

**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 2014

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 overall objective of the Project is to pilot an innovative livelihoods 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 total 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 2014 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 2014 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

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

20 March 2015

Reference: 61170997/17482963

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Lao PDR Mobilizing Ethnic Communities for Improved Livelihoods 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 2014, 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 Project'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 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 2014 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. As also disclosed in Note 2 to the financial statements, the accompanying financial statements are prepared to assist the Project's Management in meeting the reporting requirements of JSDF. As a result, the financial statements may not be suitable for another purpose.

Other matter

The financial statements of the Project as at and for the year ended 30 September 2013 were audited by another audit firm which expressed an unmodified opinion on those financial statements on 28 March 2014.

Ernst & Young Lao Ltd.

Vientiane, Lao PDR
20 March 2015

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 2014

Currency: \$US

	Notes	For the year ended 30 September 2014	For the year ended 30 September 2013
Receipts			
Funds from JSDF	4	637,896	552,509
Total receipts		637,896	552,509
Disbursements			
Category 1: Goods, Training and Consultancy		424,659	380,357
Category 2: Incremental Operating Costs		20,056	16,798
Category 3: Sub-grants under Part (b) of the Project		93,635	91,181
Total disbursements	5	538,350	488,336
Net receipts		99,546	64,173



Mr. Bounkouang Souvannaphanh
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

20 March 2015

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

STATEMENT OF FUND BALANCE
as at 30 September 2014

		Currency: \$US	
	Notes	30 September 2014	30 September 2013
Opening fund balance		244,498	180,325
Net receipts		99,546	64,173
Closing fund balance		344,044	244,498
<i>Represented by:</i>			
Cash on hand and cash at banks	6	331,582	238,354
Advances	7	12,462	6,144
		344,044	244,498



Mr. Bounkouang Souvannaphanh
Executive Director

Ms. Boualy Sayavong
Head of Finance and Administration

Vientiane, Lao PDR

20 March 2015

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 2014

1. PROJECT BACKGROUND

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 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:

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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
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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 31 December 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 2014

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 Designated 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) under Expense Categories 1 and 2, 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 2014

4. FUNDS FROM JSDF

		Currency: \$US	
<i>Withdrawal Application No. Date of receipt</i>		<i>For the year ended 30 September 2014</i>	<i>For the year ended 30 September 2013</i>
JSDF TF097786			
Application No. 009	18 October 2012	-	27,802
Application No. 010	10 January 2013	-	89,871
Application No. 011	15 March 2013	-	93,161
Application No. 012	15 March 2013	-	20,576
Application No. 013	17 May 2013	-	34,386
Application No. 014	6 June 2013	-	61,431
Application No. 015	2 July 2013	-	69,312
Application No. 016	31 July 2013	-	59,060
Application No. 017	28 August 2013	-	53,718
Application No. 018	19 September 2013	-	43,192
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	-
Total replenishments of designated account no. 0000010056200100		637,896	552,509

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 2014

5. DISBURSEMENTS

Currency: \$US

	<i>Total budget</i>	<i>Accumulated as at 30 September 2014</i>	<i>For the year ended 30 September 2014</i>	<i>For the year ended 30 September 2013</i>
Category 1: Goods, Training and Consultancy				
Training, Monitoring costs and Information, Education and Communication (IEC) materials	257,080	398,738	167,955	177,202
Local consultancy	630,420	389,747	202,442	138,677
International consultancy	214,000	228,278	54,262	64,478
	1,101,500	1,016,763	424,659	380,357
Category 2: Incremental Operating Costs				
Incremental Operating Costs	120,000	42,429	20,056	16,798
	120,000	42,429	20,056	16,798
Category 3: Sub-grants				
Sub-grants under Part (b) of the Project	1,400,000	184,816	93,635	91,181
	1,400,000	184,816	93,635	91,181
Total disbursement	2,621,500	1,244,008	538,350	488,336

6. CASH ON HAND AND CASH AT BANKS

Currency: \$US

	<i>Note</i>	<i>30 September 2014</i>	<i>30 September 2013</i>
Cash on hand		544	4,468
Cash in Project's operating accounts at provinces	6.1.1	137,280	37,196
Cash in Designated Account	6.1.1	193,758	196,690
		331,582	238,354

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 2014

6.1 Cash in Designated 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 Designated account is as follows:

6.1.1 Account activities

	<i>Currency: \$US</i>	
	<i>For the year ended 30 September 2014</i>	<i>For the year ended 30 September 2013</i>
Opening balance	196,690	173,572
Add:		
JSDF replenishment (<i>Note 4</i>)	637,896	552,509
Opening balance of:		
Cash on hand	4,468	1,535
Advances	6,144	4,616
Cash in Project's operating accounts at provinces	37,196	602
	882,394	732,834
Deduct:		
Total disbursement during the year (<i>Note 5</i>)	(538,350)	(488,336)
Ending balance of:		
Cash on hand (<i>Note 6</i>)	(544)	(4,468)
Advances (<i>Note 7</i>)	(12,462)	(6,144)
Cash in Project's operating accounts at provinces (<i>Note 6</i>)	(137,280)	(37,196)
	(688,636)	(536,144)
Closing balance (<i>Note 6.1.2</i>)	193,758	196,690

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 2014

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

6.1 Cash in Designated Account (continued)

6.1.2 Account reconciliation

	<i>Currency: \$US</i>	
	<i>For the year ended 30 September 2014</i>	<i>For the year ended 30 September 2013</i>
Amount advanced by JSDF to the Designated Account during the year	250,000	250,000
Amount recovered by JSDF	-	-
Outstanding amount advanced to Designated Account at the end of the year	<u>250,000</u>	<u>250,000</u>
Closing balance of Designated Account (<i>Note 6</i>)	193,758	196,690
<i>Add:</i>		
Amount withdrawn but not yet claimed (*)	56,242	53,310
Outstanding amount advanced to Designated Account at the end of the year	<u>250,000</u>	<u>250,000</u>

(*) This amount was replenished through withdrawal applications (W/A) 030 for TF097786. The replenishment amount for such W/A was received on 22 October 2014.

7. ADVANCES

	<i>Currency: \$US</i>	
	<i>30 September 2014</i>	<i>30 September 2013</i>
Advances at Vientiane	8,729	2,566
Advances at provinces	3,733	3,578
	<u>12,462</u>	<u>6,144</u>

8. COMMITMENTS

The details of commitments as at 30 September 2014 are as follows:

	<i>Currency: \$US</i>	
	<i>30 September 2014</i>	<i>30 September 2013</i>
Local consultants (*)	187,908	30,781
Total	<u>187,908</u>	<u>30,781</u>

(*) Committed contracts for local consultants mainly comprise contracts for local full-time staff, who work on the monitoring and implementation of the Project. Contracts are usually entered into for a period of 3, 6 and 12 months. Thus the commitment balances are expected to be cleared within one year from the reporting date.