

21 APR 2015

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**Department of Planning
Ministry of Planning and Investment
Mainstreaming Disaster and Climate Risk
Management into Investment Decisions**

**Financial Statements
and
Independent Auditors' Report
Year ended 30 September 2014**

Public Disclosure Authorized

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Project information

Project	Mainstreaming Disaster and Climate Risk Management into Investment Decisions
Funding agencies	International Development Association (“IDA”) and Policy and Human Resources Development (“PHRD”)
Duration	1 February 2012 to 30 January 2016
Implementing agency	Department of Planning Ministry of Planning and Investment
Project director	Mr. OuneheuaneChittaphong (Deputy Director General of Department of Planning)
Registered Office	Ministry of Planning and Investment Department of Planning SithanNeua Village, Sikhotabong District Vientiane, Lao PDR Tel & Fax 856 21 216719
Auditors	KPMG Lao Co., Ltd.



Lao People's Democratic Republic
Peace Independent Democracy Unity Prosperity

Ministry of Planning and Investment
Department of Planning
Sithanneua Village, Sikhotabong District
Vientiane, Lao PDR
Tel & Fax +856 21 216719

Statement of management's responsibilities

It is the responsibility of management to prepare financial statements for the year ended 30 September 2014, which give a true and fair view of the state of affairs of the Mainstreaming Disaster and Climate Risk Management into Investment Decisions Project ("Project") as at the end of the period and of the surplus or deficit for that period. In preparing those financial statements, management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Maintain financial records and prepare the financial statements in accordance with the policies and procedures of the Mainstreaming Disaster and Climate Risk Management into Investment Decisions Project; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Project will continue its operations.

Project Management of Mainstreaming Disaster and Climate Risk Management into Investment Decisions Project is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Project. Members of project management have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Project and to prevent and detect fraud and other irregularities.

Project Management confirms that the Project has complied with the above requirements in preparing the financial statements.

On behalf of the management:



Mr. Ouneheuane Chittaphong
Deputy Director General
Department of Planning
Ministry of Planning and Investment

Ms. Viengngeun Sihalath
Deputy Director
Division of General Planning
Department of Planning
Ministry of Planning and Investment

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KPMG Lao Co., Ltd
3rd - 4th floor, 37 K.P. Tower
23 Singha Road
Ban Phonexay, Saysettha District
P.O. Box 6978
Vientiane Capital, Lao PDR

Telephone + 856 (21) 454240-7
Fax + 856 (21) 900347
Email infolao@kpmg.com

Independent Auditors' Report

To the Project Management, Department of Planning, Ministry of Planning and Investment

We have audited the accompanying statement of cash receipts and payments, the statement of the designated bank account and the comparison of budget and actual payments of the Mainstreaming Disaster and Climate Risk Management into Investment Decisions Project ("the Project") as at and for the year ended 30 September 2014, and notes, comprising of a summary of significant accounting policies and other explanatory information (together "the financial statements"). The financial statement has been prepared by management using Cash Basis International Public Sector Accounting Standard described in Note 2.

Management's Responsibility for the Financial Statements

Project Management is responsible for the preparation of this financial statement in accordance with the Cash Basis International Public Sector Accounting Standard ("*Financial Reporting under the Cash Basis of Accounting*") described in Note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the 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 our judgement, 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.

Opinion

In our opinion, the financial statements as at and for the year ended 30 September 2014 is prepared in all material respects, in accordance with the Cash Basis International Public Sector Accounting Standard described in Note 2.

Ministry of Planning and Investment
 Department of Planning
 Mainstreaming Disaster and Climate Risk Management into Investment Decisions

Statement of cash receipts and payments
 for the year ended 30 September 2014

	Note	Year ended 30 September 2014 USD	1 February 2012 to 30 September 2013 USD
Receipts	3	607,371	191,897
Payments			
Consultants' services	5	559,207	51,675
Goods		-	36,959
Incremental operating costs		17,426	9,020
Training and workshops	6	52,492	4,998
Total payments		629,125	102,652
(Deficit)/Excess of receipts over payments		(21,754)	89,245
Fund balance at the beginning of the period		89,245	-
Fund balance at the end of the period		67,491	89,245
Represented by			
Cash on hand and at banks	4	62,953	89,245
Advances		4,538	-
		67,491	89,245

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



Mr. Ouneheuang Chittaphong
 Deputy Director General
 Department of Planning
 Ministry of Planning and Investment

06 APR 2015

Ms. Viengngeun Sihlath
 Deputy Director
 Division of General Planning
 Department of Planning
 Ministry of Planning and Investment

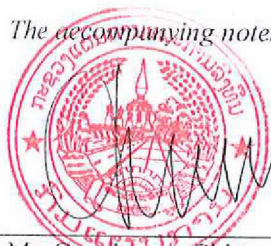
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Ministry of Planning and Investment
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*Statement of designated bank account
 for the year ended 30 September 2014*

	Note	Year ended 30 September 2014 USD	1 February 2012 to 30 September 2013 USD
Receipts	3	607,371	191,897
Payments			
Increase in advance		(4,538)	-
Payments made out of Project accounts		(629,125)	(102,652)
Increase in cash on hand		(849)	-
Increase of cash at Project accounts		(7,937)	-
Fund balance at the beginning of the period		89,245	-
		<u>(553,204)</u>	<u>-</u>
Excess of receipts over payments		<u>54,167</u>	<u>89,245</u>
Represented by			
Cash at designated bank account	4	<u>54,167</u>	<u>89,245</u>

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



Mr. Oumchouane Chittaphong
 Deputy Director General
 Department of Planning
 Ministry of Planning and Investment

06 APR 2015



Ms. Viengngeun Sihath
 Deputy Director
 Division of General Planning
 Department of Planning
 Ministry of Planning and Investment

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Notes to the financial statements (continued)

for the year ended 30 September 2014

This table represents the use of funds by category and detailed activities, as set out in the Project Appraisal Document ("PAD"), compared with the current revised budget plan. (*Revised budget plan to IDA dated 29 September 2014)

Category's' Description	Actual		Revised budget plan*		Variance			PAD	Remaining budget as at 30 September 2014 (USD)
	For the year ended 30 September 2014 (USD)	Cumulative to date (USD)	For the year ended 30 September 2014 (USD)	Cumulative to date (USD)	For the year ended 30 September 2014 (USD)	Cumulative to date (USD)	Cumulative to date (USD) %		
C1 Consultants' Services									
C1.1 Risk Assessment	145,950	145,950	145,950	145,950	-	-	-	243,250	97,300
C1.2 Mainstreaming Disaster and Climate Risk Management into Investment	145,920	145,920	145,920	145,920	-	-	-	243,200	97,280
C1.3 Institutional Strengthening and Capacity Building	39,840	39,840	39,840	39,840	-	-	-	66,400	26,560
C1.4 Pilot Project in two Disaster-prone province	-	-	-	-	-	-	-	17,645	17,645
C1.5 Monitoring and Evaluation	33,000	33,000	33,000	33,000	-	-	-	55,000	22,000
C1.6 Project Management	194,497	246,172	194,497	246,172	-	-	-	400,355	154,183
Total Category 1 Consultants' Services	559,207	610,882	559,207	610,882	-	-	-	1,025,850	414,968
C2 Goods									
C2.1 Institutional Strengthening and Capacity Building	-	36,959	-	36,959	-	-	-	36,600	(359)
Total Category 2 Goods	-	36,959	-	36,959	-	-	-	36,600	(359)
C3 Civil works									
C3.1 Pilot Project in two Disaster-prone province	-	-	-	-	-	-	-	1,218,000	1,218,000
Total Category 3 Civil works	-	-	-	-	-	-	-	1,218,000	1,218,000
C4 Training and Workshops									
C4.1 Institutional Strengthening and Capacity Building	52,298	57,296	52,298	57,296	-	-	-	190,000	132,704
C4.2 Project Management	194	194	194	194	-	-	-	-	(194)
Total Category 4 Training and workshop	52,492	57,490	52,492	57,490	-	-	-	190,000	132,510
C5 Incremental Operating Cost (IOCs)									
C5.1 Project Management	17,426	26,446	17,426	26,446	-	-	-	247,550	221,104
Total Category 5 Incremental Operating Cost	17,426	26,446	17,426	26,446	-	-	-	247,550	221,104
Total	629,125	731,777	629,125	731,777	-	-	-	2,718,000	1,986,223

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Notes to the financial statements (continued)
for the year ended 30 September 2014

Analysis of variances between actual and budget payments

There was no difference in budget plan and actual expenditures due to the budget plan was revised.

The budget was revised by the project management in order:

- 1) to get the extension for closing of the project by 30 January 2016 (initially planned to close on 30 January 2015); and
- 2) to assess the exact availability of funds in the last period before closing of the project

Category 1: Consultants' Services

During quarter 3 in June 2014, the project started recruitment of external audit to perform the audit service and agreed to sign a contract amendment with Asian Disaster Preparedness in June 2014 to support the topographic survey and soil investigation for pilot sites. This period the actual payment was USD 559,207 related to consultant service for Risk Assessment USD 145,950, Mainstreaming Disaster and Climate Risk Management into Investment USD 145,920, Institutional Strengthening and Capacity Building USD 39,840, Monitoring & Evaluation USD 33,000 and Project Management USD 194,497.

Category 2: Goods

During the period was no expenditure due to the procurement of goods completed.

Category 3: Civil works

The project was in the initial phase of its operations, during the period no budget was allocated to civil work activities.

Category 4: Training and Workshop

During this reporting period several trainings were organized. The total expenditure USD 52,492 were allocated for The Technical Working Group (TWG) meeting on Risk Assessment (TWG-RA) of the Mainstreaming Disaster and Climate Risk Management into Investment Decisions Project (MDCID) was held on 21 – 22 November 2013, The Technical Working Group (TWG) meeting on Institution and Capacity Building and Mainstreaming DRM/CRM into Investment Decisions were conducted on 12 -13 November 2013, training for National and Provincial Government officials on Comprehensive Multi-Hazard Risk Assessment in Lao PDR under the Mainstreaming Disaster and Climate Risk Management into Investment Decisions Project (MDCID) was held on 17 – 19 February 2014, Training on Strengthening the available Geographic Information System and Disaster Risk Database took place on 17-21 February 2014, the Technical Working Group (TWG) meeting on Mainstreaming DCRM into Investment held on 8 April 2014, training on “Comprehensive multi-hazard risk assessment” have been conducted for provincial and district government officials on 20-23 May 2014, The Technical Working Group (TWG) meeting on Mainstreaming Disaster and Climate Risk Management (DCRM) into Investment was held on 1 July 2014, Training on GeoNode web-platform for users and administrators was organized on 14-15 August 2014, National Level Trainings on “Resilient Infrastructure Design in Hazard Prone Areas” was conducted on August 28-29, 2014, Provincial Level Training on “Resilient Infrastructure

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Notes to the financial statements (continued)

for the year ended 30 September 2014

Category 4: Training and Workshop (continued)

Design in Hazard Prone Areas” was conducted on September 10-12, 2014, training for artisans on safer construction practice in disaster prone area for Road and Urban Housing Sector was held on 29-30, 2014.

Category 5: Incremental Operating Cost

The operating expenses were related to implementation of the project activities. During the period the actual expenditure for this category was USD 17,426.

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Notes to the financial statements (continued)
for the year ended 30 September 2014

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

1. Principal activities

The Mainstreaming Disaster and Climate Risk Management into Investment Decisions (“the project” or “TF011271”) is the grant fund provided by Japan (“Donor”) under the Policy and Human Resources Development (PHRD), the World Bank is acting as the administrator of the grant. The Project was assigned to the Department of Planning, Ministry of Planning and Investment.

The program aims to strengthen the institutional authority and implementation capacity of the Government of Lao PDR at national and sub-national levels to mainstream disaster risk management and climate change adaptation into public infrastructure investments, thereby decreasing the vulnerability of the population and national economy to climate change and natural hazards.

The Project was originally scheduled to close on 30 January 2015; however based on the request from Project management to complete the project activities the closing date has now been extended to 30 January 2016.

The project consists of the following parts:

Part A. Risk Assessment:

- (i) Identification of risks and integration of risk scenario in investment planning and policies to assist in the development of risk maps for the transportation, urban planning and irrigation sectors.
- (ii) Strengthening capacities in Geographic Information System (GIS) to analyze, interpret, apply and update risk assessment data.
- (iii) Provide training on risk assessment to relevant staff of Ministry of Planning (“MPI”), Ministry of Public Works and Transportation (“MPWT”) and Ministry of Agriculture and Forestry (“MAF”).

Part B. Mainstreaming Disaster and Climate Risk Management into Investments

Provision of technical assistance to MPI, MPWT and MAF to develop guideline and strategies to mainstream disaster risk management and climate change adaptation into the planning cycle and budgeting process based on and international knowledge, including capacity building (i) MPI to develop checklists and procedures that ensure disaster risk management is taken into account during the planning stage of public investment; and (ii) MPWT and MAF to develop building codes, technical standard specifications, manuals for the design and construction of public investment, and monitoring guidelines.

Part C. Institutional Strengthening and Capacity Building

Provision of technical assistances to build the capacity of the technical staff of MPI, MPWT, MAF and other relevant staff of line ministries at both central and provincial levels through on the job training and workshop, including: (i) enhanced training for MPI to fulfil its mandate in planning and monitoring public investment with disaster risk management; (ii) training on the building codes, the design and construction of resilient infrastructure and effective monitoring mechanism during implementation for engineering from MPWT and MAF at both central and local levels, as well as private sector and local communities.

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Notes to the financial statements (continued)
for the year ended 30 September 2014

1. Principal activities (continued)

Part D. Pilot Projects in two Disaster-Prone Provinces

Pilot the disaster-resilient construction practices developed under part B above in two disaster-prone provinces which will be identified in the risk assessment that will be carried out under part A above, through demonstration of said practices in construction and rehabilitation in selected sectors.

Part E. Monitoring and Evaluation

Provision of technical assistance to MPI, MPWT and MAF to strength their project monitoring and evaluation mechanism, including data collection and analysis, to prepare quarterly project report and to conduct semi-annual and end of project reviews.

Part F. Project Management

Provision of technical assistance to MPI, MPWT and MAF to establish a professional project management team to manage the overall implementation of the project, including preparation of procurement plan, annual work plan, budget, financial management and accounting, audits and monitoring and reporting.

As at 30 September 2014, the Project had 2 Staffs: One Project Accountant, and one Project Coordinator.

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the project in the preparation of these financial statements:

(a) Basis of financial statements preparation

The financial statements, which are expressed in United States Dollars (“USD”), have been prepared in accordance with the Cash Basis International Public Sector Accounting Standard (“*Financial Reporting under the Cash Basis of Accounting*”). The accounting policies have been applied consistently throughout the period.

(b) Fixed assets

All purchases of fixed assets are recorded as payments in the statement of cash receipts and payments upon acquisition. The Project maintains a fixed assets register for control purposes.

(c) Cash

Cash comprises cash on hand and balances with banks.

(d) Foreign exchange

The Project maintains its accounting records in USD in accordance with the financial agreement. All cash is held in USD. Transactions in currencies other than USD during the period have been translated into USD at rates approximating those ruling at the transaction dates. All exchange differences are recorded in the statement of cash receipts and payments.

(e) Accounting reporting period

The financial accounting year of the Government of the Lao PDR starts on 1 October and ends on 30 September.

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Mainstreaming Disaster and Climate Risk Management into Investment Decisions

Notes to the financial statements (continued)
for the year ended 30 September 2014

2. Summary of significant accounting policies (continued)

(f) The Mainstreaming Disaster and Climate Risk Management into Investment Decisions (“TF011271) categories of payments

(1) *Consultant Services*

These consist of payments to national and international consultants (individuals or firms).

(2) *Goods*

Goods consist of office equipment and furniture, vehicles, and computers and software.

(3) *Incremental Operating Costs*

These cover reasonable payments directly related to the Project made by an IA's. Advances are requested by IA's from the Project through formal advance request forms. They include consumable materials and supplies, communications (postage, telephone and internet), media and printing services, translation and interpretation services, office space rental and utilities, maintenance of office equipment, operation and maintenance, fuel costs, bank charges required for the Project, administrative support staff, and project staff travel, lodging and per diems. They exclude salaries (including bonuses, fees and honoraria or equivalent payments) of civil servants.

(4) *Training and Workshops*

Training and Workshops consists of Training, Workshop, Trainers travel and Accommodation.

(g) Comparison of budget and actual payments

The approved budget is developed on the same accounting basis (cash basis), same classification basis and for the same period as for the financial statements. The budget does not include un-cleared advances; the comparison of budget and actual payments includes reconciliation with the statement of cash receipts and payments.

(h) Receipt recognition

Fund receipt from Funding agencies (IDA and PHRD) and administered by World Bank is recognised as receipt when cash is credited to the project's designated account. The World Bank may make direct payments, at the Project's request, directly to a third party for eligible expenditures.

(i) Payments recognition

Payments incurred in the frame work of the Grant Agreement are recognised on the cash basis of accounting, i.e. when the payments are made.

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Mainstreaming Disaster and Climate Risk Management into Investment Decisions
 Notes to the financial statements (continued)
 for the year ended 30 September 2014

3. Receipts

	Year ended 30 September 2014 USD	1 February 2012 to 30 September 2013 USD
Direct payments on 15-Sep-2014	171,853	-
Receipts on 26-Aug-2014	22,629	-
Receipts on 23-Jun-2014	18,740	-
Direct payments on 28-Apr-2014	85,927	-
Receipts on 14-Apr-2014	11,315	-
Direct payments on 14-Apr-2014	85,926	-
Receipts on 24-Feb-2014	28,373	-
Receipts on 18-Oct-2013	10,755	-
Direct payments on 18-Oct-2013	171,853	-
Receipts on 1-Aug-2013	-	49,597
Receipts on 22-May-2013	-	4,120
Receipts on 18-Mar-2013	-	5,275
Receipts on 11-Mar-2013	-	6,011
Receipts on 9-Jan-2013	-	14,749
Receipts on 17-Oct-2012	-	85,340
Receipts on 28-Aug-2012	-	6,805
Receipts on 16-May-2012	-	20,000
Total Receipts	607,371	191,897

4. Cash on hand and at banks

	Year ended 30 September 2014 USD	1 February 2012 to 30 September 2013 USD
Cash at banks		
Designated bank account: Bank of Lao	54,167	89,245
Other bank accounts: Operating account	7,937	-
Total cash at banks	62,104	89,245
Cash on hand	849	-
	62,953	89,245

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 Department of Planning
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Notes to the financial statements (continued)
 for the year ended 30 September 2014

5. Consultants' Services

	Year ended 30 September 2014	1 February 2012 to 30 September 2013
	USD	USD
Risk Assessment	145,950	-
Mainstreaming Disaster and Climate Risk Management into Investment	145,920	-
Institutional Strengthening and Capacity Building	39,840	-
Monitoring and Evaluation	33,000	-
Project Management	194,497	51,675
	<u>559,207</u>	<u>51,675</u>

6. Training and workshops

	Year ended 30 September 2014	1 February 2012 to 30 September 2013
	USD	USD
Institutional Strengthening and Capacity Building	52,298	4,998
Project Management	194	-
	<u>52,492</u>	<u>4,998</u>

7. Commitments

The Project has outstanding commitments with international consultants as follows:

	Year ended 30 September 2014
	USD
Asian Disaster Preparedness Centre(ADPC)Project	362,675
Project Coordinator	9,200
Project Accountant and Administrator	3,166
Audit Consultant Service	24,090
	<u>399,131</u>