

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

**Second Greater Mekong Subregion Tourism  
Infrastructure for Inclusive Growth Project**

**ADB Loan No. 3701 – CAM (COL)**

**Financial Statements  
and Statement of Compliance  
for the period from 25 December 2018  
to 31 December 2019**

# Ministry of Public Works and Transport

## Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3701 – CAM (COL)

### Contents

	<b>Page</b>
<b>PART I FINANCIAL STATEMENTS</b>	
Statement by the management	1
Report of the independent auditors	2
Statement of financial position	5
Statement of receipts and expenditure	6
Statement of advance account	7
Notes to the financial statements	8-17
• Statement of withdrawals	15
• Statement of budget versus actual expenditure	17
<b>PART II INDEPENDENT ASSURANCE REPORT ON COMPLIANCE</b>	
Management assertion	18
Independent reasonable assurance report	19-21
Statement of compliance with the loan agreement	22-25

# **PART I**

**Financial Statements  
for the period from 25 December 2018  
to 31 December 2019  
and  
Report of the Independent Auditors**



**Ministry of Public Works and Transport**

## Statement by the management

We, do hereby state that in our opinion, the accompanying financial statements, which comprise the statement of financial position as at 31 December 2019, the statements of receipts and expenditure and advance account for the period from 25 December 2018 to 31 December 2019 and notes, as set out on pages 5 to 17 of the Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project (“the Project”), under the Asian Development Bank Loan No. 3701 – CAM (COL) and implemented by the Ministry of Public Works and Transportation (“MPWT”) are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

*On behalf of the Project's management:*

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

Phnom Penh, Kingdom of Cambodia

4 June 2020



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

### ***Opinion***

We have audited the accompanying financial statements of the Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project (“the Project”), under the Asian Development Bank Loan No. 3701 – CAM (COL) and implemented by the Ministry of Public Works and Transport (“the Infrastructure Project Management Unit” or “the IPMU”), which comprises the statement of financial position as at 31 December 2019, the statements of receipts and expenditure and advance account for the period from 25 December 2018 to 31 December 2019 and notes, comprising significant accounting policies and other explanatory information (“financial statements”), as set out on pages 5 to 17.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies as described in Note 2 to the financial statements.

### ***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.



### ***Emphasis of Matter - Basis of Accounting and Restriction on Use***

We draw attention to Note 2 to the financial statements, which describes the basis of accounting and the accounting policies adopted by the Project. 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 or distributed to other parties. This restriction on use does not limit the disclosure or distribution of our report, if such disclosure or distribution is required by laws and regulations. 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 of the financial statements in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the IPMU’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 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 IPMU'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 IPMU to cease to continue as a going concern.

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

Lim Chew Teng  
Partner



Phnom Penh, Kingdom of Cambodia

4 June 2020

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3701 – CAM (COL)

#### Statement of financial position as at 31 December 2019

	Note	As at 31 December 2019 US\$
<b>Current assets</b>		
Cash in Banks	3	121,870
Advances to consultant	4	<u>122,812</u>
		<u>244,682</u>
<b>Represented by:</b>		
Fund balance at the end of the period		<u>244,682</u>



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



Mr. Mao Dor  
*Finance Specialist*  
*Ministry of Public Works and Transport*

Phnom Penh, Kingdom of Cambodia

4 June 2020

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

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

#### Statement of receipts and expenditure for the period from 25 December 2018 to 31 December 2019

		Period from 25 December 2018 to 31 December 2019		
	Note	ADB Loan No. 3701 US\$	RGC US\$	Total US\$
<b>Receipts</b>				
Asian Development Bank	5 (a)	470,048	-	470,048
Royal Government of Cambodia	5 (b)	-	30,000	30,000
		<u>470,048</u>	<u>30,000</u>	<u>500,048</u>
<b>Expenditure by disbursement category and financier</b>				
	<b>9</b>			
Goods and equipment	6	52,400	-	52,400
Consulting services	7	183,890	-	183,890
Recurrent costs	8	19,066	10	19,076
		<u>255,356</u>	<u>10</u>	<u>255,366</u>
<b>Excess of receipts over expenditure</b>		<u>214,692</u>	<u>29,990</u>	<u>244,682</u>
<b>Fund balance at end of the period</b>		<u>214,692</u>	<u>29,990</u>	<u>244,682</u>



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



Mr. Mao Dor  
*Finance Specialist*  
*Ministry of Public Works and Transport*

Phnom Penh, Kingdom of Cambodia

4 June 2020

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

## Ministry of Public Works and Transport

Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project  
ADB Loan No. 3701 – CAM (COL)

Statement of advance account  
for the period from 25 December 2018 to 31 December 2019

ADB Loan No. 3701 – CAM (COL)	Note	Period from 25 December 2018 to 31 December 2019 US\$
<b>Receipts</b>		
Asian Development Bank	5 (a)	<u>300,000</u>
<b>Expenditure by disbursement category</b>		
Goods and equipment	6	52,400
Consulting services	7	136,654
Recurrent costs	8	<u>19,066</u>
		<u>208,120</u>
<b>Excess of receipts over expenditure</b>		<u>91,880</u>
<b>Fund balance at end of the period</b>		<u>91,880</u>
<b>Represented by:</b>		
Cash at bank	3	<u>91,880</u>



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



Mr. Mao Dor  
*Finance Specialist*  
*Ministry of Public Works and Transport*

Phnom Penh, Kingdom of Cambodia

4 June 2020

The accompanying notes form an integral part of these financial statements

# Ministry of Public Works and Transport

## Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

### Notes to the financial statements for the period from 25 December 2018 to 31 December 2019

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

#### 1. Background and activities

The Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project (“the Project”) was established under the Loan Agreement No. 3701-CAM (COL) signed on 24 October 2018 between the Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance). The Asian Development Bank (“ADB”) finances US\$30,000,000 from ADB’s Special Fund resources.

The financing agreements became effective for implementation on 25 December 2018. The Project is expected to be completed by 31 December 2023 and closed by 30 June 2024.

The loan will have a principal repayment period of 24 years including a grace period 8 years with an interest rate 1% per annum during grace period and 1.5% per annum thereafter. The interest charge will be payable semi-annually on 15 April and 15 October in each year. The principal amount of the loan is payable on a semi-annually instalment commencing from 15 October 2026 and ending on 15 April 2050.

The objective of the Project is to transform secondary GMS central and southern corridor towns into economically inclusive, competitive international tourism destinations by improving road and water transport infrastructure, urban environmental services, and capacity to sustainably manage tourism growth. It will boost trade in services and deepen regional cooperation and integration among the GMS and association of Southeast Asian Nations (ASEAN). About 88,000 residents are expected to directly benefit from climate resilient infrastructure development and increase access to economic opportunities.

The Project comprises three outputs as the following:

##### *Output 1: Urban-Rural Access infrastructure and Urban Environmental Services Improved*

This output will upgrade transport infrastructure and improve environmental conditions at tourist destinations to boost tourist arrivals and receipts and catalyze additional private investment in accommodations and other tourism-related enterprises in Kep and Preah Sihanouk. It includes the following components:

- (i) Kep Solid Waste Management Improvement;
- (ii) Preah Sihanouk Seaside Access and Environmental Improvement; and
- (iii) Preah Sihanouk City–Koh Rong Passenger Pier Improvement.

# Ministry of Public Works and Transport

## Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

### Notes to the financial statements (continued) for the period from 25 December 2018 to 31 December 2019

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

The Project comprises three outputs as the following: (continued)

##### *Output 2: Capacity to implement ASEAN Tourism Standards strengthened*

This will (i) support ASEAN Tourism Standards national implementation by establishing and strengthening certification bodies and assessment frameworks, promoting and facilitating adoption of the standards by the tourism sector, and establishing sustainable financing mechanisms; and (ii) support the implementation of selected ASEAN Tourism Standards and the ASEAN Sustainable Tourism Awards.

##### *Output 3: Institutional capacity for tourism destination management and infrastructure O&M strengthened*

This output will: (i) build capacity among public and private stakeholders in the tourism sector to sustainably develop, manage, and market tourist destinations; and (ii) build capacity for infrastructure operation and maintenance (O&M) through the preparation of O&M plans and training to implement the plans.

On 24 January 2020, the request for cancellation of six ADB-financed subprojects in Preah Sihanouk has been approved by ADB and reallocated the fund to the main features of replacement subprojects in Kep province under Kep – Angkol Coastal Road Improvement and Kep – Rabbit Island Pier Improvement.

The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the ADB Loan No. 3701 – CAM (COL) and the allocation of amounts of the loan to each such category:

Category			ADB Financing
No.	Item	Amount Allocated (US\$)	Percentage and Basis for Withdrawal from the Loan Account
		Category	
1	Civil works	19,076,000	100% of total expenditure claimed
2	Goods and equipment	1,250,000	100% of total expenditure claimed
3	Consulting services	2,344,000	100% of total expenditure claimed
4	Project management	392,000	100% of total expenditure claimed
5	Capacity building	1,193,000	100% of total expenditure claimed
6	Recurrent costs	923,000	100% of total expenditure claimed
7	Interest charge	796,000	100% of total expenditure claimed
8	Unallocated	4,026,000	
	<b>Total</b>	<b>30,000,000</b>	

## **Ministry of Public Works and Transport**

### **Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)**

#### **Notes to the financial statements (continued) for the period from 25 December 2018 to 31 December 2019**

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

The Ministry of Tourism (“MOT”) and the Department of Tourism (“DOT”) of Kep and Preah Sihanouk are the Project’s Executing Agency (“PEA”) to assume overall responsibility over the implementation of ADB-finance project. While the Ministry of Public Works and Transport (“MPWT”) is the Infrastructure Project Management Unit (“IPMU”) for supervise and provided technical support to Project Implementation Unit (“PIU”) infrastructure team.

### **2. Significant accounting policies**

#### **(a) Basis of accounting**

The financial statements, which are expressed in the United States Dollars (“US\$”), have been 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. Under this basis of accounting, income is recognised when funds are received in cash and 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.

#### **(b) Statement of advance account**

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

#### **(c) Non-expendable equipment**

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

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

#### Notes to the financial statements (continued) for the period from 25 December 2018 to 31 December 2019

## 2. Significant accounting policies (continued)

### (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. 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 statements of receipts and expenditure and 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. In-kind contribution is disclosed in the note to the financial statements for information only.

## 3. Cash at banks

	As at 31 December 2019 US\$
Advance account – ADB	91,880
Advance account – Royal Government Counterpart	<u>29,990</u>
	<u>121,870</u>

## 4. Advances to consultant

	As at 31 December 2019 US\$
Renardet S.A. in Association with SBK Research and Development (Direct payment)	<u>122,812</u>

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

#### Notes to the financial statements (continued) for the period from 25 December 2018 to 31 December 2019

## 5. Receipts

### (a) Asian Development Bank

	Period from 25 December 2018 to 31 December 2019 US\$
Initial advance (*)	300,000
Direct payment (**)	<u>170,048</u>
	<u>470,048</u>

(\*) Receipts from ADB was paid into the designated advance account held by the Ministry of Economy and Finance at the National Bank of Cambodia. This is a separate bank account held for ADB funds earmarked specifically for the use of the Project.

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

### (b) Royal Government of Cambodia

	Period from 25 December 2018 to 31 December 2019 US\$
Initial advance	<u>30,000</u>

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

#### Notes to the financial statements (continued) for the period from 25 December 2018 to 31 December 2019

#### 6. Goods and equipment

	Period from 25 December 2018 to 31 December 2019 US\$
Vehicle	<u>52,400</u>

During the period, the Project purchased 1 vehicle which taken from the advance account.

#### 7. Consulting services

	Period from 25 December 2018 to 31 December 2019		
	Direct payment US\$	Advance account US\$	Total US\$
Consulting service - "Renardet S.A."	<u>47,236*</u>	<u>136,654</u>	<u>183,890</u>

\* This refers to partial liquidated advances to consultant during the year.

#### 8. Recurrent costs

	Period from 25 December 2018 to 31 December 2019		
	ADB Loan No. 3701 US\$	RGC US\$	Total US\$
Office running costs	2,902	-	2,902
Fuel and travelling cost	13,502	-	13,502
Vehicle operation and maintenance	2,662	-	2,662
Miscellaneous	<u>-</u>	<u>10</u>	<u>10</u>
	<u>19,066</u>	<u>10</u>	<u>19,076</u>

## Ministry of Public Works and Transport

Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project  
ADB Loan No. 3701 – CAM (COL)

Notes to the financial statements (continued)  
for the period from 25 December 2018 to 31 December 2019

### 9. Expenditure by disbursement category and financier

Particulars	ADB Loan No. 3701		RGC		Total
	Actual expenditure		Actual expenditure		
	US\$	%	US\$	%	US\$
Good and equipment	52,400	100	-	-	52,400
Consulting Services	183,890	100	-	-	183,890
Recurrent costs	19,066	100	10	100	19,076
<b>Total payments – for the period from 25 December 2018 to 31 December 2019</b>	255,356	100	10	-	255,366
<b>Total cost of the Project</b>	30,000,000		890,000		30,890,000
<b>% of total project costs – for the period from 25 December 2018 to 31 December 2019</b>	0.85%		-		0.83%

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project

ADB Loan No. 3701 – CAM (COL)

#### Notes to the financial statements (continued)

for the period from 25 December 2018 to 31 December 2019

#### 10. Statement of withdrawals

Withdrawal application number	Date	Currency	Civil works	Equipment and vehicles	Consulting services	Project management	Capacity building	Recurrent costs	Initial advance	Total
ADB Loan No. 3701										
<i>Direct payments</i>										
BA002 (A)	28-Aug-19	US\$	-	-	170,048	-	-	-	-	170,048
<i>Advance account</i>										
BA001 (B)	11-Apr-19	US\$	-	-	-	-	-	-	300,000	300,000
<b>Sub-total loan (C=A+B)</b>			-	-	<b>170,048</b>	-	-	-	<b>300,000</b>	<b>470,048</b>
<i>RGC – Advance account</i>										
R0001 (D)	10-May-19	US\$	-	-	-	-	-	-	30,000	30,000
<b>Grand total (E=C+D)</b>			-	-	<b>170,048</b>	-	-	-	<b>330,000</b>	<b>500,048</b>

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

#### Notes to the financial statements (continued) for the period from 25 December 2018 to 31 December 2019

### 11. Statement of disbursement

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

		Period from 25 December 2018 to 31 December 2019 US\$
<b>ADB fund claims during the period</b>		
Initial advance		300,000
Direct payments		<u>170,048</u>
	A	<u>470,048</u>
<b>Total expenditure made during the period</b>		
Less: Expenditure made out of Government Counterpart fund	B	255,366
Initial advance not yet utilised	C	(10)
Advance made to contractor during the period but not yet recorded as expenditure	D	91,880
	E	<u>122,812</u>
<b>Total eligible expenditure claimed (A=F=B+C+D+E)</b>	F	<u>470,048</u>

### 12. Commitments

As at 31 December 2019, the Project has the following commitments:

	As at 31 December 2019 US\$
Contracted, but not yet paid: Consulting Service - "Renardet S.A."	<u>1,393,779</u>

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

Notes to the financial statements (continued)  
for the period from 25 December 2018 to 31 December 2019

#### 13. In-kind contribution

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

	Period from 25 December 2018 to 31 December 2019 US\$
Office space	13,152
Salaries of project staff	29,676
Utilities (electricity and water)	5,803
	<u>48,631</u>


#### 14. Statement of budget versus actual expenditure


Description	For the period from 25 December 2018 to 31 December 2019		
	Budget	Actual	Variance
	US\$	US\$	US\$
<b>Investment</b>			
Civil works	-	-	-
Goods and equipment	52,400	52,400	-
Consulting services (*)	327,498	183,890	143,608*
Recurrent costs	26,815	19,076	7,739
<b>Total</b>	<b>406,713</b>	<b>255,366</b>	<b>151,347</b>

(\*) Included in the budget for consulting services was an amount of US\$122,812 that already been disbursed to the consultant as at 31 December 2019; and being recorded as advances to consultant (see Note 4). Therefore, after taking into accounts the aforementioned advanced payment, the total variance between budget versus actual expenditure decreased from US\$151,347 to US\$28,535.

#### 15. Comparative figures

There are no comparative figures as this is the first set of financial statements prepared since the commencement of the Project.

  
H.E. Vong Pisith  
Project Director  
Ministry of Public Works and Transport  
Phnom Penh, Kingdom of Cambodia  
4 June 2020

  
Mr. Mao Dor  
Finance Specialist  
Ministry of Public Works and Transport

## **PART II**

### **Independent Assurance Report on Compliance with the Loan Agreement**

**for the period from 25 December 2018  
to 31 December 2019**

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**Ministry of Public Works and Transport**

**Management assertion**

I, on behalf of the Project's management of the Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project under ADB Loan No 3701- CAM (COL) do hereby state that the Project's Statement of Compliance for the period from 25 December 2018 to 31 December 2019 is, all material respects prepared in compliance with the loan agreement in particular:

- (i) The IPMU has utilised the proceed of the loan only for the purpose of the Project 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 Loan Agreement;
- (ii) The Project has complied, in all material respects, with the covenants of the Loan Agreement;
- (iii) The Advance account procedures, have been operated, in all material respects, in accordance with ADB's Loan Disbursement Handbook;
- (iv) The Project has complied, in all material respects, with the statement of expenditure ("SOE") procedure set out in ADB's Loan Disbursement Handbook. 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

4 June 2020



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## **INDEPENDENT REASONABLE ASSURANCE REPORT**

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

We refer to the ADB Loan Agreement No. 3701 – CAM (COL) (“the Loan Agreement”), which sets out the requirements for the Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project (“the Project”) to comply with the Loan covenants.

Pursuant to the terms of the Loan Agreement, the management of the Project has prepared a Statement of Compliance with the Loan Agreement (the “Statement of Compliance”), a copy of which is attached to this independent assurance report.

We were engaged by the Ministry of Economy and Finance (“MEF”) to report on the Project’s Compliance with the Loan Agreement as set out on pages 22 to 25 for the period from 25 December 2018 to 31 December 2019 in the form of an independent reasonable assurance conclusion about whether the Statement of Compliance is, in all material respects, prepared in compliance with the requirements set out in the Loan Agreement.

Our report is intended to provide an opinion on the following specific matters, established by the terms and conditions of the Loan Agreement whether:

- (i) The Project’s funds have been used, in all material respects, for the purposes of the Project in accordance with the terms and conditions set out in the Loan Agreement.
- (ii) The Project has complied, in all material respects, with the covenants of the Loan Agreement.

#### ***Management’s responsibilities***

The management of the Project is responsible for the preparation of the Statement of Compliance that is free from material misstatement and in compliance with those requirements set out by the Loan Agreement and for the information contained therein on pages 22 to 25.



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 Loan Agreement; selecting and applying policies; making judgements and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the Statement of Compliance. The management of the Project is also responsible for preventing and detecting fraud and for identifying and ensuring that the Project complies with laws and regulations applicable to its activities. The management is responsible for ensuring that staff involved with the preparation of the Statement of Compliance are properly trained, information systems are properly updated and that any changes in reporting encompass all significant reporting units.

### ***Our responsibilities***

Our responsibility is to examine the Statement of Compliance prepared by the management and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with Cambodian International Standard on Assurance Engagements (CISAE) 3000, Assurance Engagement Other than Audits or Reviews of Historical Financial Information. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the Statement of Compliance is properly prepared in compliance with the relevant terms and conditions set out in the Loan Agreement, 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 Loan Agreement, used by the Project's management in preparing the Statement of Compliance in the circumstances of the engagement, obtaining an understanding of the compilation of the financial and non-financial information in the Statement of Compliance by enquiry of management, reference to the Loan Agreement and performance of testing on the Project's management assertions on a sample basis.

**Conclusion**

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

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

In our opinion, the Project's Statement of Compliance is, in all material respects, prepared in compliance with the requirements of the Loan Agreement, in particular the following assertions by management of the Project are properly represented, in all material respects:

- (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 Loan Agreement.
- (ii) The Project has complied, in all material respects, with the covenants of the Loan Agreement.

**Restriction on Use of Our Report**

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

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

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

For KPMG Cambodia Ltd

Lim Chew Teng  
Partner

Phnom Penh, Kingdom of Cambodia

4 June 2020

# Ministry of Public Works and Transport

## Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

### Statement of compliance with the loan agreement for the period from 25 December 2018 to 31 December 2019

#### 1. Criteria

This Statement of Compliance is prepared in accordance with the criteria determined by the ADB in accordance with the Loan Agreement No. 3701 – CAM (COL) (“the Loan Agreement”), which sets out the requirements for Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project (“the Project”) to comply with and is prepared by the 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 Agreement taken as a whole. These criteria are described below. The Project management has assessed its compliance with the relevant requirements and included the results of its assessment below.

Article No.	Description	Management’s assertions
<b>Article III Use of Proceeds of the Loan</b>		
3.01	The Borrower shall cause the proceeds of the Loan and Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of the Agreement.	Yes, complied with.
3.02	The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.	Yes, complied with.
3.03	Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.	Yes, complied with.
<b>Article IV Particular Covenants</b>		
4.02	(a) The Borrower shall: (i) maintain separate accounts and records for the Projects; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB;	(a): (i) Yes, complied with. (ii) The Project prepared financial statements in accordance with a modified cash basis of accounting.

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

#### Statement of compliance with the loan agreement (continued) for the period from 25 December 2018 to 31 December 2019

#### 1. Criteria (continued)

Section	Description	Management's assertions
<b>Article IV Particular Covenants (Continued)</b>		
4.02	<p>(iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with International Standards for auditing or the national equivalent acceptable to ADB; in accordance with international standards for auditing or the national equivalent acceptable to ADB;</p> <p>(iv) as part of each such audit, have the auditor prepare a report which includes the auditor's opinions on the financial statements and the use of the Loan proceeds. and 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);</p> <p>(v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.</p> <p>(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.</p> <p>(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.</p>	<p>(iii) Financial statements are audited by KPMG Cambodia Ltd.</p> <p>(iv) This is the first set of financial statement audit.</p> <p>(v) Yes, complied with.</p> <p>(b) Yes, complied with.</p> <p>(c) Yes, complied with.</p>

## Ministry of Public Works and Transport

Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project  
ADB Loan No. 3701 – CAM (COL)

Statement of compliance with the loan agreement (continued)  
for the period from 25 December 2018 to 31 December 2019

### 1. Criteria (continued)

Section	Description	Management's assertions
<b>Article IV Particular Covenants (continued)</b>		
4.03	The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	Yes, complied with.

### 2. Appendix to the Statement of Compliance

Schedule No.	Description
<b>Schedule 3: Allocation and Withdrawal of Loan Proceeds</b>	
2	The proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.
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.
4	Goods and Works shall only be procured on the basis of the methods of procurement set forth below: (a) International Competitive Bidding; (b) National Competitive Bidding; and (c) Shopping

## Ministry of Public Works and Transport

### Second Greater Mekong Subregion Tourism Infrastructure for Inclusive Growth Project ADB Loan No. 3701 – CAM (COL)

#### Statement of compliance with the loan agreement (continued) for the period from 25 December 2018 to 31 December 2019

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

Schedule No.	Description
<b>Schedule 4: Procurement of Goods, Works and Consulting services (continued)</b>	
6	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 initial environmental examination (“IEE”) from the Borrower’s relevant authority; and (b) incorporated the relevant provisions from the environmental management plan (“EMP”) into the Works contract.
7	The Borrower shall not award any Works contract involving involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final resettlement plan (“RP”) based on the Project’s detailed design and obtained ABD’s clearance of such RP.
8	The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.
10 (a)	The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.
10 (b)	The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters.
11	The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.