

**ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF ECONOMY AND FINANCE**

Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (COL)

Ministry of Economy and Finance

Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (COL)

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PART I

**Financial Statements
for the year ended 31 December 2018
and
Report of the Independent Auditors**



Ministry of Economy and Finance

General Secretariat, Steering Committee
of the Public Financial Management Reform

No: ... 257... M.E.F. | G.S.C

Statement by the management

We, do hereby state that, in our opinion:

- a) The accompanying financial statements, which comprise the statement of financial position as at 31 December 2018, the statement of receipts and expenditures and imprest accounts for the year then ended and notes, as set out on pages 5 to 16 of the Strengthening Public Financial Management Project ("the Project"), funded by Asian Development Bank Loan No. 3429 - CAM (COL) executed and implemented by the Ministry of Economy and Finance 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; and
- b) The disbursements shown in the financial statements were implemented according to the Loan Agreement and the Project was in compliance with loan covenants of the Agreement for the year ended 31 December 2018.

On behalf of the Project's management,

H.E. Ros Seilava
Project Director
Ministry of Economy and Finance

Phnom Penh, Kingdom of Cambodia

10 June 2019



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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 accompanying financial statements of the Strengthening Public Financial Management Project (“the Project”), funded by the Asian Development Bank Loan No. 3429 - CAM (COL) implemented by the Ministry of Economy and Finance (“the Project Implementing Unit” or “PIU”), which comprise the statement of financial position as at 31 December 2018, the statement of receipts and expenditures and statement of imprest accounts for the year then ended and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 16.

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, MEF and ADB and not for other purpose. This restriction on use does not limit the disclosure or distribution of our report, if such disclosure or distribution is required by laws and regulations.



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 PIU'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 PIU'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 PIU 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

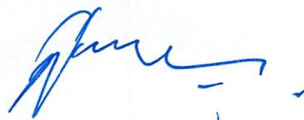
10 June 2019

Ministry of Economy and Finance

Strengthening Public Financial Management Project ADB Loan No. 3429 - CAM (COL)

Statement of financial position as at 31 December 2018

	Note	As at 31 December 2018 US\$	As at 31 December 2017 US\$
Current assets			
Cash and bank balances	3	221,779	410,000
Advances		2,060	-
		<u>223,839</u>	<u>410,000</u>
Represented by:			
Fund balance at end of the year		<u>223,839</u>	<u>410,000</u>



H.E. Ros Seilava
Project Director

Phnom Penh, Kingdom of Cambodia

10 June 2019



Ms. Tep Borita
Financial controller

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


Ministry of Economy and Finance

Strengthening Public Financial Management Project

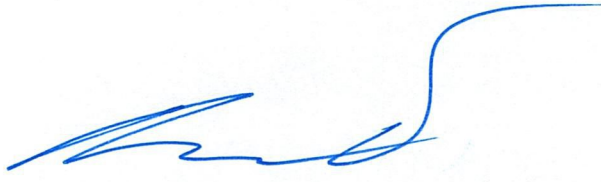
ADB Loan No. 3429 - CAM (COL)

Statement of receipts and expenditures for the year ended 31 December 2018

	Note	Year ended 31 December 2018 US\$	Year ended 31 December 2017 US\$	Cumulative period from 25 January 2017 to 31 December 2018 US\$
Receipts				
Asian Development Bank	4	-	410,000	410,000
		-	410,000	410,000
Expenditure by disbursement category and financiers				
Consulting service	6	33,625	-	33,625
Training, workshops, study tours and seminars	7	152,536	-	152,536
		186,161	-	186,161
(Deficit)/Excess of receipts over expenditure		(186,161)	410,000	223,839
Fund balance at beginning of the year		410,000	-	-
Fund balance at end of the year		223,839	410,000	-



H.E. Ros Seilava
Project Director



Ms. Tep Borita
Financial controller

Phnom Penh, Kingdom of Cambodia

10 June 2019

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

Ministry of Economy and Finance

Strengthening Public Financial Management Project ADB Loan No. 3429 CAM (COL)

Statement of imprest accounts for the year ended 31 December 2018

	Note	Year ended 31 December 2018 US\$	Year ended 31 December 2017 US\$	Cumulative period from 25 January 2017 to 31 December 2018 US\$
Receipts				
Asian Development Bank	4	-	410,000	410,000
		<u>-</u>	<u>410,000</u>	<u>410,000</u>
Expenditures				
Consulting service	6	33,625	-	33,625
Training, workshops, study tours and seminars	7	152,536	-	152,536
		<u>186,161</u>	<u>-</u>	<u>186,161</u>
(Deficit)/Excess of receipts over expenditures		<u>(186,161)</u>	<u>410,000</u>	<u>223,839</u>
Fund balance at beginning of the year		<u>410,000</u>	<u>-</u>	
Fund balance at end of the year		<u>223,839</u>	<u>410,000</u>	
Represented by:				
Cash and bank balances	3	221,779	410,000	
Advances		2,060	-	
		<u>223,839</u>	<u>410,000</u>	



H.E. Ros Seilava
Project Director



Ms. Tep Borita
Financial controller

Phnom Penh, Kingdom of Cambodia

10 June 2019

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

Ministry of Economy and Finance

Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (COL)

Notes to the financial statements for the year ended 31 December 2018

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

1. Background and activities

The Strengthening Public Financial Management Project (“the Project”) was established under the Loan Agreement No. 3429 CAM (COL) signed on 6 October 2016 between the Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) and implemented by the Ministry of Economy and Finance (“MEF”). The agreement includes ADB Loan No. 3429 CAM (COL), where the ADB agreed to offer a loan amounting to Special Drawing Rights 2,501,000 (equivalent to US\$3,500,000) and the RGC will provide the equivalent of \$0.8 million (in-kind) in project support, which will include computer equipment and selected line ministries, worth \$0.3 million, capacity building, counterpart staff, office accommodation, and other ancillary services to an imputed value of \$0.5 million.

Based on the Declaration of Loan Effectiveness letter dated 25 January 2017, the Project’s effective date is 25 January 2017 and is expected to be completed by 31 March 2020.

The objective of the Project is to enhance the efficiency, effectiveness and accountability of the RGC’s public expenditures and revenue management. The Project comprises of two sub-programs, the first and second sub-program, and the Program is the first sub-program.

The scope of the Project includes:

- 1) Component 1: strengthening the policy and regulatory framework for public expenditure and revenue management.
- 2) Component 2: strengthening the budgeting, accounting, financial management and internal audit capacity of Ministry of Economy and Finance (MEF), Ministry of Agriculture, Forestry and Fisheries (MAFF), Ministry of Education, Youth and Sports (MOEYS), Ministry of Labour and Vocational Training (MLVT), Ministry of Water Resources and Meteorology (MOWRAM), Ministry of Public Works and Transport (MPWT), Ministry of Rural Development (MRD) and National Audit Authority (NAA) ; and
- 3) Component 3: strengthening the external audit capacity of NAA through improved audit oversight of line ministries.

The Ministry of Economy and Finance (MEF) is the executing agency (EA) for the project. The General Secretariat of the Public Financial Management (PFM) Reform Steering Committee will be responsible for overall coordination of the project implementation and for achievement of outputs 1 and 2. MEF’s Department of Information Technology, General Department of Budget/Department of Cooperation and Debt Management, General Department of Internal Audit are implementing agencies (IAs) for outputs 1 and 2. The PFM working groups in the MAFF; MOEYS; MLVT; MPWT; MRD; and MOWRAM are the IAs for output 2.

Ministry of Economy and Finance

Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (COL)

Notes to the financial statements (continued) for the year ended 31 December 2018

1. Background and activities (continued)

The Secretary General of the PFM Reform Steering Committee is project director and will be responsible for outputs 1 and 2. As an independent institution, the NAA is the IA for output 3. The NAA's auditor general is the project manager for output 3. The EAs and IAs are wholly responsible for the implementation of the ADB-financed project, as agreed jointly between the RGC and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff are responsible for supporting implementation including compliance by the EA and IAs with their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

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

ALLOCATION AND WITHDRAWAL OF THE LOAN PROCEEDS (Strengthening Public Financial Management Project)			
No.	Item	Total amounts allocated for ADB financing (SDR) category	Basis for withdrawal from the loan account
1.	Consulting services	1,529,000	100% of total expenditure claimed
2.	Training, workshops, study tours and seminars	637,000	100% of total expenditure claimed
3.	TA Management	38,000	100% of total expenditure claimed
4.	Interest during implementation	111,000	100% of total expenditure claimed
5.	Unallocated	186,000	100% of total expenditure claimed
	Total	2,501,000	

2. Significant accounting policies

(a) Basis of accounting

The financial statements, which are expressed in United States Dollars ("US\$"), have been prepared in accordance with a 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.

Ministry of Economy and Finance

Strengthening Public Financial Management Project ADB Loan No. 3429 CAM (COL)

Notes to the financial statements (continued) **for the year ended 31 December 2018**

2. Significant accounting policies (continued)

(a) Basis of accounting (continued)

Under this basis of accounting, income is recognised when funds are received in cash and expenditure is recognised when payments are made rather than when it is incurred, except for treatments of the followings:

- (i) Advance payments made to staff, suppliers and contractors are initially recognised as a receivable and only recognised as expenditure when they have been liquidated by supporting invoices; and
- (ii) Due from RGC and ADB, and due to AFD are recognised as receivables/payables until they are settled.

The financial statements are prepared for the information of and use by 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.

(b) Statement of imprest account

The 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 and the statement of imprest 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) Foreign currency transactions

The Project executes its transactions and maintains its accounting records primarily in the US\$. Transactions in currencies other than US\$ are converted into US\$ at the rates of exchange prevailing on the transaction dates. Cash and bank 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 and the statement of imprest account.

Ministry of Economy and Finance

Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (COL)

Notes to the financial statements (continued) for the year ended 31 December 2018

3. Cash and bank balances

	As at 31 December 2018 US\$	As at 31 December 2017 US\$
ADB – Imprest accounts at National Bank of Cambodia (“NBC”)	221,779	410,000

4. Receipts

	Year ended 31 December 2018 US\$	Year ended 31 December 2017 US\$	Cumulative period from 25 January 2017 to 31 December 2018 US\$
Replenishment	-	-	-
Initial advances	-	410,000	410,000
	-	410,000	410,000

Receipts from the Asian Development Bank for Loan No. 3429 - CAM (COL) were paid into the first generation imprest accounts held at the Ministry of Economy and Finance. This was a separate bank account held exclusively at the NBC for ADB fund for Loan No. 3429 - CAM (COL).

Ministry of Economy and Finance

Strengthening Public Financial Management Project
ADB Loan No. 3429 CAM (COL)

Notes to the financial statements (continued)
for the year ended 31 December 2018

5. Expenditure by disbursement category and financier

Particulars	ADB Loan No. 3429		RGC		Total
	% of financing	Actual expenditure	Actual expenditure	%	
	%	US\$	US\$	%	US\$
Consulting services	100	33,625	-	-	33,625
Training, workshops, study tours and seminars	100	152,536	-	-	152,536
TA Management	100	-	-	-	-
Interest during implementation	100	-	-	-	-
Unallocated	100	-	-	-	-
Government Contribution	100	-	-	-	-
Total payments – for the year ended 31 December 2018	-	186,161	-	-	186,161
% of total project costs – for the year ended 31 December 2018	-	7.44%	0%	-	7.44%
% of total project costs – for the period from 25 January 2017 to 31 December 2018	-	7.44%	0%	-	7.44%

Ministry of Economy and Finance

Strengthening Public Financial Management Project ADB Loan No. 3429 CAM (COL)

Notes to the financial statements (continued) for the year ended 31 December 2018

6. Consulting service

This represents the individual consulting service for the project implementation.

7. Training, workshops, study tours and seminars

	Year ended 31 December 2018 US\$	Year ended 31 December 2017 US\$	Cumulative period from 25 January 2017 to 31 December 2018 US\$
Perdiem allowance	62,123	-	62,123
Mission expense	10,257	-	10,257
Transportation	26,664	-	26,664
Meeting and conference	53,492	-	53,492
	<u>152,536</u>	<u>-</u>	<u>152,536</u>

8. Statement of disbursement

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

	Year ended 31 December 2018 US\$	Year ended 31 December 2017 US\$	Cumulative period from 25 January 2017 to 31 December 2018 US\$
Receipts			
Initial advances	-	410,000	410,000
(A)	<u>-</u>	<u>410,000</u>	<u>410,000</u>
Total expenditure made during the year	(B)		
(B)	(186,161)	-	(186,161)
Expense incurred and recorded during the year, but not yet claimed	(C)		
(C)	186,161	-	186,161
Total eligible expenditure claimed (D = A+B+C)	<u>-</u>	<u>410,000</u>	<u>410,000</u>

Ministry of Economy and Finance

Strengthening Public Financial Management Project
ADB Loan No. 3429 CAM (COL)

Notes to the financial statements (continued)
for the year ended 31 December 2018

9. Statement of withdrawal

Withdrawal Application Number	Date	Currency	Consulting services	Training, workshops, study tours and seminars	TA Management	Total
ADB						
N/A*	-	US\$	33,625	152,536	-	186,161
* This represents the expenditure incurred and recorded during the year but not yet claimed by the Project at the reporting date						
Total						186,161


H.E. Ros Seilava
Project Director
Ms. Tep Borita
Financial controller

Phnom Penh, Kingdom of Cambodia

10 June 2019

Ministry of Economy and Finance

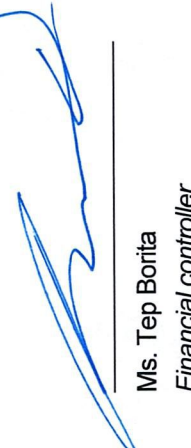
Strengthening Public Financial Management Project
ADB Loan No. 3429 CAM (COL)

Notes to the financial statements (continued)
for the year ended 31 December 2018

10. Statement of budget versus actual expenditures

Description	Year ended 31 December 2018			Period from 25 January 2017 to 31 December 2017			Cumulative period from 25 January 2017 to 31 December 2018		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Consulting services	594,334	33,625	560,709	710,000	-	710,000	1,304,334	33,625	1,270,709
Training, workshops, study tours and seminars	318,960	152,536	166,424	297,000	-	297,000	615,960	152,536	463,424
TA Management	-	-	-	18,000	-	18,000	18,000	-	18,000
Interest during implementation	-	-	-	51,667	-	51,667	51,667	-	51,667
Unallocated	-	-	-	86,667	-	86,667	86,667	-	86,667
	913,294	186,161	727,133	1,163,334	-	1,163,334	2,076,628	186,161	1,890,467


H.E. Ros Seilava
Project Director


Ms. Tep Borita
Financial controller

Phnom Penh, Kingdom of Cambodia

10 June 2019

Ministry of Economy and Finance

Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (COL)

Notes to the financial statements (continued) for the year ended 31 December 2018

11. Commitment

As at 31 December 2018, the Project had the following commitment:

	As at 31 December 2018 US\$	As at 31 December 2017 US\$
Consulting service		
Project supervision consulting	206,225	-

PART II

**Independent Assurance Report on Compliance
With the Loan Agreement
for the year ended 31 December 2018**



Ministry of Economy and Finance

General Secretariat, Steering Committee
of the Public Financial Management Reform

No:.....257.MEF...G.S.C.

Management assertion

I, on behalf of the Project's management, do hereby state that:

- (a) The Project's funds have been used, in all material respects, in accordance with the conditions of Loan Agreement No. 3429 – CAM (COL) ("the Agreement") for year ended 31 December 2018.
- (b) The Project has complied, in all material respects, with the covenants set out in the Agreement for the year ended 31 December 2018.

H.E Ros Seilava
Project Director
Ministry of Economy and Finance

Phnom Penh, Kingdom of Cambodia

10 June 2019



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INDEPENDENT REASONABLE ASSURANCE REPORT

To the Ministry of Economy and Finance on the Statement of Compliance

We refer to the Loan Agreement ADB Loan No. 3429 – CAM (COL) (“the Agreement”), which sets out the requirements for the Strengthening Public Financial Management Project (“Project”) to comply with the Loan covenants.

Pursuant to the terms of the Agreement, the management of the Project has prepared a Statement of Compliance with the Agreement (the “Statement of Compliance”), a copy of which is attached to this independent assurance report.

We were engaged by the Ministry of Economy and Finance (“MEF”) to report on the Project’s Compliance with the Agreement as set out on pages 21 to 24 for the year ended 31 December 2018 in the form of an independent reasonable assurance conclusion about whether the Statement of Compliance is, in all material respects, prepared in compliance with the requirements set out in the Agreement.

Our report is intended to provide an opinion on the following specific matters, established by the terms of the Agreement whether:

- (i) The Project's funds have been used, in all material respects, for the purposes of the Project in accordance with the terms and conditions set out in the Loan Agreement.
- (ii) The Project has complied, in all material respects, with the covenants of Loan Agreement.

Management’s Responsibilities

The management of the Project is responsible for the preparation of the Statement of Compliance that is free from material misstatement and in accordance with those requirements set out by the Agreement and for the information contained therein on pages 21 to 24.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the Statement of Compliance that is free from material misstatement, whether due to fraud or error. It also includes ensuring compliance with those requirements set out in the Agreement; selecting and applying policies; making judgements and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the Statement of Compliance. The management of the Project also are responsible for preventing and detecting fraud and for identifying and ensuring that the Project complies with laws and regulations applicable to its activities. The management also is responsible for ensuring that staff involved with the preparation of the Statement of Compliance are properly trained, information systems are properly updated and that any changes in reporting encompass all significant reporting units.

Our Responsibilities

Our responsibility is to examine the Statement of Compliance prepared by the management and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with Cambodian International Standard on Assurance Engagements (CISAE) 3000, Assurance Engagement Other than Audits or Reviews of Historical Financial Information. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the Statement of Compliance is properly prepared in accordance with the relevant terms and conditions set out in in the Agreement, in all material respects.

We apply Cambodian International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Procedures Performed

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement of compliance whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation of the Statement of Compliance, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Project's internal control over the preparation of the Statement of Compliance.

Our engagement also included assessing the appropriateness of the Statement of Compliance, the suitability of the criteria being the terms and conditions specified by the Loan Agreement, used by the Project's management in preparing the Statement of Compliance in the circumstances of the engagement, obtaining an understanding of the compilation of the financial and non-financial information in the Statement by enquiry of management, reference to the Loan Agreement, comparison of the financial and non-financial information in the Statement to the sources from which it was obtained, performance of sample testing on the Project's management assertions on a sample basis.

Ministry of Economy and Finance

Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (SF)

Statement of Compliance with the Loan Agreement for the year ended 31 December 2018

1. Criteria

This Statement of Compliance is prepared in accordance with the criteria determined by the ADB in accordance with the Loan Agreement and is prepared by the Project management based on the key relevant provisions in which the Project's management believes are important to report on and is not intended to cover the complete set of letter of agreement taken as a whole. These criteria are described below. The Project management has assessed its compliance with the relevant requirements and included the results of its assessment below.

Article No.	Description	Management's assertions
Article III: Use of Proceed of the Loan		
3.01	The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of the Agreement.	Yes, complied with.
3.02	The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 (See Appendix) to the Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.	Yes, complied with.
3.03	Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 (See Appendix) to the Agreement.	Yes, complied with.
Article IV: Particular Covenants		
4.02	(a) The Borrower shall: (i) Maintain separate accounts and records for the Project; (ii) Prepare annual financial statements for the Project in accordance with accounting principles acceptable to AOB	(a): (i) Yes, complied with. (ii) The Project prepared financial statements in accordance with a modified cash basis of accounting.

Ministry of Economy and Finance

Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (COL)

Statement of Compliance with the Loan Agreement (continued) for the year ended 31 December 2018

1. Criteria (continued)

Article No.	Description	Management's assertions
Article IV: Particular Covenants (continued)		
4.02	<p>(iii) Have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB</p> <p>(iv) As part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the use of the Loan/Grant proceeds and compliance with the financial covenants of this Loan/Grant Agreement as well as on the use of the procedures for the imprest fund and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any);</p> <p>(v) Furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.</p> <p>(b) ADB shall disclose the annual audited financial Statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.</p>	<p>(iii) Financial statements are audited by KPMG Cambodia.</p> <p>(iv) Refer to Report of Independent Auditor and the Independent Reasonable Assurance Report.</p> <p>(v) Yes, complied with.</p> <p>(b) Yes, complied with.</p>
4.03	The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents	Yes, complied with.

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Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (COL)

Statement of Compliance with the Loan Agreement (continued) for the year ended 31 December 2018

2. Appendix to the Statement of Compliance

Schedule No.	Description
Schedule 3: Allocation and withdrawal of the loan proceeds	
4.	The proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.
5.	The Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
Schedule 4: Procurement of Goods, Works and Consulting Services	
1.	The procurement of Goods, Works, and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines respectively.
3.	Goods and Works shall only be procured on the basis of the methods of procurement set forth below: (a) National Competitive Bidding; and (b) Shopping.
7.	The Borrower shall cause the Project Executing Agency and each Project Implementing Agency not to award any Works contract: (a) which involves environmental impacts; (b) which involves involuntary resettlement impacts
8.	The Borrower shall cause the Project Executing Agency and each Project Implementing Agency not to award any landfill or solid waste management Works contract for the Project.
9.	The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.
10.	The Borrower shall apply the methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan.

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Strengthening Public Financial Management Project

ADB Loan No. 3429 CAM (COL)

Statement of Compliance with the Loan Agreement (continued) for the year ended 31 December 2018

2. Appendix to the Statement of Compliance (continued)

Schedule No.	Description
Schedule 4: Procurement of Goods, Works and Consulting Services (continued)	
11.	The Borrower shall recruit any individual consultants for such services as agreed with ADB in accordance with procedures acceptable to ADB for recruiting individual consultants.
12.(a)	The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.
12.(b)	The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters.
13.	The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.