

# Audited Project Financial Statements

---

Project Number: 40253-023

Grant Number: 0241

Period Covered: 1 January to 31 December 2014

## Cambodia: GMS Biodiversity Conservation Corridors Project

Prepared by: Project Implement Unit (PIU), General Directorate of Local Communities (GDLC), Ministry of Environment.

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

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 Ministry of Economy and Finance.

**ROYAL GOVERNMENT OF CAMBODIA  
MINISTRY OF ENVIRONMENT**

**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**

---

ASIAN DEVELOPMENT BANK  
**RECEIVED**  
25 SEP 2015  
CAMBODIA RESIDENT MISSION

## Ministry of Environment

### Greater Mekong Subregion Biodiversity Conservation Corridors Project

ADB Grant No. 0241 – CAM (SF)

## Contents

	Page
1 Statement by the management	1
2 Report of the independent auditors	2
3 Statement of financial position	4
4 Statement of receipts and expenditure	5
5 Statement of imprest account	6
6 Notes to the financial statements	7

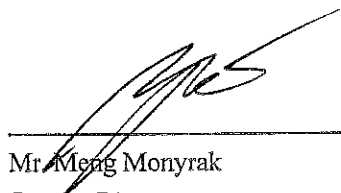
**Ministry of Environment  
General Department of Administration  
of Nature Conservation and Protection (GDANCP)  
GMS Biodiversity Conservation Corridors Project  
ADB Grant No. 0241-CAM(SF)**

**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 Environment 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,*



---

Mr. Meng Monyrak  
Project Director  
Ministry of Environment

Phnom Penh, Kingdom of Cambodia

Date: 15 SEP 2015



KPMG Cambodia Ltd  
4th floor, Delano Center  
No. 144, Street 189  
Sangkat Veal Vong  
Khan 7 Makara, Phnom Penh  
Kingdom of Cambodia

Telephone +855 (23) 216 899  
Fax +855 (23) 217 279  
Internet [www.kpmg.com.kh](http://www.kpmg.com.kh)

## **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 Environment, 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 Environment

### 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\$
<b>Current assets</b>			
Cash on hand	3	2,196	1,072
Cash in bank	4	372,784	528,342
Advance to Lao Consulting Group Co., Ltd.	5	-	32,500
Advances to staff		-	15,948
		<u>374,980</u>	<u>577,862</u>
<b>Current liabilities</b>			
Amount due to ADB0241 – MAFF	6	<u>22,318</u>	<u>2,577</u>
<b>Net assets</b>		<u><u>352,662</u></u>	<u><u>575,285</u></u>
<b>Represented by:</b>			
Fund balance at end of the year		<u><u>352,662</u></u>	<u><u>575,285</u></u>

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

## Ministry of Environment

### 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

		Year ended 31 December 2014	Year ended 31 December 2013	Cumulative period from 23 March 2011 to 31 December 2014
	Note	US\$	US\$	US\$
<b>Receipts</b>				
Asian Development Bank	7	588,292	95,819	1,944,992
<b>Expenditure by disbursement category</b>	8			
Equipment and vehicles	9	64,504	37,824	311,150
Consultant services	10	213,724	179,885	409,039
Goods and services	11	331,204	54,378	412,672
Project management	12	61,459	78,864	175,275
Recurrent costs	13	83,800	87,350	200,725
Training and others	14	42,812	20,584	69,118
Livelihood inputs		13,412	939	14,351
		810,915	459,824	1,592,330
(Deficit)/Excess of receipts over expenditure		(222,623)	(364,005)	352,662
Fund balance at beginning of the year		575,285	939,290	
<b>Fund balance at end of the year</b>		<b>352,662</b>	<b>575,285</b>	

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



## Ministry of Environment

### 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\$
<b>Receipts</b>				
Asian Development Bank	7	421,281	-	1,371,281
<b>Expenditure by disbursement category</b>	8			
Equipment and vehicles	9	64,504	11,610	104,055
Consultant services	10	14,213	12,780	42,423
Goods and services	11	331,204	54,378	412,672
Project management	12	61,459	78,864	175,275
Recurrent costs	13	83,800	87,350	200,725
Training and others	14	42,812	20,584	69,118
Livelihood inputs		13,412	939	14,351
		611,404	266,505	1,018,619
(Deficit)/Excess of receipts over expenditure		(190,123)	(266,505)	352,662
Fund balance at beginning of the year		542,785	809,290	
<b>Fund balance at end of the year</b>		<b>352,662</b>	<b>542,785</b>	
<b>Represented by:</b>				
Cash on hand	3	2,196	1,072	
Cash in bank	4	372,784	528,342	
Advance to staff		-	15,948	
Amount due to ADB0241 – MAFF	6	(22,318)	(2,577)	
		352,662	542,785	

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

## **Ministry of Environment**

### **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.

MOE 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 Community Protected Area (CPA) activities;
- updating of baselines and database;
- environmental safeguard coordination/oversight and monitoring;
- climate change policy support as embedded in the Biodiversity Conservation Corridors Initiatives (BCI) design; and
- submitting technical and financial reports on project interventions that are implemented directly by MOE.

## Ministry of Environment

### 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.

## Ministry of Environment

### 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 Environment**

### **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**

## **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 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 to ADB0241 – MAFF are recognised as payables until they are settled.

### **(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 Environment

### 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

### 3. Cash on hand

	As at 31 December 2014 US\$	As at 31 December 2013 US\$
First generation	104	13
Second generation		
Koh Kong	2,000	1,000
Mondulkiri	92	59
	<u>2,196</u>	<u>1,072</u>

### 4. Cash in bank

	As at 31 December 2014 US\$	As at 31 December 2013 US\$
First generation	311,676	129,604
Second generation		
Koh Kong	52,540	201,964
Mondulkiri	8,568	196,774
	<u>372,784</u>	<u>528,342</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 clearance during the year	(32,500)	(97,500)
Balance at end of the year	<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.

## Ministry of Environment

### 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 to ADB0241 – MAFF

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

#### 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	421,281	-	421,281
Direct payments	167,011	95,819	573,711
	<u>588,292</u>	<u>95,819</u>	<u>1,944,992</u>

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

# Ministry of Environment

## 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

### 8. Expenditure by disbursement category and financier

	Particulars	ADB			Total
		% of financing	Actual expenditure		
			US\$	%	
	Equipment and vehicles	100	64,504	100%	64,504
	Consultant services	100	213,724	100%	213,724
	Goods and services	100	331,204	100%	331,204
	Project management	100	61,459	100%	61,459
	Recurrent costs	100	83,800	100%	83,800
	Training and others	100	42,812	100%	42,812
	Livelihood inputs	100	13,412	100%	13,412
	<b>Total payments – 31 December 2014</b>		<b>810,915</b>		<b>810,915</b>
	<b>% of total project costs – 31 December 2014</b>		<b>4.27%</b>		<b>4.27%</b>
	<b>% of cumulative cost to total project costs – 31 December 2014</b>		<b>8.38%</b>		<b>8.38%</b>



## Ministry of Environment

### 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
					US\$
Equipment	64,504	-	64,504	8,697	76,914
GIS software	-	-	-	29,127	29,127
Vehicles	-	-	-	-	205,109
	<u>64,504</u>	<u>-</u>	<u>64,504</u>	<u>37,824</u>	<u>311,150</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
					US\$
National financial consultant	9,270	-	9,270	5,940	15,210
National translator/Interpreter	4,943	-	4,943	3,195	8,138
National project management specialist	-	-	-	3,645	3,645
Lao Consulting Group Co., Ltd.	-	199,511	199,511	167,105	366,616
National procurement Specialist	-	-	-	-	15,430
	<u>14,213</u>	<u>199,511</u>	<u>213,724</u>	<u>179,885</u>	<u>409,039</u>

## Ministry of Environment

### 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	10,663	8,072	22,312
Communication and internet service	6,074	6,819	16,503
Petroleum	23,131	19,236	49,452
Plant seedling purchase for restoration	242,215	-	242,215
Repairs and maintenance	15,289	9,203	24,492
Forest patrolling	27,673	2,000	29,673
Professional fee	880	-	880
Others	5,279	9,048	27,145
	<u>331,204</u>	<u>54,378</u>	<u>412,672</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	30,457	19,989	60,283
Travelling	4,225	1,150	6,199
Materials for workshop/training/meeting	9,850	26,909	61,050
Materials for community formulation	3,948	1,261	5,209
Materials for boundary demarcation	12,979	13,537	26,516
Materials for community assessment	-	10,539	10,539
Materials for setup demonstration plant	-	5,479	5,479
	<u>61,459</u>	<u>78,864</u>	<u>175,275</u>

## Ministry of Environment

### 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	69,150	80,230	160,880
Administrative staff	14,650	7,120	39,845
	<u>83,800</u>	<u>87,350</u>	<u>200,725</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	39,829	12,523	52,352
GIS software usage	2,983	8,061	11,044
Project financial management	-	-	5,722
	<u>42,812</u>	<u>20,584</u>	<u>69,118</u>

## Ministry of Environment

### 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\$
<b>ADB fund claims during the year/period</b>				
Reimbursements		529,745	318,492	848,237
Direct payments		167,011	95,819	573,711
Subtotal	(A)	<u>696,756</u>	<u>414,311</u>	<u>1,421,948</u>
<b>Total expenditure made</b>				
<b>during the year/period</b>	(B)	810,915	459,824	1,592,330
<i>Expenditure not yet claimed</i>	(C)	(170,382)	(88,723)	(170,382)
<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)	88,723	140,710	-
<b>Total eligible expenditure claimed</b>				
<b>(A=F=B+C+D+E)</b>	(F)	<u>696,756</u>	<u>414,311</u>	<u>1,421,948</u>

### 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>