February 2016 to 31 December 2021
		ADB Loan No. 3314 US\$	RGC US\$		US\$	US\$	
Receipts							
Asian Development Bank	5	2,715,066	-	2,715,066	2,667,640	11,136,590	
Royal Government of Cambodia	5	-	26,460	26,460	62,716	198,671	
		<u>2,715,066</u>	<u>26,460</u>	<u>2,741,526</u>	<u>2,730,356</u>	<u>11,335,261</u>	
Payments by category and financier							
Civil works	6	1,994,017	-	1,994,017	1,956,785	6,986,423	
Consulting services	7	631,409	-	631,409	412,878	3,032,143	
Incremental administrative costs	8	72,279	30,577	102,856	159,526	808,599	
Interest charge	-	89,640	-	89,640	57,408	193,180	
		<u>2,787,345</u>	<u>30,577</u>	<u>2,817,922</u>	<u>2,586,597</u>	<u>11,020,345</u>	
(Decrease)/Increase in Cash		<u>(72,279)</u>	<u>(4,117)</u>	<u>(76,396)</u>	<u>143,759</u>	<u>314,916</u>	

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Second Greater Mekong Subregion Corridor Towns Development Project

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

	Note	ADB Loan No. 3314 US\$	Year ended 31 December 2021	Year ended 31 December 2020	Cumulative period from 29 February 2016 to 31 December 2021
			RGC US\$	US\$	US\$
			Total US\$		
Cash at beginning of the year	4	386,012	5,300	247,553	-
(Decrease)/Increase in Cash		(72,279)	(4,117)	143,759	314,916
Cash at the end of the year	4	313,733	1,183	391,312	314,916



H.E. Vong Pisith
Project Director

Phnom Penh, Kingdom of Cambodia

2 June 2022



Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

2 June 2022

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

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

Statement of advance account for the year ended 31 December 2021

		Year ended 31 December 2021	Year ended 31 December 2020	Cumulative period from 29 February 2016 to 31 December 2021
	Note	US\$	US\$	US\$
Part A				
Beginning cash balance		386,012	247,085	-
Receipt:				
Initial advance		-	-	426,000
Amount replenished by ADB	5	-	240,569	505,444
		<u>386,012</u>	<u>487,654</u>	<u>931,444</u>
Payments made from advance account:				
Incremental administrative costs	8	<u>72,279</u>	<u>101,642</u>	<u>617,711</u>
Ending cash balance	4	<u><u>313,733</u></u>	<u><u>386,012</u></u>	<u><u>313,733</u></u>

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

	Note	Year ended 31 December 2021 US\$	Year ended 31 December 2020 US\$	Cumulative period from 29 February 2016 to 31 December 2021 US\$
Part B – Advance account reconciliation				
Initial advance	A	426,000	426,000	426,000
Balance of advance account as of 31 December per bank statement		313,733	386,012	313,733
Less: Outstanding cheque		-	-	-
Add: Petty cash balance		-	-	-
Total cash balance	B	313,733	386,012	313,733
Add: Amount claimed in previous year not yet credited at date of bank statement	C	-	-	-
Add: Amount claimed in current year not yet credited at date of bank statement	D	-	-	-
Less: Interest income	E	-	-	-

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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 29 February 2016 to 31 December 2021
		US\$	US\$	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	112,267	39,988	112,267
a. Sub-accounts		-	-	-
b. Transfer in transit		-	-	-
c. Current year withdrawn from advance account but not yet claimed for replenishment		72,279	39,988	72,279
d. Other – Previous year withdrawn from advance account but not yet claimed for replenishment		39,988	-	39,988
Total advance accounted for (B+C+D+E+F)		426,000	426,000	426,000



H.E. Vong Pisith
Project Director

Phnom Penh, Kingdom of Cambodia
2 June 2022



Mr. Mao Dor
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Phnom Penh, Kingdom of Cambodia
2 June 2022

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

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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

The Loan Agreement No. 3314 – CAM (COL), the “Financing Agreement”, for the Second Greater Mekong Subregion Corridor Towns Development (“Project”) between the Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance - MEF) was signed on 22 December 2015. Total project cost is approximately US\$38.10 million, of which the ADB agreed to provide loan amounting to Special Drawing Rights 23,380,000 equivalent to US\$33 million at the time of the loan negotiation and the RGC will finance US\$5.1 million for the land acquisition and resettlement, salary supplements and project audits, taxes and duties, and in-kind government contribution of office space and office equipment.

The principal amount of ADB Loan No. 3314 – CAM (COL) will have a term of 32 years, including grace period of 8 years, and bear interest rate of 1% per annum during the grace period and 1.5%, thereafter, on the amount of loan withdrawn from the ADB and outstanding balance from time to time. This loan is repayable on a semi-annually instalment commencing from 1 April 2024 and ending on 1 October 2047.

The Project Management Unit (“PMU”) established by the Ministry of Public Works and Transport acts as the Executing Agency (“EA”), and two Provincial Departments of Public Works and Transport (PDPWT) were established at Kampot Province and Sihanoukville Province to implement their respective project components.

The objective of the Project is improved urban services in the towns of Sihanoukville and Kampot, Kingdom of Cambodia. The Project comprises:

- (a) Construction of a new wastewater treatment plant and wastewater collection system in Kampot;
- (b) Closure of the current dump site, and the construction of a new managed landfill in Kampot;
- (c) Construction of primary storm water drains in priority urban area in Kampot;
- (d) Rehabilitation of existing dump site to a managed landfill in Sihanoukville; and
- (e) Construction of primary storm water drains in priority urban areas in Sihanoukville.

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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 proceeds of the ADB Loan No. 3314 – CAM (COL) and RGC financing and the allocation of amounts of the Loan to each such category:

Category			ADB Financing
Number	Item	Total Amount Allocated for ADB Financing (SDR) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Works**	15,714,000	100% of total expenditure claimed*
2	Equipment and materials*	390,000	100% of total expenditure claimed*
3	Project implementation and capacity building	2,303,000	100% of total expenditure claimed*
4	Other incremental administration cost	397,000	100% of total expenditure claimed*
5	Interest charge	601,000	100% of amount due
6	Unallocated	3,975,000	
	Total	23,380,000	

* Exclusive of local taxes and duties imposed within the territory of the Borrower.

** Subject to condition for withdrawal in Schedule 3 Paragraph 5.

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

The financing agreement became effective for implementation from 29 February 2016 after signing date of the agreement, expected to be completed by 31 December 2020 and closing date shall be 30 June 2021 (extension of loan closing date to 31 December 2023). On 18 January 2021, MEF requested to extend the loan closing date from 30 June 2021 to 31 December 2023 and reallocate the loan proceeds. On 10 May 2021, the Project has obtained the approval on the loan extension letter from ADB.

On 24 January 2020, the Asian Development Bank responded the approval to a letter of MEF ref. 10201 MEF/GDICDM, dated 16 October 2019, requesting to cancel subprojects in Sihanoukville. On 21 April 2020, ADB agreed on the contract termination agreement for the Sihanoukville Urban Drainage Works subproject.

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

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 MEF and the ADB. As a result, the financial statements may not be suitable for another purpose.

(b) Basis of measurement

The financial statements have been prepared on the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards (“CPSAS”).

3. Significant accounting policies

(a) Fund receipts and payments

Fund receipts are defined as the fund received by the Project from developing 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 Projects and are recognised when paid.

(b) Statement of advance account

The statement of advance account is prepared in accordance with the Loan Agreement and is purely used to receive and payments for expenditure financed by the ADB loan 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.

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ADB Loan No. 3314 – CAM (COL)

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

3. Significant accounting policies (continued)

(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 the corresponding payment category.

(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 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\$
Advance account – ADB Loan No. 3314 (*)	313,733	386,012
Advance account – Government Counterpart Fund (*)	<u>1,183</u>	<u>5,300</u>
	<u>314,916</u>	<u>391,312</u>

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

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

5. Receipts

	Year ended 31 December 2021			Year ended 31 December 2020	Cumulative period from 29 February 2016 to 31 December 2021
	ADB Loan No. 3314 US\$	RGC US\$	Total US\$	US\$	US\$
ADB					
Direct payments (*)	2,715,066	-	2,715,066	2,427,071	10,205,146
Advance account	-	-	-	240,569	931,444
	<u>2,715,066</u>	<u>-</u>	<u>2,715,066</u>	<u>2,667,640</u>	<u>11,136,590</u>
RGC					
Advance account (**)	-	26,460	26,460	62,716	198,671
	<u>2,715,066</u>	<u>26,460</u>	<u>2,741,526</u>	<u>2,730,356</u>	<u>11,335,261</u>

(*) Direct payments represent payments made by ADB directly to the suppliers upon the request from the Project.

(**) This represents replenishment to advance account from the RGC during the year.

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Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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

6. Civil works

	Year ended 31 December 2021			Year ended 31 December 2020	Cumulative period from 29 February 2016 to 31 December 2021
	ADB Loan No. 3314 US\$	RGC US\$	Total US\$	US\$	US\$
Direct payment:					
Civil works	<u>1,994,017</u>	<u>-</u>	<u>1,994,017</u>	<u>1,956,785</u>	<u>6,986,423</u>
	<u>1,994,017</u>	<u>-</u>	<u>1,994,017</u>	<u>1,956,785</u>	<u>6,986,423</u>

Included in the above payments, there were advance payments made to contractors during the year 2021 amounting to US\$322,366 (2020: Nil). Refer to Note 11 for details.

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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

7. Consulting services

	Year ended 31 December 2021			Year ended 31 December 2020	Cumulative period from 29 February 2016 to 31 December 2021
	ADB Loan No.3314 US\$	RGC US\$	Total US\$	US\$	US\$
Direct payment:					
Consulting services-NJS Consultant Co., Ltd	631,409	-	631,409	412,878	3,025,543
Audit fee	-	-	-	-	6,600
	<u>631,409</u>	<u>-</u>	<u>631,409</u>	<u>412,878</u>	<u>3,032,143</u>

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

8. Incremental administrative costs

	Year ended 31 December 2021			Year ended 31 December 2020	Cumulative period from 29 February 2016 to 31 December 2021
	ADB Loan No. 3314 US\$	RGC US\$	Total US\$	US\$	US\$
Advance account:					
Vehicles	-	-	-	-	106,500
Office equipment and furniture	-	-	-	-	45,369
Office renovation	-	-	-	-	21,683
Financial management specialist	-	-	-	27,300	111,540
Procurement specialist	-	-	-	23,100	94,380
Travel costs	44,164	-	44,164	28,284	128,324
Office running costs	6,646	-	6,646	4,185	30,086
Supplement allowances	-	29,400	29,400	56,710	184,990
Vehicle operations and maintenance	21,469	1,177	22,646	19,947	85,727
	<u>72,279</u>	<u>30,577</u>	<u>102,856</u>	<u>159,526</u>	<u>808,599</u>

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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 29 February 2016 to 31 December 2021
	US\$	US\$	US\$
ADB fund claims during the year/period			
Direct payments	2,715,066	2,427,071	10,205,146
Advance account	-	240,569	931,444
Sub-total	(A) <u>2,715,066</u>	<u>2,667,640</u>	<u>11,136,590</u>
Total expenditure made during the year/period	(B) 2,817,922	2,586,597	11,020,345
Expenditure made out of Government Counterpart fund	(C) (30,577)	(57,884)	(197,488)
Expenditure not yet claimed during the year/period	(D) (72,279)	(39,988)	(112,267)
Expenditure made in prior year but claimed during the year	(E) -	178,915	-
Initial advance from ADB	(F) -	-	426,000
Total eligible expenditure claimed (G=A+B+C+D+E+F)	(G) <u>2,715,066</u>	<u>2,667,640</u>	<u>11,136,590</u>

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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

10. Payments by category and financier

Particulars	ADB Loan No. 3314 – CAM (COL)		RGC		Total
	US\$	%	US\$	%	US\$
Civil works	1,994,017	100	-	-	1,994,017
Consulting services	631,409	100	-	-	631,409
Incremental administrative costs	72,279	70	30,577	30	102,856
Interest charge	89,640	100	-	-	89,640
Total payments – for the year ended 31 December 2021	2,787,345		30,577		2,817,922
Total Project cost	33,000,000		5,100,000		38,100,000
% of total project costs – for the year ended 31 December 2021	8.45%		0.60%		7.40%
Total cumulative payments – for the period from 29 February 2016 to 31 December 2021	10,822,856		197,489		11,020,345
% of total project costs – for the period from 29 February 2016 to 31 December 2021	32.80%		3.87%		28.92%

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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

11. Advance to contractors

During the year, the Project incurred the following advance transactions:

	Year ended 31 December 2021 US\$	Year ended 31 December 2020 US\$
At beginning of the year	-	2,596,518
Addition for the year (*):		
Civil works	322,366	-
Liquidation:		
Civil works (Note 6)	<u>(32,237)</u>	<u>(2,596,518)</u>
At end of the year (**)	<u>290,129</u>	<u>-</u>

(*) The advances were recorded as payments in the respective payment categories in the statement of receipts and payments upon incurred.

(**) This represents unliquidated advances which are maintained by way of an advance register by management for monitoring purpose:

	As at 31 December 2021 US\$	As at 31 December 2020 US\$
Civil works	<u>290,129</u>	<u>-</u>

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

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

12. 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. 3314 – CAM (COL)									
<i>Direct payments</i>									
A0025	Direct payment	2-Mar-21	US\$	-	-	149,066	-	-	149,066
A0026	Direct payment	17-Apr-21	US\$	-	678,330	-	-	-	678,330
921A	Direct payment	20-Apr-21	US\$	-	-	-	-	41,813	41,813
A0027	Direct payment	28-Jun-21	US\$	-	-	166,416	-	-	166,416
A0028	Direct payment	11-Aug-21	US\$	-	-	101,941	-	-	101,941
A0029	Direct payment	6-Sep-21	US\$	-	322,366	-	-	-	322,366
CAP1	Direct payment	1-Oct-21	US\$	-	-	-	-	47,827	47,827
A0030	Direct payment	25-Oct-21	US\$	-	645,521	-	-	-	645,521
A0031	Direct payment	25-Oct-21	US\$	-	347,800	-	-	-	347,800
A0032	Direct payment	25-Oct-21	US\$	-	-	101,066	-	-	101,066
A0033	Direct payment	24-Nov-21	US\$	-	-	112,920	-	-	112,920
Total ADB fund (A)			US\$	-	1,994,017	631,409	-	89,640	2,715,066
RGC									
R0011	Replenishment	9-Mar-21	US\$	-	-	-	14,700	-	14,700
R0012	Replenishment	9-Jul-21	US\$	-	-	-	11,760	-	11,760
Total RGC fund (B)			US\$	-	-	-	26,460	-	26,460
Total fund receipts for the year (C=A+B)			US\$	-	1,994,017	631,409	26,460	89,640	2,741,526

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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

12. Statement of withdrawals (continued)

Withdrawal application No.	Description	Date	Currency	Initial advance	Civil works	Consulting services	Incremental administrative costs	Interest charge	Total
Year ended 31 December 2020									
ADB Loan No. 3314 – CAM (COL)			US\$	-	1,956,785	412,878	240,569	57,408	2,667,640
RGC			US\$	-	-	-	62,716	-	62,716
Total			US\$	-	1,956,785	412,878	303,285	57,408	2,730,356
Cumulative period from 29 February 2016 to 31 December 2021									
ADB Loan No. 3314 – CAM (COL)			US\$	426,000	6,986,423	3,025,543	505,444	193,180	11,136,590
RGC			US\$	20,000	-	6,600	172,071	-	198,671
Total fund receipts for the period from 29 February 2016 to 31 December 2021			US\$	446,000	6,986,423	3,032,143	677,515	193,180	11,335,261



H.E. Vong Pisith
Project Director

Phnom Penh, Kingdom of Cambodia

2 June 2022



Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

2 June 2022

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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

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

13.1. Income from selling bid documents

During the year, the Project had income from selling bid documents amounting to US\$1,050 (2020: Nil).

13.2. In-kind contribution

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

	Year ended 31 December 2021 US\$	Year ended 31 December 2020 US\$	Cumulative period from 29 February 2016 to 31 December 2021 US\$
Office space	21,024	21,024	122,640
Utilities (electricity and water)	11,080	11,080	64,632
Salaries of project staff	57,900	57,900	307,698
Taxation			
Withholding tax	88,397	65,363	454,464
Value Added Tax	199,402	195,679	445,692
	<u>377,803</u>	<u>351,046</u>	<u>1,395,126</u>

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	11,814,735	7,062,092
Consulting services	536,348	1,167,757
	<u>12,351,083</u>	<u>8,229,849</u>

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

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 29 February 2016 to 31 December 2021					
	Budget		Variance		Budget		Variance		Budget		Actual		Variance	
	US\$		US\$	%	US\$		US\$	%	US\$		US\$		US\$	%
Investment														
Civil works	2,132,432	1,994,017	138,415	6.49%	2,119,765	1,956,785	162,980	7.69%	4,699,408	6,986,423	(2,287,015)	-48.67%		
Consulting services	634,396	631,409	2,987	0.47%	431,388	412,878	18,510	4.29%	3,408,684	3,032,143	376,541	11.05%		
Incremental administrative costs	118,800	102,856	15,944	13.42%	175,172	159,526	15,646	8.93%	935,958	808,599	127,359	13.61%		
Interest charge	90,000	89,640	360	0.40%	57,408	57,408	-	-	193,540	193,180	360	0.19%		
Total	2,975,628	2,817,922	157,706	5.30%	2,783,733	2,586,597	197,136	7.08%	9,237,590	11,020,345	(1,782,755)	-19.30%		



H.E. Vong Pisith
Project Director

Phnom Penh, Kingdom of Cambodia

2 June 2022



Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

2 June 2022

PART II

**Independent Assurance Report on Compliance
with
the Financing Agreement
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 Second Greater Mekong Subregion Corridor Towns Development Project ("the Project") under ADB Loan No. 3314 – CAM (COL) ("Financing Agreement"), do hereby state that the Project is, in all material respects, in compliance with the Financing Agreement as stated in the Statement of Compliance for the year ended 31 December 2021, in particular.

- (i) The Project management unit has utilised the proceed of the loan only for the purpose of the Project;
- (ii) The Project has complied, in all material respects, with the financial covenants set out in the Financing Agreement;
- (iii) The advance account procedures, have been operating, in all material respects, in accordance with DP's Loan Disbursement Handbook;
- (iv) Adequate supporting documentation has been maintained to authenticate claims stated on the statement of expenditure ("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

2 June 2022



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

We refer to the Loan Agreement No. 3314 – CAM (COL) (“the Financing Agreement”), which sets out the requirements for the Second Greater Mekong Subregion Corridor Towns Development Project (“the Project”) to comply with the Financing covenants of the Financing Agreement.

Pursuant to the terms and conditions set out in the Financing Agreement, 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 Agreement (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 Agreement for the year ended 31 December 2021, as stated in the Statement of Compliance set out on pages 28 to 32, 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 Agreement.

Our report is intended to provide a conclusion on the following specific matters, established by the terms and conditions of the Financing Agreement 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 Agreement.
- (ii) The Project has complied, in all material respects, with the financial covenants set out in the Financing Agreement.
- (iii) The Project has complied, in all material respects, with the statement of expenditure (“SOE”) and Advance Account procedure set out in ADB’s Loan Disbursement Handbook for the year ended 31 December 2021.

Management's Responsibilities

The management of the Project is responsible for the preparation of the Statement of Compliance that is free from material misstatement in accordance with those requirements set out by the Financing Agreement and for the information contained therein on pages 28 to 32.

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 Agreement; 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 all material respects, in accordance with the relevant terms and conditions set out in the Financing Agreement.

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 is 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 Agreement, 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 Agreement 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 Agreement, 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 Agreement.
- (ii) The Project has complied, in all material respects, with the financing covenants as set in the Financing Agreement.
- (iii) The Project has complied, in all material respects, with the statement of expenditure ("SOE") and Advance Account procedure set out in ADB's Loan Disbursement Handbook.

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 the 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 the 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**



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

2 June 2022

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

Statement of compliance with the Financing Agreement 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 Agreement No. 3314 – CAM (COL) (“the Financing Agreement”), which sets out the requirements for the Second Greater Mekong Subregion Corridor Towns Development Project (“the Project”) to comply with and is prepared by the Project’s management based on the key relevant provisions in which the Project’s management believes are important to report on and is not intended to cover the complete set of the Financing Agreement taken as a whole. These criteria are described below. The Project management has assessed its compliance with the relevant requirements and included the results of its assessment below.

Section	Description	Management’s assertions
Article III: Use of Proceed of Loan		
3.01	The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement.	Yes, complied with.
3.02	The proceeds of the funds shall be allocated and withdrawn in accordance with the provisions of the attachment to Schedule 3 (See Appendix) to this Loan Agreement, as such, the Schedule 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 in accordance with the provisions of Schedule 4 (See Appendix) of the Agreement.	Yes, complied with.

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

Statement of compliance with the Financing Agreement (continued) for the year ended 31 December 2021

1. Criteria (continued)

Section	Description	Management's assertions
4.02	<p>(a) The Borrower shall:</p> <p>(i) Maintain separate accounts and records for the Projects;</p> <p>(ii) Prepare annual financial statements for the Project in accordance with generally accepted accounting principles.</p> <p>(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 on Auditing or the national equivalent acceptable to ADB;</p> <p>(iv) As part of each such audit, have the auditor prepared a report which includes the auditor's opinions on 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);</p> <p>(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.</p> <p>(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.</p>	<p>(a):</p> <p>(i) Yes, complied with.</p> <p>(ii) The Project prepared financial statements in accordance with a Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").</p> <p>(iii) Financial statements are audited by KPMG Cambodia Ltd.</p> <p>(iv) Refer to Report of Independent Auditor and the Independent Reasonable Assurance Report. Also see the notification letter concerning the management letter.</p> <p>(v) Yes, complied with. The audited financial statements for the year ended 31 December 2020 were issued by auditor on 28 May 2021 and submitted to ADB on 9 June 2021.</p> <p>(b) Yes, complied with. The 2020 audited financial statements were posted on ADB's website on 10 June 2021.</p>
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.

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

Statement of compliance with the Financing Agreement (continued) for the year ended 31 December 2021

1. Criteria (continued)

Section	Description	Management's assertions
ADB Loan disbursement handbook		
	The Borrower shall use the SOE procedure certifying to the eligibility of those expenditures claimed under SOE procedures, and proper use of the procedure in accordance with ADB's Loan Disbursement Handbook and the project documents.	Yes, complied with.
	The Borrower shall use the Advance Account procedure set out in ADB's Loan Disbursement Handbook.	Yes, complied with.
Condition for Approval to Use the Advance Fund Procedure:		
	<p>For approval to use the advance fund procedure, the following conditions should be considered and met:</p> <ul style="list-style-type: none"> • Borrower's capacity: The borrower, EA, and or implementing agency (IA), as appropriate, must have adequate administrative and accounting capacity to establish sufficient internal control, accounting, and auditing procedure to ensure efficient use and operation of the procedures. If the EA/or IA's capacity is determined to be inadequate, the advance fund procedure should not be used. <p>Audit arrangement: The borrower, EA, and or IA, as appropriate, must also have the capacity to arrange for periodic and annual independent audits of the advance fund procedure by auditors acceptable to ADB.</p>	Yes, complied with.
Establishing the Advance Account		
	<p>The borrower, EA, or IA is required to open a separate bank account (unless otherwise approved by ADB) for depositing advances. The advance account should be maintained in a bank account without restriction on withdrawing funds at any time and is opened in the name of the borrower, EA, IA, or the project, as appropriate.</p> <p>The borrower, EA, or IA who established the advance account is accountable and responsible for proper use of advances to the advance account, including advances to the sub-account, if used.</p>	Yes, complied with.

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

Statement of compliance with the Financing Agreement (continued) for the year ended 31 December 2021

2. Appendix to the Statement of Compliance

Section	Description
Schedule 3: Allocation and withdrawal of the loan proceeds	
4	The proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table as noted on page 11, Note 1 of this report.
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.
3	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.
4	The Borrower shall apply the methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan.
7	The Borrower shall not award any Works contract which involves environmental impacts until the Borrower has incorporated the relevant provisions from the Environmental Management Plan (“EMP”) into the Works contract.
8	The Borrower shall not award any Works contract which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final report based on the Project’s detailed design, and obtained ADB’s clearance of such report.
9	The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.

Ministry of Public Works and Transport

Second Greater Mekong Subregion Corridor Towns Development Project

ADB Loan No. 3314 – CAM (COL)

Statement of compliance with the Financing Agreement (continued) for the year ended 31 December 2021

2. Appendix to the Statement of Compliance (continued)

Section	Description
Schedule 4: Procurement of Goods, Works and Consulting Services	
10 (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.
10 (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.
11	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.