

Audited Project Financial Statements

Project Number: 40253-023
Grants Number: 0241/0426
Period Covered: 1 January – 31 December 2018

Cambodia: GMS Biodiversity Conservation Corridors Project

Prepared by: Forestry Administration (FA), Ministry of Agriculture Forestry and Fisheries.

For the Asian Development Bank
Date by ADB: 29 September 2019

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ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES

**Greater Mekong Subregion Biodiversity
Conservation Corridors Project**

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

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PART I

Financial Statements for the year ended 31 December 2018 and Report of the Independent Auditors

Ministry of Agriculture, Forestry and Fisheries
Forestry Administration (FA)
GMS Biodiversity Conservation Corridors Project – Additional Financing
ADB Grant No. 0241-CAM(SF) & 0426-CAM(SCF)

Statement by the management

I, do hereby, state that in my opinion:

- (a) The accompanying financial statements, which comprise the statement of financial position as at 31 December 2018, the statement of receipts and expenditure, and the statement of imprest accounts for the year then ended, and notes, as set out on pages 5 to 33 of the Greater Mekong Subregion Biodiversity Conservation Corridors Project ("the Project"), funded by the Asian Development Bank, Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF), and implemented by the Ministry of Agriculture, Forestry and Fisheries ("MAFF", "the Executing Agency" or "EA"), 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.
- (b) The disbursements shown in the financial statements were implemented according to the Grant Agreements ("the Agreements") and the Project was in compliance with all grant covenants of the Agreements for the year ended 31 December 2018.

Signed on behalf of the Project's management, L



Sokh Heng
Project Director
Ministry of Agriculture, Forestry and Fisheries

Phnom Penh, Kingdom of Cambodia

Date: 19 SEP 2019



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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 Greater Mekong Subregion Biodiversity Conservation Corridors Project ("the Project"), funded by the Asian Development Bank Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF), implemented by the Ministry of Agriculture Forestry and Fisheries ("MAFF", "the Executing Agency" or "EA"), which comprise the statement of financial position as at 31 December 2018, the statement of receipts and expenditure, and the statement of imprest accounts for the year then ended and notes, comprising significant accounting policies and other explanatory information ("financial statements"), as set out on pages 5 to 33.

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 conduct 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, and the Asian Development Bank.

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, the Ministry of Economy and Finance and the Asian Development Bank and should not be used by other parties. 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 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 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.

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**


Taing YoukFong

Partner

Phnom Penh, Kingdom of Cambodia

19 September 2019

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of financial position as at 31 December 2018

		As at 31 December 2018			As at 31 December 2017 US\$
	Note	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$	
Current assets					
Cash on hand	3	1,321	575	1,896	2,312
Cash at banks	4	292,320	127,269	419,589	302,072
Advance to staff	5	5,426	644	6,070	24,511
Amount due from ADB Grant No. 0241 – Ministry of Environment ("MOE")	6	58,678	-	58,678	58,678
Advance to contractors	7	-	14,728	14,728	160,211
		<u>357,745</u>	<u>143,216</u>	<u>500,961</u>	<u>547,784</u>
Represented by:					
Fund balance at end of the year		357,745	143,216	500,961	547,784



Sokh Heng L
Project Director
Ministry of Agriculture, Forestry and Fisheries

Phnom Penh, Kingdom of Cambodia

Date: 19 SEP 2019

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

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of receipts and expenditure for the year ended 31 December 2018

		Year ended 31 December 2018		Total US\$	Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
		Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$			
Receipts						
Asian Development Bank	8	2,090,416	446,101	2,536,517	1,174,423	7,378,574
Expenditure by disbursement category and financier	9					
Civil works	10	903,454	-	903,454	114,360	1,022,877
Equipment and vehicles	11	281	3,174	3,455	94,775	613,678
Goods and services	12	333,878	7,509	341,387	422,045	1,407,420
Livelihood inputs	13	121,421	-	121,421	84,688	241,694
Training and others	14	80,425	10,616	91,041	52,196	255,627
Consultant services	15	541,651	460,883	1,002,534	572,573	2,507,762
Project management	16	105,027	5,691	110,718	173,839	591,093
Recurrent costs	17	-	9,330	9,330	6,808	237,462
		2,086,137	497,203	2,583,340	1,521,284	6,877,613

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of receipts and expenditure (continued) for the year ended 31 December 2018

	Year ended 31 December 2018		Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$		
Excess/(deficit) of receipts over expenditure	4,279	(51,102)	(346,861)	500,961
Fund balance at beginning of the year	353,466	194,318	894,645	
Fund balance at end of the year	357,745	143,216	547,784	



Sokh Heng L.
Project Director
Ministry of Agriculture, Forestry and Fisheries

Phnom Penh, Kingdom of Cambodia

Date: 19 SEP 2019

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Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of imprest accounts for the year ended 31 December 2018

		Year ended 31 December 2018		Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
		Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$		
Receipts					
Asian Development Bank	8	1,467,431	357,784	906,255	5,365,116
Expenditure by disbursement category and financier	9				
Civil works	10	466,918	-	114,360	586,341
Equipment and vehicles	11	281	3,174	94,775	406,583
Goods and services	12	333,878	7,509	422,045	1,407,420
Livelihood inputs	13	121,421	-	74,493	231,499
Training and others	14	80,425	10,616	52,196	255,627
Consultant services	15	291,122	387,294	247,824	1,162,858
Project management	16	105,027	5,691	173,839	591,093
Recurrent costs	17	-	9,330	6,808	237,462
		1,399,072	423,614	1,186,340	4,878,883
Excess/(deficit) of receipts over expenditure		68,359	(65,830)	(280,085)	486,233
Fund balance at beginning of the year		289,386	194,318	763,789	
Fund balance at end of the year		357,745	128,488	483,704	

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of imprest accounts (continued) for the year ended 31 December 2018

	Note	Year ended 31 December 2018			Year ended 31 December 2017 US\$
		Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$	
Represented by:					
Cash on hand	3	1,321	575	1,896	2,312
Cash at banks	4	292,320	127,269	419,589	302,072
Advance to staff	5	5,426	644	6,070	24,511
Amounts due from ADB Grant No. 0241 – Ministry of Environment ("MOE")	6	58,678	-	58,678	58,678
Advance to contractors	7	-	-	-	96,131
		<u>357,745</u>	<u>128,488</u>	<u>486,233</u>	<u>483,704</u>

Sokh Heng L.
Project Director
Ministry of Agriculture, Forestry and Fisheries

Phnom Penh, Kingdom of Cambodia
Date: 19 SEP 2019

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

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements for the year ended 31 December 2018

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

1. Background and activities

Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”), represented by the Ministry of Economy and Finance (“MEF”), entered into an agreement, ADB Grant No. 0241, on 27 January 2011 to support the Greater Mekong Subregion Biodiversity Conservation Corridors Project (“the Project”) after the completion of a pilot project on “Biodiversity Conservation Corridors Initiative Pilot Projects in Cardamom Mountains and Eastern Plains of Cambodia”. This Project has two executing agencies namely the Ministry of Environment (“MOE”) and the Ministry of Agriculture, Forestry and Fisheries (“MAFF”) and two implementing agencies; the Koh Kong Provincial Project Management Unit (“PPMU”) and the Monduliri PPMU. The Project’s implementation period is between 2011 and 2019 with the total grants of US\$19 million. The grant’s effective date was 21 March 2011 and is expected to be closed by 31 March 2019. On 27 November 2018, the Project submitted the extension letter to ADB to extend the grant closing date to 30 September 2020. However, there has been no approval from ADB as of the date of these financial statements.

This Project is directed at corridor planning, forest restoration and protection, livelihoods improvement, and small scale infrastructure subprojects, capacity building, project management and consulting services, including taxes and duties (US\$1.099 million). The Government will contribute US\$1.40 million by way of salary for secondments and administration, of which US\$0.33 million has been set aside on behalf of provinces for any resettlement expenses related to the Project. Beneficiaries will contribute their labour to agroforestry, non-timber forest product (NTFP) planting, and in-kind contribution to routine maintenance small-scale infrastructure.

On 27 April 2015, the MEF entered into another agreement with the ADB for the additional Grant No. 0426 – CAM (SCF) amounting to US\$7.4. This additional grant is the strategic climate fund to enhance climate resilience of the communities in the Biodiversity Conservation Corridors (“BCC”) project area. The contribution from the Government and from the beneficiaries to the ongoing BCC project is estimated US\$1.4 million and US\$0.5 million, respectively. The Pilot Program for Climate Resilience (PPCR) of Grant No. 0426 – CAM (SCF) will contribute to Outputs 3 and 4 of the Project. The grant’s effective date was 3 August 2015 and is expected to be completed on 31 March 2019. The Project has submitted the extension letter to ADB on 27 November 2018 to extend the grant closing date to 30 September 2020. However, there has been no approval from ADB as of the date of these financial statements.

The joint responsibility funded by the two grants under implementation of MAFF is as follows:

- technical oversight and policy guidance on implementation of the Project interventions in target communes within wildlife sanctuaries and national parks under its jurisdiction in Koh Kong and Monduliri provinces;
- administration of funds it receives for the Project activities at the national level;

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

1. Background and activities (continued)

The joint responsibility funded by the two grants under implementation of MAFF is as follows:
(continued)

- technical guidance to provinces on implementing the National Forest Program activities embedded in the Biodiversity Conservation Corridors Initiative (“BCI”) Project design, particularly reforestation, demarcation and community forestry;
- submitting technical and financial reports on the Project interventions that are implemented directly by MAFF and supporting the Provincial Administration in implementing the decentralised Project;
- establish and manage the imprest accounts;
- jointly recruit GIC consultants with the GDANCP CPIU;
- procure required contracts for subproject implementation;
- procure training services;
- procure office equipment and vehicles; and
- provide secretariat services to the National Steering Committee (NSC)

At the provincial level, the Governor and the Executive Committee “EXCOM” or its successor body will provide overall guidance and interagency coordination. In Koh Kong and Monduliri provinces, the Governor’s Office and EXCOM will be implementing agencies that, in turn will establish PPIUs attached to the EXCOM responsible for day to day implementation and management of the Project activities at the provincial level. The PPIU will provide financial management service at provincial level, coordinate and manage implementation of the subprojects.

The Project covers 22 communes in Cambodia (12 in Monduliri and 10 in Koh Kong provinces) located across 8 districts with the total population of approximately 68,048 (2008 census) in both provinces and households numbering just over 14,000.

The long-term impact of the Project is to achieve climate resilient sustainable forest ecosystems benefiting local livelihoods. The Project outcome is sustainably managed biodiversity corridors in Cambodia.

The Project has four outputs:

Output 1: Strengthening of Institutions and Communities for Biodiversity Corridor Management:

- strengthening the capacity of the national, provincial, district and commune levels for corridor planning and management; and
- providing protection and sustainable use policies, guidelines and/or local regulations for enforcing biodiversity corridor management plans.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

1. Background and activities (continued)

The Project has four outputs: (continued)

Output 2: Restoration, Protection and Sustainable Management of Biodiversity Corridors by carrying out:

- forest restoration;
- natural forest replanting;
- enrichment planting; and
- non-timber forest products planting and agroforestry.

Output 3: Improvement of livelihoods and provision of small scale infrastructure support by implementing subprojects to be selected in accordance with the project administration manual.

Output 4: Project management and support services including provide support services and build capacity on project administration, procurement, financial management, progress reporting, impact monitoring, social and environmental safeguards and contract management.

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Greater Mekong Subregion Biodiversity Conservation Corridors Project)				
CATEGORY				ADB FINANCING
No.	Item	Amount Allocated (US\$)		Percentage and Basis for Withdrawal from the Grant Account
		Category	Sub-category	
1	Civil works	3,343,700		100% of total expenditure
2	Vehicles and equipment	880,100		
2A	Vehicles		447,000	100% of total expenditure
2B	Equipment		433,100	100% of total expenditure
3	Goods and services	6,730,200		100% of total expenditure
4	Livelihood inputs	795,300		100% of total expenditure
5	Training and others	924,700		100% of total expenditure
6	Consultant services	2,930,700		100% of total expenditure
7	Project management	1,311,300		100% of total expenditure
8	Recurrent costs	2,084,000		100% of total expenditure
	Total	19,000,000		

On 10 September 2018 the Project requested to MEF to re-allocate the grant proceeds and further requested approval from ADB on 29 September 2018. There has been no approval from ADB as of the date of these financial statements.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

1. Background and activities (continued)

The requested reallocation of ADB Grant No. 0241 – CAM (SF) and the allocation of additional financing budget of ADB Grant No. 0426 – CAM (SCF) is presented separately in the two tables below:

REALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Greater Mekong Subregion Biodiversity Conservation Corridors Project)					
CATEGORY				ADB FINANCING	
No.	Items	Amount reallocated (US\$) ADB Grant No. 0241		Total category amount US\$	Percentage and basis for withdrawal from the Grant Account
		Category	Sub-category		
1	Civil works	2,196,300		2,196,300	100% of total expenditure
1A	Forest Land	600,000		600,000	100% of total expenditure
2	Vehicles and	844,772		844,772	100% of total expenditure
2A	Vehicles		410,220		100% of total expenditure
2B	Equipment		434,552		100% of total expenditure
3	Goods and services	4,464,660		4,464,660	100% of total expenditure
4	Livelihood inputs	2,481,000		2,481,000	100% of total expenditure
5	Training and others	581,037		581,037	100% of total expenditure
6	Consultant services	6,117,097		6,117,097	100% of total expenditure
7	Project management	1,483,094		1,483,094	100% of total expenditure
8	Recurrent costs	232,040		232,040	100% of total expenditure
		19,000,000		19,000,000	

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

1. Background and activities (continued)

REALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Greater Mekong Subregion Biodiversity Conservation Corridors Project)					
CATEGORY					ADB FINANCING
No.	Items	Amount reallocated (US\$) ADB Grant No. 0426		Total category amount US\$	Percentage and basis for withdrawal from the Grant Account
		Category	Sub-category		
1	Civil works	3,151,000		3,151,000	100% of total expenditure
1A	Forest Land Registration	650,000		650,000	
2	Vehicles and equipment	127,331		127,331	
2A	Vehicles		78,745		100% of total expenditure
2B	Equipment		48,586		100% of total expenditure
3	Goods and services	10,300		10,300	100% of total expenditure
4	Capacity building, training and workshops	1,096,420		1,096,420	100% of total expenditure
5	Consultant services	2,032,220		2,032,220	100% of total expenditure
6A	Project management	284,059		284,059	100% of total expenditure
6B	Contracted staff positions	48,670		48,670	100% of total expenditure
		7,400,000		7,400,000	

2. Significant accounting policies

The following significant accounting policies have been adopted by the Project in the preparation of the financial statements.

(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 receipt and disbursement basis of accounting. This is a basis of accounting that is designed to meet the requirement of the Project; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

2. Significant accounting policies (continued)

(a) Basis of accounting (continued)

Under this basis of accounting, receipts are recognised when funds are received in cash and expenditure is recognised when made rather than incurred, except for the treatment of the following:

- (i) Amounts due from ADB Grant No. 0241 – MOE are initially recognised as a receivable and only cleared when they have been settled by MOE; and
- (ii) Advanced payments made to staff and contractors are initially recognised as a receivable and only recognised as expenditure when they have been liquidated by supporting invoices.

The financial statements are prepared for the information of and use by the management of the Project, the Ministry of Economy and Finance, and the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose.

(b) Statement of imprest accounts

The statement of imprest accounts is prepared in accordance with the Grant Agreements and is used to receive and disburse for expenditure financed by the ADB grant proceeds.

(c) Non-expendable equipment

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

(d) Foreign currency translations

The Project executes transactions and maintains its accounting records primarily in US\$. Transactions in currencies other than US\$ are converted into US\$ at the exchange rates prevailing on the transaction dates. Cash in currencies other than US\$ are converted into US\$ at the open market exchange rates at the year end date. All foreign exchange differences are recognised in the statement of receipts and expenditure and the statement of imprest accounts.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

3. Cash on hand

	As at 31 December 2018			As at 31 December 2017
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$	US\$
Imprest accounts	485	575	1,060	950
Sub-accounts				
Koh Kong	623	-	623	410
Mondulkiri	213	-	213	952
	<u>1,321</u>	<u>575</u>	<u>1,896</u>	<u>2,312</u>

4. Cash at banks

	As at 31 December 2018			As at 31 December 2017
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$	US\$
Imprest accounts	238,070	127,269	365,339	286,626
Sub-accounts				
Koh Kong	32,935	-	32,935	6,684
Mondulkiri	21,315	-	21,315	8,762
	<u>292,320</u>	<u>127,269</u>	<u>419,589</u>	<u>302,072</u>

5. Advance to staff

This represents cash advance to staff for implementing the Project's activities in December 2018. Subsequently, the amounts were fully settled in January and February 2019 amounting to US\$5,695 and US\$375, respectively.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

6. Amounts due from ADB Grant No. 0241 – Ministry of Environment (“MOE”)

These represent amounts due from Ministry of Environment (“MOE”) for the implementation, also funded by ADB Grant No. 0241, of the Project’s objectives related to technical oversight and policy guidance on implementation of the Project’s interventions in target communes within wildlife sanctuaries and national parks under its provincial jurisdiction of Koh Kong and Mondulkiri.

The amount represents 50% of the total costs of the national translator/interpreter and the financial consultant, as well as the purchases of equipment in the previous year that were made through the imprest accounts handled by the MAFF. As of the date of these financial statements, the whole amounts have not been reimbursed yet.

7. Advance to contractors

	As at 31 December 2018			As at 31 December 2017
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$	US\$
<i>Direct payments:</i>				
Consulting service – World Wide Fund (“WWF”) & Wildlife Conservation Society (“WCS”)	-	-	-	64,080
Consulting service – O Por Cataachment Subproject	-	14,728	14,728	-
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Imprest accounts:</i>				
Training – CEDAC	-	-	-	4,937
International Institute of Rural Reconstruction (IIRR)	-	-	-	91,194
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	96,131
	<hr/>	<hr/>	<hr/>	<hr/>
	-	14,728	14,728	160,211
	<hr/>	<hr/>	<hr/>	<hr/>

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

8. Receipts

	Year ended 31 December 2018		Total US\$	Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$			
Transfers to the imprest account					
Initial advances (*)	200,000	-	200,000	200,000	1,700,000
Replenishments (*)	1,267,431	357,784	1,625,215	706,255	3,665,116
	1,467,431	357,784	1,825,215	906,255	5,365,116
Direct payments (**)	622,985	88,317	711,302	268,168	2,013,458
Total	2,090,416	446,101	2,536,517	1,174,423	7,378,574

(*) Receipts from the ADB for the Grant No. 0241 – CAM (SF) and No. 0426 – CAM (SCF) were paid into the imprest accounts held at ACLEDA Bank Plc. The bank accounts are operated exclusively for ADB funds of the two grants.

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

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2018

9. Expenditure by disbursement category and financier

Particulars	% of financing	ADB Grant 0241 – CAM (SF)		ADB Grant 0426 – CAM (SCF)		Total
		Actual expenditure	%	Actual expenditure	%	
	%	US\$		US\$		US\$
Civil works	100	903,454	100	-	100	903,454
Equipment and vehicles	100	281	100	3,174	100	3,455
Goods and services	100	333,878	100	7,509	100	341,387
Livelihood inputs	100	121,421	100	-	100	121,421
Training and others	100	80,425	100	10,616	100	91,041
Consultant services	100	541,651	100	460,883	100	1,002,534
Project management	100	105,027	100	5,691	100	110,718
Recurrent costs	100	-	100	9,330	100	9,330
Total payments for the year ended 31 December 2018		2,086,137		497,203		2,583,340
% of total project costs for the year ended 31 December 2018		10.98%		6.72%		9.79%
% of cumulative cost to total project costs – 31 December 2018		32.70%		76.15%		24.17%

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

10. Civil works

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
Small-scale infrastructure	470,430	-	470,430	114,360	589,853
Hand pump	244,380	-	244,380	-	244,380
Community office	176,081	-	176,081	-	176,081
Research station	12,563	-	12,563	-	12,563
	903,454	-	903,454	114,360	1,022,877

The payments on civil works are allocated as follows:

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
Direct payments	436,536	-	436,536	-	436,536
Replenishments	466,918	-	466,918	114,360	586,341
	903,454	-	903,454	114,360	1,022,877

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

11. Equipment and vehicles

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
Equipment	281	3,174	3,455	16,975	301,642
GIS software	-	-	-	-	29,127
Vehicles	-	-	-	77,800	282,909
	281	3,174	3,455	94,775	613,678

The payments on equipment and vehicles are allocated as follows:

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
Direct payments	-	-	-	-	207,095
Replenishments	281	3,174	3,455	94,775	406,583
	281	3,174	3,455	94,775	613,678

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

12. Goods and services

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
Forest management	278,480	-	278,480	281,983	735,050
Repairs and maintenance	17,400	665	18,065	1,266	66,643
Office supplies	8,927	1,633	10,560	4,129	57,424
Petroleum	7,040	1,443	8,483	19,024	68,133
Communication and internet service	4,248	-	4,248	3,818	32,150
Professional fee	3,410	2,200	5,610	3,300	9,790
Solar system	-	-	-	62,306	62,306
Boundary pole demarcation	-	-	-	33,643	86,155
Biodiversity corridor	-	-	-	5,437	5,437
Forest patrolling	-	-	-	-	142,131
Plant seedling purchase for restoration	-	-	-	-	83,172
Others	14,373	1,568	15,941	7,139	59,028
	333,878	7,509	341,387	422,045	1,407,419

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

13. Livelihood inputs

This represents payments made to World Wide Fund (WWF) for the Livelihood Improvement Strategy Development and Implementation and community saving groups.

The payments on consultant service are allocated as follows:

	Year ended 31 December 2018		Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$		
Replenishments	121,421	-	74,493	231,499
Liquidation of advance (*)	-	-	10,195	10,195
	<u>121,421</u>	<u>-</u>	<u>84,688</u>	<u>241,694</u>

(*): On 11 October 2016, ADB made direct payment for advance to contractor, World Wide Fund ("WWF"), amounting to US\$ 261,712. During the year, the Project has no liquidation of the advance (2017: US\$10,195).

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

14. Training and others

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
<i>Capacity building:</i>					
Forestry thinning technique, gender mainstreaming and forest fire control measure	68,879	-	68,879	40,126	112,882
Provincial, District, Commune Levels	-	10,616	10,616	6,702	101,010
GIS software usage	-	-	-	-	5,571
<i>Study tour:</i>					
Overseas	11,546	-	11,546	5,368	10,736
Local	-	-	-	-	25,428
	80,425	10,616	91,041	84,688	241,694

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

15. Consultant services

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
Lao Consulting Group Co., Ltd. And WWF	251,117	-	251,117	329,686	1,284,240
National project management staff	106,420	226	106,646	92,549	302,263
VDF TA & training for communities	77,980	30,398	108,378	28,845	137,223
Supplementary allowance	27,720	-	27,720	29,600	99,490
Engineer	24,006	-	24,006	10,073	34,079
National financial consultant	21,360	-	21,360	20,880	76,890
National translator Interpreter	17,760	-	17,760	17,340	60,157
Livelihood officer	15,288	-	15,288	17,396	38,317
External audit	-	-	-	2,420	2,420
Design and supervision	-	340,875	340,875	23,784	364,659
National procurement specialist	-	89,384	89,384	-	108,024
	541,651	460,883	1,002,534	572,573	2,507,762

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

15. Consultant services (continued)

The payments on consultant services are allocated as follows:

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
Direct payments	186,449	73,589	260,038	268,168	1,224,243
Replenishments	291,122	387,294	678,416	247,824	1,162,858
Liquidation of advance (*)	64,080	-	64,080	56,581	120,661
	<u>541,651</u>	<u>460,883</u>	<u>1,002,534</u>	<u>572,573</u>	<u>2,507,762</u>

(*): On 11 October 2016, ADB made payment for advance to contractor, World Wide Fund ("WWF") & Wildlife Conservation Society ("WCS"), amounting to US\$130,856. During the year, the Project liquidated the advance amounting to US\$64,080 (2017: US\$56,581).

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

16. Project management

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
Per-diem/daily subsistence allowance	77,625	5,691	83,316	89,414	282,106
Budget and workshop meeting	26,619	-	26,619	33,923	60,542
Materials for community forest management plans	-	-	-	-	16,400
Materials for workshop/training/meeting	-	-	-	-	109,603
Materials for community formulation	-	-	-	45,410	55,794
Materials for boundary demarcation	-	-	-	-	39,770
Materials for community assessment	-	-	-	-	17,038
Materials for setup demonstration plant	-	-	-	-	3,965
Commune investment profile	-	-	-	4,665	4,665
Refreshments	783	-	783	427	1,210
	<u>105,027</u>	<u>5,691</u>	<u>110,718</u>	<u>173,839</u>	<u>591,093</u>

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

17. Recurrent costs

	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
	Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
Project staff	-	-	-	-	171,334
Administrative staff	-	9,330	9,330	6,808	66,128
	-	9,330	9,330	6,808	237,462

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

18. Statement of disbursement

Details of statement of disbursement from ADB are as follows:

	Note	Year ended 31 December 2018			Year ended 31 December 2017 US\$	Cumulative period from 21 March 2011 to 31 December 2018 US\$
		Grant No. 0241 CAM (SF) US\$	Grant No. 0426 CAM (SCF) US\$	Total US\$		
ADB Fund claims during the year						
Replenishments		1,267,431	357,784	1,625,215	706,255	3,665,116
Direct payments		622,985	88,317	711,302	268,168	2,013,458
Initial advance		200,000	-	200,000	200,000	1,700,000
Subtotal	(A)	2,090,416	446,101	2,536,517	1,174,423	7,378,574
Total expenditure made during the year	(B)	2,086,137	497,203	2,583,340	1,521,284	6,877,613
Expenditure incurred, but not yet claimed	(C)	(600,933)	(139,252)	(740,185)	(547,339)	(740,185)
Expenditure incurred in prior year, but claimed during the year	(D)	474,227	73,112	547,339	154,454	-
Advance made to consultants/staff	(E)	-	14,728	14,728	-	20,798
Advance liquidation to suppliers	(F)	-	-	-	(82,260)	-
Due from MOE	(G)	-	-	-	-	58,678
Initial advance by ADB	(H)	130,985	-	130,985	128,284	1,161,360
Others	(I)	-	310	310	-	310
Total eligible expenditure claimed (A=J+B+C+D+E+F+G+H+I)	(J)	2,090,416	446,101	2,536,517	1,174,423	7,378,574

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued) for the year ended 31 December 2018

19. Commitments

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

	As at 31 December 2018 US\$	As at 31 December 2017 US\$
<i>Contracted, but not yet paid:</i>		
Consulting service		
World Wide Fund of Nature	1,036,963	1,104,777
Lao Consulting Group Co., Ltd.	640,822	787,860
National financial consultant	65,428	-
Village Development Fund	54,239	16,016
National translator/interpreter	14,708	-
Taing Cheng Oing Construction	-	235,875
KV Global Construction	-	88,145
RITHY SEN GROUP	-	32,316
	<hr/> 1,812,160 <hr/>	<hr/> 2,264,989 <hr/>

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2018

20. Statement of withdrawals

Withdrawal applications			Categories								
No	Date	Currency	Civil work	Equipment and vehicles	Goods and services	Livelihood inputs	Training and others	Consultant services	Project management	Recurrent cost	Total
ADB Grant No. 0241											
Direct Payments											
F0028	25-Jan-18	US\$	-	-	-	-	-	39,411	-	-	39,411
F0031	22-May-18	US\$	86,253	-	-	-	-	-	-	-	86,253
F0032	15-May-18	US\$	-	-	-	-	-	41,988	-	-	41,988
F0034	9-Aug-18	US\$	350,283	-	-	-	-	-	-	-	350,283
F0035	5-Jul-18	US\$	-	-	-	-	-	56,855	-	-	56,855
E007	16-Mar-18	US\$	-	-	-	-	-	48,195	-	-	48,195
Sub-total (a)			436,536	-	-	-	-	186,449	-	-	622,985
Replenishments											
F0027	1-Mar-18	US\$	-	370	150,503	-	16,119	37,133	12,538	-	216,663
F0029	7-Mar-18	US\$	114,360	-	15,236	-	9,327	17,900	12,095	-	168,918
F0030	7-Jun-18	US\$	80,924	-	64,413	21,425	27,403	55,579	28,513	-	278,257
F0033	5-Jul-18	US\$	61,248	-	73,220	-	23,858	35,871	12,021	-	206,218
F0036	20-Aug-18	US\$	31,993	-	46,886	42,353	4,246	19,051	14,780	-	159,309
F0038	2-Oct-18	US\$	152,121	-	24,431	-	5,616	35,739	20,159	-	238,066
Sub-total (b)			440,645	370	374,689	63,778	86,569	201,273	100,106	-	1,267,431
Grand Total c = (a+b)			877,181	370	374,689	63,778	86,569	387,722	100,106	-	1,890,416

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project
ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2018

20. Statement of withdrawals (continued)

Withdrawal applications			Categories								
No	Date	Currency	Civil work	Equipment and vehicles	Goods and services	Livelihood inputs	Training and others	Consultant services	Project management	Recurrent cost	Total
ADB Grant No. 0426											
Direct Payments											
F004	13-Feb-18	US\$	-	-	-	-	27,936	60,381	-	-	88,317
		Sub-total (a)	-	-	-	-	27,936	60,381	-	-	88,317
Replenishments											
F0003	28-Mar-18	US\$	-	14,763	1,696	-	43,174	48,019	17,580	2,160	127,393
F0005	4-Sep-18	US\$	-	4,250	3,107	-	-	80,058	9,007	5,958	102,381
F0006	2-Nov-18	US\$	-	1,707	2,364	-	-	118,892	3,607	1,440	128,010
		Sub-total (b)	-	20,720	7,167	-	43,174	246,970	30,195	9,558	357,784
		Grand Total (c=a+b)	-	20,720	7,167	-	71,110	307,351	30,195	9,558	446,101

Sokh Heng L
Project Director
Ministry of Agriculture, Forestry and Fisheries

Phnom Penh, Kingdom of Cambodia
Date: 19 SEP 2019

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project
ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2018

21. Statement of budget versus actual expenditure

Description	Year ended 31 December 2018			Year ended 31 December 2017			Cumulative period from 21 March 2011 to 31 December 2018		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Civil works	911,000	903,454	(7,546)	121,000	114,360	(6,640)	1,722,425	1,022,877	(699,548)
Equipment and vehicles	3,500	3,455	(45)	114,500	94,775	(19,725)	624,181	613,678	(10,503)
Goods and services	351,300	341,387	(9,913)	467,321	422,045	(45,276)	2,649,143	1,407,420	(1,241,723)
Livelihood input	124,080	121,421	(2,659)	102,700	84,688	(18,012)	2,908,480	241,694	(2,666,786)
Training and others	94,500	91,041	(3,459)	69,686	52,196	(17,490)	978,522	255,627	(722,895)
Consultant services	1,014,426	1,002,534	(11,892)	620,628	572,573	(48,055)	1,529,109	2,507,762	978,653
Project management	116,600	110,718	(5,882)	226,271	173,839	(52,432)	1,831,587	591,093	(1,240,494)
Recurrent Costs	9,330	9,330	-	10,000	6,808	(3,192)	1,682,943	237,462	(1,445,481)
	2,624,736	2,583,340	(41,396)	1,732,106	1,521,284	(210,822)	13,926,390	6,877,613	(7,048,777)

Sokh Heng L.
Project Director
Ministry of Agriculture, Forestry and Fisheries

Phnom Penh, Kingdom of Cambodia

Date: 19 SEP 2019

PART II

Independent Assurance Report on Compliance with the Grant Agreements for the year ended 31 December 2018

Ministry of Agriculture, Forestry and Fisheries
Forestry Administration (FA)
GMS Biodiversity Conservation Corridors Project – Additional Financing
ADB Grant No. 0241-CAM(SF) & 0426-CAM(SCF)

Management assertions

I, on behalf of the Project's management, do hereby state that:

- (i) The Project's funds have been used, in all material respects, in accordance with the conditions of Grant Agreement No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF) ("the Agreements") for year ended 31 December 2018.
- (ii) The Project has complied, in all material respects, with the covenants set out in the Agreements for the year ended 31 December 2018.
- (iii) 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 2018.
- (iv) The Project has complied, in all material respects, with the Imprest/Advance Account procedure set out in ADB's Loan/Grant Disbursement Handbook for the year ended 31 December 2018.

On behalf of the management,



Sokh Heng L
Project Director
Ministry of Agriculture, Forestry and Fisheries

Phnom Penh, Kingdom of Cambodia

Date: 19 SEP 2019



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INDEPENDENT REASONABLE ASSURANCE REPORT

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

We refer to the Grant Agreement No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF) (“the Agreements”), which sets out the requirements for the Greater Mekong Subregion Biodiversity Conservation Corridors Project (“the Project”) implemented by the Ministry of Agriculture, Forestry and Fisheries (“MAFF”, “the Executing Agency” or “EA”) to comply with the Grant covenants.

Pursuant to the terms of the Agreements, the management of the Project has prepared a Statement of Compliance with the 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 Statement of Compliance with the Agreements as set out on pages 38 to 42 for the year ended 31 December 2018 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 Agreements.

Our report is intended to provide a conclusion on the following specific matters, established by the terms of the 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 Agreements for the year ended 31 December 2018.
- (ii) The Project has complied, in all material respects, with the covenants of the Agreements for the year ended 31 December 2018.
- (iii) 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 2018.
- (iv) The Project has complied, in all material respects, with the Imprest/Advance Account procedure set out in ADB’s Loan/Grant Disbursement Handbook for the year ended 31 December 2018.

Management's Responsibilities

The management of the Project is responsible for the preparation of the Statement of Compliance that is free from material misstatement in accordance with those requirements set out by the Agreements and for the information contained therein on pages 38 to 42.

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 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 the 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 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 Agreements and performance of testing on the Project's management assertions on a sample basis.

Conclusion

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

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

In our opinion, the Project's Statement of Compliance is, in all material respects, prepared in compliance with the requirements of the Agreements, 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 Agreements for the year ended 31 December 2018.
- (ii) The Project has complied, in all material respects, with the covenants of the Agreements for the year ended 31 December 2018.
- (iii) 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 2018.
- (iv) The Project has complied, in all material respects, with the Imprest/Advance Account procedure set out in ADB's Loan/Grant Disbursement Handbook for the year ended 31 December 2018.

Restriction on Use of Our Report

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

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

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

For KPMG Cambodia Ltd


Taing Youkfong
Partner



Phnom Penh, Kingdom of Cambodia

19 September 2019

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of Compliance with Grant Agreements for the year ended 31 December 2018

1. Criteria

This Statement of Compliance with Grant Agreements (“the Statement of Compliance”) is prepared in accordance with the criteria determined by Asian Development Bank (“ADB”) in accordance with the Grant Agreement No. 0241 - CAM (SF) dated 27 January 2011 and No. 0426 – CAM (SCF) dated 27 April 2015 and is prepared by the Project’s management based on the key relevant provisions in which the Project’s management believes are important to report on and is not intended to cover the complete set of grant of agreements taken as a whole. These criteria are described below. The Project’s management has assessed its compliance with the relevant requirements and included the results of its assessment below.

Article No.	Description	Management’s assertions
Article III: Use of Proceed of Grant		
3.01	The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.	Yes, complied with.
3.02	The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.	Yes, complied with.
3.03	Except as ADB may otherwise agree, the Recipient shall procure or cause to be procured items of expenditure in accordance with the applicable provisions of Schedule 3 to this Grant Agreement.	Yes, complied with.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of Compliance with Grant Agreements (continued)

for the year ended 31 December 2018

1. Criteria (continued)

Article No.	Description	Management's assertions
Article IV: Particular Covenants		
4.02	<p>(a) The Recipient shall:</p> <ul style="list-style-type: none"> (i) maintain separate accounts and records for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 9 months after the end of each related fiscal year, certified copies of such audited accounts financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of procedures for imprest account/ statement of expenditure), all in the English language, and; (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request. <p>(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient.</p>	<p>(a):</p> <ul style="list-style-type: none"> (i) Yes, complied with (ii) Financial statements are audited by KPMG Cambodia Ltd. (iii) Yes, complied with. (iv) Yes, complied with. <p>(b) Yes complied with.</p>
4.03	The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Grant, and any relevant records and documents.	Yes, complied with. During the year, the Project has been inspected by ADB's Mission Review from 22 January to 5 February 2018 and from 13 to 29 August 2018.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of Compliance with Grant Agreements (continued) for the year ended 31 December 2018

1. Criteria (continued)

Description	Management's assertions
The Recipient shall use the SOE procedure certifying to the eligibility of those expenditures claimed under SOE procedures, and proper use of the procedure in accordance with ADB's Loan Disbursement Handbook and the project documents.	Yes, complied with.
Imprest Account and Statement of Expenditures	
(a) Except as ADB may otherwise agree, the Recipient shall establish, and cause to be established, immediately after the Effective Date:	
(i). two first generation imprest accounts at the National Bank of Cambodia or commercial banks acceptable to ADB;	Yes, complied with.
(ii). Four second generation imprest accounts for Project Provinces at commercial banks acceptable to ADB (collectively, imprest accounts).	Yes, complied with.
(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. Any individual payment to be reimbursed or liquidated under the statement of expenditures procedure shall not exceed the equivalent of one hundred thousand Dollars (\$100,000) per payment.	Yes, complied with.
Condition for Disbursement for a Project Province	
Notwithstanding any other provisions of this Grant Agreement, no disbursement shall be made for a Project Province until, in such Province, a PPMU has been established, with a (i) provincial project coordinator, (ii) chief accountant; and (iii) safeguard officer who shall be responsible for monitoring safeguard compliance during Subproject design and implementation.	Yes, complied with. The Project has established the organisational structure to be responsible for monitoring process.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of Compliance with Grant Agreements (continued)

for the year ended 31 December 2018

2. Appendix to the Statement of Compliance

Schedule No.	Description
Schedule 3: Provisions on Procurement and Consulting Services	
1	The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
3	Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below: (a) National Competitive Bidding; (b) Shopping; (c) Direct Contracting; and (d) Community Participation.
6	The Recipient may use community participation in procurement in accordance with the agreed procedures set out in the Procurement Plan.
7	Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Recipient shall apply quality-and cost-based selection for selecting and engaging Consulting Services.
8	The Recipient shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Consultants' Qualifications Selection for feasibility study, detailed design, supervision, safeguards, and design and capacity of CDF.
9	The Recipient may recruit the individual consultants, if required and acceptable to ADB, in accordance with procedures acceptable to ADB for recruiting individual consultants.
10	(a) The Recipient 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. (b) The Recipient 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 referred to in subparagraph (a) of this paragraph.
11	The Recipient shall ensure that all ADS-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.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF) and Grant No. 0426 – CAM (SCF)

Statement of Compliance with Grant Agreements (continued) for the year ended 31 December 2018

2. Appendix to the Statement of Compliance (continued)

Schedule No.	Description
Schedule 3: ADB's Review of Procurement Decisions	
12	Contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.
Schedule 4: Execution of Project and Operation of Project Facilities; Financial Matters	
1	The Recipient shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by MOE, MAFF and ADS. In the event of any discrepancy between the PAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.
3	The Recipient shall ensure that no Subproject with Category A environmental criteria as defined in the Safeguard Policy Statement, is financed under the Project.
5	The Recipient shall ensure that Subprojects do not adversely affect ethnic minorities. In particular, the Project shall be carried out in accordance with the ethnic minorities' development framework, as agreed between the Recipient and ADS. The Recipient shall ensure that no Subprojects with significant adverse impacts on ethnic minorities are financed under the Project.
6	The Recipient shall ensure that the Project's gender action plans are implemented in a timely manner.
10	Subprojects shall be carried out in accordance with procedures and criteria as criteria: (a) technically feasible and appropriate for terrain/mountainous areas; (b) affordable within the block allocation provided per commune and meeting specific needs of the beneficiaries; (c) optimizing the inputs of local resources including labor, materials, enterprises and knowledge; (d) within the realistic envelope of the existing maintenance capacities to ensure that no additional maintenance burdens are imposed which are impossible to meet; (e) performing the intended purpose for the entire duration of their design life; and (f) complying with social and environmental safeguards.