

**ROYAL GOVERNMENT OF CAMBODIA  
MINISTRY OF INDUSTRY SCIENCE TECHNOLOGY  
AND INNOVATION**

**Provincial Water Supply and Sanitation Project**

ADB Loan No. 3630 – CAM (COL),  
ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

## Project information

Project title	Provincial Water Supply and Sanitation Project
Project number	48158-002
Project period	1 January 2018 to 30 June 2023
Project status	Active
Sector/Subsector	Water and other urban infrastructure and services/Urban policy, institutional and capacity development - Urban sanitation – Urban water supply
Implementing Agencies	Ministry of Industry Science Technology and Innovation Ministry of Public Works and Transport
Source of Funds	Asian Development Bank ADB Loan No. 3630 – CAM (COL) and ADB Grant No. 0561 – CAM (EF)  Agence Francaise De Development AFD Loan No. 8335 – CAM  Royal Government Cambodia
Project costs	US\$108,130,000
Reporting period	For the period from 1 January to 31 December
Principal banker	National Bank of Cambodia
Auditors	KPMG Cambodia Ltd

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

### Contents

	<b>Page</b>
<b>PART I FINANCIAL STATEMENTS</b>	
Statement by the management	1
Report of the independent auditors	2 – 4
Statement of receipts and payments	5 – 6
Statement of advance account	7 – 10
Notes to the financial statements	11 – 33
Appendix I: Statement of budget versus actual payments	i
<b>PART II INDEPENDENT ASSURANCE REPORT ON COMPLIANCE</b>	
Management assertion	34
Independent reasonable assurance report	35 – 37
Statement of Compliance with the Financing Agreements	38 – 41

# **PART I**

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



ក្រសួងឧស្សាហកម្ម វិទ្យាសាស្ត្រ បច្ចេកវិទ្យា និងនវានុវត្តន៍  
Ministry of Industry, Science, Technology & Innovation

លេខ: ..... ០១៥/២០២២ ប.វ.ស.ស.ប. ....

## 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 33 of the Provincial Water Supply and Sanitation Project ("the Project"), financed under the Asian Development Bank ("ADB") Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and Agence Francaise De Development ("AFD") Loan No. 8335 – CAM and implemented by the Ministry of Industry Science Technology and Innovation (previously known as Ministry of Industry and Handicraft) ("MISTI", "Executing Agency", "EA", "Project Management Unit" or "PMU"), 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. Ros Salin  
Project Director   
Ministry of Industry Science Technology and Innovation

Phnom Penh, Kingdom of Cambodia

1 June 2022



KPMG Cambodia Ltd  
GIA Tower, Sopheak Mongkul Street, Phum 14  
Sangkat Tonle Bassac, Khan Chamkar Mon  
Phnom Penh, Cambodia  
+ 855 (17) 666 537 / + 855 (81) 533 999 | kpmg.com.kh

## **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 Provincial Water Supply and Sanitation Project (“the Project”), financed under the Asian Development Bank (“ADB”) Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and Agence Francaise De Development (“AFD”) Loan No. 8335 – CAM and implemented by the Ministry of Industry Science Technology and Innovation (“MISTI”, “Executing Agency”, “EA”, “Project Management Unit” or “PMU”), 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 33 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash balance of the Project as at 31 December 2021, and its cash receipts and payments 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 that 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 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 PMU'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 PMU'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 PMU 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

1 June 2022

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

	Note	Year ended 31 December 2021				Year ended	Cumulative
		ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$	31 December 2020 Total US\$	period from 24 January 2018 to 31 December 2021 Total US\$
<b>Receipts</b>							
Asian Development Bank	5	1,117,953	-	-	1,117,953	328,566	1,566,519
Agence Francaise De Development	5	-	936,938	-	936,938	293,092	1,340,030
Royal Government of Cambodia	5	-	-	20,080	20,080	38,440	96,720
		<u>1,117,953</u>	<u>936,938</u>	<u>20,080</u>	<u>2,074,971</u>	<u>660,098</u>	<u>3,003,269</u>
<b>Payments by category and financiers</b>							
Equipment and consulting services	6	954,479	791,696	-	1,746,175	670,634	2,456,150
Project administration	7	12,569	9,481	18,355	40,405	53,534	130,942
		<u>967,048</u>	<u>801,177</u>	<u>18,355</u>	<u>1,786,580</u>	<u>724,168</u>	<u>2,587,092</u>
<b>Increase/(Decrease) in Cash</b>		<u>150,905</u>	<u>135,761</u>	<u>1,725</u>	<u>288,391</u>	<u>(64,070)</u>	<u>416,177</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

	Note	Year ended 31 December 2021				Year ended	Cumulative
		ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$	31 December 2020	period from 24 January 2018 to 31 December 2021
Cash at beginning of year	4	66,473	61,293	20	127,786	191,856	-
Increase/(Decrease) in Cash		150,905	135,761	1,725	288,391	(64,070)	416,177
Cash at end of year	4	<u>217,378</u>	<u>197,054</u>	<u>1,745</u>	<u>416,177</u>	<u>127,786</u>	<u>416,177</u>



H.E. Ros Salin  
Project Director  
Ministry of Industry Science Technology and Innovation



Mr. Sieng Puthea  
Project Manager  
Ministry of Industry Science Technology and Innovation

Phnom Penh, Kingdom of Cambodia

1 June 2022

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

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

#### Statement of advance account for the year ended 31 December 2021

	Note	Year ended 31 December 2021			Year ended	Cumulative
		ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	Total US\$	31 December 2020	period from 24 January 2018 to 31 December 2021
<b>Part A</b>						
<b>Beginning cash balance</b>		<u>66,473</u>	<u>61,293</u>	<u>127,766</u>	<u>190,116</u>	<u>-</u>
<b>Receipt:</b>						
Initial advance		-	-	-	270,000	500,000
Amount replenished by ADB		<u>290,291</u>	<u>259,065</u>	<u>549,356</u>	<u>226,120</u>	<u>775,476</u>
		<u>290,291</u>	<u>259,065</u>	<u>549,356</u>	<u>496,120</u>	<u>1,275,476</u>
<b>Payments made from advance account:</b>						
Equipment and consulting services	6	126,817	113,823	240,640	545,096	825,077
Project administration	7	<u>12,569</u>	<u>9,481</u>	<u>22,050</u>	<u>13,374</u>	<u>35,967</u>
		<u>139,386</u>	<u>123,304</u>	<u>262,690</u>	<u>558,470</u>	<u>861,044</u>
<b>Ending cash balance</b>	4	<u><u>217,378</u></u>	<u><u>197,054</u></u>	<u><u>414,432</u></u>	<u><u>127,766</u></u>	<u><u>414,432</u></u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

	Year ended 31 December 2021			Year ended 31 December 2020	Cumulative period from 24 January 2018 to 31 December 2021
	ADB Loan No. 3630 US\$	AFD Loan No.8335 US\$	Total US\$	Total US\$	Total US\$
<b>Part B – Advance account reconciliation</b>					
Initial advance	263,000	237,000	500,000	230,000	230,000
Increase initial advance	-	-	-	270,000	270,000
	<b>A</b>				
Balance of advance account as of 31 December per bank statement	263,000	237,000	500,000	500,000	500,000
Less: Outstanding cheque	216,808	196,624	413,432	127,400	413,432
Add: Petty cash balance	-	-	-	-	-
	570	430	1,000	366	1,000
<b>Total cash balance</b>	<b>B</b>	<b>217,378</b>	<b>197,054</b>	<b>414,432</b>	<b>414,432</b>
Add: Amount claimed in previous year not yet credit at date of bank statement	C	-	-	-	-
Less: Amount claimed in current yet not yet credited at date of bank statement	D	-	-	-	-
Less: Interest income	E	-	-	-	-

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

	Year ended 31 December 2021			Year ended 31 December 2020	Cumulative period from 24 January 2018 to 31 December 2021
	ADB Loan No. 3630 US\$	AFD Loan No.8335 US\$	Total US\$	Total US\$	Total US\$
<b>Part B – Advance account reconciliation (continued)</b>					
<b>Total amount withdrawn from the advance account but not yet claimed for replenishment (a+b+c+d) F</b>	<b>45,622</b>	<b>39,946</b>	<b>85,568</b>	<b>372,234</b>	<b>85,568</b>
a. Sub-accounts	-	-	-	-	-
b. Transfer in transit	-	-	-	-	-
c. Current year withdrawn from advance account but not yet claimed for replenishment	45,622	39,946	85,568	372,234	85,568
d. Other – Previous year withdrawn from advance account but not yet claimed for replenishment	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

	Year ended 31 December 2021			Year ended 31 December 2020	Cumulative period from 24 January 2018 to 31 December 2021
	ADB Loan No. 3630 US\$	AFD Loan No.8335 US\$	Total US\$	Total US\$	Total US\$
<b>Part B – Advance account reconciliation (continued)</b>					
<b>Total advance accounted for (A=G+B+C+D+E+F)</b>	<b>G</b>	<b>263,000</b>	<b>237,000</b>	<b>500,000</b>	<b>500,000</b>

H.E. Ros Salin  
Project Director  
Ministry of Industry Science Technology and Innovation

Mr. Sieng Puthea  
Project Manager   
Ministry of Industry Science Technology and Innovation

Phnom Penh, Kingdom of Cambodia

1 June 2022

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

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

### 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 Provincial Water Supply and Sanitation Project (“the Project”) was established under Loan Agreement No. 3630 – CAM (COL), Grant Agreement No. 0561 – CAM (EF) funded by the Asian Development Bank (“ADB”) and Loan Agreement No. 8335 – CAM funded by Agence Francaise De Development (“AFD”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance).

The Provincial Water Supply and Sanitation Project (“the Project”) was approved by ADB on 7 December 2017, signed on 9 January 2018 and declared effective on 15 March 2018, with a Loan Agreement No. 3630 – CAM (COL), Grant Agreement No. 0561 – CAM (EF). The AFD approved on the Project with a Loan Agreement No. 8335 – CAM (AFD CKH1188 01 V CFA) on 22 November 2017, signed and declared effective on 24 January 2018. The Project was estimated to cost US\$118.13 million, comprising of US\$50 million loan from ADB's concessional ordinary capital resources, a US\$43.54 million (equivalent to EUR40.00 million) co-financing from AFD, a EUR3.58 million (equivalent to US\$4.05 million) grant from European Union's Asia Investment Facility (“EU-AIF”), and another US\$10 million grant from the Japan Fund for the Joint Crediting Mechanism (“JFJCM”), funded by the Government of Japan and fully administered by ADB under Grant No. 0561 – CAM (EF). RGC will provide the remaining US\$10.54 million for supplementary salaries for counterpart staff, taxes and duties, civil works, and equipment; and in-kind government contribution. The Project is scheduled to be completed on 31 December 2022 and a closing date of 30 June 2023.

The ADB Loan No. 3630 – CAM (COL) will have a maturity period of 32 years including a grace period of 8 years with an interest rate of 1% per annum during the grace period and 1.5% per annum thereafter. The principal amount of the loan is payable on a semi-annually instalment commencing from 15 April 2026 and ending on 15 October 2049.

The AFD Loan No. 8335 – CAM will have a maturity period of 20 years including a grace period of 7 years which no principal repayment is due and payable, with a tentative interest rate of 1.33% per annum for the entire period of the loan. Tentative interest rate provided by AFD, final figure may vary based on AFD's negotiations with the government. The principal amount of the loan is payable on a semi-annually instalment commencing from 15 May 2025 and ending on 15 November 2037.

The objective of the Project is to expand access to sustainable water supply services and sanitation infrastructure for urban areas.

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 1. Background and activities (continued)

The Project shall comprise of 3 outputs as the following:

##### *Output 1: Improve piped water supply*

- (a) construct new water treatment plants and new distribution networks;
- (b) develop a subsidized connection policy (modeled on Phnom Penh Water Supply Authority's approach) for the poor and disadvantaged households; and
- (c) provide new laboratory equipment for monitoring and water quality testing.

##### *Output 2: Improve sanitation*

- (a) construct a new wastewater treatment plant and approximately 15 km of sewers in Battambang;
- (b) expand capacity of the wastewater treatment plant in Sihanoukville and construct approximately 32 km of sewers;
- (c) establish septage management facilities for collection, treatment and disposal in Kampong Cham; and
- (d) construct approximately 4 km trenchless trunk sewer in Siem Reap.

##### *Output 3: Improve institutional effectiveness*

- (a) develop institutional capacity in project management, operation and maintenance of the urban water supply and sanitation projects, interagency coordination, and public consultation and communication on water supply and sanitation services; and
- (b) support to PMUs in their relevant part of Project/subproject management, contract administration, safeguards implementation and monitoring, gender and community social development, accounting and financial management, procurement, and disbursement.

On 16 October 2019 and 27 November 2019, the Project has requested for cancellation of subprojects in Sihanoukville and Kampong Cham and reallocation of ADB and AFD Loan proceeds to Battambang and Siem Reap. The requests for the reallocation was approved by ADB on 19 February 2020. On 25 March 2021 the Ministry of Economy and Finance (MEF) submitted to ADB the second request for a reallocation of ADB and AFD Loan proceeds which ADB approved on 6 May 2021. This second request reallocation increased the allocation for category 2 wastewater and sanitation and category 3 equipment and consultant services. Total cost of these changes are \$3,818,000 for ADB and \$3,648,520 for AFD which were taken from the unallocated category. The reallocated fund was approved in EURO and converted to US\$ following the spot rate upon the date of loan receipt.

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

#### 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. 3630 – CAM (COL) and the allocation of amounts of the Loan to each such category:

No.	Category Item	Original Amount Allocated (US\$)	1st Revised Amount Allocated (US\$)	2nd Revised Amount Allocated (US\$)	ADB Loan Financing		
					Percentage and Basis for Withdrawal from the Loan Account (% of total expenditure)		
					Original and 1st revision	2nd revision	3rd revision
1	Water supply (*)	21,895,000	21,895,000	21,895,000	47.91%	47.91%	47.91%
2	Wastewater and sanitation						
2a	Battambang	4,594,000	9,817,000	10,050,000	24.54%	24.54%	46.18%
2b	Sihanoukville	5,223,000	-	-	40.86%	-	-
2c	Kampong Cham	199,000	-	-	45.40%	-	-
2d	Siem Reap	6,935,000	7,134,000	7,134,000	47.94%	47.94%	47.94%
2e	Battambang (Code 3)	-	-	2,227,000	-	-	34.57%
3	Equipment and consulting services	2,871,000	2,871,000	4,229,000	52.70%	52.70%	52.70%
4	Project administration	597,000	597,000	597,000	57.00%	57.00%	57.00%
5	Interest charge	1,381,000	1,381,000	1,381,000	100%	100%	100%
6	Unallocated	6,305,000	6,305,000	2,487,000	-	-	-
	<b>Total</b>	<b>50,000,000</b>	<b>50,000,000</b>	<b>50,000,000</b>			

(\*) Exclusive of taxes and duties imposed within the territory of the Kingdom of Cambodia.

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

#### 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 JFJCM which is fully administered by ADB under Grant No. 0561 – CAM (EF) and the allocation of amounts and its reallocation of the Grant to each such category:

Category		Allocation and Withdrawal of Grant Proceeds	
No.	Item	Total Amount Allocated for JFJCM Financing (US\$)	Basis for Withdrawal from the Grant Account
1	Wastewater and sanitation (Battambang)	7,457,000	39.84% of total expenditure claimed
2	Consulting services	1,246,000	100% of total expenditure claimed (*)
3	Unallocated	1,297,000	
	<b>Total</b>	<b>10,000,000</b>	

(\*) Exclusive of taxes and duties imposed within the territory of the Kingdom of Cambodia.

On 19 April 2021, the Grant Proceed under Grant No. 0561 – CAM (EF) of the Japan Fund for the Joint Crediting Mechanism (“JFJCM”) amounting to US\$10 million was officially cancelled and approved by the ADB.

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

#### 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 AFD Loan No. 8335 – CAM and the allocation of amounts of the Loan to each such category:

No.	Description	Category			AFD Loan Financing		
		Original Amount Allocated (US\$)	1 <sup>st</sup> Revised Amount Allocated (US\$)	2 <sup>nd</sup> Revised Amount Allocated (US\$)	Percentage and Basis for Withdrawal from the Loan Account (% of total expenditure)		
					Original	1 <sup>st</sup> revision	2 <sup>nd</sup> revision
1	Water supply (*)	19,651,000	19,651,000	19,651,000	43%	43%	43%
2	Wastewater and sanitation						
2a	Battambang	4,123,000	8,811,000	9,709,358	22.02%	22.02%	44.58%
2b	Sihanoukville	4,688,000	-	-	36.67%	-	-
2c	Kampong Cham	179,000	-	-	40.75%	-	-
2d	Siem Reap	6,224,000	6,403,000	6,224,051	43.03%	43.03%	43.03%
2e	Battambang (Code 3)	-	-	1,708,906	-	-	26.48%
3	Equipment and consulting services	2,576,000	2,576,000	3,796,205	47.30%	47.30%	47.30%
4	Project administration	451,000	451,000	451,000	43.00%	43.00%	43.00%
5	Unallocated	5,647,000	5,647,000	1,998,480	-	-	-
	<b>Total US\$ equivalent at loan contract date</b>	<b>43,539,000</b>	<b>43,539,000</b>	<b>43,539,000</b>			
	<b>Total in EURO as per loan contract</b>	<b>40,000,000</b>	<b>40,000,000</b>	<b>40,000,000</b>			

(\*) Exclusive of taxes and duties imposed within the territory of the Kingdom of Cambodia.

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

### 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 European Union's Asia Investment Facility ("EU-AIF") which is fully administered by AFD and the allocation of amounts of the Grant to each such category:

Financing Plan		
	EU Contribution Investment grant (EUR)	EU Contribution Technical Assistance (EUR)
<b>Component 2: Sanitation Projects</b>		
Battambang – Free sewerage connections	847,000	-
Sihanoukville – Free sewerage connections and solar mixers	1,743,000	-
<b>Component 3: Project Management and Technical Assistance</b>		
Capacity Development Programme	-	570,000
Communication and visibility	-	420,000
<b>Total (EUR)</b>	<b>2,590,000</b>	<b>990,000</b>
<b>Total (US\$ - equivalents)</b>	<b>2,932,270</b>	<b>1,120,830</b>

#### 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 on the historical cost convention.

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 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 under the ADB and AFD 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) 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 (“NBC”).

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

##### (e) In-kind contribution

All in-kind contribution by RGC to the Project are not accounted for in the statement of receipts and expenditure and the statement of advance account. In-kind contribution is disclosed in the notes to the financial statements for information only.

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 4. Cash and bank balances

	As at 31 December 2021	As at 31 December 2020
	US\$	US\$
Petty cash balance		
ADB Loan No. 3630	570	209
AFD Loan No. 8335	430	157
	<u>1,000</u>	<u>366</u>
Advance account		
ADB Loan No. 3630 (*)	216,808	66,264
AFD Loan No. 8335 (*)	196,624	61,136
RGC (**)	1,745	20
	<u>415,177</u>	<u>127,420</u>
	<u>416,177</u>	<u>127,786</u>

(\*) These represent the Project's bank accounts maintained at the Aleda Bank Plc. under the respective loan.

(\*\*) These represent the Project's bank accounts maintained at the National Bank of Cambodia ("NBC") under the respective loan and grant agreements.

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

### 5. Receipts

	Year ended 31 December 2021				Year ended	Cumulative
	ADB Loan No. 3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$	31 December 2020	period from 24 January 2018 to 31 December 2021
<b>ADB</b>						
Initial advances (*)	-	-	-	-	143,000	263,000
Replenishment	290,291	-	-	290,291	119,407	409,698
Direct payment (**)	827,662	-	-	827,662	66,159	893,821
	<u>1,117,953</u>	<u>-</u>	<u>-</u>	<u>1,117,953</u>	<u>328,566</u>	<u>1,566,519</u>
<b>AFD</b>						
Initial advances (*)	-	-	-	-	127,000	237,000
Replenishment	-	259,065	-	259,065	106,713	365,778
Direct payment (**)	-	677,873	-	677,873	59,379	737,252
	<u>-</u>	<u>936,938</u>	<u>-</u>	<u>936,938</u>	<u>293,092</u>	<u>1,340,030</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 5. Receipts (continued)

	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 24 January 2018 to 31 December 2021
	ADB Loan No. 3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$	Total US\$	Total US\$
<b>RGC</b>						
Initial advances (*)	-	-	-	-	-	20,100
Replenishment	-	-	20,080	20,080	38,440	76,620
Direct payment (**)	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>20,080</u>	<u>20,080</u>	<u>38,440</u>	<u>96,720</u>
	<u>1,117,953</u>	<u>936,938</u>	<u>20,080</u>	<u>2,074,971</u>	<u>660,098</u>	<u>3,003,269</u>

(\*) The receipts from ADB Loan No. 3630 – CAM (COL) and AFD Loan No. 8335 – CAM were paid to the advance account which is co-held by the Ministry of Economy and Finance (“MEF”) and the Ministry of Industry Science Technology and Innovation (“MISTI”) at the National Bank of Cambodia (“NBC”). These are the separate bank accounts held exclusively for the Project.

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

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

### 6. Equipment and consulting services

	Year ended 31 December 2021				Year ended	Cumulative
	ADB Loan No. 3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$	31 December 2020 Total US\$	period from 24 January 2018 to 31 December 2021 Total US\$
<b>Direct payments:</b>						
<i>Consulting services</i>						
Project Implementation Assistance Consultant	<u>827,662</u>	<u>677,873</u>	<u>-</u>	<u>1,505,535</u>	<u>125,538</u>	<u>1,631,073</u>
<b>Advance account:</b>						
<i>Consulting services</i>						
Executive Project/ Management Assistant	15,757	14,143	-	29,900	27,599	64,399
International procurement	79,485	71,340	-	150,825	117,188	300,454
National Financial Management/ Accounting Specialist	14,493	13,008	-	27,501	15,125	42,626
Project Implementation Assistance Consultant	-	-	-	-	279,824	279,824
	<u>109,735</u>	<u>98,491</u>	<u>-</u>	<u>208,226</u>	<u>439,736</u>	<u>687,303</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 6. Equipment and consulting services (continued)

	Year ended 31 December 2021				Year ended	Cumulative
	ADB Loan No. 3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$	31 December 2020	period from 24 January 2018 to 31 December 2021
<b>Advance account (continued):</b>						
<i>Equipment</i>						
Office and computer equipment	17,082	15,332	-	32,414	-	32,414
Vehicles	-	-	-	-	105,360	105,360
	<u>17,082</u>	<u>15,332</u>	<u>-</u>	<u>32,414</u>	<u>105,360</u>	<u>137,774</u>
	<u>126,817</u>	<u>113,823</u>	<u>-</u>	<u>240,640</u>	<u>545,096</u>	<u>825,077</u>
	<u>954,479</u>	<u>791,696</u>	<u>-</u>	<u>1,746,175</u>	<u>670,634</u>	<u>2,456,150</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

### 7. Project administration

	Year ended 31 December 2021				Year ended	Cumulative
	ADB Loan No. 3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$	31 December 2020 US\$	period from 24 January 2018 to 31 December 2021 US\$
<b>Advance accounts:</b>						
Office running cost	2,698	2,034	15	4,747	4,658	9,574
Travel cost	1,535	1,158	-	2,693	216	3,283
Staff salary	8,336	6,289	-	14,625	8,500	23,125
Salary supplement	-	-	18,340	18,340	40,160	94,960
	<u>12,569</u>	<u>9,481</u>	<u>18,355</u>	<u>40,405</u>	<u>53,534</u>	<u>130,942</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 8. Statement of disbursement

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

		Year ended 31 December 2021	Year ended 31 December 2020	Cumulative period from 24 January 2018 to 31 December 2021
		US\$	US\$	US\$
<b>ADB Fund claims during the period</b>				
Initial advances		-	143,000	263,000
Replenishments		290,291	119,407	409,698
Direct payment		827,662	66,159	893,821
<b>Subtotal</b>	<b>(A)</b>	<u>1,117,953</u>	<u>328,566</u>	<u>1,566,519</u>
<b>Total payments made during the period</b>	<b>(B)</b>	1,786,580	724,168	2,587,092
Payments made out of RGC	(C)	(18,355)	(40,160)	(94,975)
Payments made out of AFD	(D)	(801,177)	(322,955)	(1,142,976)
Payments in previous year, but claimed during the year	(E)	196,527	21,040	-
Payments incurred during the year, but not yet claimed	(F)	(45,622)	(196,527)	(45,622)
Initial advance by ADB remained unused	(G)	-	143,000	263,000
<b>Total eligible expenditure claimed (A=H=B+C+D+E+F+G)</b>	<b>(H)</b>	<u>1,117,953</u>	<u>328,566</u>	<u>1,566,519</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 9. Payment by category and financiers

Particulars	ADB Loan No. 3630 CAM (COL)		AFD Loan No. 8335 CAM				RGC		Total
	% of financing	Actual payment	% of financing	Actual payment		% of financing	Actual payment		
	%	US\$	%	US\$	%	%	US\$	%	US\$
Equipment and consulting services	52.70%	954,479	52.70%	791,696	47.30%	9.09%	-	-	1,746,175
Project administration	57.00%	12,569	57.00%	9,481	43.00%	100%	18,355	100%	40,405
<b>Total payments – for the year ended 31 December 2021</b>		<b>967,048</b>		<b>801,177</b>			<b>18,355</b>		<b>1,786,580</b>
<b>Total payments – for the period from 24 January 2018 to 31 December 2021</b>		<b>1,328,101</b>		<b>1,142,976</b>			<b>94,975</b>		<b>2,587,092</b>
<b>Total project budgeted costs</b>		<b>50,000,000</b>		<b>43,538,642</b>			<b>10,540,000</b>		<b>108,130,000</b>
<b>% of total project costs – for the year ended 31 December 2021</b>		<b>1.93%</b>		<b>1.84%</b>			<b>0.17%</b>		<b>1.65%</b>
<b>% of cumulative payments to total Project costs – for the period from 24 January 2018 to 31 December 2021</b>		<b>2.66%</b>		<b>2.63%</b>			<b>0.90%</b>		<b>2.39%</b>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 10. Statement of withdrawal

Withdrawal Application				Category				
No	Description	Date	Currency	Water supply	Equipment and consulting services	Project administration	Initial advance	Total
<b>Year ended 31 December 2021</b>								
<b>ADB Loan No.3630 – CAM (COL)</b>								
<b>Replenishment</b>								
BA005	Replenishment	1-Jan-21	US\$	-	182,158	3,231	-	185,389
BA015	Replenishment	4-Nov-21	US\$	-	97,786	7,116	-	104,902
<b>Sub-total (A)</b>				-	<b>279,944</b>	<b>10,347</b>	-	<b>290,291</b>
<b>Direct payment</b>								
BA006	Direct Payment	13-Jan-21	US\$	-	129,294	-	-	129,294
BA007	Direct Payment	13-Jan-21	US\$	-	113,273	-	-	113,273
BA008	Direct Payment	15-Jun-21	US\$	-	32,974	-	-	32,974
BA009	Direct Payment	7-Jul-21	US\$	-	136,686	-	-	136,686
BA010	Direct Payment	7-Jul-21	US\$	-	133,350	-	-	133,350
BA011	Direct Payment	7-Jul-21	US\$	-	77,623	-	-	77,623
BA012	Direct Payment	2-Sep-21	US\$	-	42,364	-	-	42,364
BA013	Direct Payment	2-Sep-21	US\$	-	49,106	-	-	49,106
BA014	Direct Payment	2-Sep-21	US\$	-	40,592	-	-	40,592

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 10. Statement of withdrawal (continued)

Withdrawal application			Category				Total	
No.	Description	Date	Currency	Water supply	Equipment and consulting services	Project administration		Initial advance
<b>Year ended 31 December 2021 (continued)</b>								
<b>ADB Loan No.3630 – CAM (COL) (continued)</b>								
<b>Direct payment (continued)</b>								
BA016	Direct Payment	22-Nov-21	US\$	-	29,848	-	-	29,848
BA017	Direct Payment	22-Nov-21	US\$	-	27,949	-	-	27,949
BA018	Direct Payment	26-Nov-21	US\$	-	14,603	-	-	14,603
<b>Sub-total (B)</b>				-	<b>827,662</b>	-	-	<b>827,662</b>
<b>Sub-total (A+B)</b>				-	<b>1,107,606</b>	<b>10,347</b>	-	<b>1,117,953</b>
<b>AFD Loan No. 8335 – CAM</b>								
<b>Replenishment</b>								
BB005	Replenishment	24-Jul-21	US\$	-	79,394	2,438	-	81,832
BB015	Replenishment	15-Dec-21	US\$	-	171,864	5,369	-	177,233
<b>Sub-total (C)</b>				-	<b>251,258</b>	<b>7,807</b>	-	<b>259,065</b>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 10. Statement of withdrawal (continued)

Withdrawal application			Category					Total
No.	Description	Date	Currency	Water supply	Equipment and consulting services	Project administration	Initial advance	
<b>Year ended 31 December 2021 (continued)</b>								
<b>AFD Loan No. 8335 – CAM (continued)</b>								
<b>Direct payment</b>								
BB006	Direct Payment	9-Mar-21	US\$	-	116,045	-	-	116,045
BB007	Direct Payment	9-Mar-21	US\$	-	101,666	-	-	101,666
BB008	Direct Payment	18-Mar-21	US\$	-	29,595	-	-	29,595
BB009	Direct Payment	1-Sep-21	US\$	-	122,680	-	-	122,680
BB010	Direct Payment	1-Sep-21	US\$	-	119,686	-	-	119,686
BB011	Direct Payment	31-Aug-21	US\$	-	69,671	-	-	69,671
BB012	Direct Payment	23-Nov-21	US\$	-	38,023	-	-	38,023
BB013	Direct Payment	23-Nov-21	US\$	-	44,074	-	-	44,074
BB014	Direct Payment	23-Nov-21	US\$	-	36,433	-	-	36,433
<b>Sub-total (D)</b>				-	<b>677,873</b>	-	-	<b>677,873</b>
<b>Sub-total (C+D)</b>				-	<b>929,131</b>	<b>7,807</b>	-	<b>936,938</b>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 10. Statement of withdrawal (continued)

Withdrawal application			Category					Total
No.	Description	Date	Currency	Water supply	Equipment and consulting services	Project administration	Initial advance	
<b>Year ended 31 December 2021 (continued)</b>								
<i>RGC</i>								
<i>Replenishment</i>								
00005	Replenishment	31-Aug-21	US\$	-	-	20,080	-	20,080
<b>Sub-total (E)</b>				-	-	<b>20,080</b>	-	<b>20,080</b>
<b>Total fund receipt for the year (F)= (A)+(B)+(C)+(D)+(E)</b>				-	<b>2,036,737</b>	<b>38,234</b>	-	<b>2,074,971</b>
<b>Year ended 31 December 2020</b>								
ADB Loan No. 3630-CAM (COL)				-	182,396	3,170	143,000	328,566
AFD Loan No. 8335-CAM				-	163,705	2,387	127,000	293,092
RGC				-	-	38,440	-	38,440
<b>Total fund receipts for 31 December 2020</b>				-	<b>346,101</b>	<b>43,997</b>	<b>270,000</b>	<b>660,098</b>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 10. Statement of withdrawal (continued)

Withdrawal application			Category				Total	
No.	Description	Date	Currency	Water supply	Equipment and consulting services	Project administration		Initial advance
<i>Cumulative period from 24 January 2018 to 31 December 2021</i>								
	ADB Loan No. 3630-CAM (COL)			-	1,290,002	13,517	263,000	1,566,519
	AFD Loan No. 8335-CAM			-	1,092,836	10,194	237,000	1,340,030
	RGC			-	-	76,620	20,100	96,720
	<b>Total fund receipts for the period from 24 January 2018 to 31 December 2021</b>			-	<b>2,382,838</b>	<b>100,331</b>	<b>520,100</b>	<b>3,003,269</b>



H.E. Ros Salin  
Project Director  
Ministry of Industry Science Technology and Innovation

Phnom Penh, Kingdom of Cambodia

1 June 2022



Mr. Sieng Puthea  
Project Manager  
Ministry of Industry Science Technology and Innovation

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

## 11. Items not recognised in the statement of receipts and payments

### 11.1. Income from selling bid documents

During the year, the Project sold bidding documents on behalf of the National Treasury Department (“NTD”) as follow:

	Year ended 31 December 2021	Year ended 31 December 2020	Period from 24 January 2018 to 31 December 2021
	US\$	US\$	US\$
Receipt	6,500	-	6,500
Transferred to NTD	-	-	-
	<u>6,500</u>	<u>-</u>	<u>6,500</u>

(\*) The receipt was subsequently transferred to National Cambodia Bank account of Ministry of Economy and Finance on 19 February 2022.

### 11.2. 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	Year ended 31 December 2020	Period from 24 January 2018 to 31 December 2021
	US\$	US\$	US\$
Office space	21,888	21,888	87,552
Utilities	4,406	4,406	17,624
Salaries of project staff	50,295	37,500	166,204
Taxation			
Equipment and consulting services	240,500	90,102	336,110
Project administration	754	-	754
	<u>317,843</u>	<u>153,896</u>	<u>608,244</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

### 11. Items not recognised in the statement of receipts and payments (continued)

#### 11.3. Payments commitments

As at 31 December, the Project had the following payments commitments:

	As at 31 December 2021 US\$	As at 31 December 2020 US\$
Contracted, but not yet paid:		
<i>Equipment and consulting services</i>		
ICE Electronics Co., Ltd	-	24,204
Sing Muyheng Co., Ltd	-	2,160
PPBC Co., Ltd	-	6,050
National Financial Management/Accounting Specialist	8,879	4,875
Salary for Executive Project Management Assistant	28,225	58,125
Salary for International Procurement	-	139,371
Salary for Executive Project Management Assistant	<u>1,502,599</u>	<u>3,061,597</u>
	<u>1,539,703</u>	<u>3,296,382</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 12. Comparative information

During the year, the Project has changed its presentation of payment in order to be consistent with the categories of items of expenditure as stated in the loan's/grant's proceed allocation. As a result, certain comparative figures have been reclassified to conform with the current year's presentation. A comparison of the amounts previously reported and as reclassified are as follows:

	31 December 2020			Cumulative period from 24 January 2018 to 31 December 2020		
	As previously reported US\$	Reclassifications US\$	As reclassified US\$	As previously reported US\$	Adjustments US\$	As reclassified US\$
Consulting services	565,274	(565,274)	-	604,615	(604,615)	-
Goods and equipment	105,360	(105,360)	-	105,360	(105,360)	-
Incremental administrative costs	13,374	(13,374)	-	13,917	(13,917)	-
Salary supplement	40,160	(40,160)	-	76,620	(76,620)	-
Equipment and consulting services	-	670,634	670,634	-	709,975	709,975
Project administration	-	53,534	53,534	-	90,537	90,537
	<u>724,168</u>	<u>-</u>	<u>724,168</u>	<u>800,512</u>	<u>-</u>	<u>800,512</u>

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

#### 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 for the period from 24 January 2018 to 31 December 2021			
	Budget	Actual	Variance		Budget	Actual	Variance		Budget	Actual	Variance	
	US\$	US\$	US\$	%	US\$	US\$	US\$	%	US\$	US\$	US\$	%
Water supply	5,038,500	-	5,038,500	100.0	7,918,116	-	7,918,116	100.0	12,956,616	-	12,956,616	100.0
Equipment and consulting services	3,661,674	1,746,175	1,915,499	52.3	947,892	670,634	277,258	29.2	4,934,566	2,456,150	2,478,416	50.2
Project administration	77,825	40,405	37,420	48.1	150,990	53,534	97,456	64.5	264,815	130,942	133,873	50.6
<b>Total</b>	<b>8,777,999</b>	<b>1,786,580</b>	<b>6,991,419</b>	<b>79.6</b>	<b>9,016,998</b>	<b>724,168</b>	<b>8,292,830</b>	<b>92.0</b>	<b>18,155,997</b>	<b>2,587,092</b>	<b>15,568,905</b>	<b>85.8</b>

H.E. Ros Salin  
Project Director  
Ministry of Industry Science Technology and Innovation

Mr. Sieng Puthea  
Project Manager   
Ministry of Industry Science Technology and Innovation

Phnom Penh, Kingdom of Cambodia

1 June 2022

## **PART II**

**Independent Assurance Report on  
Compliance with the Financing Agreements  
for the year ended 31 December 2021**



ក្រសួងឧស្សាហកម្ម វិទ្យាសាស្ត្រ បច្ចេកវិទ្យា និងនវានុវត្តន៍  
Ministry of Industry, Science, Technology & Innovation

លេខ: .....096/2022.PWSSP...

### Management assertion

I, on behalf of the Project's management of ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan Agreement No. 8335 – CAM (“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 Project 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 Project has complied, in all material respects, with the covenants 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 Ros Salin  
Project Director   
Ministry of Industry Science Technology and Innovation

Phnom Penh, Kingdom of Cambodia  
1 June 2022



KPMG Cambodia Ltd  
GIA Tower, Sopheak Mongkul Street, Phum 14  
Sangkat Tonle Bassac, Khan Chamkar Mon  
Phnom Penh, Cambodia  
+ 855 (17) 666 537 / + 855 (81) 533 999 | kpmg.com.kh

## **INDEPENDENT REASONABLE ASSURANCE REPORT**

### **To the Ministry of Economy and Finance on the Statement of Compliance with Financing Agreements**

We refer to the ADB Loan Agreement No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan Agreement No. 8335 – CAM (“the Financing Agreements”), which sets out the requirements for the Provincial Water Supply and Sanitation Project (“the Project”) to comply with the Loan/Grant covenants.

Pursuant to the terms and conditions 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 prepare 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 38 to 41, 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 for the year ended 31 December 2021; and
- (ii) The Project has complied, in all material respects, with the covenants of the Financing Agreements 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 compliance with those requirements set out by the Financing Agreements and for the information contained therein on pages 38 to 41.

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 compliance with the relevant terms and conditions set out 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 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 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 covenants of the Financing Agreements.

**Restriction of use of our report**

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us 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

Nge Huy  
Partner

Phnom Penh, Kingdom of Cambodia

1 June 2022

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

### 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 Agreement No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM (“the Financing Agreements”), which sets out the requirements for the Provincial Water Supply and Sanitation 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 Project’s management has assessed its compliance with the relevant requirements and included the results of its assessment below.

Section No.	Description	Management’s assertions
<b>Article III: Use of proceed of loan</b>		
3.01	The Borrower shall cause the proceeds of the Loan to be applied exclusively 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 the Schedule 3 (See Appendix) to the Financing Agreements, as such Schedule may be amended from time to time by agreement between the Project and ADB.	Yes, complied with.
3.03	Except as ADB may otherwise agree, the Project shall procure, or cause to be procured, items of expenditure to be financed out of the proceeds of the Loan/Grant in accordance with the provisions of Schedule 4 (See Appendix) of the Financing Agreements.	Yes, complied with.

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 1 Criteria (continued)

Section No.	Description	Management's assertions
<b>Article IV: Particular Covenants</b>		
4.02	<p>(a) The Borrower shall cause the EA and IA to:</p> <ul style="list-style-type: none"> <li>(i) maintain separate accounts and records for the Project;</li> <li>(ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB;</li> <li>(iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB;</li> <li>(iv) as part of each such audit, have the auditors prepare a report, which includes the auditor's opinions on               <ul style="list-style-type: none"> <li>(a) the financial statements</li> <li>(b) the use of the Loan proceeds</li> </ul> </li> <li>(c) A 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).</li> <li>(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 the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.</li> </ul>	<p>(a):</p> <ul style="list-style-type: none"> <li>(i) Yes, complied with</li> <li>(ii) The Project prepared financial statements in accordance with a Cash Basis Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").</li> <li>(iii) Financial statements are audited by KPMG Cambodia Ltd.</li> <li>(iv) (a)&amp;(b) Refer to Report of Independent Auditors' Report and the Independent Reasonable Assurance Report.</li> <li>(c) Refer to management letter.</li> <li>(v) Yes. The audited financial statements for the year ended 31 December 2020 were signed on 25 June 2021 and submitted to ADB on 29 June 2021.</li> </ul>

# Ministry of Industry Science Technology and Innovation

## Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 1 Criteria (continued)

Section No.	Description	Management's assertions
<b>Article IV: Particular Covenants (continued)</b>		
4.02	(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB Confirmation of their acceptability by posting them on ADB's website.	(b) The 2020 audited report was posted into ADB's website on 15 August 2021.
4.03	The Borrower shall cause the EA and IA to 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

Section	Description
<b>Schedule 3: Allocation and withdrawal of the loan proceeds</b>	
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 expenditure set forth in the Table.
3	The amount allocated to Category "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.
5	The Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
<b>Schedule 4: Procurement of goods, works and consulting services</b>	
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, Works and Consulting Services may also be procured under the Project from non-member countries of ADB.

## Ministry of Industry Science Technology and Innovation

### Provincial Water Supply and Sanitation Project

ADB Loan No. 3630 – CAM (COL), ADB Grant No. 0561 – CAM (EF) and AFD Loan No. 8335 – CAM

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

#### 2. Appendix to the Statement of Compliance (continued)

Section	Description
<b>Schedule 4: Procurement of goods, works and consulting services (continued)</b>	
5	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.
9	The Borrower through MIH and MPWT shall not award any Works contract which involves involuntary resettlement impacts, until the final RP based on the Project's detailed design has been prepared and submitted to, and cleared by ADB.
10	The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.
12 (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.
12 (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.
13	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.