

Audited Project Financial Statements

Project Number: 46064-002
Loan Number: 3167
Period covered: 9 January 2015 to 31 December 2015

CAM: Technical and Vocational Education and Training Sector Development Project

Prepared by Ministry of Labour and Vocational Training

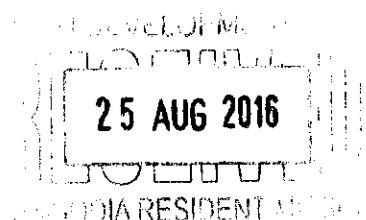
For the Asian Development Bank
Date received by ADB: 25 August 2016

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**ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF LABOUR AND VOCATIONAL
TRAINING**

**Technical and Vocational Education and
Training Sector Development Project**
ADB Loan No. 3167 – CAM (SF)

**Financial Statements
for the period from 9 January 2015
to 31 December 2015
and
Report of the Independent Auditors**



Ministry of Labour and Vocational Training

Technical and Vocational Education and Training Sector Development Project

ADB Loan No. 3167 – CAM (SF)

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Kingdom of Cambodia
Nation Religion King


MINISTRY OF LABOUR
AND VOCATIONAL TRAINING

N°:.....M.L.V.T

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 2015, the statements of receipts and expenditure and the first generation imprest account for the period from 9 January 2015 to 31 December 2015 and notes, as set out on pages 4 to 10 of the Technical and Vocational Education and Training Sector Development Project ("the Project"), funded by the Asian Development Bank Loan No. 3167 – CAM(SF) and implemented by the Ministry of Labour and Vocational Training 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.
- 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 period from 9 January 2015 to 31 December 2015.

On behalf of the Project's management: 



H.E. Pich Sophoan
Project Director
Secretary of State
Ministry of Labour and Vocational Training

Phnom Penh, Kingdom of Cambodia

Date: 23 AUG 2016



H.E. Laov Him
Project Coordinator
Directorate General of Technical and
Vocational Education and Training

Date: 23 AUG 2016



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

We have audited the accompanying financial statements of the Technical and Vocational Education and Training Sector Development Project (“the Project”), funded by the Asian Development Bank Loan No. 3167 – CAM (SF) and implemented by the Ministry of Labour and Vocational Training, which comprise the statement of financial position as at 31 December 2015, the statements of receipts and expenditure and the first generation imprest account for the period from 9 January 2015 to 31 December 2015 and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 4 to 10. The financial statements have been prepared by the management of the Project based on the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the basis of 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 misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Audit opinion

In our opinion, the financial statements of the Project for the period from 9 January 2015 to 31 December 2015 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.

Basis of accounting and restriction on distribution and 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 and use of the management of the Project, the Ministry of Economy and Finance and the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the management of the Project, the Ministry of Economy and Finance and the Asian Development Bank and should not be distributed to or used by any other parties.

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

23 August 2016

Ministry of Labour and Vocational Training

Technical and Vocational Education and Training Sector Development Project
ADB Loan No. 3167 – CAM (SF)

Statement of financial position as at 31 December 2015

	Note	As at 31 December 2015 US\$
Current assets		
Cash and bank balances	3	<u>945,714</u>
Represented by:		
Fund balance at end of the period		<u>945,714</u>

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

Ministry of Labour and Vocational Training

Technical and Vocational Education and Training Sector Development Project ADB Loan No. 3167 – CAM (SF)

Statements of receipts and expenditure and the first generation imprest account for the period from 9 January 2015 to 31 December 2015

	Note	Period from 9 January 2015 to 31 December 2015 US\$
Receipts	4	
Asian Development Bank		1,000,000
		<hr/>
Expenditure by disbursement category	5	
Training	6	48,978
Incremental operation and maintenance costs	7	5,308
		<hr/>
		54,286
		<hr/>
Excess of receipts over expenditure/Fund balance at the end of the period		945,714
		<hr/>

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

Ministry of Labour and Vocational Training

Technical and Vocational Education and Training Sector Development Project ADB Loan No. 3167 – CAM (SF)

Notes to the financial statements **for the period from 9 January 2015 to 31 December 2015**

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

1. Background and activities

The loan Agreement No. 3167 – CAM (SF) for Technical and Vocational Education and Training Sector Development Project (“the Project”) between the Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance) was signed on 27 October 2014. The agreement includes ADB Loan No. 3167 – CAM (SF), where the ADB agreed to offer loan amounting to Special Drawing Rights 14,895,000.00 equivalent to US\$23 million at the time of loan negotiation and RGC will contribute US\$2.43 million and in-kind government contribution of US\$0.17 million in office space and office equipment. The Project is estimated to be cost at US\$25.60 million.

The Project is effective from 9 January 2015 and is expected to be completed by 31 December 2019.

The objective of the Project is an accessible, demand-driven Technical Vocational Education Training (“TVET”) system responsive to continuing and emerging labour market demands in Cambodia. The Project shall comprise the following outputs:

- (a) Increased Access to TVET Programs
- (b) Improved Quality and Relevance of TVET System
- (c) Increased Involvement of Employers in TVET Delivery
- (d) Strengthened Governance and Management in TVET System

The principal amount of ADB Loan No. 3167 – CAM (SF) is repayable on a semi-annually instalment commencing from 1 October 2022 and ending on 1 April 2046. An interest rate of 1% per annum during the period prior to the payment of the first principal amount of the loan, and 1.5% per annum, thereafter, on the amount of loan withdrawn from the ADB and outstanding balance from time to time. The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the ADB Loan No. 3167 – CAM (SF) and the allocation of amounts of the Loan to each such category:

Ministry of Labour and Vocational Training

Technical and Vocational Education and Training Sector Development Project
ADB Loan No. 3167 – CAM (SF)

Notes to the financial statements (continued)
for the period from 9 January 2015 to 31 December 2015

1. Background and activities (continued)

Category			ADB Financing
No.	Item	Total Amount Allocated for ADB Financing (SDR) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Civil works	1,418,000	100% of total expenditure claimed*
2	Mechanical and equipment	2,461,000	100% of total expenditure claimed*
3	Consulting services	2,442,000	100% of total expenditure claimed*
4	Training	5,730,000	100% of total expenditure claimed*
5	Start-up costs** and contracts	1,056,000	100% of total expenditure claimed*
	Incremental operations and maintenance costs***	389,000	100% of total expenditure claimed*
6	Interest charge	479,000	100% of amounts due
7	Unallocated	920,000	
	Total	14,895,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

** Start-up cost for delivering Cambodian Qualifications Framework (“CQF”) level 2 and above training by public TVET institutions.

*** Exclusive of salary supplements for Borrower's counterpart staff.

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 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, 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 the advanced payments made to staff and suppliers that are initially recognised as a receivable and only recognised as payments when they have been liquidated by supporting invoices.

Ministry of Labour and Vocational Training

Technical and Vocational Education and Training Sector Development Project ADB Loan No. 3167 – CAM (SF)

Notes to the financial statements (continued) for the period from 9 January 2015 to 31 December 2015

2. Significant accounting policies (continued)

(b) Statements of receipts and expenditure and the first generation imprest account

The statements of receipts and expenditure and the first generation 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) Contribution in kind

The office space and office equipment are in-kind contribution from the government and are not accounted for in the financial statements.

(e) Foreign currency transactions

The Project transacts its business 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. 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.

3. Cash and bank balances

	As at 31 December 2015 US\$
Cash at bank	945,591
Cash on hand	123
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	945,714
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Ministry of Labour and Vocational Training

Technical and Vocational Education and Training Sector Development Project ADB Loan No. 3167 – CAM (SF)

Notes to the financial statements (continued)
for the period from 9 January 2015 to 31 December 2015

4. Receipts

The receipts from Asian Development Bank Loan No. 3167 – CAM (SF) were paid into the first generation imprest account co-held by the Ministry of Economy and Finance (“MEF”) and Ministry of Labour and Vocational Training at the National Bank of Cambodia. This is a separate bank account held exclusively for ADB Loan No. 3167.

5. Expenditure by disbursement category and financier

Particulars	ADB Loan No. 3167			Total US\$
	% of financing	Actual expenditure		
	%	US\$	%	
Training	100	48,978	100	48,978
Incremental operation and maintenance costs	100	5,308	100	5,308
Total payments – for the period from 9 January 2015 to 31 December 2015	100	54,286	100	54,286
% of total project costs – for the period from 9 January 2015 to 31 December 2015		0.21%		0.21%

6. Training

This represents the expenses for conducting the workshops on Competency-Based Education and Training (CBET) Program in Regional Polytechnic Institute Techo Sen Battambang (“RPITSBB”), and the workshop on Southeast Asia – Technical Vocational Education Training (“SEA-TVET”) on Harmonisation and Motility’ in Siem Reap. These expenses include per diems, subsistence allowance, photo copy and hand-outs, venue, refreshments, flower, car rent and backdrop.

7. Incremental operation and maintenance costs

	Period from 9 January 2015 to 31 December 2015 US\$
Stationeries and photocopy	2,446
Internet and communication	1,626
Advertisement	1,236
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	5,308
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Ministry of Labour and Vocational Training

Technical and Vocational Education and Training Sector Development Project ADB Loan No. 3167 – CAM (SF)

Notes to the financial statements (continued)
for the period from 9 January 2015 to 31 December 2015

8. Statement of disbursement

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

		Period from 9 January 2015 to 31 December 2015 US\$
ADB Fund claims during the period		
Initial advance	(A)	1,000,000
Total expenditure made during the period	(B)	54,286
<i>Expenditure incurred but not yet claim</i>	(C)	(54,286)
<i>Remaining initial advanced during the period</i>	(D)	1,000,000
Total eligible expenditure claimed (A=E=B+C+D)	(E)	1,000,000

9. Commitment

As at 31 December 2015, the Project has the commitment in respect of incentive fees to be paid to government staff amounting to US\$39,310.

There are 33 government staff who were appointed to work for the Project by the Ministry of Labour and Vocational Training under Prakas no. 284 dated 13 November 2014 and Letter no. 4699 dated 23 June 2016, from the Ministry of Economy and Finance and fully funded by the Government Counterpart Fund.

10. Comparative figures

There are no comparative figures as this is the first set of financial statements prepared since the commencement of the Project.