

# Audited Project Financial Statements

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Project Number: 40253-023  
Grants Number: 0241/0426  
Period Covered: 23 March 2011 to 31 December 2012

## 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: 12 December 2013

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Forestry Administration (FA), Ministry of Agriculture Forestry and Fisheries.

**ROYAL GOVERNMENT OF CAMBODIA  
MINISTRY OF AGRICULTURE,  
FORESTRY AND FISHERIES**

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

**Financial Statements  
for the period from 23 March 2011 to  
31 December 2012  
and  
Report of the Independent Auditors**

## **Ministry of Agriculture, Forestry and Fisheries**

### **Greater Mekong Subregion Biodiversity Conservation Corridors Project**

ADB Grant No. 0241 – CAM (SF)

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**Ministry of Agriculture, Forestry and Fisheries**  
**Forestry Administration (FA)**  
**GMS Biodiversity Conservation Corridors Project**  
**ADB Grant No. 0241-CAM(SF)**

**Statement by the management**

I do hereby state that in my opinion:

The accompanying financial statements, which comprise the balance sheet as at 31 December 2012, the statement of receipts and expenditure and the statement of imprest account for the period from 23 March 2011 to 31 December 2012 of the Greater Mekong Subregion Biodiversity Conservation Corridors Project ("the Project"), funded by the Asian Development Bank, Grant No. 0241 - CAM (SF) and implemented by the Ministry of Agriculture, Forestry and Fisheries, as set out on pages 4 to 14 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.

*Signed on behalf of the Project's management,*



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Dr. Sokh Heng  
*National Project Coordinator*  
*Ministry of Agriculture, Forestry and Fisheries*

Date: 5 DEC 2013





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

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 implemented by the Ministry of Agriculture, Forestry and Fisheries, which comprise the balance sheet as at 31 December 2012, the statement of receipts and expenditure and the statement of imprest account for the period from 23 March 2011 to 31 December 2012, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 4 to 14. The financial statements have been prepared by management of the Project based on the basis of accounting and the accounting policies described in Note 2 to the financial statements.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of these 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 misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### **Audit opinion**

In our opinion, the financial statements for the Project for the period from 23 March 2011 to 31 December 2012 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.

### **Basis of accounting and restriction on distribution and use**

Without modifying our opinion, 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 and use of 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 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 distributed to or used by any other parties.

For KPMG Cambodia Ltd



Nge Huy  
*Audit Partner*

Phnom Penh, Kingdom of Cambodia

5 December 2013

## Ministry of Agriculture, Forestry and Fisheries

### Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

#### Balance sheet

As at 31 December 2012

	Note	31 December 2012 US\$
<b>Current assets</b>		
Cash on hand	3	1,947
Cash at bank	4	642,318
Advance to Lao Consulting Group Co., Ltd.		130,000
		<u>774,265</u>
<b>Represented by:</b>		
Fund balance at end of the period		<u>774,265</u>

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)

#### Statement of receipts and expenditure for the period from 23 March 2011 to 31 December 2012

	Note	Period from 23 March 2011 to 31 December 2012 US\$
<b>Receipts</b>		
Asian Development Bank	6	1,260,881
		<u>1,260,881</u>
<b>Expenditure</b>		
Equipment and vehicles	7	403,516
Consulting services	8	18,640
Goods and services	9	14,105
Project management	10	15,748
Recurrent costs	11	30,730
Training and others	12	3,877
		<u>486,616</u>
<b>Excess of receipts over expenditure/ fund balance at end of the period</b>		<u><u>774,265</u></u>

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)

#### Statement of imprest account for the period from 23 March 2011 to 31 December 2012

	Note	Period from 23 March 2011 to 31 December 2012 US\$
<b>Receipts</b>		
Asian Development Bank	6	950,000
		<u>950,000</u>
<b>Expenditure</b>		
Equipment and vehicles	7	222,635
Consulting services	8	18,640
Goods and services	9	14,105
Project management	10	15,748
Recurrent Costs	11	30,730
Training and others	12	3,877
		<u>305,735</u>
<b>Excess of receipts over expenditure/ fund balance at end of the period</b>		<u><u>644,265</u></u>
<b>Represented by:</b>		
Cash on hand	3	1,947
Cash at bank	4	642,318
		<u><u>644,265</u></u>

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)

#### **Notes to the financial statements**

**for the period from 23 March 2011 to 31 December 2012**

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

### **1. Background and Project activities**

Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) represented by the Ministry of Economy and Finance (MEF) have entered into an agreement on 27 January 2011 to support Greater Mekong Subregion Biodiversity Conservation Corridors 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 Ministry of Environment (MOE) and Ministry of Agriculture, Forestry and Fisheries (MAFF) and two implementing agencies including the Koh Kong Provincial Project Management Unit (PPMU) and the Monduliri PPMU. The Project will be implemented between 2011 to 2019 and has the total grant allocation of US\$19 million.

The total Project cost is estimated at US\$20.94 million. The Government has requested a grant not exceeding US\$19 million from the ADB to finance the Project. This will be 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 labor to agroforestry, non-timber forest product (NTFP) planting, and in-kind contribution to routine maintenance small-scale infrastructure.

MAFF will delegate day-to-day project implementation responsibilities to the Forestry Administration (FA), which will be responsible for:

- technical oversight and policy guidance on implementation of project interventions in target communes within wildlife sanctuaries and national parks under its jurisdiction in Koh Kong and Monduliri;
- administration of funds it receives for project activities at national level;
- 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; and
- submitting technical and financial reports on project interventions that are implemented directly by MAFF and supporting the Provincial Administration in implementing the decentralised Project.



## **Ministry of Agriculture, Forestry and Fisheries**

### **Greater Mekong Subregion Biodiversity Conservation Corridors Project**

ADB Grant No. 0241 – CAM (SF)

#### **Notes to the financial statements (continued) for the period from 23 March 2011 to 31 December 2012**

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

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 PPMUs attached to the EXCOM responsible for day to day implementation and management of provincial level project activities. The PPMU 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) 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.

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.



## Ministry of Agriculture, Forestry and Fisheries

### Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

Notes to the financial statements (continued)  
for the period from 23 March 2011 to 31 December 2012

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

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Greater Mekong Subregion Biodiversity Conservation Corridors Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated (\$)		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Works	3,343,700		100 percent of total expenditure
2	Vehicles and Equipment	880,100		
2A	Vehicles		447,000	100 percent of total expenditure
2B	Equipment		433,100	100 percent of total expenditure
3	Goods and Services	6,730,200		100 percent of total expenditure
4	Livelihood Inputs	795,300		100 percent of total expenditure
5	Training and Others	924,700		100 percent of total expenditure
6	Consulting Services	2,930,700		100 percent of total expenditure
7	Project Management	1,311,300		100 percent of total expenditure
8	Recurrent Costs	2,084,000		100 percent of total expenditure
	Total	19,000,000		

The Grant Agreement was signed on 27 January 2011, while the Project commenced its operation on 23 March 2011, thus the financial statements were prepared for the period from 23 March 2011 to 31 December 2012.



## **Ministry of Agriculture, Forestry and Fisheries**

### **Greater Mekong Subregion Biodiversity Conservation Corridors Project**

ADB Grant No. 0241 – CAM (SF)

#### **Notes to the financial statements (continued) for the period from 23 March 2011 to 31 December 2012**

## **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 preparation**

The financial statements, which are expressed in United States Dollars (“US\$”) have been prepared in accordance with a modified cash receipts and disbursements basis of accounting. This is a basis of accounting that is designed to meet the requirement of the Project; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards. Under this basis of accounting, receipts are recognised when funds are received in cash and expenditure are recognised when made rather than incurred, except for the advance payments to suppliers are initially recognised as a receivable and only recognised as payments when they have been liquidated by supporting invoices.

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

The statement of imprest account is prepared in accordance with the Grant Agreement, 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 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 translation**

The Project executes transactions and maintains its accounting records primarily in United States Dollars (“US\$”). Transactions in currencies other than US\$ are converted into US\$ at the rates of exchange prevailing on the transaction dates. Cash and advances in currencies other than US\$ are converted into US\$ at the open market rates of exchange at the period end date. All foreign exchange differences are recognised in the statement of receipts and expenditure.

## Ministry of Agriculture, Forestry and Fisheries

### Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

#### Notes to the financial statements (continued) for the period from 23 March 2011 to 31 December 2012

#### 3. Cash on hand

	31 December 2012 US\$
First generation	1,000
Second generation	
Koh Kong	370
Mondulkiri	577
	<hr/>
	1,947
	<hr/>

#### 4. Cash at bank

	31 December 2012 US\$
First generation	75,420
Second generation	
Koh Kong	282,374
Mondulkiri	284,524
	<hr/>
	642,318
	<hr/>

#### 5. Advance to Lao Consulting Group Co., Ltd.

This represents direct payment from ADB to Lao Consulting Group Co., Ltd. equivalent to 10% advance on the total agreement of US\$2.6 million covering the period from 2011 to 2019 to support the technical services on Forestry and Biodiversity and Social Safeguard. Among which, US\$130,000, accounting for 50% of the payments was made on behalf of MOE, while the other 50% was made on behalf of MAFF.



## Ministry of Agriculture, Forestry and Fisheries

### Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

#### Notes to the financial statements (continued) for the period from 23 March 2011 to 31 December 2012

##### 6. Receipts

	Period from 23 March 2011 to 31 December 2012 US\$
Transfers to first generation imprest account:	
Initial advances	950,000
Direct payment	310,881
	<hr/>
	1,260,881
	<hr/>

Receipts from the Asian Development Bank for Grant No. 0241 – CAM (SF) were paid into the first generation imprest account held at the Ministry of Agriculture, Forestry and Fisheries. Among which, US\$600,000 was disbursed to the second generation imprest accounts held by each project implementation unit in Koh Kong province and Mondulhiri province.

##### 7. Equipment and vehicles

	Period from 23 March 2011 to 31 December 2012		
	Imprest account	Direct payment	Total
	US\$	US\$	US\$
Equipment	198,407	-	198,407
Vehicles	24,228	180,881	205,109
	<hr/>	<hr/>	<hr/>
	222,635	180,881	403,516
	<hr/>	<hr/>	<hr/>

##### 8. Consulting services

This represents payment to National Procurement Specialist, Mr. Sin Kosal covered by three extended contracts from 16 January 2012 to 14 April 2012, 14 April 2012 to 26 June 2012 and 26 June 2012 to 10 August 2012.

## Ministry of Agriculture, Forestry and Fisheries

### Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

#### Notes to the financial statements (continued) for the period from 23 March 2011 to 31 December 2012

##### 9. Goods and services

This derives from administrative expenses such as office supplies, internet fee, communication expenses, and other administrative costs.

	Period from 23 March 2011 to 31 December 2012 US\$
Office supplies	2,806
Communication and internet service	2,170
Petroleum	818
Others	8,311
	<hr/> 14,105 <hr/>

##### 10. Project management

	Period from 23 March 2011 to 31 December 2012 US\$
Per-diem/ Daily Subsistence Allowance	1,968
Travelling	3,840
Materials for workshop/training	9,940
	<hr/> 15,748 <hr/>

##### 11. Recurrent costs

	Period from 23 March 2011 to 31 December 2012 US\$
Project staff	9,840
Administrative staff	20,890
	<hr/> 30,730 <hr/>



## **Ministry of Agriculture, Forestry and Fisheries**

### **Greater Mekong Subregion Biodiversity Conservation Corridors Project**

ADB Grant No. 0241 – CAM (SF)

**Notes to the financial statements (continued)**  
**for the period from 23 March 2011 to 31 December 2012**

#### **12. Training and others**

This represents payment for training on ADB and RGC procurement procedures and financial guidelines.

#### **13. Commitments**

As at 31 December 2012, the Project has the commitment to Lao Consulting Group Co., Ltd. amounting to US\$1,171,838 on technical consulting service, which will be paid directly by ADB.

#### **14. Comparative figures**

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