

Audited Project Financial Statements

Project Number: 42334-018
Loan/Grant Number: 3678/0581
Period covered: 1 January 2020 – 31 December 2020

Cambodia: Rural Roads Improvement Project III

Prepared by Ministry of Rural Development

For the Asian Development Bank
Date accepted by ADB: 18 August 2021

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 Public Works and Transport.

**ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF RURAL DEVELOPMENT**

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and
ADB Grant No. 0581 – CAM (SF)

**Financial Statements
and Statement of Compliance
for the year ended 31 December 2020**

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

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PART I

**Financial Statements
for the year ended 31 December 2020
and
Report of the Independent Auditors**



KINGDOM OF CAMBODIA

NATION RELIGION KING

MINISTRY OF RURAL DEVELOPMENT

Statement by the management

I, the undersigned, do hereby state that in my opinion, the accompanying financial statements, which comprise the statement of receipts and payments and statement of advance account for the year ended 31 December 2020 and notes as set out on pages 6 to 31 of the Rural Roads Improvement Project III ("the Project"), under the Asian Development Bank Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF) and implemented by the Ministry of Rural Development ("MRD", "the Executing Agency" or "EA"), present fairly, in all material respects, in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

On behalf of the Project's management: ✓

Dr. Chan Darong
Project Director
Ministry of Rural Development

Phnom Penh, Kingdom of Cambodia

28 May 2021



KPMG Cambodia Ltd
4th Floor, Delano Center
No. 144, Street 169, Sangkat Veal Vong
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia
+855 23 216 899 | kpmg.com.kh

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

Opinion

We have audited the accompanying financial statements of the Rural Roads Improvement Project III ("the Project"), financed under the Asian Development Bank Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF), implemented by the Ministry of Rural Development ("MRD", "the Executing Agency" or "EA"), which comprise the statement of receipts and payments and statement of advance account for the year ended 31 December 2020 and notes, comprising significant accounting policies and other explanatory information as set out on pages 6 to 31 (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, of the cash receipts and payments of the Project for the year ended 31 December 2020 in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

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.

Other Matter

As stated in Note 15 to the financial statements, the Project adopted Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS") on 1 January 2020 with a transition date of 29 August 2018 (Project effective date). These standards were applied retrospectively to the comparative information in these financial statements, including, the statement of receipts and payments and statement of advance account of the Project for the period from 29 August 2018 to 31 December 2019 and related explanatory notes.



We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CPSAS and whether such information is appropriately classified.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Appendix I on page i, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter - Restriction on Use

We draw attention to Note 2 to the financial statements, which describes 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, MEF and ADB and should not be used by other parties other than the management of the Project, MEF and ADB. 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 and fair presentation of the financial statements in accordance with CPSAS, 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.

In preparing the financial statements, management is responsible for assessing the EA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease the operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.



Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the EA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the EA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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



Lim Chew Teng

Partner

Phnom Penh, Kingdom of Cambodia

28 May 2021

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Statement of receipts and payments for the year ended 31 December 2020

	Note	Year ended 31 December 2020			Period from 29 August 2018 to 31 December 2019	Cumulative period from 29 August 2018 to 31 December 2020
		ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$	RGC US\$	Total US\$	US\$
Receipts						
Asian Development Bank	5	4,890,868	1,120,298	-	6,011,166	7,539,836
Royal Government of Cambodia	5	-	-	70,000	70,000	70,000
		<u>4,890,868</u>	<u>1,120,298</u>	<u>70,000</u>	<u>6,081,166</u>	<u>7,609,836</u>
Payments by category and financier						
Civil works	6	4,395,653	1,120,298	-	5,515,951	5,993,820
Goods and equipment	7	-	-	-	-	88,110
Consulting services	8	472,082	-	-	472,082	1,230,207
Incremental administrative cost	9	70,516	-	21,480	91,996	111,183
Interest charge		23,133	-	-	23,133	27,699
		<u>4,961,384</u>	<u>1,120,298</u>	<u>21,480</u>	<u>6,103,162</u>	<u>7,451,019</u>
(Decrease)/Increase in cash		<u>(70,516)</u>	<u>-</u>	<u>48,520</u>	<u>(21,996)</u>	<u>158,817</u>


Ministry of Rural Development

Rural Roads Improvement Project III


ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Statement of receipts and payments (continued) for the year ended 31 December 2020

	Note	Year ended 31 December 2020			Period from 29 August 2018 to 31 December 2019	Cumulative period from 29 August 2018 to 31 December 2020
		ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$	RGC US\$	Total US\$	US\$
Cash at beginning of the year/period (Decrease)/Increase in cash	4	180,813 (70,516)	-	-	180,813 (21,996)	- 158,817
Cash at end of the year/period	4	110,297	-	48,520	158,817	158,817


Dr. Chan Darong
Project Director
Ministry of Rural Development

Phnom Penh, Kingdom of Cambodia
28 May 2021


Mr. Nhem Sopheak
Finance Officer
Ministry of Rural Development

Phnom Penh, Kingdom of Cambodia
28 May 2021

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

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Statement of advance account for the year ended 31 December 2020

	Note	Year ended 31 December 2020		Period from 29 August 2018 to 31 December 2019	Cumulative period from 29 August 2018 to 31 December 2020
		ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$		
Part A					
Beginning cash balance		180,813	-	-	-
Receipt:					
Initial advance		-	-	200,000	200,000
Amount replenished by ADB		-	-	88,110	88,110
		180,813	-	288,110	288,110
Payments made from advance account:					
Goods and equipment	7	-	-	88,110	88,110
Incremental administrative cost	9	70,516	-	19,187	89,703
		70,516	-	107,297	177,813
Ending cash balance	4	110,297	-	180,813	110,297

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Statement of advance account (continued) for the year ended 31 December 2020

	Note	Year ended 31 December 2020		Period from 29 August 2018 to 31 December 2019	Cumulative period from 29 August 2018 to 31 December 2020
		ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$		
			Total US\$	US\$	US\$
Part B – Advance account reconciliation					
Initial advance	A	200,000	-	200,000	200,000
Balance of advance account as at 31 December per bank statement		110,232	-	179,845	110,232
Less: Outstanding cheque		(935)	-	-	(935)
Add: Petty cash balance		1,000	-	968	1,000
Total cash balance	B	110,297	-	180,813	110,297
Add: Amount claimed in previous year not yet credited at date of bank statement	C	-	-	-	-
Add: Amount claimed in current year not yet credited at date of bank statement	D	-	-	-	-
Less: Interest income	E	-	-	-	-

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and Grant No. 0581 – CAM (SF)

Statement of advance account (continued) for the year ended 31 December 2020

	Year ended 31 December 2020		Period from 29 August 2018 to 31 December 2019	Cumulative period from 29 August 2018 to 31 December 2020
	ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$	Total US\$	US\$
	89,703	-	89,703	89,703
	-	-	-	-
	-	-	-	-
	70,516	-	70,516	89,703
	19,187	-	19,187	-
	200,000	-	200,000	200,000

Note

Part B – Advance account reconciliation (continued)

Total amount withdrawn from the advance account but
not yet claimed for replenishment (a+b+c+d)

- a. Sub-accounts
- b. Transfer in transit
- c. Current year withdrawn from advance account but
not yet claimed for replenishment
- d. Other – Previous year withdrawn from advance
account but not yet claimed for replenishment

Total advance accounted for (B+C+D+E+F)

Dr. Chan Darong

Project Director

Ministry of Rural Development

Phnom Penh, Kingdom of Cambodia

28 May 2021

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

Mr. Nhem Sopheak

Finance Officer

Ministry of Rural Development

Phnom Penh, Kingdom of Cambodia

28 May 2021

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements for the year ended 31 December 2020

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

1. Background and activities

The Rural Roads Improvement Project III (“the Project” or “RRIP III”) was established under the Loan Agreement No. 3678 – CAM (COL), and Grant Agreement No. 0581 – CAM (SF), signed on 29 June 2018 between the Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance).

The financing agreements became effective for implementation on 29 August 2018 and the Project is expected to be completed by 30 June 2026.

ADB approved the captioned loan and grant on 29 June 2018 including US\$58.5 million from ordinary capital resources (concessional loan) and US\$1.5 million from special funds resources (Asian Development Fund grant). The Project will rehabilitate about 360 kilometers (km) of rural roads in five provinces (Kampong Cham, Kratie, Prey Veng, Svay Rieng and Tboung Khmum) to paved condition. The rehabilitated roads will provide poor rural provinces with a safer, disaster- and climate-resilient rural road network with all-year access to markets and other social services. The Project will continue to support the sustainability of the rural road network through (i) a rural road maintenance regime in the MRD; and (ii) a community-based road safety program.

The Ministry of Rural Development (“MRD”) is the Project’s Executing Agency (“EA”) and is responsible for the overall technical supervision and execution of the Project. The Project Management Unit (“PMU”) was established by MRD to implement and supervision the Project’s activities.

The Project comprises the following outputs:

Output 1: Rural Roads Improvements

The Project will rehabilitate 22 roads, about 360 km in total, to disaster-resilient paved condition and reduce the average roughness of the Project roads. MRD plans to increase social and environmental officers (“SEO”) from 7 to 11; and engage consultants from ODIS Consultants GmbH to implement this output.

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Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

1. Background and activities (continued)

Output 2: Rural Roads Asset Management

Under this output, MRD will increase the annual operation and maintenance budget for the Project roads to a sufficient level which will keep the reasonable quality of the roads. Provincial Department of Rural Development need to conduct routine maintenance and budgetary support needs to be adequately allocated for maintaining already paved rural roads. The Project will also install overload control gates to curtail overloaded and oversized trucks for effective axle load control.

Output 3: Rural Road Safety and Community Awareness Program

Under this output, there are three sub-output as followings:

- (i) Community residents will improve their knowledge and understanding of road safety measures;
- (ii) Community residents and contractors' personnel will improve their HIV/AIDS and human trafficking awareness and prevention program ("HHTPP") awareness; and
- (iii) SEO will establish a sex-disaggregated baseline socioeconomic database and receive training on designing and conducting a socioeconomic survey. A sex-disaggregated baseline socioeconomic survey of beneficiaries will be conducted by ODIS consultants.

All three outputs are gender sensitive and have relevant gender indicators. The labor gender action plan ("LGAP") describes the gender-related activities. SEO will implement the LGAP for the overall project with support from ODIS consultants.

Export-Import Bank of Korea ("KEXIM") will finance the rehabilitation of other 36 rural roads, about 364 km in total, under the RRIP III as a collaborative co-financier. An MOU on collaborative co-financing between ADB and KEXIM with respect to the RRIP III was concluded on 19 December 2018. The KEXIM loan on RRIP III was signed with the RGC on 14 March 2019. This collaborative financing is not administered by ADB; and thus, not included in these financial statements.

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

1. Background and activities (continued)

The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the ADB Loan No. 3678 – CAM (COL), ADB Grant No. 0581 – CAM (SF) and RGC financing and the allocation of amounts of the Loan and Grant to each such category:

No.	Item	ADB Loan No. 3678 – CAM (COL)		ADB Grant No. 0581 – CAM (SF)		Total (US\$)
		Amount Allocated (US\$)	Basis for Withdrawal	Amount Allocated (US\$)	Basis for Withdrawal	
1	Civil works	39,660,000	100% of total expenditure claimed	1,500,000	100% of total expenditure claimed	41,160,000
2	Goods and equipment	250,000	100% of total expenditure claimed	-	Not applicable	250,000
3	Consulting services	3,440,000	100% of total expenditure claimed	-	Not applicable	3,440,000
4	Incremental administrative cost	1,280,000	100% of total expenditure claimed	-	Not applicable	1,280,000
5	Interest charge	1,330,000	100% of amount due	-	Not applicable	1,330,000
6	Land acquisition and resettlement	-	Not applicable	-	Not applicable	-
7	Unallocated	12,540,000	100% of total expenditure claimed	-	Not applicable	12,540,000
	Total	58,500,000		1,500,000		60,000,000

(*) The RGC will finance taxes and duties through exemption and/or cash contribution and cash contribution for other costs.

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

2. Basis of accounting

(a) Statement of compliance

The financial statements have been prepared in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards (“CPSAS”). These are the first set of financial statements prepared in accordance with CPSAS and Part 1 Section 1.8 *Effective Date of Part 1 and Transitional Provisions* has been applied.

In the previous financial period, the financial statements were 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.

The Project has applied consistently to all periods presented in these financial statements and in preparing the opening CPSAS statement of receipts and payments and statement of advance account at 29 August 2018 (Project effective date) for the purposes of the transition to CPSAS.

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.

An explanation of how the transition to CPSAS has affected the reported statement of receipts and payments and statement of advance account of the Project is provided in Note 15.

(b) Basis of measurement

The financial statements expressed in United States Dollars (US\$) have been prepared under the historical cost convention.

3. Significant accounting policies

(a) Fund receipts and payments

Fund receipts are defined as the fund received by the Project from Development Partners and RGC. This is recognised when received and recorded as gross amounts of bank charges.

Payments represents all costs paid to support the objective of the Project and are recognised when paid.

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

3. Significant accounting policies (continued)

(b) Statement of advance account

The statement of advance account is prepared in accordance with the Loan and Grant Agreements and is purely used to receive and disburse for expenditure financed by the ADB loan and grant proceeds.

(c) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of receipts and payments and statement of advance account 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 charged by the ADB is a direct payment, and accounted for in the statement of receipts and payments as receipts with corresponding payment category.

(e) Foreign currency transactions

The Project transacts its operations 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 published by the National Bank of Cambodia.

Cash and bank balances in currencies other than US\$ are translated into US\$ at the open market rates of exchange at the year/period-end date. All foreign exchange differences are recognised in the statement of receipts and payments and the statement of advance account.

(f) In-kind contribution

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

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

4. Cash

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents consist of balances with banks.

Cash included in the statement of receipts and payments and statement of advance account comprise the following amounts:

	As at 31 December 2020 US\$	As at 31 December 2019 US\$
Cash on hand – ADB Loan No. 3678	1,000	968
Advance account – ADB Loan No. 3678 (*)	<u>109,297</u>	<u>179,845</u>
Cash balance – ADB Loan No. 3678	110,297	180,813
Advance account – Government Counterpart Fund (*)	<u>48,520</u>	<u>-</u>
	<u>158,817</u>	<u>180,813</u>

(*) These represent bank balances maintained in a separate bank account with the National Bank of Cambodia ("NBC").

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

5. Receipts

	Year ended 31 December 2020			Period from 29 August 2018 to 31 December 2019	Cumulative period from 29 August 2018 to 31 December 2020
	ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$	RGC US\$	Total US\$	US\$
ADB					
Direct payments (*)	4,890,868	1,120,298	-	6,011,166	7,251,726
Advance account	-	-	-	-	288,110
	4,890,868	1,120,298	-	6,011,166	7,539,836
RGC					
Advance account (**)	-	-	70,000	70,000	70,000
	4,890,868	1,120,298	70,000	6,081,166	7,609,836

(*) Direct payments represent payments made by ADB directly to the suppliers upon the request from the Project.

(**) This represents advance from the RGC during the year.

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

6. Civil works

	Year ended 31 December 2020		Period from 29 August 2018 to 31 December 2019		Cumulative period from 29 August 2018 to 31 December 2020	
	ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$	RGC US\$	Total US\$	US\$	US\$
Direct payments:						
Ung Simsia Construction Co., Ltd. - CWB2	199,093	1,120,298	-	1,319,391	477,869	1,797,260
Ung Simsia Construction Co., Ltd. - CWA	1,935,440	-	-	1,935,440	-	1,935,440
M.T.A. Construction Co., Ltd - CWB1	474,144	-	-	474,144	-	474,144
Tan Kim Eng Co., Ltd. - CWD	895,521	-	-	895,521	-	895,521
Beng Meng Group Co., Ltd. - CWE	891,455	-	-	891,455	-	891,455
	<u>4,395,653</u>	<u>1,120,298</u>	<u>-</u>	<u>5,515,951</u>	<u>477,869</u>	<u>5,993,820</u>

Included in the above payments, there were advance payments to contractors of Nil (2019: US\$219,454); out of which no amounts were not liquidated as at 31 December 2020 (31 December 2019: US\$219,454). Refer to Note 12 for details.

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

7. Goods and equipment

	Year ended 31 December 2020		Period from 29 August 2018 to 31 December 2019		Cumulative period from 29 August 2018 to 31 December 2020	
	ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$	RGC US\$	Total US\$	US\$	US\$
Advance account:						
Vehicles	-	-	-	-	76,500	76,500
Office equipment	-	-	-	-	11,610	11,610
	-	-	-	-	88,110	88,110

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

8. Consulting services

	Year ended 31 December 2020		Period from 29 August 2018 to 31 December 2019		Cumulative period from 29 August 2018 to 31 December 2020	
	ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$	RGC US\$	Total US\$	US\$	US\$
Direct payment:						
Korea Consultants international Co., Ltd.	472,082	-	-	472,082	758,125	1,230,207

Included in the above payments, there were advance payments to contractors of Nil (2019: US\$169,614); out of which no amounts were not liquidated as at 31 December 2020 (31 December 2019: US\$169,614). Refer to Note 12 for details.

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

9. Incremental administrative costs

	Year ended 31 December 2020			Period from 29 August 2018 to 31 December 2019	Cumulative period from 29 August 2018 to 31 December 2020
	ADB Loan No. 3678 US\$	ADB Grant No. 0581 US\$	RGC US\$	Total US\$	US\$
Advance account:					
Food and accommodation	27,458	-	-	27,458	11,580
Transportation cost	423	-	-	423	5,547
Fuel and lubricants	10,139	-	-	10,139	440
Printing	8,149	-	-	8,149	-
Meeting and training for SEO activity	20,228	-	-	20,228	794
Advertisement	1,971	-	-	1,971	485
Courier service charge	154	-	-	154	341
Office supply	1,491	-	-	1,491	-
Telecommunication cost	433	-	-	433	-
Staff allowance	-	-	21,480	21,480	-
Other expenses	70	-	-	70	-
	<u>70,516</u>	<u>-</u>	<u>21,480</u>	<u>91,996</u>	<u>19,187</u>
					<u>111,183</u>

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Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

10. Statement of disbursement

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

	Year ended 31 December 2020	Period from 29 August 2018 to 31 December 2019	Cumulative period from 29 August 2018 to 31 December 2019
	US\$	US\$	US\$
ADB fund claims during the year/period			
Direct payments	6,011,166	1,240,560	7,251,726
Advance account	-	288,110	288,110
Sub-total	<u>6,011,166</u>	<u>1,528,670</u>	<u>7,539,836</u>
Total payments made during the year/period			
Payments made out of Government Counterpart fund	6,103,162	1,347,857	7,451,019
Payments made but not yet claimed during the year/period	(21,480)	-	(21,480)
Initial advance from ADB	(70,516)	(19,187)	(89,703)
	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Total eligible expenditure claimed (F=A+B+C+D+E)	<u>6,011,166</u>	<u>1,528,670</u>	<u>7,539,836</u>

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ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

11. Payments by category and financier

Particulars	ADB Loan No. 3678 – CAM (COL)		ADB Grant No. 0581 – CAM (SF)		RGC		Total
	US\$	%	US\$	%	US\$	%	US\$
Civil works	4,395,653	80	1,120,298	20	-	-	5,515,951
Goods and equipment	-	-	-	-	-	-	-
Consulting services	472,082	100	-	-	-	-	472,082
Incremental administrative costs	70,516	77	-	-	21,480	23	91,996
Interest charge	23,133	100	-	-	-	-	23,133
Total payments – for the year ended 31 December 2020	4,961,384	81	1,120,298	19	21,480	-	6,103,162
% of total project costs – for the year ended 31 December 2020	8.48%		74.69%		0.00%		10.17%
% of total project costs – for the period from 29 August 2018 to 31 December 2020	9.68%		91.91%		0.00%		11.73%

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ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

12. Advance to contractors

During the year/period, the Project incurred the following advance transactions:

	Year ended 31 December 2020 US\$	Period from 29 August 2018 to 31 December 2019 US\$
At beginning of the year/period	389,068	-
Addition for the year/period (*):		
Civil works	-	219,454
Consulting services	-	169,614
Liquidation:		
Civil works	(219,454)	-
Consulting services	(169,614)	-
At end of the year/period (**)	<u>-</u>	<u>389,068</u>

(*) The advances were recorded as payments in respective payment categories in the statement of receipts and payments upon incurred.

(**) This represents unliquidated advances which are maintained by way of advance register for management's monitoring purpose:

	As at 31 December 2020 US\$	As at 31 December 2019 US\$
Civil works (Note 6)	-	219,454
Consulting services (Note 8)	<u>-</u>	<u>169,614</u>
	<u>-</u>	<u>389,068</u>

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ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

13. Statement of withdrawals

Withdrawal application No.	Description	Date	Currency	Initial advance	Civil works	Good and equipment	Consulting services	Incremental administrative costs	Interest charge	Total
ADB fund										
Year ended 31 December 2020										
ADB Loan No. 3678 – CAM (COL)										
00007	Direct payment	9-Jun-20	US\$	-	11,976	-	-	-	-	11,976
00008	Direct payment	29-Jun-20	US\$	-	-	-	174,360	-	-	174,360
00009	Direct payment	17-Jul-20	US\$	-	1,399,767	-	-	-	-	1,399,767
00010	Direct payment	6-Aug-20	US\$	-	187,116	-	-	-	-	187,116
00011	Direct payment	29-Sep-20	US\$	-	895,521	-	-	-	-	895,521
00012	Direct payment	23-Sep-20	US\$	-	-	-	153,008	-	-	153,008
00013	Direct payment	1-Oct-20	US\$	-	474,144	-	-	-	-	474,144
00014	Direct payment	19-Nov-20	US\$	-	535,674	-	-	-	-	535,674
00015	Direct payment	18-Nov-20	US\$	-	891,455	-	-	-	-	891,455
00016	Direct payment	11-Dec-20	US\$	-	-	-	144,714	-	-	144,714
CAP	Direct payment	N/A	US\$	-	-	-	-	-	23,133	23,133
Sub-total (A)			US\$	-	4,395,653	-	472,082	-	23,133	4,890,868
ADB Grant No. 0581 – CAM (SF)										
00003	Direct payment	13-Feb-20	US\$	-	360,988	-	-	-	-	360,988
00004	Direct payment	28-Apr-20	US\$	-	416,574	-	-	-	-	416,574
00005	Direct payment	9-Jun-20	US\$	-	342,736	-	-	-	-	342,736
Sub-total (B)			US\$	-	1,120,298	-	-	-	-	1,120,298
ADB fund receipts for the year (C=A+B)										
			US\$	-	5,515,951	-	472,082	-	23,133	6,011,166

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ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

13. Statement of withdrawals (continued)

Withdrawal application No.	Description	Date	Currency	Initial advance	Civil works	Good and equipment	Consulting services	Incremental administrative costs	Interest charge	Total
Period from 29 August 2018 to 31 December 2019										
ADB Loan No. 3678 – CAM (COL)			US\$	200,000	98,167	88,110	758,125	-	4,566	1,148,968
ADB Grant No. 0581 – CAM (SF)			US\$	150,000	229,702	-	-	-	-	379,702
ADB fund receipts for the period from 29 August 2018 to 31 December 2019			US\$	350,000	327,869	88,110	758,125	-	4,566	1,528,670
Cumulative period from 29 August 2018 to 31 December 2020										
ADB Loan No. 3678 – CAM (COL)			US\$	200,000	4,483,820	88,110	1,230,207	-	27,699	6,039,836
ADB Grant No. 0581 – CAM (SF)			US\$	150,000	1,350,000	-	-	-	-	1,500,000
ADB fund			US\$	350,000	5,843,820	88,110	1,230,207	-	27,699	7,539,836
RGC fund										
Year ended 31 December 2020										
N/A	Replenishment	31-Mar-20	US\$	70,000	-	-	-	-	-	70,000
Period from 29 August 2018 to 31 December 2019			US\$	-	-	-	-	-	-	-
RGC fund			US\$	70,000	-	-	-	-	-	70,000
Total fund receipts for the period from 29 August 2018 to 31 December 2020			US\$	420,000	5,843,820	88,110	1,230,207	-	27,699	7,609,836

Dr. Chan Darong
Project Director

Ministry of Rural Development

Phnom Penh, Kingdom of Cambodia

28 May 2021

Mr. Nhem Sopheak
Finance Officer

Ministry of Rural Development

Phnom Penh, Kingdom of Cambodia

28 May 2021

Ministry of Rural Development

Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

14. Items not recognised in the statement of receipts and payments

14.1. Receipts from selling bid documents

During the year/period, the Project sold bid documents on behalf of the National Treasury Departments ("NTD") and the receipt was transferred to NTD on 31 December 2020 as follow:

	Year ended 31 December 2020 US\$	Period from 29 August 2018 to 31 December 2019 US\$	Cumulative period from 29 August 2018 to 31 December 2020 US\$
Receipt	21,900	1,400	22,400
Transferred to NTD	<u>(21,900)</u>	<u>(1,400)</u>	<u>(22,400)</u>
	<u>-</u>	<u>-</u>	<u>-</u>

14.2. In-kind contribution

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

	Year ended 31 December 2020 US\$	Period from 29 August 2018 to 31 December 2019 US\$	Cumulative period from 29 August 2018 to 31 December 2020 US\$
Office space	13,200	13,200	26,400
Utilities (electricity and water)	3,000	3,000	6,000
Salaries of project staff	68,004	103,216	171,220
Taxation			
Civil works	573,540	25,841	599,382
Consulting services	89,838	82,378	172,216
Goods and equipment	-	8,811	8,810
	<u>747,582</u>	<u>236,446</u>	<u>984,028</u>

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Rural Roads Improvement Project III

ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

14. Items not recognised in the statement of receipts and payments (continued)

14.3. Payment commitments

As at 31 December 2020, the Project had the following payment commitments:

	As at 31 December 2020 US\$	As at 31 December 2019 US\$
ADB:		
Contracted, but not yet paid:		
Civil works	44,455,141	2,003,800
Consulting services	<u>2,162,093</u>	<u>2,634,175</u>
	<u>46,617,234</u>	<u>4,637,975</u>

15. Explanation of transition to CPSAS

As stated in Note 2, these are the Project's first set of financial statements prepared in accordance with CPSAS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2020 and the comparative information presented in these financial statements for the period from 29 August 2018 to 31 December 2019.

In preparing its opening CPSAS statement of receipts and payments and statement of advance account, the Project has restated amounts reported previously in financial statements prepared in accordance with modified cash receipts and disbursement basis ("Previous GAAP") relating to the preparation of the financial statements.

Reconciliation of cash

The following reconciliation summarise the impacts on initial application of CPSAS on the Project's financial position as at 31 December 2019 and the Project's statement of receipts and payments and statement of advance account for the period from 29 August 2018 to 31 December 2019.

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ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

15. Explanation of transition to CPSAS (continued)

Reconciliation of cash (continued)

		As at 31 December 2019		
		Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Current assets				
Cash on hand		968	-	968
Cash at banks		179,845	-	179,845
Advances	A	389,068	(389,068)	-
		<u>569,881</u>	<u>(389,068)</u>	<u>180,813</u>

Reconciliation of statement of receipts and payments for the period from 29 August 2018 to 31 December 2019

		Period from 29 August 2018 to 31 December 2019		
		Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Receipts				
Asian Development Bank		1,528,670	-	1,528,670
Royal Government of Cambodia	B	1,400	(1,400)	-
		<u>1,530,070</u>	<u>(1,400)</u>	<u>1,528,670</u>
Payments by category and financier				
Civil works	A	258,415	219,454	477,869
Goods and equipment		88,110	-	88,110
Consulting services	A	588,511	169,614	758,125
Incremental administrative cost	B	20,587	(1,400)	19,187
Interest charge		4,566	-	4,566
		<u>960,189</u>	<u>387,668</u>	<u>1,347,857</u>
Change in cash		<u>569,881</u>	<u>(389,068)</u>	<u>180,813</u>

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ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

15. Explanation of transition to CPSAS (continued)

Reconciliation of statement of advance account for the period from 29 August 2018 to 31 December 2019

	Period from 29 August 2018 to 31 December 2019		
	Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Receipts			
Asian Development Bank	288,110	-	288,110
Payments by category and financier			
Goods and equipment	88,110	-	88,110
Incremental administrative cost	19,187	-	19,187
	107,297	-	107,297
Change in cash	180,813	-	180,813

A. Restatement of advances

Under previous GAAP, the expenditure is recognised when payments are made rather than when it is incurred, except for the advanced payments made to suppliers/staff that are initially recognised as a receivable and only recognised as expenditure when they have been liquidated by supporting invoices.

On the adoption of CPSAS, the payments increased by US\$389,068 and advances decreased by US\$389,068.

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ADB Loan No. 3678 – CAM (COL) and ADB Grant No. 0581 – CAM (SF)

Notes to the financial statements (continued) for the year ended 31 December 2020

15. Explanation of transition to CPSAS (continued)

A. Restatement of advances (continued)

	Period from 29 August 2018 to 31 December 2019 US\$
Statement of receipts and payments	
Increase in civil works	219,454
Increase in consulting services	169,614
Adjustment to change in cash	<u>389,068</u>
Represented by:	
Decrease in advances	<u>389,068</u>

B. Restatement of receipts and payments

Under previous GAAP, the pass-through payments from the RGC are recognised as gross in receipts and related expenditure. On adoption of CPSAS, the pass-through payments from the RGC are recognised as net in the statement of receipts and payments.

	Period from 29 August 2018 to 31 December 2019 US\$
Statement of receipts and payments	
Receipts	
Decrease in receipts	<u>1,400</u>
Payments by category and financier	
Decrease in incremental administrative cost	<u>1,400</u>
Adjustment to cash	<u>-</u>

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Rural Roads Improvement Project III

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Appendix I: Statement of budget versus actual payments for the year ended 31 December 2020

Description	Year ended 31 December 2020			Period from 29 August 2018 to 31 December 2019			Cumulative period from 29 August 2018 to 31 December 2020			
	Budget		Variance	Budget		Variance	Budget		Actual	Variance
	US\$	US\$		US\$	US\$		US\$	US\$	US\$	%
Civil works	5,670,000	5,515,951	154,049	2,72%			5,920,000	5,993,820	(73,820)	-1.25%
Goods and equipment	-	-	-	0.00%			100,000	88,110	11,890	11.89%
Consulting services	400,000	472,082	(72,082)	-18.02%			1,030,000	1,230,207	(200,207)	-19.44%
Incremental administrative cost	120,000	91,996	28,004	23.34%			140,000	111,183	28,817	20.58%
Interest charge	20,000	23,133	(3,133)	-15.67%			30,000	27,699	2,301	7.67%
Total	6,210,000	6,103,162	106,838	1.72%	1,010,000	(337,857)	7,220,000	7,451,019	(231,019)	-3.20%



Dr. Chan Darong
Project Director
Ministry of Rural Development

Phnom Penh, Kingdom of Cambodia
28 May 2021



Mr. Nhem Sopheap
Finance Officer
Ministry of Rural Development

Phnom Penh, Kingdom of Cambodia
28 May 2021