

Audited Project Financial Statements

Project Number: 46293-003
Loan Number: 3156-LAO (SF)
Period covered: 14 January – 30 September 2015.

Lao People's Democratic Republic: GMS Tourism Infrastructure for Inclusive Growth Project

Prepared by Ministry of Information, Culture and Tourism.

For the Asian Development Bank
Date received by ADB: 31 March 2016.

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 Public Communications Policy 2011 and as agreed between ADB and the Ministry of Information, Culture and Tourism.



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**Greater Mekong Subregion Tourism Infrastructure for
Inclusive Growth Project**

ADB Loan No: 3156-LAO (SI)

Tourism Development Department
Ministry of Information, Culture and Tourism

Financial Statements

And

Independent Auditors' Report

For the period from 14 January to
30 September 2015

GMS Tourism Infrastructure for Inclusive Growth Project. ADB Loan No: 3156-LAO (SF)
For the period from 14 January to 30 September 2015

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Project information

Background	The Greater Mekong Su-region (GMS) Tourism Infrastructure for Inclusive Growth Project (Loan number 3156-LAO, "the project") in the Lao PDR was approved by Asian Development Bank (ADB) on 8 September 2014 for USD40 million and became effective on 14 January 2015. The Government will contribute USD3.57 million equivalents towards the project's total cost of USD43.57 million for a period of 5 years from 2015 to 2020.
Project Objectives and activities	The expected impact of the Project shall be increased tourism employment for men and women living within the underdeveloped segments of GMS central corridor. The expected outcome of the Project shall be increased tourism receipts in the Participating Provinces of Champassak, Khammouane, Luangprabang, and Oudomxay. The Project comprise of 4 outputs: (a) Improved Last-Mile Tourism Access Infrastructure (b) Improved Environmental Services in Cross-border Tourism Centers (c) Strengthened Institutional Capacity to Promote Inclusive Tourism Growth (d) Effective Project Implementation and Knowledge Management
Project start date	14 January 2015
Funding agency	Asian Development Bank (ADB)
Executing Agency	The Department of Information, Culture, and Tourism, The Ministry of Information, Culture and Tourism
Implementing agency	The Department of Information Culture and Tourism (DICT) of Champassak, Khammouane, Luangprabang, and Oudomxay province
Project Management	Mr. Thavipheth Oula, Deputy Director General and Project Manager
Registered office	The Department of Information, Culture, and Tourism, The Ministry of Information, Culture and Tourism, Lanexang Avenue, Chanthabuly district, Vientiane, Lao PDR
Auditors	Accmin Consulting and Services Co., Ltd Nongteng Road, Sikhottabong district, Vientiane Capital, Lao PDR

Statement by the Project Management

13 January 2016

The Executing Agency, Department of Information, Culture, and Tourism, has established a Project Coordination Unit (PCU) in Vientiane that contains all project records and documents.

The PCU has its own imprest account and is responsible for producing financial statements of its activities. The PCU is also responsible for producing consolidated financial statements for the entire project which include financial information from 4 Project Implementation Units (PIU) of Champassak, Khammouane, Luangprabang, and Oudomxay province.

Each project implementation unit has their own sub-project account and is responsible for producing financial statements of their activities.

The financial statements are the responsibility of the project management. The following components of the financial statements and statement of expenditure summarise the project's position and performance:

- Statement of Sources and Uses of Funds
- Statement of Fund Balances
- Notes to the statements of Sources and Uses of Funds and Fund Balances


As responsible officials, we do hereby state that the financial statements, to the best of our knowledge and belief:

- Have been prepared in accordance with the donor's requirements;
- Are prepared, in all material respects of the Statement of Fund Balances of the project as of 30 September 2015 and its Receipt and Payments for the period from 14 January to 30 September 2015 in accordance with the project's own accounting policy set out in note 2.

The project management also confirm that:

- The project has utilized all proceeds of ADB's loan only for purposes of the project;
- The project is in compliance with the financial covenants of the loan agreement.
- The project is in compliance with the imprest fund procedure which includes imprest account and sub-accounts and we confirm that the imprest account and sub-accounts gives a true and fair view of the receipts collected and payments made; and supports imprest and sub-account- liquidations and replenishments during the year.
- The project is in compliance with the Statement of Expenditure (SOE) procedures and we confirm that adequate supporting documentation has been maintained to support claims to ADB for reimbursement of expenditures incurred and that the expenditures are eligible for financing under the loan agreement.

On behalf of the project management:


M. Thatiphet Oula, Deputy

Director General and Project Manager

The Department of Information, Culture, and Tourism

The Greater Mekong Su-region (GMS) Tourism Infrastructure for Inclusive Growth Project



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Independent Auditor's Report To the Management of the Greater Mekong Sub-region (GMS) Tourism Infrastructure for Inclusive Growth Project

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying Financial Statements of The Greater Mekong Sub-region (GMS) Tourism Infrastructure for Inclusive Growth Project ("the Project") which comprises Statement of Sources and Uses of Funds from 14 January to 30 September 2015 and Statement of Fund Balances and a summary of significant accounting policies and other explanatory notes.

PROJECT MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation of these financial statements in accordance with the project's accounting policy set out in the notes 2 of this report, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 the auditor's 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, the auditor considers 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 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.



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AUDITOR'S OPINION

In our opinion, the financial statements of The Greater Mekong Sub-region (GMS) Tourism Infrastructure for Inclusive Growth Project ("the Project") are prepared, in all material respects, in accordance with the project's accounting policy set out in note 2 of this report.

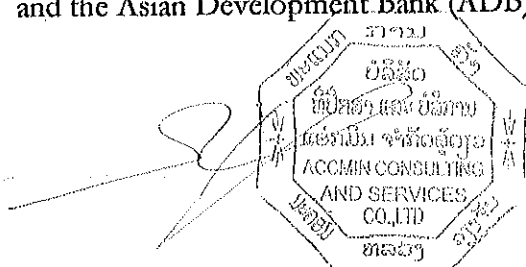
REPORT ON COMPLIANCE WITH FINANCIAL GOVERNANCE

In our opinion,

- The project has utilized, in all material respects, of all proceeds of ADB's loan only for purposes of the project.
- The project is, in all material respects, in compliance with the financial covenants of the loan agreement.
- The project is, in all material respects, in compliance with the imprest fund procedure which includes imprest account and sub-accounts and that the imprest account and sub-accounts are prepared, in all material respects, of the receipts collected and payments made; and support imprest and sub-account- liquidations and replenishments during the year.
- The project is, in all material respects, in compliance with the Statement of Expenditure (SOE) procedures and that adequate supporting documentation has been maintained, in all material respects, to support claims to ADB for reimbursement of expenditures incurred and that the expenditures are eligible for financing under the loan agreement except matter specified in the note 4 of the financial statements.

BASIS OF ACCOUNTING AND RESTRICTION ON DISTRIBUTION AND USE

Without modifying our opinion, we draw attention to the Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the project to comply with the financial reporting requirements of the Asian Development Bank (ADB) and Government of Laos. As a result, the financial statements may not be suitable for another purpose. This report is intended solely for the information and use of the project management, and the Asian Development Bank (ADB) and not for other purposes.



Accmin Consulting and Services Co., Ltd.

Khampiew Thiphavongphanh

Director

Date: 08 February 2016

Vientiane Capital, Lao PDR

Statement of Sources and Uses of Funds

For the period from 14 January to 30 September 2015

	Note	14 January to 30 September 2015 (USD)
SOURCES OF FUNDS		
Funds transferred from ADB	3	1,000,000
Counterpart contribution-Cash	3	12,656
Exchange gains		7
TOTAL SOURCES OF FUNDS		<u>1,012,663</u>
USES OF FUNDS		
1 Works		-
2 Equipment	5	115,207
3 Consulting Services	6	162,176
4 Capacity Building and Training	7	200,966
5 Recurrent Costs	8	123,268
6 Exchange losses		37
TOTAL USES OF FUNDS		<u>601,653</u>
NET SURPLUS		<u>411,010</u>

Accompanying notes on pages 9 to 12.



Mr. Thayiphet Oula,

Deputy Director General and Project Manager

The Department of Information, Culture, and Tourism

The Greater Mekong Su-region (GMS) Tourism Infrastructure for Inclusive Growth Project

Statement of Sources and Uses of Funds by location

For the period from 14 January to 30 September 2015

	14 January to 30 Sep 2015						Total
	Special Account	Project Coordination Unit	PIU-LPB	PIU-ODX	PIU-KM	PIU-CPS	
SOURCES OF FUNDS							
Funds transferred from ADB	1,000,000						1,000,000
Counterpart contribution-Cash	-		63	12,470	62	62	12,656
Transfer to sub imprest accounts	(803,800)	588,508	60,961	56,649	52,173	45,509	0
Exchange gains			7		1		7
TOTAL SOURCES OF FUNDS	196,200	588,508	61,030	69,119	52,235	45,571	1,012,663
USES OF FUNDS							
Works		-	-	-	-	-	-
Equipment		28,936	22,683	27,860	20,769	14,959	115,207
Consulting Services		162,176	-	-	-	-	162,176
Capacity Building and Training		128,717	20,193	22,834	14,885	14,337	200,966
Recurrent Costs		54,696	17,983	18,333	16,302	15,953	123,268
Exchange losses		5	-	32	-	-	37
TOTAL USES OF FUNDS	-	374,529	60,859	69,059	51,956	45,250	601,653
NET SURPLUS	196,200	213,979	170	60	279	321	411,010

Accompanying notes on pages 9 to 12.



Mr. Thavipheth Oula, Deputy
Director General and Project Manager
The Department of Information, Culture, and Tourism
The Greater Mekong Su-region (GMS) Tourism Infrastructure for Inclusive Growth Project

Statement of Fund Balances

As at 30 September 2015

For the year ended 30
September 2015 (USD)

OPENING FUND BALANCE	<u>-</u>
Current Assets	-
Cash at Bank	-
Cash on hand	-
Advances	-
Current Liabilities	-
Accounts Payables	-
NET RECEIPTS	<u>411,010</u>
CLOSING FUND BALANCE	<u>411,010</u>
Represented by:	
Current Assets:	411,010
Cash at Bank	410,345
Cash on hand	665
Advances and receivables	-
Current liabilities	-
Accounts Payables	-

Accompanying notes on pages 9 to 12.



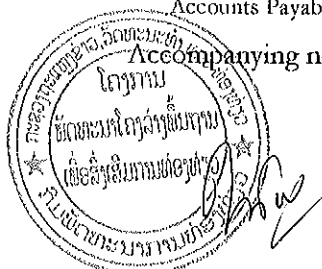
Mr. Thavipheth Oula, Deputy
Director General and Project Manager
The Department of Information, Culture, and Tourism
The Greater Mekong Su-region (GMS) Tourism Infrastructure for Inclusive Growth Project

Statement of Fund Balances by location

As at 30 September 2015

	For the year ended 30 September 2015 (USD)						
	Special Account	Project Coordination Unit	PIU-LPB	PIU-ODX	PIU-KM	PIU-CPS	Total
OPENING FUND BALANCE	-	-	-	-	-	-	-
Current Assets	-	-	-	-	-	-	-
Cash at Bank	-	-	-	-	-	-	-
Cash on hand	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-
Current Liabilities	-	-	-	-	-	-	-
Accounts Payables	-	-	-	-	-	-	-
NET RECEIPTS	<u>196,200</u>	<u>213,978</u>	<u>170</u>	<u>61</u>	<u>279</u>	<u>321</u>	<u>411,010</u>
CLOSING FUND BALANCE	<u>196,200</u>	<u>213,978</u>	<u>170</u>	<u>61</u>	<u>279</u>	<u>321</u>	<u>411,010</u>
Represented by:							
Current Assets:	196,200	213,978	170	61	279	321	411,010
Cash at Bank	196,200	213,881	64	61	80	58	410,345
Cash on hand	-	97	106	-	199	263	665
Advances and receivables	-	-	-	-	-	-	-
Current liabilities	-	-	-	-	-	-	-
Accounts Payables	-	-	-	-	-	-	-

Accompanying notes on pages 9 to 12.



Mr. Thaviphet Oula, Deputy
Director General and Project Manager
The Department of Information, Culture, and Tourism
The Greater Mekong Su-region (GMS) Tourism Infrastructure for Inclusive Growth Project

Notes to the Statements of Receipts and Payments and Fund Balances
As at 30 September 2015

1. Project Status

The Executing Agency, Department of Information, Culture, and Tourism, has established a Project Coordination Unit (PCU) in Vientiane that contains all project records and documents.

The PCU has its own imprest account and is responsible for producing financial statements of its activities. The PCU is also responsible for producing consolidated financial statements for the entire project which include financial information from 4 Project Implementation Units (PIU) of Champassak, Khammouane, Luangprabang, and Oudomxay province.

Each project implementation unit has their own sub-project account and is responsible for producing financial statements of their activities.

Capacity for the Executing Agency and the implementing agencies is being strengthened.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with cash basis of accounting which is generally used by the project funded by donors. Fund receipts are accounted for when they are actually granted and received from donors and others, and expenses are recognised when actual payments are made.

Direct payment made by donor to supplier is considered as fund receipts and payments.

Advance payments for activity implementation are treated as assets until advance settlement is made and this will recognize as payments with supporting documents.

(b) Currency and foreign exchange

The project maintains its accounting records in both Lao Kip and United States Dollar ("USD"). Expenditure made in Lao Kip and other currencies during the period were translated into USD at the exchange rate of the payment date. United States Dollar ("USD") is the reporting currency.

(c) Fixed assets and depreciation

The cost of fixed assets is charged as expenditure at the time of purchase. Fixed assets purchased are charged to the expenditure categories to which they relate. The project maintains a fixed assets register, which includes vehicles, computers, office equipment and furniture, for control purposes.

3. Fund receipts

*GMS Tourism Infrastructure for Inclusive Growth Project. ADB Loan No: 3156-LAO (SF)
For the period from 14 January to 30 September 2015*

This represents funds received by the project from Asian Development Bank (ADB) for the period from 14 January to 30 September 2015. There is only initial advance of 1 million USD from ADB during the period.

4. Uses of Funds

From the period of 14 January to 30 September 2015, there are discrepancies between the expenditure reported in the quarterly reports to ADB and the expenditure reported in the project consolidated reports from Project Coordination Unit and Provincial Implementing Units. The discrepancies are outlined below:

	From 14 January to 30 Set 2015 (USD)	Per quarterly report to ADB (USD)	Variance (USD)
Equipment	115,207	129,886	14,679
Consulting Services	162,176	162,674	498
Capacity Building and Training	200,966	180,414	(20,551)
Recurrent Costs	123,268	187,116	63,848
TOTAL	601,616	660,090	58,474

5. Equipment

These costs include purchase of equipment and computers by each project office. The cash contribution of USD6,340 from the government of Oudomxay province is used to purchase a pick up with a shared cost with the government agencies. This is not part of the approved budget plan however this is additional cash contribution from the government of Oudomxay province.

	14 January to 30 Sept 2015 (USD)					Total
	Project Coordination Unit	PIU- LPB	PIU- ODX	PIU-KM	PIU- CPS	
Output 1	-	-	-	-	-	-
Output 2	-	-	-	-	-	-
Output 3	7,239	1,043	-	3,372	3,402	15,056
Output 4	21,697	21,640	27,860	17,397	11,557	100,151
Total	28,936	22,683	27,860	20,769	14,959	115,207

6. Consulting Services

This cost is the fee for project long term and short term consultants

	14 January to 30 Sept 2015 (USD)					
	Project Cental Unit	PIU- LPB	PIU- ODX	PIU-KM	PIU- CPS	Total
Output 1	-	-	-	-	-	-
Output 2	-	-	-	-	-	-
Output 3	2,008	-	-	-	-	2,008
Output 4	160,168	-	-	-	-	160,168
Total	162,176	-	-	-	-	162,176

7. Capacity Building and Training

The cash contribution of USD6,069 from the government of Oudomxay province is used to organize a workshop and awareness campaign to villagers around Chom Ong cave. This is not part of the approved budget plan however this is additional cash contribution from the government of Oudomxay province.

	14 January to 30 Sept 2015 (USD)					
	Project Cental Unit	PIU- LPB	PIU- ODX	PIU-KM	PIU- CPS	Total
Output 1	-	-	3,982	-	-	3,982
Output 2	-	-	-	-	-	-
Output 3	71,705	14,998	15,230	10,927	8,595	121,455
Output 4	57,012	5,194	3,622	3,958	5,742	75,529
Total	128,717	20,193	22,834	14,885	14,337	200,966

8. Recurrent Costs

	14 January to 30 Sept 2015 (USD)					
	Project Cental Unit	PIU- LPB	PIU- ODX	PIU-KM	PIU- CPS	Total
Output 1	-	-	-	-	-	-
Output 2	-	-	-	-	-	-
Output 3	1,936	-	-	-	-	1,936
Output 4	52,760	17,983	18,333	16,302	15,953	121,332
Total	54,696	17,983	18,333	16,302	15,953	123,268

9. Comparative figures

There are no cumulative figures since this is the first year of the project's implementation.