

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

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 2020**

**Ministry of Public Works and Transport
Provincial Water Supply and Sanitation Project**

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

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PART I

Financial Statements for the year ended 31 December 2020 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 statement of advance account for the year ended 31 December 2020 and notes as set out on pages 5 to 34 of the Provincial Water Supply and Sanitation Project ("the Project"), under the Asian Development Bank Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and Agence Francaise De Development Loan No. 8335-CAM and implemented by the Ministry of Public Works and Transport ("MPWT", "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. Vong Pisith
Project Director
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2021



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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 Provincial Water Supply and Sanitation Project (“the Project”), under the Asian Development Bank Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and Agence Francaise De Development Loan No. 8335-CAM and implemented by the Ministry of Public Works and Transport (“MPWT”, “Implementing Agency”, “IA”, “Project Management Unit” or “PMU”), which comprises the statement of receipts and payments and statement of advance account for the year ended 31 December 2020 and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 34 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects of cash receipts and payments for the year ended 31 December 2020, 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 Matter

As stated in Note 16 to the financial statements, the Project adopted Cash Basis of Accounting of Cambodian Public Sector Accounting Standards (“CPSAS”) on 1 January 2020 with a transition date of 24 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including, the statements of receipts and payments and statement of advance account of the Project for the period from 24 January 2018 (effective date of the Project) to 31 December 2019 and related explanatory notes.



We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CPSAS and whether such information is appropriately classified.

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 – Basis of Accounting and 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 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 IA'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 IA'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 IA 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

31 May 2021

Ministry of Public Works and Transport

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 2020

	Note	Year ended 31 December 2020				Period from	Cumulative
		ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$	24 January 2018 to 31 December 2019	period from 24 January 2018 to 31 December 2020
					US\$	US\$	
Receipts							
Asian Development Bank	5	2,831,432	-	-	2,831,432	4,166,141	6,997,573
Agence Francaise De Development	5	-	2,493,185	-	2,493,185	3,723,274	6,216,459
Royal Government of Cambodia	5	-	-	538,258	538,258	643,668	1,181,926
		<u>2,831,432</u>	<u>2,493,185</u>	<u>538,258</u>	<u>5,862,875</u>	<u>8,533,083</u>	<u>14,395,958</u>
Payments by category and financiers							
Civil works	6	2,366,240	2,123,891	462,608	4,952,739	6,544,606	11,497,345
Consulting services	7	449,774	403,685	-	853,459	902,833	1,756,292
Goods and equipment	8	-	-	-	-	193,900	193,900
Incremental administrative cost	9	30,596	23,082	41,999	95,677	119,606	215,283
Interest charge		53,737	-	-	53,737	15,291	69,028
		<u>2,900,347</u>	<u>2,550,658</u>	<u>504,607</u>	<u>5,955,612</u>	<u>7,776,236</u>	<u>13,731,848</u>
(Decrease)/Increase in cash		<u>(68,915)</u>	<u>(57,473)</u>	<u>33,651</u>	<u>(92,737)</u>	<u>756,847</u>	<u>664,110</u>

Ministry of Public Works and Transport

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 2020

	Note	Year ended 31 December 2020				Period from	Cumulative
		ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$	24 January 2018 to 31 December 2019 US\$	period from 24 January 2018 to 31 December 2020 US\$
Cash at beginning of the year/period (Decrease)/Increase in cash	4	356,561 <u>(68,915)</u>	321,566 <u>(57,473)</u>	78,720 <u>33,651</u>	756,847 <u>(92,737)</u>	- <u>756,847</u>	- <u>664,110</u>
Cash at end of the year/period	4	<u>287,646</u>	<u>264,093</u>	<u>112,371</u>	<u>664,110</u>	<u>756,847</u>	<u>664,110</u>



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

Phnom Penh, Kingdom of Cambodia

31 May 2021



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

Phnom Penh, Kingdom of Cambodia

31 May 2021

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

Ministry of Public Works and Transport

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 2020

	Note	Year ended 31 December 2020			Period from	Cumulative
		ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	Total US\$	24 January 2018 to 31 December 2019	period from 24 January 2018 to 31 December 2020
					US\$	US\$
Part A						
Beginning cash balance		356,561	321,566	678,127	-	-
Receipt:						
Initial advance		-	-	-	842,000	842,000
Amount replenished by ADB		-	-	-	-	-
		<u>356,561</u>	<u>321,566</u>	<u>678,127</u>	<u>842,000</u>	<u>842,000</u>
Payments by category and financiers						
Consulting services	7	38,319	34,391	72,710	115,547	153,866
Incremental administrative cost		30,596	23,082	53,678	48,326	78,922
		<u>68,915</u>	<u>57,473</u>	<u>126,388</u>	<u>163,873</u>	<u>232,788</u>
Ending cash balance		<u><u>287,646</u></u>	<u><u>264,093</u></u>	<u><u>551,739</u></u>	<u><u>678,127</u></u>	<u><u>609,212</u></u>

Ministry of Public Works and Transport

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 2020

	Note	Year ended 31 December 2020			Period from	Cumulative
		ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	Total US\$	24 January 2018 to 31 December 2019 US\$	period from 24 January 2018 to 31 December 2020 US\$
Part B – Advance account reconciliation						
Initial advance	A	445,000	397,000	842,000	842,000	842,000
Balance of advance account as of 31 December per bank statement		287,646	264,093	551,739	678,127	551,739
Less: Outstanding cheque		-	-	-	-	-
Add: Petty cash balance		-	-	-	-	-
Total cash balance		287,646	264,093	551,739	678,127	551,739
Add: Amount claimed in previous year not yet credited at date of bank statement	C	-	-	-	-	-
Less: Amount claimed in current yet not yet credited at date of bank statement	7	-	-	-	-	-
Less: Interest income		-	-	-	-	-

Ministry of Public Works and Transport

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 2020

	Note	Year ended 31 December 2020			Period from 24 January 2018 to 31 December 2019	Cumulative period from 24 January 2018 to 31 December 2020
		ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	Total 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)						
	D	157,354	132,907	290,261	163,873	290,261
a. Sub-accounts		-				
b. Transfer in transit		-				
c. Current year withdrawn from advance account but not yet claimed for replenishment		68,915	57,473	126,388	163,873	290,261
d. Other – Previous year withdrawn from advance account but not yet claimed for replenishment		88,439	75,434	163,873	-	-
Total advance accounted for (B+C+D)		445,000	397,000	842,000	842,000	842,000



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31 May 2021



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31 May 2021

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

Ministry of Public Works and Transport

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 2020

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.

Ministry of Public Works and Transport

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 2020

1. Background and activities (continued)

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

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 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.

Ministry of Public Works and Transport

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 2020

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:

Category					ADB Loan Financing		
No.	Item	Original Amount Allocated (US\$)	1st Revised Amount Allocated (US\$)	2nd Revised Amount Allocated (US\$)	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%	46.19%
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	-	-	-
	Total	50,000,000	50,000,000	50,000,000			

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

Ministry of Public Works and Transport

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 2020

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\$)	Revised allocation	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	-	
	Total	10,000,000	-	

(*) 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 Public Works and Transport

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 2020

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:

Category					AFD Loan Financing		
No.	Description	Original Amount Allocated (US\$)	1 st Revised Amount Allocated (US\$)	2 nd Revised Amount Allocated (US\$)	Percentage and Basis for Withdrawal from the Loan Account (% of total expenditure)		
					Original	1 st revision	2 nd 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%	36.67%	-
2c	Kampong Cham	179,000	-		40.75%	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		-	-
	Total US\$ equivalent at loan contract date	43,539,000	43,539,000	43,539,000			
	Total in EURO as per loan contract	40,000,000	40,000,000	40,000,000			

(*) Exclusive of taxes and duties imposed within the territory of the Recipient.

On 16 October 2019 and 27 November 2019, the Project 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. The reallocated fund was approved in EURO and converted to US\$ following the spot rate upon the date of loan receipt.

Ministry of Public Works and Transport

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 2020

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") and the allocation of amounts of the Grant to each such category:

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

Ministry of Public Works and Transport

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 2020

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”). These are the first set of financial statements prepared in accordance with CPSAS and Part 1 Section 1.8 *Effective Date of Part 1 and Transitional Provisions* has been applied.

In the previous financial period, the financial statements were prepared in accordance with a modified cash receipts and disbursements basis of accounting. This is a basis of accounting that is designed to meet the requirements of the Project; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards (“IFRSs”).

The Project has applied consistently to all periods presented in these financial statements and in preparing the opening CPSAS statement of receipts and payments and statement of advance account at 24 January 2018 (effective date of the Project) for the purposes of the transition to 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.

An explanation of how the transition to CPSAS has affected the reported statement of receipts and payments and statement of advance account of the Project is provided in Note 16.

(b) Basis of measurement

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

Ministry of Public Works and Transport

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 2020

3. Significant accounting policies

(a) Fund receipts and payments

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

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

(b) Statement of advance account

The statement of advance account is prepared in accordance with the Loan and Grant Agreements and is purely used to receive and disburse for expenditure financed by the ADB 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) Interest charge

The interest charged by the ADB is a direct payment and accounted for as receipts with 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 ("NBC").

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

Ministry of Public Works and Transport

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 2020

4. Cash and bank balances

Cash included in the statement of receipts and payments and statement of advance account comprises the following amounts:

	As at 31 December 2020			As at 31 December 2019	
	ADB Loan No.3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$	US\$
Cash at bank – ADB No. 3630	287,646	-	-	287,646	356,561
Cash at bank – AFD No. 8335	-	264,093	-	264,093	321,566
Cash at bank – RGC	-	-	112,371	112,371	78,720
	<u>287,646</u>	<u>264,093</u>	<u>112,371</u>	<u>664,110</u>	<u>756,847</u>

These represent bank balance maintained in separate bank accounts with the National Bank of Cambodia (“NBC”).

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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 2020

5. Receipts

	Year ended 31 December 2020				Period from 24 January 2018 to 31 December 2019	Cumulative period from 24 January 2018 to 31 December 2020
	ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$	US\$	US\$
Receipts						
Initial advance (*)	-	-	-	-	992,000	992,000
Replenishment			75,650	75,650	-	75,650
Direct payments (**)	<u>2,777,695</u>	<u>2,493,185</u>	<u>462,608</u>	<u>5,733,488</u>	<u>7,525,792</u>	<u>13,259,280</u>
	<u>2,777,695</u>	<u>2,493,185</u>	<u>538,258</u>	<u>5,809,138</u>	<u>8,517,792</u>	<u>14,326,930</u>
Interest charge	<u>53,737</u>	-	-	<u>53,737</u>	<u>15,291</u>	<u>69,028</u>
	<u>2,831,432</u>	<u>2,493,185</u>	<u>538,258</u>	<u>5,862,875</u>	<u>8,533,083</u>	<u>14,395,958</u>

(*) The receipts from ADB Loan No. 3630-CAM (COL) and AFD Loan No. 8335-CAM and RGC were paid to the advance account which is co-held by the Ministry of Economy and Finance (“MEF”) and the Ministry of Public Works and Transport at the National Bank of Cambodia (“NBC”). This is a separate bank account held exclusively for the Project.

(**) Direct payment represents the payment paid directly to the suppliers by the ADB and RGC on behalf of the Project.

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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 2020

6. Civil works

	Year ended 31 December 2020				Period from 24 January 2018 to 31 December 2019	Cumulative period from 24 January 2018 to 31 December 2020
	ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$	US\$	US\$
Beijing Urban Construction Group Co., Ltd.	<u>2,366,240</u>	<u>2,123,891</u>	<u>462,608</u>	<u>4,952,739</u>	<u>6,544,606</u>	<u>11,497,345</u>

All payments for civil works during the year were made by ADB and RGC directly to the contactors on behalf of the Project.

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Notes to the financial statements (continued) for the year ended 31 December 2020

7. Consulting services

	Year ended 31 December 2020				Period from	Cumulative
	ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$	24 January 2018 to 31 December 2019 US\$	24 January 2018 to 31 December 2020 US\$
<i>Direct payments:</i>						
RAMBOLL Danmark A/S in association with TANCONS (Cambodia) Co., Ltd.	411,455	369,294	-	780,749	787,286	1,568,035
<i>Advance account:</i>						
RAMBOLL Danmark A/S in association with TANCONS (Cambodia) Co., Ltd.	20,817	18,684	-	39,501	-	39,501
National Procurement Specialist	14,261	12,799	-	27,060	33,000	60,060
National Finance Assistant	3,241	2,908	-	6,149	7,747	13,896
Senior Sewerage/Wastewater Engineer	-	-	-	-	74,800	74,800
	38,319	34,391	-	72,710	115,547	188,257
	449,774	403,685	-	853,459	902,833	1,756,292

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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 2020

8. Goods and equipment

	Year ended 31 December 2020				Period from 24 January 2018 to 31 December 2019	Cumulative period from 24 January 2018 to 31 December 2020
	ADB Loan No. 3630 US\$	ADB Grant No. 8335 US\$	RGC US\$	Total US\$	US\$	US\$
Vehicles	-	-	-	-	193,900	193,900

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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 2020

9. Incremental administrative costs

	Year ended 31 December 2020				Period from	Cumulative
	ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$	24 January 2018 to 31 December 2019 US\$	24 January 2018 to 31 December 2020 US\$
Staff salary	-	-	39,260	39,260	68,545	107,805
Travel cost	21,386	16,134	-	37,520	35,256	72,776
Vehicle running cost	6,349	4,789	2,739	13,877	11,863	25,740
Office running cost	2,861	2,159	-	5,020	3,942	8,962
	<u>30,596</u>	<u>23,082</u>	<u>41,999</u>	<u>95,677</u>	<u>119,606</u>	<u>215,283</u>

All payments on incremental administrative costs were made through advance account during the year.

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Provincial Water Supply and Sanitation Project

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Notes to the financial statements (continued) for the year ended 31 December 2020

10. Statement of disbursement

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

		Year ended 31 December 2020	Period from 24 January 2018 to 31 December 2019	Cumulative period from 24 January 2018 to 31 December 2020
		US\$	US\$	US\$
ADB fund claims during the year				
Direct payments		2,831,432	3,721,141	6,552,573
Advance account		-	445,000	445,000
Sub-total	(A)	<u>2,831,432</u>	<u>4,166,141</u>	<u>6,997,573</u>
Total payments made during the year	(B)	5,955,612	7,776,236	13,731,848
Payments made out of Government Counterpart fund	(C)	(504,607)	(564,948)	(1,069,555)
Payments made out of AFD	(D)	(2,550,658)	(3,401,707)	(5,952,366)
Payments incurred during the year/period but not yet claimed		(68,915)	(88,439)	(157,354)
Initial advance by ADB	(E)	-	445,000	445,000
Total eligible payments claimed (F=A+B+C+D+E)	(F)	<u>2,831,432</u>	<u>4,166,141</u>	<u>6,997,573</u>

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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 2020

11 Payments by category and financiers

Particulars	ADB Loan No. 3630-CAM (COL)			AFD Loan No. 8335-CAM			RGC			Total US\$
	% of financing	Actual payments		% of financing	Actual payments		% of financing	Actual payments		
	%	US\$	%	%	US\$	%	%	US\$	%	
Civil works	42.17%	2,366,240	48%	37.85%	2,123,891	43%	9.16%	462,608	9%	4,952,739
Consulting services	52.70%	449,774	53%	47.30%	403,685	47%	9.09%	-	0%	853,459
Equipment		-			-			-		
Incremental administrative costs	57%	30,596	32%	43%	23,082	24%	100%	41,999	44%	95,677
Interest charge	100%	53,737	100%	0%	-	0%	0%	-	0%	53,737
Total payments – for the year ended 31 December 2020		2,900,347			2,550,658			504,607		5,955,612
Total payments – for the period from 24 January 2018 to 31 December 2020		6,709,927			5,952,366			1,069,555		13,731,848
% of total project costs – for the year ended 31 December 2020		5.80%			5.86%			4.79%		
% of total project costs – for the period from 24 January 2018 to 31 December 2020		13.42%			13.67%			10.15%		

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Notes to the financial statements (continued) for the year ended 31 December 2020

12. Advance to contractors

This represents cash advance made directly to the contractors by the ADB on behalf of the Project.

As at 31 December 2020, the Project had the following advances:

	Year ended 31 December 2020 US\$	Period from 24 January 2018 to 31 December 2019 US\$
At beginning of the year/period	1,365,172	-
Addition for the year/period (*):		
Civil works	-	1,087,652
Consulting services	-	277,520
Liquidation:		
Civil works	(1,087,652)	-
Consulting services	(277,520)	-
At end of the year/period (**)	<u>-</u>	<u>1,365,172</u>

(*) The advances were recorded as payments in 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 the monitoring purpose.

	As at 31 December 2020 US\$	As at 31 December 2019 US\$
Civil works	-	1,087,652
Consulting services	-	277,520
	<u>-</u>	<u>1,365,172</u>

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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 2020

13. Statement of withdrawals

Year ended 31 December 2020									
Withdrawal application				Category					Total
No.	Date	Currency	Civil works	Consulting services	Goods and equipment	Incremental administrative costs	Interest charges	Initial advance	
ADB Loan No. 3630-CAM (COL)									
Direct payment									
AA009	16-Mar-20	US\$	1,156,405	-	-	-	-	-	1,156,405
AA010	18-Mar-20	US\$	-	77,499	-	-	-	-	77,499
AA011	21-Apr-20	US\$	731,670	-	-	-	-	-	731,670
AA012	20-May-20	US\$	-	75,178	-	-	-	-	75,178
AA013	27-Nov-20	US\$	478,165	-	-	-	-	-	478,165
AA014	14-Dec-20	US\$	-	258,778	-	-	-	-	258,778
Sub-total (A)			2,366,240	411,455	-	-	-	-	2,777,695
Interest charge									
920A	15-Apr-20	US\$	-	-	-	-	21,475	-	21,475
9200	15-Oct-20	US\$	-	-	-	-	32,262	-	32,262
Sub-total (B)			-	-	-	-	53,737	-	53,737

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Notes to the financial statements (continued)
for the year ended 31 December 2020

13. Statement of withdrawals (continued)

Year ended 31 December 2020 (continued)									
Withdrawal application			Category						Total
No.	Date	Currency	Civil works	Consulting services	Goods and equipment	Incremental administrative costs	Interest charges	Initial advance	
<i>AFD Loan No. 8335-CAM</i>									
<i>Direct payments</i>									
AB009	30-Apr-20	US\$	1,037,967	-	-	-	-	-	1,037,967
AB010	30-Apr-20	US\$	-	69,558	-	-	-	-	69,558
AB011	31-May-20	US\$	656,732	-	-	-	-	-	656,732
AB012	30-Jun-20	US\$	-	67,475	-	-	-	-	67,475
AB013	22-Dec-20	US\$	429,192	-	-	-	-	-	429,192
AB014	28-Dec-20	US\$	-	232,261	-	-	-	-	232,261
Sub-total (C)			2,123,891	369,294	-	-	-	-	2,493,185
Sub-total (D=A+B+C)			4,490,131	780,749	-	-	53,737	-	5,324,617

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Notes to the financial statements (continued)
for the year ended 31 December 2020

13. Statement of withdrawals (continued)

Year ended 31 December 2020 (continued)									
Withdrawal application			Category						Total
No.	Date	Currency	Civil works	Consulting services	Equipment	Incremental administrative costs	Interest charges	Initial advance	
<i>Government Counterpart Fund</i>									
<i>Replenishment</i>									
AC012	13-Apr-20	US\$	-	-	-	75,650	-	-	75,650
Sub-total (E)			-	-	-	75,650	-	-	75,650
<i>Direct payment</i>									
AC007	28-Feb-20	US\$	106,969	-	-	-	-	-	106,969
AC009	30-Apr-20	US\$	217,821	-	-	-	-	-	217,821
AC011	30-Jun-20	US\$	137,818	-	-	-	-	-	137,818
Sub-total (F)			462,608	-	-	-	-	-	462,608
Grand Total (G)= (D)+(E)+(F)			4,952,739	780,749	-	-	53,737	-	5,862,875

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Notes to the financial statements (continued)
for the year ended 31 December 2020

13. Statement of withdrawal (continued)

Withdrawal application No.	Description	Date	Currency	Civil works	Consulting services	Equipment	Incremental administrative costs	Interest charges	Initial advance	Total
Cumulative period from 24 January 2018 to 31 December 2019										
Initial advance										
	ADB Loan No. 3630-CAM (COL)			-	-	-	-	-	445,000	445,000
	AFD Loan No. 8335-CAM			-	-	-	-	-	397,000	397,000
	RGC			-	-	-	-	-	150,000	150,000
				Sub-total (H)	-	-	-	-	992,000	992,000
Direct payment										
	ADB Loan No. 3630-CAM (COL)			3,188,766	414,899	102,185	-	15,291	-	3,721,141
	AFD Loan No. 8335-CAM			2,862,172	372,387	91,715	-	-	-	3,326,274
	RGC			493,668	-	-	-	-	-	493,668
				Sub-total (I)	6,544,606	787,286	193,900	15,291	-	7,541,083
Cumulative period from 24 January 2018 to 31 December 2019 (J=(H)+(I))										
				6,544,606	787,286	193,900	-	15,291	992,000	8,533,083
Total fund receipts for the period from 24 January 2018 to 31 December 2020 (K=(G)+(J))										
				11,497,345	1,568,035	193,900	75,650	69,028	992,000	14,395,958



H.E. Vong Pisith

Project Director

Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2021



Mr. Mao Dor

Financial Management Specialist

Ministry of Public Works and Transport

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31 May 2021

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

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Notes to the financial statements (continued) for the year ended 31 December 2020

14. Comparative figures

The Project's effective date was 24 January 2018 and started its activities in 2019. In 2019, Project's management decided to prepare the first set of financial statements by covering the period from 24 January 2018 (effective date of the Project) to 31 December 2019. Accordingly, the corresponding figures for the statement of receipts and payments and the statement of advance account which represents the results of operations for the period from 24 January 2018 (effective date of the Project) to 31 December 2019 are not comparable with the current period which covers from 1 January 2020 to 31 December 2020.

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

15.1. Income from selling bid documents

During the year/period, the Project sold bidding documents on behalf of the National Treasury Department ("NTD") and the receipts was transferred to NTD on 27 November 2020 as follow:

	Year ended 31 December 2020 US\$	Period from 24 January 2018 to 31 December 2019 US\$	Period from 24 January 2018 to 31 December 2020 US\$
Receipt	4,750	-	4,750
Transferred to NTD	(4,750)	-	(4,750)
	<u>-</u>	<u>-</u>	<u>-</u>

15.2. 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 2020 US\$	Period from 24 January 2018 to 31 December 2019 US\$	Period from 24 January 2018 to 31 December 2020 US\$
Office space	32,544	65,088	97,632
Utilities (electricity and water)	16,250	32,501	48,751
Salaries of project staff	71,604	136,536	208,140
Taxation			
Consulting services	119,817	127,552	247,369
Goods and equipment	-	19,390	19,390
	<u>240,215</u>	<u>381,067</u>	<u>621,282</u>

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Notes to the financial statements (continued) for the year ended 31 December 2020

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

15.3. Payment commitments

As at 31 December 2020, the Project had the following payment commitments:

	As at 31 December 2020 US\$	As at 31 December 2019 US\$
Contracted, but not yet paid:		
Civil works	30,920,656	6,410,555
Consulting services	<u>1,790,967</u>	<u>2,474,402</u>
	<u>32,711,623</u>	<u>8,884,957</u>

16. Explanation of transition to CPSAS

As stated in Note 2, these are the Project's first set of financial statements prepared in accordance with CPSAS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2020 and the comparative information presented in these financial statements for the period from 24 January 2018 (effective date of the Project) to 31 December 2019 (Note 14).

In preparing its opening CPSAS statement of receipts and payments and statement of advance account, the Project has adjusted amounts reported previously in financial statements prepared in accordance with modified cash receipts and disbursement basis ("Previous GAAP") relating to the preparation of the financial statements.

Reconciliation of cash

The following reconciliation summarise the impacts on initial application of CPSAS on the Project's financial positions as at 31 December 2019 and the Project's statement of receipts and payments and statement of advance account for the period from 24 January 2018 (effective date of the Project) to 31 December 2019.

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Notes to the financial statements (continued) for the year ended 31 December 2020

16. Explanation of transition to CPSAS (continued)

Reconciliation of cash (continued)

	Note	As at 31 December 2019		
		Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Current assets				
Cash at banks		756,847	-	756,847
Advances	A	1,365,172	(1,365,172)	-
		<u>2,122,019</u>	<u>(1,365,172)</u>	<u>756,847</u>

Reconciliation of statement of receipts and payments for the period from 24 January 2018 (effective of the Project) to 31 December 2019

		Period from 24 January 2018 to 31 December 2019		
		Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Receipts				
Asian Development Bank		4,166,141	-	4,166,141
Agence Francaise De Development Royal Government of Cambodia		3,723,274	-	3,723,274
		<u>643,668</u>	<u>-</u>	<u>643,668</u>
		<u>8,533,083</u>	<u>-</u>	<u>8,533,083</u>
Payments by category				
Civil works	A	5,456,954	1,087,652	6,544,606
Consulting services	A	625,313	277,520	902,833
Goods and equipment		193,900	-	193,900
Incremental administrative cost		119,606	-	119,606
Interest charge		15,291	-	15,291
		<u>6,411,064</u>	<u>1,365,172</u>	<u>7,776,236</u>
Change in cash		<u>2,122,019</u>	<u>(1,365,172)</u>	<u>756,847</u>

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Notes to the financial statements (continued) for the year ended 31 December 2020

16. Explanation of transition to CPSAS (continued)

Reconciliation of statement of advance account for the period from 24 January 2018 to 31 December 2019

	Period from 24 January 2018 to 31 December 2019		
	Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Receipts			
Asian Development Bank	445,000	-	445,000
Payments by disbursement category			
Consulting services	60,893	-	60,893
Incremental administrative cost	27,546	-	27,546
	<u>88,439</u>	<u>-</u>	<u>88,439</u>
Increase in cash	<u>356,561</u>	<u>-</u>	<u>356,561</u>

A. Restatement of advance

Under previous GAAP, the expenditure is recognised when payments are made rather than when it is incurred, except for the advanced payments made to suppliers/staff that are initially recognised as a receivable and only recognised as expenditure when they have been liquidated by supporting invoices.

On adoption of CPSAS, the payments increased by US\$1,365,172 and advance decreased by US\$1,365,172.

	Period from 24 January 2018 to 31 December 2019 US\$
Statement of receipts and payments	
Increase in civil works	1,087,652
Increase in consulting services	<u>277,520</u>
Adjustment to change in cash	<u>1,365,172</u>
Represented by:	
Decrease in advances	<u>1,365,172</u>

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Notes to the financial statements (continued)
for the year ended 31 December 2020

Statement of budget versus actual expenditure

Description	Year ended 31 December 2020				Period from 24 January 2018 to 31 December 2019				Cumulative for the period from 24 January 2018 to 31 December 2020			
	Budget	Actual	Variance		Budget	Actual	Variance		Budget	Actual	Variance	
	US\$	US\$	US\$	%	US\$	US\$	US\$	%	US\$	US\$	US\$	%
Investment												
Civil works	5,182,061	4,952,739	229,322	4.43%	6,618,074	6,544,606	73,469	1.11%	11,800,135	11,497,345	302,790	2.57%
Consulting services	855,575	853,459	2,116	0.25%	1,178,993	902,833	276,160	23.42%	2,034,568	1,756,292	278,276	13.68%
Goods and equipment	-	-	-	0.00%	193,900	193,900	-	0.00%	193,900	193,900	-	-
Incremental administrative costs	146,630	95,677	50,953	34.75%	159,306	119,606	39,700	24.92	305,936	215,283	90,653	29.63%
Interest charge	54,474	53,737	737	1.35%	15,291	15,291	-	0.00%	69,765	69,028	737	1.06%
Total	6,238,740	5,955,612	283,127	4.54%	8,165,564	7,776,236	389,329	4.77%	14,404,304	13,731,848	672,456	4.67%



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31 May 2021

PART II

**Independent Assurance Report on Compliance
with
the Financing Agreements
for the year ended 31 December 2020**



Ministry of Public Works and Transport

Management assertion

I, on behalf of the Project's management of ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and Agence Francaise De Development 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 2020, 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 2020. In addition, adequate supporting documentation has been maintained to authenticate claims stated on SOE procedure for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account; and
- (v) The effective internal control, including the procurement process was maintained.

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

Phnom Penh, Kingdom of Cambodia

31 May 2021



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INDEPENDENT REASONABLE ASSURANCE REPORT

To the Ministry of Economy and Finance on the 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 2020 as stated in the Statement of Compliance set out on pages 39 to 43, 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 2020.
- (ii) The Project has complied, in all material respects, with the covenants of the Financing Agreements for the year ended 31 December 2020.



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 39 to 43.

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 issued by the International Ethics Standards Board for 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, 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 for the year ended 31 December 2020.
- (ii) The Project has complied, in all material respects, with the covenants of the Financing Agreements for the year ended 31 December 2020.

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

31 May 2021

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL) and AFD Loan No. 8335-CAM

Statement of Compliance with the Financing Agreements for the year ended 31 December 2020

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 Agreement No. 8335-CAM (“the Financing Agreements”), which set 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
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 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 to this Loan Agreement, 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 Agreements.	Yes, complied with.

Ministry of Public Works and Transport

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 2020

1. Criteria (continued)

Section No.	Description	Management's assertions
Article III: Use of Proceed of Loan (continued)		
4.02	<p>(a) The Project 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 financial reporting standards acceptable to ADB;</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 auditing standards acceptable to ADB;</p> <p>(iv) as part of each such audit, have the auditors prepare a report, which includes the auditor's opinions on</p> <p>(a) the financial statements</p> <p>(b) the use of the Loan proceeds</p> <p>(c) a management letter;</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>(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) (a)&(b) Refer to Report of Independent Auditors' Report and the Independent Reasonable Assurance Report.</p> <p>(c) No deficiencies noted.</p> <p>(v) Yes, complied with</p>

Ministry of Public Works and Transport

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 2020

1. Criteria (continued)

Section No.	Description	Management's assertions
Article III: Use of Proceed of Loan (continued)		
	(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's confirmation of their acceptability by posting them on ADB's website.	(b) Yes, complied with.
4.03	The Project 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

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 2020

2. Appendix to the Statement of Compliance

Schedule No.	Description
Schedule 3: Allocation and withdrawal of the loan proceeds	
2	The proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of 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.
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, Works and Consulting Services may also be procured under the Project from non-member countries of ADB.
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.
8	The Borrower shall not award any Works contracts which involves environmental impacts until the Project Executing Agency has: (a) obtained the final approval of the IEE from the Borrower's relevant authority; and (b) incorporated the relevant provisions from the EMP into the Works contract.
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.

Ministry of Public Works and Transport

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 2020

2. Appendix to the Statement of Compliance (continued)

Schedule No.	Description
Schedule 4: Procurement of Goods, Works and Consulting Services (continued)	
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.