

**ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF EDUCATION, YOUTH AND SPORT**

Higher Education Improvement Project

Credit No. 6221 – KH

**Financial Statements
for the period from 17 September 2018
to 31 December 2019**

and

Report of the Independent Auditors

Ministry of Education, Youth and Sport

Higher Education Improvement Project

Credit No. 6221 – KH

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MINISTRY OF EDUCATION, YOUTH AND SPORT

No : MoEYS/Adm

Statement by the Project 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 2019, the statement of sources of funds and expenditures, and the statement of designated accounts for the period from 17 September 2018 to 31 December 2019 and notes as set out on pages 5 to 17 of the Higher Education Improvement Project ("the Project"), under the Financing Agreement Credit No. 6221 – KH funded by the International Development Association ("IDA") and the Royal Government of Cambodia ("RGC"), and implemented by the Ministry of Education, Youth and Sport ("MoEYS") 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 Financing Agreement and the Project was in compliance with all finance covenants of the Agreement for the period from 17 September 2018 to 31 December 2019. 

On behalf of the Project's management: 



H.E. Yuok Ngoy
Project Director
Secretary of State
Ministry of Education, Youth and Sport

Date: 30 June 2020



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Report of the independent auditors To the Ministry of Economy and Finance

Opinion

We have audited the financial statements of the Higher Education Improvement Project (“the Project”), under the Financing Agreement Credit No. 6221 – KH funded by the International Development Association (“IDA”) and the Royal Government of Cambodia (“RGC”), and implemented by the Ministry of Education, Youth and Sport (“the Executing Agency” or “EA” or “MoEYS”), which comprises the statement of financial position as at 31 December 2019, the statement of sources of funds and expenditures, and the statement of designated accounts for the period from 17 September 2018 to 31 December 2019 and notes, comprising significant accounting policies and other explanatory information, as set out on pages 5 to 17.

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 IDA. 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, the MEF, and the IDA and should not be used by other parties. The restriction on use does not limit the disclosure or distribution of our report if such disclosure or distribution is required by laws and regulations. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation 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 Executing Agency'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 Executing Agency'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 Executing Agency 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

Lim Chew Teng
Partner

Phnom Penh, Kingdom of Cambodia

30 June 2020

Ministry of Education, Youth and Sport

Higher Education Improvement Project

Credit No. 6221 – KH

Statement of financial position

As at 31 December 2019

| | Note | As at 31 December 2019 US\$ |
|-----------------------------------|------|-----------------------------------|
| Current assets | | |
| Cash on hand | | 446 |
| Cash at bank | 3 | 4,421,378 |
| Advances to Implementing Agencies | 4 | 1,023,491 |
| Net assets | | <u>5,445,315</u> |
| Represented by: | | |
| Fund balance at end of the period | | <u>5,445,315</u> |

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

Ministry of Education, Youth and Sport

Higher Education Improvement Project

Credit No. 6221 – KH

Statement of sources of funds and expenditures for the period from 17 September 2018 to 31 December 2019

| | Note | Period from 17 September 2018 to 31 December 2019 US\$ |
|--|------|---|
| Sources of funds | | |
| Fund receipts – initial advance | 5 | 6,733,728 |
| Expenditures by category | | |
| Goods | 7 | 656,511 |
| Consultants' services | 8 | 91,474 |
| Training and workshops | 9 | 479,644 |
| Incremental operating costs | 10 | 60,784 |
| | | <u>1,288,413</u> |
| Excess of sources of funds over expenditures | | 5,445,315 |
| Fund balance at beginning of the period | | - |
| Fund balance at end of the period | | <u>5,445,315</u> |
| Expenditures by components | | |
| | 6 | |
| Improve Teaching and Learning Capacity | | 492,432 |
| Improving Research in STEM and Agriculture | | - |
| Strengthening Sectoral Governance and Project Management | | 795,981 |
| Contingent Emergency Response | | - |
| | | <u>1,288,413</u> |

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

Ministry of Education, Youth and Sport

Higher Education Improvement Project

Credit No. 6221 – KH

Statement of designated accounts for the period from 17 September 2018 to 31 December 2019

| | Note | Period from 17 September 2018 to 31 December 2019 US\$ |
|---|------|---|
| Sources of funds | | |
| Fund receipts from IDA | 5 | 6,733,728 |
| Expenditures by category | | |
| Goods | 7 | 656,511 |
| Consultants' services | 8 | 91,474 |
| Training and workshops | 9 | 479,644 |
| Incremental operating costs | 10 | 60,784 |
| | | <u>1,288,413</u> |
| Excess of sources of funds over expenditures | | 5,445,315 |
| Fund balance at beginning of the period | | - |
| Fund balance at end of the period | | <u><u>5,445,315</u></u> |
| Represented by: | | |
| Cash on hand | | 446 |
| Cash at bank | 3 | 4,421,378 |
| Advances to Implementing Agencies | 4 | 1,023,491 |
| | | <u><u>5,445,315</u></u> |

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

Ministry of Education, Youth and Sport

Higher Education Improvement Project

Credit No. 6221 – KH

Notes to the financial statements for the period from 17 September 2018 to 31 December 2019

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

1. Background and activities

Higher Education Improvement Project (“HEIP” or “the Project”) was established by the Credit No. 6221 – KH on 26 April 2018 between the Kingdom of Cambodia (“the Recipient”) represented by the Ministry of Economy and Finance (“MEF”) and the International Development Association (“IDA”), agrees to extend to the Recipient a credit in amount equivalent to Special Drawing Rights 61.8 million (US\$90 million equivalent). Effective date of the Project was 17 September 2018. The contribution of the Royal Government of Cambodia is US\$2.50 million.

The Project is implemented by the Ministry of Education, Youth and Sport (“MoEYS”).

The principal amount of the credit is repayable at 1.5625% semi-annual instalments and service charge rate of 0.75% per annum on the withdrawn credit balance from the IDA. The principle and service charge shall be payable on 15 April and 15 October commencing on 15 October 2024 and ending on 15 April 2056. The Project is expected to be completed on 30 June 2024.

The objectives of the Project are to improve the quality and relevance of higher education and research mainly in science, technology, engineering and mathematics (“STEM”) and agriculture at targeted higher education institutions (“HIEs”), and to improve governance in the sector.

The Project consists of the following parts:

Part 1: Improving Teaching and Learning Capacity

1.1 Improving Teaching and Learning Capacity

Carrying out of a program of activities designed to improve the quality of teaching and learning mainly in STEM and agriculture fields in selected public HEIs.

1.2 Improving Institutional Capacity

Carrying out of a program of activities designed to improve the internal and external accountability of selected public HEIs in line with accreditation standards, through the provision of Grants to the selected public HEIs for the implementation of Subprojects comprising activities to strengthen the HEIs' institutional governance, financial and human resource management, and monitoring of graduates' participation in the labour market.

Ministry of Education, Youth and Sport

Higher Education Improvement Project

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**Notes to the financial statements (continued)
for the period from 17 September 2018 to 31 December 2019**

1. Background and activities (continued)

Part 1: Improving Teaching and Learning Capacity (continued)

1.3 Supporting Private HEIs

Carrying out of a program of activities designed to:

- (a) improve the quality of teaching and learning mainly in STEM and agriculture fields in selected private HEIs.
- (b) improve the internal and external accountability of selected private HEIs in line with accreditation standards,

Part 2: Improving Research in STEM and Agriculture

Carrying out of a program of activities designed to improve the quality and relevance of research in STEM and agriculture fields in selected public HEIs through the provision of Grants to the selected HEIs for the development and implementation of research Subprojects which result in peer reviewed publications.

Part 3: Strengthening Sectoral Governance and Project Management

3.1 Strengthening Sectoral Governance

Carrying out of a program of activities designed to strengthen the system of higher education through the improvement of quality assurance mechanisms, expansion of information systems, and development of legislation for autonomous HEIs.

3.2 Project Management and Monitoring and Evaluation

Carrying out of the day-to-day implementation, coordination, and management of Project activities including planning and execution, financial management, procurement, internal and external audits, environmental and social safeguards management, and monitoring, reporting and evaluation.

Part 4: Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

Ministry of Education, Youth and Sport

Higher Education Improvement Project

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Notes to the financial statements (continued) for the period from 17 September 2018 to 31 December 2019

1. Background and activities (continued)

The Project are implemented by the following:

- Ministry of Education, Youth and Sport – Project Management Unit (“PMU”);
- Royal University of Phnom Penh (“RUPP”);
- Institute of Technology of Cambodia (“ITC”);
- University of Battambang (“UBB”);
- Royal University of Agriculture (“RUA”);
- Svay Rieng University (“SRU”); and
- Accreditation Committee of Cambodia (“ACC”).

The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Component”), the allocations of the amounts of the Financing to each Component, and the percentage of expenditures to be financed for Eligible Expenditures in each Component:

| No. | Category | Amount of financing allocated (expressed in SDR) | Percentage of expenditures to be financed (Inclusive of taxes) |
|-----|--|--|--|
| 1 | Goods, works, non-consulting services, consulting services, Training and Operating Costs under Part 3 of the Project | 8,450,000 | 100% |
| 2 | Grants under Parts 1.1, 1.2 and 2 of the Project | 47,850,000 | 100% of amounts disbursed. |
| 3 | Grants under Part 1.3 of the Project | 5,500,000 | 100% of amounts disbursed. |
| 4 | Emergency Expenditures under Part 4 of the Project | 0 | 100% |
| | Total | 61,800,000 | |

The Recipient will provide US\$2.5 million contribution, which comprises of support of staff and researcher costs, office space and utilities.

Ministry of Education, Youth and Sport

Higher Education Improvement Project

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Notes to the financial statements (continued) for the period from 17 September 2018 to 31 December 2019

2. Significant accounting policies

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

(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 suppliers and Implementing Agencies (“IAs”) that are initially recognised as a receivable and only recognised as payments when they have been liquidated by supporting invoices.

The financial statements present sources and uses of funds and the related financial information in relation to the IDA fund withdrawals and disbursements from the Project's designated accounts together with the corresponding counterpart funds as specified under the Financing Agreement Credit No. 6221 – KH.

The financial statements do not include any fund receipts or expenditures relating to Disbursement-Linked Indicator (“DLI”) components.

(b) Statement of designated accounts

The statement of designated accounts is prepared in accordance with the Financing Agreement, and is purely used to receive and disburse for expenditure funded by the IDA.

(c) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of sources of funds and expenditures upon acquisition. For control and management purposes, a memorandum account for non-expendable equipment is maintained by way of a non-expendable equipment listing.

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Higher Education Improvement Project

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Notes to the financial statements (continued)
for the period from 17 September 2018 to 31 December 2019

2. Significant accounting policies (continued)

(d) Foreign currency transactions

The Project transacts its operations 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. Fund balances in currencies other than US\$ are translated into US\$ at the open market exchange rates at the reporting date. All foreign exchange differences are recognised in the statements of sources of funds and expenditures, and designated accounts.

3. Cash at bank

| | As at 31 December 2019 US\$ |
|---------------------------------------|-----------------------------------|
| International Development Association | 4,421,378 |

4. Advances to Implementing Agencies

It represents the advance to Implementing Agencies:

| | As at 31 December 2019 US\$ |
|-------------------------------------|-----------------------------------|
| University of Battambang | 329,008 |
| Institute of Technology of Cambodia | 304,964 |
| Svay Rieng University | 149,057 |
| Royal University of Agriculture | 90,648 |
| Accreditation Committee of Cambodia | 85,003 |
| Royal University of Phnom Penh | 64,811 |
| | <u>1,023,491</u> |

Ministry of Education, Youth and Sport

Higher Education Improvement Project

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Notes to the financial statements (continued)
for the period from 17 September 2018 to 31 December 2019

5. Fund receipts

| | Period from 17 September 2018 to 31 December 2019 US\$ |
|--|---|
| Initial advance from International Development Association | <u>6,733,728</u> |

6. Expenditures by components

| | Period from 17 September 2018 to 31 December 2019 US\$ |
|---|---|
| Improve Teaching and Learning Capacity | |
| Improving Teaching and Learning Capacity | 172,620 |
| Improving Institutional Capacity | 319,812 |
| | <u>492,432</u> |
| Strengthening Sectoral Governance and Project Management | |
| Strengthening Sectoral Governance | 161,519 |
| Project Management and Monitoring and Evaluation | 634,462 |
| | <u>795,981</u> |
| | <u>1,288,413</u> |

Ministry of Education, Youth and Sport

Higher Education Improvement Project

Credit No. 6221 – KH

Notes to the financial statements (continued) for the period from 17 September 2018 to 31 December 2019

7. Goods

| | Period from 17 September 2018 to 31 December 2019 US\$ |
|-----------------------------------|---|
| Materials and technical equipment | 90,250 |
| Transportation vehicles | 519,701 |
| Office equipment | 46,560 |
| | <hr/> |
| | 656,511 |
| | <hr/> <hr/> |

8. Consultants' services

| | Period from 17 September 2018 to 31 December 2019 US\$ |
|--------------------------------------|---|
| Contracted national consultants | 73,474 |
| Contracted international consultants | 18,000 |
| | <hr/> |
| | 91,474 |
| | <hr/> <hr/> |

9. Training and workshops

| | Period from 17 September 2018 to 31 December 2019 US\$ |
|------------------------------|---|
| Daily subsistence allowances | 316,360 |
| Refreshment | 16,078 |
| Training materials | 15,979 |
| Room and equipment rent | 84,487 |
| Travelling related expenses | 46,740 |
| | <hr/> |
| | 479,644 |
| | <hr/> <hr/> |

Ministry of Education, Youth and Sport

Higher Education Improvement Project

Credit No. 6221 – KH

Notes to the financial statements (continued)
for the period from 17 September 2018 to 31 December 2019

10. Incremental operating costs

| | Period from 17 September 2018 to 31 December 2019 US\$ |
|--------------------------|---|
| Incremental staff | 2,050 |
| Advertising | 9,076 |
| Bank charge | 884 |
| Communication | 900 |
| Transportation allowance | 964 |
| Mission | 30,735 |
| Office supplies | 8,622 |
| Meeting expenses | 3,935 |
| Vehicle rental | 3,618 |
| | <hr/> |
| | 60,784 |
| | <hr/> <hr/> |

11. Reconciliation of designated accounts

| | Period from 17 September 2018 to 31 December 2019 US\$ |
|--|---|
| Balance at beginning of the period | - |
| <i>Add:</i> Total fund received from IDA during the period | 6,733,728 |
| <i>Less:</i> Total amounts withdrawn for the expenditure during the period | (1,288,413) |
| | <hr/> |
| Balance at end of the period | 5,445,315 |
| | <hr/> <hr/> |

Ministry of Education, Youth and Sport

Higher Education Improvement Project

Credit No. 6221 – KH

Notes to the financial statements (continued)
for the period from 17 September 2018 to 31 December 2019

12. Withdrawal applications

| Withdrawal application number | Date | Civil works | Goods | Consultants' services | Training and workshops | Incremental operating costs | Initial advance | Total |
|-------------------------------|-----------|-------------|-------|-----------------------|------------------------|-----------------------------|-----------------|-----------|
| | | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ | US\$ |
| IDA Fund | | | | | | | | |
| WA 001-DA | 16-Jan-19 | - | - | - | - | - | 6,733,728 | 6,733,728 |

Ministry of Education, Youth and Sport

Higher Education Improvement Project

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Notes to the financial statements (continued)
for the period from 17 September 2018 to 31 December 2019

13. Commitments

As at 31 December 2019, the Project has the following commitments:

| | As at 31 December 2019 US\$ |
|-------------|-----------------------------------|
| Civil works | 94,968 |
| Goods | 208,032 |
| Consultants | 970,825 |
| | <hr/> |
| | 1,273,825 |
| | <hr/> <hr/> |

14. Comparative figures

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