ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF PUBLIC WORKS AND TRANSPORT

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Financial Statements
and Statement of Compliance
for the year ended 31 December 2020

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Contents

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 6 to 32 of the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project"), financed under the Asian Development Bank Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF), implemented by the Ministry of Public Works and Transport ("MPWT", "the Executing Agency" or "EA"), present fairly, in all material respects, in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

On behalf of the Project's management:

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

Phnom Penh, Kingdom of Cambodia

31 May 2021

KPMG

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

Opinion

We have audited the accompanying financial statements of the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project"), financed under the Asian Development Bank Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and ADB Grant No. 0454 – CAM (SCF), implemented by the Ministry of Public Works and Transport ("MPWT", "the Executing Agency" or "EA"), which comprise the statement of receipts and payments and statement of advance account for the year ended 31 December 2020 and notes, comprising significant accounting policies and other explanatory information as set out on pages 6 to 32 (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, of the cash receipts and payments of the Project 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 14 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 1 January 2019. These standards were applied retrospectively to the comparative information in these financial statements, including, the statement of receipts and payments and statement of advance account of the Project for the year ended 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 - Restriction on Use

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

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

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

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

For **KPMG Cambodia Ltd**

KPMG CAMBODIA LTD.

Taing YoukFong
Partner

Phnom Penh, Kingdom of Cambodia

31 May 2021

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of receipts and payments
for the year ended 31 December 2020

		Year ended 31 December 2020				Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2020
	Note	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	US$	US$
Receipts							
Asian Development Bank	5	2,767,920	2,057,849	-	4,825,769	1,140,339	8,505,863
Royal Government of Cambodia	5	-	-	27,483	27,483	41,261	125,837
		2,767,920	2,057,849	27,483	4,853,252	1,181,600	8,631,700
Payments by category and financier							
Civil works	6	2,004,444	1,589,500	-	3,593,944	-	3,593,944
Consulting services	7	529,715	424,598	-	954,313	1,192,976	3,977,020
Incremental administrative cost	8	72,906	-	28,358	101,264	89,122	510,270
Interest charge		38,873	-	-	38,873	43,184	82,057
		2,645,938	2,014,098	28,358	4,688,394	1,325,282	8,163,291
Increase/(Decrease) in cash		121,982	43,751	(875)	164,858	(143,682)	468,409

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of receipts and payments (continued)
for the year ended 31 December 2020

		Year ended 31 December 2020				Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2020
	Note	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	US$	US$
Cash at beginning of year	4	243,635	57,899	2,017	303,551	447,233	303,551
Increase/(Decrease) in cash		121,982	43,751	(875)	164,858	(143,682)	164,858
Cash at end of the year	4	365,617	101,650	1,142	468,409	303,551	468,409

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

Phnom Penh, Kingdom of Cambodia

31 May 2021

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

Phnom Penh, Kingdom of Cambodia

31 May 2021

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

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of advance account
for the year ended 31 December 2020

	Note	Year ended 31 December 2020			Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2020
		ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	Total US$	US$	US$
Part A						
Beginning cash balance		243,635	57,899	301,534	484,927	-
Receipt:						
Initial advance		-	-	-	-	630,000
Amount replenished by ADB		217,688	368,349	586,037	308,301	1,543,843
		461,323	426,248	887,571	793,228	2,173,843
Payments made from advance account:						
Civil works		-	-	-	-	-
Consulting services	7	22,800	324,598	347,398	404,564	1,314,948
Incremental administration	8	72,906	-	72,906	52,130	391,628
		95,706	324,598	420,304	491,694	1,706,576
Ending cash balance	4	365,617	101,650	467,267	301,534	467,267

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of advance account (continued)
for the year ended 31 December 2020

		Year ended 31 December 2020			Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2020
		ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	Total US$	US$	US$
Part B – Advance account reconciliation						
Initial advance	**A**	**436,000**	**194,000**	**630,000**	**630,000**	**630,000**
Balance of advance account as of 31 December per bank statement		365,617	101,650	467,267	301,534	467,267
Less: Outstanding cheque		-	-	-	-	-
Add: Petty cash balance		-	-	-	-	-
Total cash balance	**B**	**365,617**	**101,650**	**467,267**	**301,534**	**467,267**
Add: Amount claimed in previous year not yet credited at date of bank statement	C	-	-	-	-	-
Less: Amount claimed in current year not yet credited at date of bank statement	D	-	-	-	-	-
Less: Interest income	E					

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of advance account (continued)
for the year ended 31 December 2020

		Year ended 31 December 2020			Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2020
		ADB Loan No. 3311 US$	ADB Grant No. 0454 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)	**F**	**70,383**	**92,350**	**162,733**	**328,466**	**162,733**
a. Sub-accounts		-	-	-	-	-
b. Transfer in transit		-	-	-	-	-
c. Current year withdrawn from advance account but not yet claimed for replenishment		70,383	92,350	162,733	259,431	162,733
d. Other – Previous year withdrawn from advance account but not yet claimed for replenishment		-	-	-	69,035	-
Total advance accounted for (B+C+D+E+F)		436,000	194,000	630,000	630,000	630,000

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

Phnom Penh, Kingdom of Cambodia

31 May 2021

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

Phnom Penh, Kingdom of Cambodia

31 May 2021

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

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

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

The financing agreements became effective for implementation on 22 December 2015 and the closing date is expected to be completed by 31 October 2022.

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

1. Background and activities (continued)

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

The Project comprises the following outputs:

Output 1: Kampong Chhnang urban area environmental improvements

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

Output 2: Pursat urban area environmental improvements

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

1. Background and activities (continued)

Output 3: the community mobilization and environmental improvements

Aims to address the climate change and environmental needs of the urban poor and vulnerable, including ethnic Cham and Vietnamese in Kampong Chhnang and Pursat—making the project more inclusive by extending benefits from large infrastructure investments. It includes improved household sanitation for IDPoor 1 and 2 in the current municipality area; climate change and hygiene awareness and action; and community small-scale infrastructure improvements in pre-identified poor and vulnerable areas in each municipality. Small-scale infrastructure improvements will be prioritized by the communities and will be financed by the project, national government, and community.15 The output will help extend project benefits to the poor and vulnerable groups. It will be implemented in partnership with an international non-governmental organization (NGO), which must demonstrate in its proposal experience working with Tonle Sap communities, including ethnic Cham and Vietnamese. See Annex B for details and the Annex C, Package IV for the terms of reference of the NGO.

Output 4: Strengthened Sector Coordination and Operations

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

1. Background and activities (continued)

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

No.	Item	ADB Loan No. 3311 – CAM (COL)		ADB Loan No. 8295 – CAM (SCF)		ADB Grant No. 0454 – CAM (SF)		Total (US$)
		Amount Allocated (US$)	Basis for Withdrawal	Amount Allocated (US$)	Basis for Withdrawal	Amount Allocated (US$)	Basis for Withdrawal	
1	Civil works	16,079,000	100% of total expenditure claimed	-	Not applicable	3,480,000	100% of total expenditure claimed	19,559,000
2	Equipment	1,184,000	100% of total expenditure claimed	-	Not applicable	-	Not applicable	1,184,000
3	Workshops	422,000	100% of total expenditure claimed	-	Not applicable	210,000	100% of total expenditure claimed	632,000
4	Consulting Services	2,554,000	100% of total expenditure claimed	-	Not applicable	1,110,000	100% of total expenditure claimed	3,664,000
5	Incremental Administration	404,000	100% of total expenditure claimed	-	Not applicable	-	Not applicable	404,000
6	Interest during Implementation	995,000	100% of total expenditure claimed	-	Not applicable	-	Not applicable	995,000
7	Unallocated	4,744,000	100% of total expenditure claimed	-	Not applicable	200,000	100% of total expenditure claimed	4,944,000
8	Kampong Chhnang Flood Protection	-	Not applicable	4,982,000	100% of total expenditure claimed*	-	Not applicable	4,982,000
9	Service Charge during implementation	-	Not applicable	18,000	100% of total amount due	-	Not applicable	18,000
	Total	**26,382,000**		**5,000,000**		**5,000,000**		**36,382,000**

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

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

2. Basis of accounting

(a) Statement of compliance

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

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 1 January 2019 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 14.

(b) Basis of measurement

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

3. Significant accounting policies

(a) Fund receipts and payments

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

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

3. Significant accounting policies (continued)

(b) Statement of advance account

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

(c) Non-expendable equipment

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

(d) Interest charge

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

(e) Foreign currency transactions

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

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

(f) In-kind contribution

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

4. Cash

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents consist of balances with banks.

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

	As at 31 December 2020 US$	As at 31 December 2019 US$
Cash in bank - ADB No. 3311	365,617	243,635
Cash in bank - ADB No. 0454	101,650	57,899
Cash balance – ADB	467,267	301,534
Advance account – Government Counterpart Fund (*)	1,142	2,017
	468,409	303,551

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

5. Receipts

	Year ended 31 December 2020				Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2020
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	US$	US$
ADB						
Initial advances	-	-	-	-	-	630,000
Replenishment	217,688	368,349	-	586,037	308,301	1,543,843
Direct payments (*)	2,511,359	1,689,500	-	4,200,859	788,854	6,249,963
Interest charge	38,873	-	-	38,873	43,184	82,057
	2,767,920	2,057,849	-	4,825,769	1,140,339	8,505,863
RGC						
Initial advances	-	-	-	-	-	18,000
Replenishment	-	-	27,483	27,483	41,261	107,837
	-	-	27,483	27,483	41,261	125,837
	2,767,920	2,057,849	27,483	4,853,252	1,181,600	8,631,700

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

Receipts from the Asian Development Bank for Loan No. 3311 – CAM (COL) was paid into the advance account held by the Ministry of Economy and Finance. This is a separate bank account held exclusively for ADB Loan No. 3311 – CAM (COL). The receipt was then disbursed to advance account held by the Ministry of Public Work and Transport at the National Bank of Cambodia.

6. Civil works

	Year ended 31 December 2020				Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2020
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	US$	US$
Direct payments						
Kiri Dangrek Construction Co., Ltd	1,475,117	1,589,500	-	3,064,617	-	3,064,617
Ung Simsia Construction Co., Ltd	529,327	-	-	529,327	-	529,327
	2,004,444	1,589,500	-	3,593,944	-	3,593,944

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

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

7. Consulting services

	Year ended 31 December 2020				Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2020
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	US$	US$
Direct payments						
Korea Engineering Consultants Corp.	506,915	100,000	-	606,915	788,856	2,531,538
Partnership for Development in Kampuchea in Association with West East Development (Cambodia)	-	-	-	-	-	124,482
	506,915	100,000	-	606,915	788,856	2,656,020
Advance account						
Korea Engineering Consultants Corp.	22,800	-	-	22,800	71,200	230,470
Partnership for Development in Kampuchea in Association with West East Development (Cambodia)	-	324,598	-	324,598	255,011	793,982
SMEC International Pty Ltd	-	-	-	-	71,859	290,498
Audit fee	-	-	-	-	6,050	6,050
	22,800	324,598	-	347,398	404,120	1,321,000
	529,715	424,598	-	954,313	1,192,976	3,977,020

8. Incremental administrative costs

	Year ended 31 December 2020				Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2020
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	US$	US$
Advance account						
Office and travel expenses	67,836	-	28,358	96,194	84,083	319,261
Vehicles	5,070	-	-	5,070	5,039	149,991
Office equipment	-	-	-	-	-	41,018
	72,906	-	28,358	101,264	89,122	510,270

9. Statement of disbursement

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

		Year ended 31 December 2020	Year ended 31 December 2019	Cumulative period from 2 March 2016 to 31 December 2019
		US$	US$	US$
ADB fund claims during the year				
Initial advance		-	-	630,000
Replenishments		586,037	308,301	1,543,843
Direct payments		4,239,732	832,038	6,332,020
Sub-total	(A)	4,825,769	1,140,339	8,505,863
Total payments made during the year	(B)	4,688,394	1,325,282	8,163,291
Less: Payments made out of RGC	(C)	(28,358)	(43,044)	(124,695)
Initial advances not yet liquidated	(D)	-	-	630,000
Payments not yet claimed during the year	(E)	(162,733)	(328,466)	(162,733)
Payments incurred previous year but claimed during the year	(F)	328,466	186,567	-
Total eligible payments claimed (A=G=B+C+D+E+F)	(G)	4,825,769	1,140,339	8,505,863

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

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

10. Payment by category and financiers

Particulars	ADB Loan No. 3311 – CAM (COL)		ADB Loan No. 8295 – CAM (SCF)		ADB Grant No. 0454 – CAM (SF)		RGC Fund		Total
	Actual payments		Actual payments		Actual payments		Actual payments		
	US$	%	US$	%	US$	%	US$	%	US$
Civil works	2,004,444	56	-	-	1,589,500	44	-	-	3,593,944
Consulting services	529,715	56	-	-	424,598	44	-	-	954,313
Incremental administrative costs	72,906	72	-	-	-	-	28,358	28	101,264
Interest charge	38,873	100	-	-	-	-	-	-	38,873
Total payments – for the year ended 31 December 2020	2,645,938		-		2,014,098		28,358		4,688,394
% of total project costs – for the year ended 31 December 2020	10		-		40		-		13
% of cumulative expenses to total project costs – for the period from 2 March 2016 to 31 December 2020	19		-		58		-		22

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of advance account (continued)
for the year ended 31 December 2020

11. Statement of withdrawals

Withdrawal application No.	Description	Date	Currency	Initial advance	Civil works	Consulting services	Incremental administrative costs	Interest charge	Total
Year ended 31 December 2020									
ADB Loan No. 3311 – CAM (COL)									
Direct payment									
A0012	Direct payment	22-Mar-20	US$	-	-	151,885	-	-	151,885
A0013	Direct payment	18-Mar-20	US$	-	1,475,117	-	-	-	1,475,117
A0014	Direct payment	21-Apr-20	US$	-	331,910	-	-	-	331,910
A0015	Direct payment	29-Jun-20	US$	-	-	131,847	-	-	131,847
A0017	Direct payment	13-Nov-20	US$	-	-	223,183	-	-	223,183
A0018	Direct payment	18-Nov-20	US$	-	197,417	-	-	-	197,417
CAP	Direct payment	01-Apr-20	US$	-	-	-	-	14,285	14,285
CAP	Direct payment	1-Oct-20	US$	-	-	-	-	24,588	24,588
Replenishment									
A0016	Replenishment	12-Aug-20	US$	-	-	104,941	112,747	-	217,688
Sub-total (A)			US$	**-**	**2,004,444**	**611,856**	**112,747**	**38,873**	**2,767,920**
ADB Grant No. 0454 – CAM (SCF)									
Direct payment									
C0010	Direct payment	16-Jul-20	US$	-	971,239	-	-	-	971,239
C0011	Direct payment	24-Sep-20	US$	-	433,909	-	-	-	433,909
C0013	Direct payment	17-Nov-20	US$	-	-	100,000	-	-	100,000
C0014	Direct payment	18-Nov-20	US$	-	184,352	-	-	-	184,352
Replenishment									
C0008	Replenishment	3-Mar-20	US$	-	-	136,101	-	-	136,101
C0009	Replenishment	10-Jun-20	US$	-	-	118,684	-	-	118,684
C0012	Replenishment	28-Oct-20	US$	-	-	113,564	-	-	113,564
Sub-total (B)			US$	**-**	**1,589,500**	**468,349**	**-**	**-**	**2,057,849**

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of advance account (continued)
for the year ended 31 December 2020

11. Statement of withdrawals (continued)

Withdrawal application No.	Description	Date	Currency	Initial advance	Civil works	Consulting services	Incremental administrative costs	Interest charge	Total
RGC fund									
Replenishment									
R0008	Replenishment	3-Apr-20	US$	-	-	-	15,983	-	15,983
R0009	Replenishment	11-Aug-20	US$	-	-	-	11,500	-	11,500
Sub-total (C)			US$	**-**	**-**	**-**	**27,484**	**-**	**27,483**
Total fund receipt (D=A+B+C)			US$	**-**	**3,593,944**	**1,080,205**	**140,230**	**38,873**	**4,853,252**
Year ended 31 December 2019									
ADB Loan No. 3311 – CAM (COL)			US$	**-**	**-**	**788,854**	**-**	**43,184**	**832,038**
ADB Grant No. 0454 – CAM (SCF)			US$	**-**	**-**	**308,301**	**-**	**-**	**308,301**
RGC fund			US$	**-**	**-**	**-**	**41,261**	**-**	**41,261**
Total			US$	**-**	**-**	**1,097,155**	**41,261**	**43,184**	**1,181,600**

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of advance account (continued)
for the year ended 31 December 2020

11. Statement of withdrawals (continued)

Withdrawal application No.	Description	Date	Currency	Initial advance	Civil works	Consulting services	Incremental administrative costs	Interest charge	Total
Cumulative period from 2 March 2016 to 31 December 2020									
ADB Loan No. 3311 – CAM (COL)			US$	436,000	2,004,444	2,639,207	344,045	82,057	5,505,753
ADB Grant No. 0454 – CAM (SCF)			US$	194,000	1,589,500	1,216,610	-	-	3,000,110
RGC fund			US$	18,000	-	-	107,837	-	125,837
Total			US$	648,000	3,593,944	3,855,817	451,882	82,057	8,631,700

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

Phnom Penh, Kingdom of Cambodia

31 May 2021

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

Phnom Penh, Kingdom of Cambodia

31 May 2021

12. Advance to contractors

There was neither advances made to the contractor during the year (2019: Nil) nor unliquidated advance as at 31 December 2020 (31 December 2019 : Nil)

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

13.1. Receipts from selling bid documents

During the year, there was no receipts from selling bid documents (2019: Nil).

13.2. In-kind contribution

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

	Year ended 31 December 2020 US$	Year ended 31 December 2019 US$	Cumulative period from 2 March 2016 to 31 December 2020 US$
Office space	17,856	17,856	89,280
Utilities (electricity and water)	10,238	10,238	51,192
Salaries of project staff	49,152	49,152	218,040
Taxation			
Civil works	391,854	-	391,854
Consulting services	94,266	177,466	525,891
Importing duties	-	-	19,538
	563,367	254,713	1,295,795

13.3. 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	8,452,902	9,834,117
Consulting services	1,844,379	2,220,892
	10,297,281	12,055,009

14. 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 year ended 31 December 2019.

In preparing its opening CPSAS statement of receipts and payments and statement of advance account, the Project has restated 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 position as at 31 December 2019 and 1 January 2019 and the Project's statement of receipts and payments and statement of advance account for the year ended 31 December 2019.

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

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

14. Explanation of transition to CPSAS (continued)

Reconciliation of cash (continued)

	Note	31 December 2019			1 January 2019		
		Previous GAAP US$	Effect of transition to CPSAS US$	CPSAS US$	Previous GAAP US$	Effect of transition to CPSAS US$	CPSAS US$
Current assets							
Cash on hand		-	-	-	-	-	-
Cash at banks		303,551	-	303,551	447,233	-	447,233
Advances	A	-	-	-	41,494	(41,494)	-
		303,551	-	303,551	488,727	(41,494)	447,233

14. Explanation of transition to CPSAS (continued)

Reconciliation of statement of receipts and payments for the year ended 31 December 2019.

		31 December 2019		
		Previous GAAP US$	Effect of transition to CPSAS US$	CPSAS US$
Receipts				
Asian Development Bank	B	1,140,339	-	1,140,339
Royal Government of Cambodia	B	41,261	-	41,261
		1,181,600	-	1,181,600
Payments by category financier				
Civil works	A, B	-	-	-
Consulting services	A, B	1,234,470	-	1,234,470
Incremental administrative costs	B	89,122	-	89,122
Interest charge	B	43,184	-	43,184
		1,366,776	-	1,366,776
Change in cash		(185,176)	-	(185,176)

14. Explanation of transition to CPSAS (continued)

Reconciliation of statement of advance account for the year ended 31 December 2019

	31 December 2019		
	Previous GAAP US$	Effect of transition to CPSAS US$	CPSAS US$
Receipts			
Asian Development Bank	308,301	-	308,301
Payments by category financier			
Civil works	-	-	-
Consulting services	439,564	-	439,564
Incremental administrative costs	52,130	-	52,130
	491,694	-	491,694
Change in cash	(183,393)	-	(183,393)

14. Explanation of transition to CPSAS (continued)

A. Restatement of advances

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$41,494 and advances decreased by US$41,494.

	Year ended 31 December 2019 US$	Cumulative period from 2 March 2016 to 31 December 2019 US$
Statement of receipts and payments		
Increase in consulting services	-	41,494
Adjustment to change in cash	-	41,494
Represented by:		
Decrease in advances	-	(41,494)

Ministry of Public Work and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Appendix I: Statement of budget versus actual payments for the year ended 31 December 2020

Description	Year ended 31 December 2020				Year ended 31 December 2019				Cumulative period from 2 March 2016 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	3,765,940	3,593,944	171,996	5	-	-	-	-	4,345,940	3,593,944	751,996	17
Workshops	-	-	-	-	-	-	-	-	170,000	-	170,000	100
Consulting services	1,112,358	954,313	158,045	17	1,245,779	1,192,976	52,803	4	5,420,523	3,977,020	1,443,503	27
Incremental administrative costs	113,126	101,264	11,862	12	123,492	89,122	34,370	28	894,005	510,270	383,735	43
Interest charge	38,873	38,873	-	-	43,184	43,184	-	-	82,057	82,057	-	-
Contingencies	-	-	-	-	-	-	-	-	210,000	-	210,000	100
Total	5,030,297	4,688,394	341,701	7	1,412,455	1,325,282	87,173	6	11,122,525	8,163,291	2,959,234	27

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

Phnom Penh, Kingdom of Cambodia

31 May 2021

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

Phnom Penh, Kingdom of Cambodia

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 the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project") under ADB Loan No. 3311 – CAM (COL) and 8295 – CAM (SCF), and the Grant No. 0454 – CAM (SCF) ("Financing Agreements"), do hereby state that the Project is, in all material respects, in compliance with the Financing Agreements as stated in the Statement of Compliance for the year ended 31 December 2020, in particular:

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

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

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

(iv) The Project has complied, in all material respects, with the statement of expenditure ("SOE") procedure set out in ADB's Loan/Grant Disbursement Handbook for the year ended 31 December 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 Work and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2021

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

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

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

We were engaged by the Ministry of Economy and Finance ("MEF") to report on the Project's compliance with the Financing Agreements for the year ended 31 December 2020 as stated in the Statement of Compliance set out on pages 36 to 39, in the form of an independent reasonable assurance conclusion about whether the Project is, in all material respects, in compliance with the requirements set out in the Financing Agreements.

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

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

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

Management's responsibilities

The management of the Project is responsible for the preparation of the Statement of Compliance that is free from material misstatement and in accordance with those requirements set out by the Financing Agreements and for the information contained therein on pages 37 to 40.

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

Our responsibilities

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

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

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants 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.

KPMG

Conclusion

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

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

In our opinion, the Project is, in all material respects, in compliance with the requirements of the Financing Agreements for the year ended 31 December 2020, in particular the following assertions by management of the Project as stated in the Statement of Compliance, are properly represented:

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

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

Restriction on Use of Our Report

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

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

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

For **KPMG Cambodia Ltd**

KPMG CAMBODIA LTD.

Taing YoukFong

Partner

Phnom Penh, Kingdom of Cambodia

31 May 2021

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of compliance with the Financing Agreements for the year ended 31 December 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. ADB Loan No. 3311 – CAM (COL), ADB Loan No. 8295 – CAM (COL) and the Grant Agreement No. 0445 – CAM (SF) ("the Financing Agreements"), which sets out the requirements for Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project") to comply with and is prepared by the Project's management based on the key relevant provisions in which the management believes are important to report on and is not intended to cover the complete set of the Financing Agreements taken as a whole. These criteria are described below. The management has assessed its compliance with the relevant requirements and included the results of its assessment below.

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

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of compliance with the Financing Agreements (continued) for the year ended 31 December 2020

1. Criteria (continued)

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

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 Loan Proceeds	
2	The proceeds of the Loan shall be allocated to items of expenditure and disbursed on the basis of the withdrawal percentage for each item of expenditures set forth in the table.
5	The Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
Schedule 4: Procurement of Goods, Works and Consulting services	
1	The procurement of Goods, Works, and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines respectively.
4	Goods and Works shall only be procured on the basis of the methods of procurement set forth below: (a) International Competitive Bidding; (b) National Competitive Bidding; and (c) Shopping.
7	The Borrower shall cause the Project Executing Agency and each Project Implementing Agency not to award any Works contract: (a) which involves environmental impacts; (b) which involves involuntary resettlement impacts
8	The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.
9 (a)	The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

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

Statement of compliance with the Financing Agreements (continued)
for the year ended 31 December 2020

2. Appendix to the Statement of Compliance (continued)

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