

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project

(Funded by International Development Association, acting as administration of the Japan Social Development Fund, under Grant Number TF097786)

Report of the Project's Management and Audited Financial Statements

For the year ended 30 September 2015

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

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Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

GENERAL INFORMATION

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project ("the Project") is implemented by the Poverty Reduction Fund ("PRF") of the National Leading Board for Rural Development and Poverty Alleviation, Prime Minister Office, under the subsidiary grant agreement signed by the Government of Lao PDR ("GoL") and the PRF on 8 July 2011. The implementation of the Project was approved by the Japan Social Development Fund ("JSDF") on Disbursement Letter dated 22 April 2011, and the Project implementation period commences from 22 April 2011 to 22 April 2015. The implementation of the Project was extended to 22 April 2016.

The overall objective of the Project is to pilot an innovative livelihood focused community-driven development program in the selected poverty reduction priority districts in Huaphan and Savannakhet provinces.

The specific parts of the Project are:

- a) Formation of Community Self-Help Groups and Capacity Building of Local Service Providers;
- b) Community Asset Creation;
- c) Participatory Pro-Nutrition Assessment and Activities; and
- d) Monitoring and Impact Evaluation of Activities.

The Project is managed by the management of PRF. Project activities mainly cover five poverty reduction priority districts in Huaphan and Savannakhet provinces, enabling 28,800 households in ethnic communities in rural areas in Lao PDR to improve their livelihoods and wellbeing through group-based activities.

The eligible expenses that will be financed out of the proceeds of the grant are allocated to the following categories:

- Category 1: Goods, Training and Consultancy
- Category 2: Incremental Operating Costs
- Category 3: Sub-grants under Part (b) of the Project

JSDF Grant No. TF097786

The Project has been financed by the International Development Association ("IDA"), acting as administrator of the JSDF. The accompanying financial statements are for the JSDF Grant No. TF097786.

JSDF through the IDA signed Grant Agreement No. TF097786 on 22 April 2011, and Disbursement letter dated 22 April 2011 agreed by IDA and MoF for financing of USD 2,621,500 in respect of the Project.

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

REPORT OF THE PROJECT'S MANAGEMENT

MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Project's Management is responsible for the preparation of the Project's financial statements which comprise the statement of fund balance as at 30 September 2015 and the statement of receipts and disbursements for the year then ended together with the explanatory notes thereto.

In preparing the financial statements, the Project's Management is required to:

- ▶ adopt accounting policies as described in Note 3 to the financial statements and apply them consistently in accordance with the requirements of JSDF for Government-executed projects' financial statements;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ maintain proper financial operations and controls;
- ▶ maintain adequacy of the management structure and general control environment;
- ▶ ensure that all non-expendable properties are used solely for and by the Project, and maintain proper control over those properties; and
- ▶ comply with the related grant and financing agreements.

The Project's Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the funds requested, authorized for, received and disbursed by the Project and to ensure that the accounting records comply with the accounting policies described in Note 3 to the financial statements. The Project's Management is also responsible for safeguarding the assets of the Project, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Project's Management confirms that they have complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as at and for the year ended 30 September 2015 which are prepared in accordance with the accounting policies as described in Note 3 to the financial statements and comply with the related grant and financing agreements.

The financial statements are prepared to assist the Project's Management in meeting the reporting requirements of the JSDF. As a result, the financial statements may not be suitable for any other purpose.

On behalf of Project Management:



Mr. Bounkouang Souvannaphanh
Executive Director

Vientiane, Lao PDR

7 March 2016

Ms. Boualy Sayavong
Head of Finance and Administration



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INDEPENDENT AUDITORS' REPORT

To: **The Management of Lao PDR Mobilizing Ethnic Communities for Improved Livelihood and Wellbeing Project,
The Japan Social Development Fund**

We have audited the accompanying financial statements of Lao PDR Mobilizing Ethnic Communities for Improved Livelihood and Wellbeing Project under Grant No. TF097786 ("the Project") as set out on pages 5 to 12, which comprise the statement of fund balance as at 30 September 2015, the statement of receipts and disbursements for the year then ended and the notes thereto ("the financial statements"). The financial statements have been prepared by the Project's Management in accordance with the accounting policies as described in the Note 3 to the financial statements.

Management's responsibility for the financial statements

The Project's Management is responsible for the preparation of the financial statements in accordance with the accounting policies as described in Note 3 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are 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 the auditors' 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 auditors consider internal control relevant to the 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 Project'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 of the Project as at and for the year ended 30 September 2015 are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements.

Accounting policies and restriction on use

We draw attention to Note 3 to the financial statements, which describes the accounting policies adopted by the Project.

This report is intended for the information of the Project, the JSDF and the Government of Lao PDR and no for other purpose. However, upon release by the JSDF, this report will be a matter of public record and its distribution will not be limited. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, except where expressly agreed by our prior consent in writing.

Ernst & Young

Vientiane, Lao PDR

7 March 2016



Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

STATEMENT OF RECEIPTS AND DISBURSEMENTS
for the year ended 30 September 2015

Currency: \$US

	Notes	For the year ended 30 September 2015	For the year ended 30 September 2014
Receipts			
Funds from JSDF	4	1,033,449	637,896
Total receipts		1,033,449	637,896
Disbursements			
Category 1: Goods, Training and Consultancy		357,954	424,659
Category 2: Incremental Operating Costs		69,290	20,056
Category 3: Sub-grants under Part (b) of the Project		910,786	93,635
Total disbursements	5	1,338,030	538,350
Net (disbursements)/receipts		(304,581)	99,546



Mr. Bounkhouang Souvannaphanh
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

7 March 2016

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

STATEMENT OF FUND BALANCE
as at 30 September 2015

		Currency: \$US	
	Notes	30 September 2015	30 September 2014
Opening fund balance		344,044	244,498
Net (disbursements)/receipts		(304,581)	99,546
Closing fund balance		39,463	344,044
<i>Represented by:</i>			
Cash on hand and cash at banks	6	37,329	331,582
Advances	7	2,134	12,462
		39,463	344,044



Mr. Bounkouang Souvannaphanh
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

7 March 2016

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 30 September 2015

1. PROJECT BACKGROUND

Lao PDR Mobilizing Ethnic Communities FOR Improved Livelihood and Wellbeing Project

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project ("the Project") is implemented by the Poverty Reduction Fund ("PRF") of the National Leading Board for Rural Development and Poverty Alleviation, Prime Minister Office, under the subsidiary grant agreement signed by the Government of Lao PDR ("GoL") and the PRF on 8 July 2011. The implementation of the Project was approved by the Japan Social Development Fund ("JSDF") on Disbursement Letter dated 22 April 2011, and the Project implementation period commences from 22 April 2011 to 22 April 2015. The implementation of the Project was extended to 22 April 2016.

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JSDF Grant No. TF097786

The Project has been financed by the International Development Association ("IDA"), acting as administrator of the JSDF. The accompanying financial statements are for the JSDF Grant No. TF097786.

JSDF through the IDA signed Grant Agreement No. TF097786 on 22 April 2011, and Disbursement letter dated 22 April 2011 agreed by IDA and MoF for total financing of USD 2,621,500 in respect of the Project. The Project is expected to be completed by 30 April 2016.

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2015

2. BASIS OF PREPARATION

The Project's financial statements comprise the statement of receipts and disbursements and the statement of fund balance which are expressed in United States Dollars ("USD"). These financial statements are prepared by the Project's management in accordance with the accounting policies as described in Note 3.

The Project maintains its accounting records in USD.

The financial statements are prepared solely to assist the Project's Management in meeting the reporting requirements of the JSDF.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Funds from JSDF

Funds from JSDF represent fund from JSDF under Grant Agreement No. TF097786 which are recognized as receipts when cash is debited to the Project's Special Account.

3.2. Disbursements

Expenditure is recognized when documents substantiating the Project's transactions are submitted and approved and payment is made, except for sub-grants to Koum Bans (group of villages) where expenditure is recognized when cash is transferred from the Project's bank accounts to Koum Bans.

3.3. Advances

Advances, which comprise mainly of amounts advanced for the Project's activities, are recorded as such in the statement of fund balance when paid. When the advances are liquidated, the related expenses are recognized in the statement of receipts and disbursements.

3.4. Fixed assets

Fixed assets procured are recognized as expenditures in full in the statement of receipts and disbursements when received or when handed-over from the contractors or suppliers upon the respective acceptance and approval by the Project and when payment is made. Accordingly, fixed assets are not recognized in the statement of fund balance at the end of the year.

The Project maintains a fixed asset register for control and monitoring purposes, which includes vehicles, furniture and fittings, computers and office equipment.

3.5. Foreign exchange differences

Disbursements and withdrawals in foreign currencies other than USD are converted into USD at the actual exchange rates ruling at the dates of transactions. Fund balance denoted in foreign currencies are translated into USD at the closing exchange rate at the reporting date. Foreign exchange differences are recognized in the statement of receipts and disbursements.

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2015

4. FUNDS FROM JSDF

Currency: \$US

<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>For the year ended 30 September 2015</i>	<i>For the year ended 30 September 2014</i>
JSDF TF097786			
Application No. 019	31 October 2013	-	53,310
Application No. 020	31 October 2013	-	38,002
Application No. 021	31 October 2013	-	20,295
Application No. 022	13 November 2013	-	28,316
Application No. 023	27 December 2013	-	39,725
Application No. 024	7 February 2014	-	24,904
Application No. 025	27 February 2014	-	58,276
Application No. 026	22 April 2014	-	23,548
Application No. 027	30 April 2014	-	29,306
Application No. 028	9 July 2014	-	95,849
Application No. 029	29 August 2014	-	226,365
Application No. 030	24 October 2014	56,242	-
Application No. 031	12 November 2014	178,937	-
Application No. 032	26 November 2014	193,637	-
Application No. 033	22 December 2014	123,051	-
Application No. 034	20 January 2015	133,138	-
Application No. 035	16 February 2015	32,117	-
Application No. 036	02 March 2015	67,027	-
Application No. 037	09 March 2015	84,317	-
Application No. 038	30 March 2015	135,722	-
Application No. 039	28 April 2015	29,261	-
Total replenishments of designated account no. 0000010056200100		1,033,449	637,896

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2015

5. DISBURSEMENTS

Currency: \$US

	<i>Total budget</i>	<i>Accumulated as at 30 September 2015</i>	<i>For the year ended 30 September 2015</i>	<i>For the year ended 30 September 2014</i>
Category 1: Goods, Training and Consultancy				
Training, Monitoring costs and Information, Education and Communication (IEC) materials	500,000	490,521	91,783	167,955
Local consultancy	560,000	545,573	155,826	202,442
International consultancy	310,500	338,623	110,345	54,262
	1,370,500	1,374,717	357,954	424,659
Category 2: Incremental Operating Costs				
Incremental Operating Costs	118,000	111,719	69,290	20,056
	118,000	111,719	69,290	20,056
Category 3: Sub-grants				
Sub-grants under Part (b) of the Project	1,133,000	1,095,602	910,786	93,635
	1,133,000	1,095,602	910,786	93,635
Total disbursement	2,621,500	2,582,038	1,338,030	538,350

6. CASH ON HAND AND CASH AT BANKS

Currency: \$US

	<i>Note</i>	<i>30 September 2015</i>	<i>30 September 2014</i>
Cash on hand		51	544
Cash in Project's operating accounts at provinces	6.1.1	27,472	137,280
Cash in Designated Account	6.1.1	9,806	193,758
		37,329	331,582

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2015

6. CASH ON HAND AND CASH AT BANKS (continued)

6.1 Cash in Special Account

In accordance with the financing agreement of the Project, the following Designated Account is maintained in USD at the Bank of Lao PDR:

Account No.: 0000010056200100
 Depository: Bank of Lao PDR
 Address: Yonet Street, Vientiane, Lao PDR
 Related Grant: JSDF Grant Agreement No. TF097786
 Currency: USD

The purpose of the Designated account is to receive fund from JSDF on Grant Agreement No. TF097786 for transferring to operating accounts and for certain direct payments to suppliers, contractors and service providers.

The Designated Accounts are non-interest bearing. Movement of the special account is as follows:

6.1.1 Account activities

	<i>Currency: \$US</i>	
	<i>For the year ended 30 September 2015</i>	<i>For the year ended 30 September 2014</i>
Opening balance	193,758	196,690
Add:		
JSDF replenishment (Note 4)	1,033,449	637,896
Opening balance of:		
Cash on hand	544	4,468
Advances	12,462	6,144
Cash in Project's operating accounts at provinces	137,280	37,196
	1,377,493	882,394
Deduct:		
Total disbursement during the year (Note 5)	(1,338,030)	(538,350)
Ending balance of:		
Cash on hand (Note 6)	(51)	(544)
Advances (Note 7)	(2,134)	(12,462)
Cash in Project's operating accounts at provinces (Note 6)	(27,472)	(137,280)
	(1,367,687)	(688,636)
Closing balance (Note 6.1.2)	9,806	193,758

Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods and Wellbeing Project - JSDF Grant No. TF097786

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2015

6. CASH ON HAND AND CASH AT BANKS (continued)

6.1 Cash in Special Account (continued)

6.1.2 Account reconciliation

	<i>Currency: \$US</i>	
	<i>For the year ended 30 September 2015</i>	<i>For the year ended 30 September 2014</i>
Amount advanced by JSDF to the Special Account during the year	250,000	250,000
Amount recovered by JSDF	(188,810)	-
Outstanding amount advanced to Designated Account at the end of the year	61,190	250,000
Closing balance of Designated Account (<i>Note 6</i>)	9,806	193,758
<i>Add:</i>		
Amount withdrawn but not yet claimed (*)	51,384	56,242
Outstanding amount advanced to Designated Account at the end of the year	61,190	250,000

(*) This amount will be replenished through withdrawal applications (W/A) 040 and (W/A) 041 for TF097786.

7. ADVANCES

	<i>Currency: \$US</i>	
	<i>30 September 2015</i>	<i>30 September 2014</i>
Advances at Vientiane	-	8,729
Advances at provinces	2,134	3,733
	2,134	12,462

8. COMMITMENTS

The details of commitments as at 30 September 2015 are as follows:

	<i>Currency: \$US</i>	
	<i>30 September 2015</i>	<i>30 September 2014</i>
Local consultant (*)	9,363	187,908
Total	9,363	187,908

(*) Committed contract as at 30 September 2015 is for Indochina Research Lao Co., Ltd who is engaged to provide consulting service on impact evaluation of livelihood opportunities and nutritional gain. The commitment balance is expected to be cleared within one year from the reporting date.