

Audited Project Financial Statements

Project Number: 40253-023
Grants Number: 0241/0426
Period Covered: 1 January – 31 December 2014

Cambodia: GMS Biodiversity Conservation Corridors Project

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

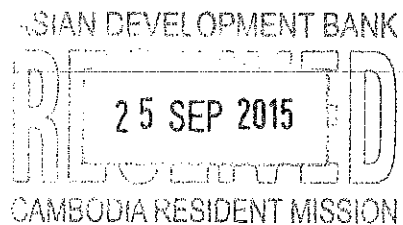
For the Asian Development Bank
Date by ADB: 25 September 2015

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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)**

**Financial Statements
for the year ended 31 December 2014
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:

- a) The accompanying financial statements, which comprise the statement of financial position as at 31 December 2014, the statement of receipts and expenditure, and the statement of imprest account for the year then ended, and notes, as set out on pages 4 to 17 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 are prepared, in all material respects, in accordance with the basis of preparation 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 and the Project was in compliance with all grant covenants of the Agreements for the year ended 31 December 2014.

Signed on behalf of the Project's management,



Dr. Sokh Heng *ph*

Project Director

Ministry of Agriculture, Forestry and Fisheries

Phnom Penh, Kingdom of Cambodia

Date: 15 SEP 2015



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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 statement of financial position as at 31 December 2014, the statement of receipts and expenditure, and the statement of imprest account for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 4 to 17. The financial statements have been prepared by the management of the Project based on the basis of preparation 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 preparation 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 of the Project for the year ended 31 December 2014 are prepared, in all material respects, in accordance with the basis of preparation and the accounting policies described in Note 2 to the financial statements.

Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statements, which describes the basis of preparation 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

15 September 2015

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

Statement of financial position

As at 31 December 2014

	Note	As at 31 December 2014 US\$	As at 31 December 2013 US\$
Current assets			
Cash on hand	3	2,340	2,367
Cash in bank	4	271,002	382,657
Advance to Lao Consulting Group Co., Ltd.	5	-	32,500
Advance to staff		552	11,000
Amount due from ADB0241 – MOE	6	22,318	2,577
Amount due from other project		-	300
		<u>296,212</u>	<u>431,401</u>
Represented by:			
Fund balance at end of the year		<u>296,212</u>	<u>431,401</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 year ended 31 December 2014

	Note	Year ended 31 December 2014 US\$	Year ended 31 December 2013 US\$	Cumulative period from 23 March 2011 to 31 December 2014 US\$
Receipts				
Asian Development Bank	7	537,417	95,819	1,894,117
Expenditure by disbursement category	8			
Equipment and vehicles	9	75,536	33,916	512,968
Consultant services	10	213,723	179,885	412,248
Goods and services	11	159,867	52,287	226,259
Project management	12	89,119	66,700	171,567
Recurrent costs	13	86,119	84,385	201,234
Training and others	14	43,514	21,510	68,901
Civil works		2,557	-	2,557
Livelihood inputs		2,171	-	2,171
		672,606	438,683	1,597,905
(Deficit)/Excess of receipts over expenditure		(135,189)	(342,864)	296,212
Fund balance at beginning of the year		431,401	774,265	
Fund balance at end of the year		296,212	431,401	

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 year ended 31 December 2014

	Note	Year ended 31 December 2014 US\$	Year ended 31 December 2013 US\$	Cumulative period from 23 March 2011 to 31 December 2014 US\$
Receipts				
Asian Development Bank	7	370,406	-	1,320,406
Expenditure by disbursement category	8			
Equipment and vehicles	9	75,536	7,702	305,873
Consultant services	10	14,212	12,780	45,632
Goods and services	11	159,867	52,287	226,259
Project management	12	89,119	66,700	171,567
Recurrent costs	13	86,119	84,385	201,234
Training and others	14	43,514	21,510	68,901
Civil works		2,557	-	2,557
Livelihood inputs		2,171	-	2,171
		473,095	245,364	1,024,194
(Deficit)/Excess of receipts over expenditure		(102,689)	(245,364)	296,212
Fund balance at beginning of the year		398,901	644,265	
Fund balance at end of the year		296,212	398,901	
Represented by:				
Cash on hand	3	2,340	2,367	
Cash in bank	4	271,002	382,657	
Advance to staff		552	11,000	
Amount due from ADB0241 – MOE	6	22,318	2,577	
Amount due from other project		-	300	
		296,212	398,901	

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 year ended 31 December 2014

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) 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 Mondulhiri 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 Mondulhiri province;
- 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.

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Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

Notes to the financial statements (continued)

For the year ended 31 December 2014

1. Background and 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.

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Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

Notes to the financial statements (continued)

For the year ended 31 December 2014

1. Background and 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	Consultant 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		

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

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Notes to the financial statements (continued) For the year ended 31 December 2014

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 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 is recognised when made rather than incurred, except for the amount due from ADB0241 – MOE 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 translations

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 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.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

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Notes to the financial statements (continued)

For the year ended 31 December 2014

3. Cash on hand

	As at 31 December 2014 US\$	As at 31 December 2013 US\$
First generation	24	1,000
Second generation		
Koh Kong	1,690	716
Mondulkiri	626	651
	<u>2,340</u>	<u>2,367</u>

4. Cash in bank

	As at 31 December 2014 US\$	As at 31 December 2013 US\$
First generation	240,650	95,608
Second generation		
Koh Kong	27,531	125,507
Mondulkiri	2,821	161,542
	<u>271,002</u>	<u>382,657</u>

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

	As at 31 December 2014 US\$	As at 31 December 2013 US\$
Balance at beginning of the year	32,500	130,000
Advance made during the year	-	-
Advance clearance during the year	(32,500)	(97,500)
	<u>-</u>	<u>32,500</u>

Advance to Lao Consulting Group Co., Ltd. is for the purpose of supporting the technical services on Forestry and Biodiversity and Social Safeguard.

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Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

Notes to the financial statements (continued)

For the year ended 31 December 2014

6. Amount due from ADB0241 – MOE

This represents amount due from ADB0241 – MOE in respect of sharing costs of consultant services and the purchases of equipment that were made through the imprest account.

7. Receipts

	Year ended 31 December 2014 US\$	Year ended 31 December 2013 US\$	Cumulative period from 23 March 2011 to 31 December 2014 US\$
Transfers to first generation imprest account:			
Initial advances	-	-	950,000
Replenishment	370,406	-	370,406
Direct payments	167,011	95,819	573,711
	<u>537,417</u>	<u>95,819</u>	<u>1,894,117</u>

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. This was a separate bank account held exclusively for ADB funds for Grant No. 0241 – CAM (SF).

Direct payments represent payments made by ADB directly to the suppliers on behalf of the Project.

Ministry of Agriculture, Forestry and Fisheries

Greater Mekong Subregion Biodiversity Conservation Corridors Project

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Notes to the financial statements (continued)

For the year ended 31 December 2014

8. Expenditure by disbursement category and financier

	Particulars	ADB			Total
		% of financing	Actual expenditure		
			US\$	%	
					US\$
	Equipment and vehicles	100	75,536	100%	75,536
	Consultant services	100	213,723	100%	213,723
	Goods and services	100	159,867	100%	159,867
	Project management	100	89,119	100%	89,119
	Recurrent costs	100	86,119	100%	86,119
	Training and others	100	43,514	100%	43,514
	Civil Works	100	2,557	100%	2,557
	Livelihood inputs	100	2,171	100%	2,171
	Total payments – 31 December 2014		672,606		672,606
	% of total project costs – 31 December 2014		3.54%		3.54%
	% of cumulative cost to total project costs – 31 December 2014		8.41%		8.41%

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 year ended 31 December 2014

9. Equipment and vehicles

	Year ended 31 December 2014			Year ended	Cumulative
	Imprest	Direct	Total	31 December 2013	period from
	account	payment			23 March 2011 to
	US\$	US\$	US\$	US\$	31 December 2014
Equipment	75,536	-	75,536	4,789	278,732
GIS software	-	-	-	29,127	29,127
Vehicles	-	-	-	-	205,109
	<u>75,536</u>	<u>-</u>	<u>75,536</u>	<u>33,916</u>	<u>512,968</u>

10. Consultant services

	Year ended 31 December 2014			Year ended	Cumulative
	Imprest	Direct	Total	31 December 2013	period from
	account	payment			23 March 2011 to
	US\$	US\$	US\$	US\$	31 December 2014
National financial consultant	9,270	-	9,270	5,940	15,210
National translator/Interpreter	4,942	-	4,942	3,195	8,137
National project management specialist	-	-	-	3,645	3,645
Lao Consulting Group Co., Ltd.	-	199,511	199,511	167,105	366,616
National procurement Specialist	-	-	-	-	18,640
	<u>14,212</u>	<u>199,511</u>	<u>213,723</u>	<u>179,885</u>	<u>412,248</u>

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 year ended 31 December 2014

11. Goods and services

	Year ended 31 December 2014	Year ended 31 December 2013	Cumulative period from 23 March 2011 to 31 December 2014
	US\$	US\$	US\$
Office supplies	10,610	10,644	24,060
Communication and internet service	5,992	4,939	13,101
Petroleum	14,211	14,630	29,659
Plant seedling purchase for restoration	69,957	6,130	76,087
Repairs and maintenance	12,820	5,293	18,187
Forest patrolling	41,494	1,000	42,494
Professional fee	880	-	880
Others	3,903	9,651	21,791
	<u>159,867</u>	<u>52,287</u>	<u>226,259</u>

12. Project management

	Year ended 31 December 2014	Year ended 31 December 2013	Cumulative period from 23 March 2011 to 31 December 2014
	US\$	US\$	US\$
Per-diem/daily subsistence allowance	31,565	9,226	42,759
Travelling	1,888	5,227	10,955
Materials for workshop/training/meeting	11,592	32,446	53,978
Materials for community formulation	2,925	1,736	4,661
Materials for boundary demarcation	32,863	5,348	38,211
Materials for community assessment	8,286	8,752	17,038
Materials for setup demonstration plant	-	3,965	3,965
	<u>89,119</u>	<u>66,700</u>	<u>171,567</u>

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 year ended 31 December 2014

13. Recurrent costs

	Year ended 31 December 2014 US\$	Year ended 31 December 2013 US\$	Cumulative period from 23 March 2011 to 31 December 2014 US\$
Project staff	71,249	72,985	154,074
Administrative staff	14,870	11,400	47,160
	<u>86,119</u>	<u>84,385</u>	<u>201,234</u>

14. Training and others

	Year ended 31 December 2014 US\$	Year ended 31 December 2013 US\$	Cumulative period from 23 March 2011 to 31 December 2014 US\$
Capacity Building:			
Provincial, District, Commune Level	41,945	17,508	59,453
GIS software usage	1,569	4,002	5,571
Project financial management	-	-	3,877
	<u>43,514</u>	<u>21,510</u>	<u>68,901</u>

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 year ended 31 December 2014

15. Statement of disbursement

Details of statement of disbursement from ADB are as follows:

		Year ended 31 December 2014 US\$	Year ended 31 December 2013 US\$	Cumulative period from 23 March 2011 to 31 December 2014 US\$
ADB fund claims during the year/period				
Reimbursements		337,479	460,609	798,088
Direct payments		167,011	95,819	573,711
Subtotal	(A)	<u>504,490</u>	<u>556,428</u>	<u>1,371,799</u>
Total expenditure made				
during the year/period	(B)	672,606	438,683	1,597,905
<i>Expenditure not yet claimed</i>	(C)	(226,106)	(90,490)	(226,106)
<i>Advance paid in prior year/period</i>				
<i>but recorded as expenditure</i>				
<i>during the year/period</i>	(D)	(32,500)	(97,500)	-
<i>Expenditure incurred in prior year/period</i>				
<i>but claims during the year/period</i>	(E)	90,490	305,735	-
Total eligible expenditure claimed		<u>504,490</u>	<u>556,428</u>	<u>1,371,799</u>
(A=F=B+C+D+E)	(F)			

16. Commitments

As at 31 December 2014, the Project has the following commitments:

	As at 31 December 2014 US\$	As at 31 December 2013 US\$
Contracted, but not yet paid:		
Lao Consulting Group Co., Ltd.	1,294,534	1,134,733
National financial consultant	21,870	1,980
National translator/interpreter	21,150	1,065
	<u>1,337,554</u>	<u>1,137,778</u>