

Audited Project Financial Statements

Project Number: 41403-013
Loan Number: 3232
Period Covered: 1 January 2019 to 31 December 2019

Cambodia: Urban Water Supply Project

Prepared by the Siem Reap Water Supply Authority

For the Asian Development Bank.
Date received by ADB: 23 June 2020

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 Industry, Science, Technology & Innovation.

**ROYAL GOVERNMENT OF CAMBODIA
SIEM REAP WATER SUPPLY AUTHORITY**

Urban Water Supply Project
ADB Loan No. 3232 – CAM (COL)

**Financial Statements
and Statement on Compliance
for the year ended 31 December 2019**

Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Contents

PART I	FINANCIAL STATEMENTS	Page
	Statement by the management	1
	Report of the independent auditors	2 – 4
	Statement of financial position	5
	Statement of receipts and expenditure	6
	Statement of advance account	7
	Notes to the financial statements	8 – 15
	▪ Statement of withdrawals	13
	▪ Statement of budget versus actual expenditure	14
PART II	INDEPENDENT ASSURANCE REPORT ON COMPLIANCE	
	Management assertion	16
	Independent reasonable assurance report	17 – 20
	Statement of compliance with the Loan Agreement	21 – 26

PART I

Financial Statements for the year ended 31 December 2019 and Report of the Independent Auditors

KINGDOM OF CAMBODIA

Nation Religion King



SIEM REAP WATER SUPPLY AUTHORITY

No.: 199/20 /SRWSA-PMU

Siem Reap, June 08, 2020

Statement by the management

I do hereby state that in our opinion, the accompanying financial statements, which comprise the statement of financial position as at 31 December 2019, the statements of receipts and expenditure and advance account for the year then ended and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 15 of the Urban Water Supply Project ("the Project"), funded by the Asian Development Bank Loan No. 3232 – CAM (COL), and implemented by the Siem Reap Water Supply Authority, 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 management: 

KHUT Vuthiarith (Mr.)

Project Director/ Director General
Siem Reap Water Supply Authority

Siem Reap, Kingdom of Cambodia



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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 financial statements of the Urban Water Supply Project (“the Project”), funded by the Asian Development Bank Loan No. 3232 – CAM (COL), and implemented by the Siem Reap Water Supply Authority (“the Project Management Unit” or “PMU”), which comprise the statement of financial position as at 31 December 2019, the statements of receipts and expenditure, and advance account, for the year then ended, and notes, comprising significant accounting policies and other explanatory information (“financial statements”), as set out on pages 5 to 15.

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 conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 ("MEF") and the Asian Development Bank ("ADB"). As a result, the financial statements may not be suitable for another purpose. Our audit report is intended solely for the management of the Project, the MEF and the ADB and should not be used by other parties. This restriction on use does not limit the disclosure or distribution of our report if such disclosure is required by laws and regulations. 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 PMU'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 PMU'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 PMU 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

8 June 2020

Siem Reap Water Supply Authority

Urban Water Supply Project
ADB Loan No. 3232 – CAM (COL)

Statement of financial position As at 31 December 2019

	Note	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Current asset			
Cash at bank	3	<u>45,047</u>	<u>24,970</u>
Represented by:			
Fund balance at end of the year		<u>45,047</u>	<u>24,970</u>



KHUT Vuthiarith (Mr.)
Project Director/ Director General
Siem Reap Water Supply Authority

Siem Reap, Kingdom of Cambodia

08 June 2020

KIM Heng (Ms.)
Chief Office/ Project Finance

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

Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Statement of receipts and expenditure For the year ended 31 December 2019

	Note	Year ended 31 December 2019 US\$	Year ended 31 December 2018 US\$	Cumulative period from 16 June 2015 to 31 December 2019 US\$
Receipts				
Asian Development Bank	4	1,216,450	1,701,519	2,984,969
Expenditure by disbursement category and financier				
Investment cost	5	1,196,373	1,743,467	2,939,840
Recurrent cost		-	-	82
		1,196,373	1,743,467	2,939,922
Excess/(Deficit) of receipts over expenditure		20,077	(41,948)	45,047
Fund balance at beginning of the year		24,970	66,918	-
Fund balance at end of the year		45,047	24,970	45,047



KHUT Vuthiarith (Mr.)
Project Director/ Director General
Siem Reap Water Supply Authority

KIM Heng (Ms.)
Chief Office/ Project Finance

Siem Reap, Kingdom of Cambodia

08 June 2020

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Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Statement of advance account For the year ended 31 December 2019

	Note	Year ended 31 December 2019 US\$	Year ended 31 December 2018 US\$	Cumulative period from 16 June 2015 to 31 December 2019 US\$
Receipts				
Asian Development Bank	4	104,189	56,746	227,935
Expenditure by disbursement category				
Investment cost	5	84,112	98,694	182,806
Recurrent cost		-	-	82
		84,112	98,694	182,888
Excess/(Deficit) of receipts over expenditure		20,077	(41,948)	45,047
Fund balance at the beginning of the year		24,970	66,918	-
Fund balance at end of the year		45,047	24,970	45,047
Represented by:				
Cash at banks	3	45,047	24,970	



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KIM Heng (Ms.)
Chief Office/ Project Finance

Siem Reap, Kingdom of Cambodia

08 June 2020

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

Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Notes to the financial statements

For the year ended 31 December 2019

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

1. Background and activities

The Urban Water Supply Project ("Project") was established under the Loan Agreement No. 3232-CAM (COL) signed on 18 December 2014. Total Project cost is approximately US\$37.4 million, of which the Asian Development Bank (ADB) finances SDR22,848,000 (US\$34 million equivalent at the time of loan negotiation) from the Asian Development Fund (ADF), and the Royal Government of Cambodia ("RGC"), represented by the Ministry of Economy and Finance ("MEF") contributes US\$3.40 million equivalent for safeguards costs, in-kind expenditures on staff and office facilities, and costs of taxes and duties.

The loan is repayable not exceeding 32 years including a grace period not exceeding 8 years from 15 February 2023 up to 15 August 2046 with interest charge at the rate of 1% per annum during the grace period and the rate of 1.5% per annum on the amount of the loan withdrawn from the loan account and outstanding from time to time. The interest charge and any other charge on the loan shall be payable semi-annually on 15 February and 15 August in each year.

A Project Management Unit (PMU) is to be established within the Siem Reap Water Supply Authority, through its Department of Potable Water Supply ("DPWS"), and Project Implementation Units ("PIUs") at eight waterworks (Kampong Cham, Kampong Thom, Kampot, Pursat, Sihanoukville, Stoung, Steung Treng, and Svay Rieng) while Siem Reap Water Supply Authority ("SRWSA") will make its own arrangements for the Project implementation as agreed by the MIH. MIH will be the Executing Agency and will prepare and implement the Project activities. PMUs will be established in DPWS and at SRWSA, with full-time staff to execute and manage the Project.

The overall goal of the consulting services package is to enhance the effectiveness and efficiency of the MIH/DPWS, and the public water utilities, and to ensure that the proposed Project is implemented effectively. Assistance will be provided to the PMU, the PIUs, and SRWSA. Key objectives of the assistance are:

- To provide engineering services - detailed engineering design, bidding documents, and construction supervision – for the Project implementation.
- To provide the Project implementation and management support, including safeguards, procurement, and monitoring.
- To develop the capacity of the PMU staff to effectively manage the Project execution, and with PIUs' staff.
- To develop the capacity the waterworks and SRWSA to operate and maintain the facilities developed and equipment purchased under the Project.

Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Background and activities (continued)

The objective of the Project is improved water supply infrastructure and service provision in nine provincial towns. The Project shall be comprised of the following outputs:

- *Output 1: Existing water supply systems improved in seven towns*
- *Output 2: New water supply system provided for Stung Treng*
- *Output 3: Water supply coverage increased in Siem Reap*
- *Output 4: Project implementation supported and operation and maintenance developed*

The Project is expected to be completed by 31 December 2019. On 20 April 2020, the Project has requested to the MEF for the delay in the completion of the Project to 31 December 2022. As of the date of this report, the Project has not received the approval on the request yet.

Funding of the Project by the ADB according to the allocation and withdrawal of the loan proceeds is as follows:

Category			ADB Financing	
No.	Item	Amount Allocated (SDR)	Amount Allocated (US\$)	Percentage and Basis for Withdrawal from the Loan Account
		Category	Category	
1	Output 3: Siem Reap **	3,361,000	5,000,000	100% of total expenditure claimed*
2	Output 4: Project Implementation Support and O&M Development	2,775,000	4,130,000	100% of total expenditure claimed*
	Total	6,136,000	9,130,000	

* *Exclusive of local taxes and duties imposed within the territory of the Recipient.*

** *Subject to the condition for withdrawal described in paragraph 6 of Schedule 3.*

2. Significant accounting policies

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

Under this basis of accounting, receipts is recognised when funds are received in cash and expenditure is recognised when payments are made rather than when it is incurred, except for the advanced payments made to suppliers that are initially recognised as a receivable and only recognised as expenditure when they have been liquidated by supporting invoices.

Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Significant accounting policies (continued)

(b) Statement of the advance account

The statement of advance account (previously known as statement of imprest account) is prepared in accordance with the Loan Agreement, and is purely used to receive and disburse for expenditure financed by the ADB loan 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) Interest charge

The interest charge by the ADB is accounted for in the statement of receipts and expenditure as receipts and corresponding expenditure.

(e) Foreign currency transactions

The Project transacts its operations and maintains its accounting records primarily in the United States Dollars ("US\$"). Transactions in currencies other than US\$ are converted into US\$ at the rates of exchange prevailing on the transaction dates. Fund balances in currencies other than US\$ are translated into US\$ at the open market rates of exchange at the year end date. All foreign exchange differences are recognised in the statement of receipts and expenditure.

(f) In-kind contribution

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

Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Cash at bank

	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Imprest account – Asia Development Bank	45,047	24,970

4. Receipts

Asian Development Bank

	Year ended 31 December 2019 US\$	Year ended 31 December 2018 US\$	Cumulative period from 16 June 2015 to 31 December 2019 US\$
Replenishments	104,189	56,746	160,935
Initial advance	-	-	67,000
	104,189	56,746	227,935
Direct payment (*)	1,112,261	1,644,773	2,757,034
	1,216,450	1,701,519	2,984,969

(*) Direct payments represent advance payments and other payments made by ADB directly to the supplier on behalf of the Project.

Receipts from Asian Development Bank for Loan No. 3232 – CAM (COL) was paid into the advance account held by the Ministry of Economy and Finance at the National Bank of Cambodia. This is a separate bank account held exclusively for ADB Loan No. 3232 – CAM (COL). The receipt was then disbursed to advance account held by the Siem Reap Water Supply Authority at the ACLEDA Bank Plc.

Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Notes to the financial statements (continued)

For the year ended 31 December 2019

5. Expenditure by disbursement category and financier

Particulars	ADB Loan No. 3232		
	% of financing	Actual expenditure	
		US\$	%
Investment cost	100	1,196,373	100
Total payments – for year ended 31 December 2019		1,196,373	
% of total Project costs		13%	
% of cumulative expenses to total Project costs – for the period from 16 June 2015 to 31 December 2019		32%	

6. Statement of disbursement

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

	Year ended 31 December 2019 US\$	Year ended 31 December 2018 US\$	Cumulative period from 16 June 2015 to 31 December 2019 US\$
ADB Fund claims during the year/period			
Direct payments	1,112,261	1,644,773	2,757,034
Replenishments	104,189	56,746	160,935
Initial advance	-	-	67,000
Subtotal (A)	1,216,450	1,701,519	2,984,969
<i>Total expenditure made during the year/period</i>	(B) 1,196,373	1,743,467	2,939,922
Expenditure incurred in prior year but claimed during the year	(C) 42,030	-	-
Initial advance	(D) -	-	67,000
<i>Expenditure not yet claimed</i>	(E) (21,953)	(41,948)	(21,953)
Total eligible expenditure claimed (F)			
(A=F=B+C+D+E)	1,216,450	1,701,519	2,984,969

Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Statement of advance account

For the year ended 31 December 2019

7. Statement of withdrawals

Withdrawal Application No.	Date	Currency	Investment cost	Recurrent cost	Interest charge	Total
2019						
Direct payments						
DV-19/0001	03-Jan-19	US\$	94,500	-	-	94,500
DV-19/0002	31-Jan-19	US\$	149,701	-	-	149,701
DV-19/0004	03-Jul-19	US\$	291,578	-	-	291,578
DV-19/0005	18-Nov-19	US\$	576,482	-	-	576,482
Subtotal (A)			1,112,261	-	-	1,112,261
Replenishments						
RV-19/0003	30-Apr-19	US\$	42,030	-	-	42,030
RV-19/0004	18-Dec-19	US\$	62,159	-	-	62,159
Subtotal (B)			104,189	-	-	104,189
Total			1,216,450			1,216,450
2018						
Direct payments						
DV-18/0003	13-Jun-18	US\$	68,354	-	-	68,354
DV-18/0006	16-Jul-18	US\$	149,701	-	-	149,701
DV-18/0007	05-Oct-18	US\$	8,860	-	-	8,860
DV-18/0008	05-Oct-18	US\$	33,028	-	-	33,028
DV-18/0009	05-Oct-18	US\$	289,157	-	-	289,157
DV-18/0010	05-Oct-18	US\$	189,155	-	-	189,155
DV-18/0011	22-Oct-18	US\$	37,929	-	-	37,929
DV-18/0012	25-Oct-18	US\$	220,664	-	-	220,664
DV-18/0013	16-Nov-18	US\$	184,615	-	-	184,615
DV-18/0014	21-Nov-18	US\$	157,550	-	-	157,550
DV-18/0015	23-Nov-18	US\$	76,648	-	-	76,648
DV-18/0016	21-Dec-18	US\$	229,112	-	-	229,112
Subtotal (A)			1,644,773			1,644,773
Replenishment						
RV-18/0002	27-Nov-18	US\$	56,746	-	-	56,746
Total			1,701,519	-	-	1,701,519
Cumulative period from 16 June 2015 to 31 December 2019						
Total		US\$	2,984,969	-	-	2,984,969



KHUT Vuthiarith (Mr.)
Project Director/ Director General
Siem Reap Water Supply Authority

KIM Heng (Ms.)
Chief Office/ Project Finance

Siem Reap, Kingdom of Cambodia

08 June 2020

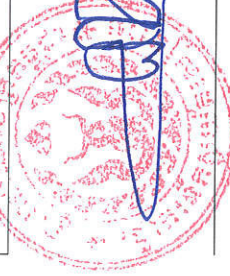
Siem Reap Water Supply Authority

Urban Water Supply Project
ADB Loan No. 3232 – CAM (COL)

Notes to the financial statements (continued)
For the year ended 31 December 2019

8. Statement of budget versus actual expenditure

Description	Year ended 31 December 2019			Year ended 31 December 2018		
	Budget (Unaudited) US\$	Actual US\$	Variance US\$	Budget (Unaudited) US\$	Actual US\$	Variance US\$
Investment cost						
Output 3: Siem Reap	1,700,000	1,196,373	(503,627)	1,700,000	1,743,467	43,467
Total expenditure	1,700,000	1,196,373	503,627	1,700,000	1,743,467	(43,467)



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KHUT Vuthiarith (Mr.)
Project Direct/ Director General
Siem Reap Water Supply Authority

_____ 4
KIM Heng (Ms.)
Chief Officer/ Project Finance

Siem Reap, Kingdom of Cambodia

08 June 2020

Siem Reap Water Supply Authority

Urban Water Supply Project

ADB Loan No. 3232 – CAM (COL)

Notes to the financial statements (continued) For the year ended 31 December 2019

9. Commitments

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

	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Contracted, but not yet paid:		
Consulting services	316,326	359,280
Suppliers	179,471	535,779
	<u>495,797</u>	<u>895,059</u>

10. In-kind contribution

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

	Year ended 31 December 2019 US\$	Year ended 31 December 2018 US\$	Cumulative period from 16 June 2015 to 31 December 2019 US\$
Office space	7,200	7,200	25,440
Utilities	2,532	2,815	8,468
Salaries of project staff	134,544	119,064	351,168
Taxes and duties			
Withholding taxes	6,014	13,300	19,313
Custom duties	341,625	445,230	786,855
VAT/Importing duties	138,630	230,338	368,968
Salary Tax	8,880	7,080	21,840
	<u>639,424</u>	<u>825,027</u>	<u>1,582,052</u>