

AUDITED PROJECT FINANCIAL STATEMENTS

Project N° : 1100001744

Loan No. 2000001743

Period covered: 14th March 2017 – 31st December 2018

Northern Smallholder Livestock Commercialization Project: Rural Financial Services Programme (NSLCP- RFSP)

Prepared by: Asia Pacific Accounting and Audit Services Sole Co. Ltd

Received on 2nd August 2019

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Northern Smallholder Livestock Commercialization Project

*(Funded by the International Fund for Agricultural Development under the
specific Financing Agreement IFAD Loan Number: 2000001743)*

**Statement of Project Management and
Audited Financial Statements**

For the period from 14 March 2017 to 31 December 2018

Northern Smallholder Livestock Commercialization Project

*(Funded by the International Fund for Agricultural Development under the specific Financing Agreement
IFAD Loan Number: 2000001743)*

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Northern Smallholder Livestock Commercialization Project

*(Funded by the International Fund for Agricultural Development under the specific Financing Agreement
IFAD Loan Number: 2000001743)*

STATEMENT OF THE PROJECT MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Northern Smallholder Livestock Commercialization Project ("the Project") is implemented by the Government of Lao People's Democratic Republic through the Department of Planning and Finance, the Ministry of Agriculture and Forestry ("MAF") with assistance from the International Fund for Agricultural Development ("IFAD") under the Financing Agreement Loan Number: 2000001743, dated 14 March 2017.

Project Management is responsible for the Project's financial statements which is comprised of the statement of receipts and disbursements, and statement of fund balance together with the notes thereto as at and for the period from 14 March 2017 to 31 December 2018 ("the financial statements").

The financial statements are prepared solely to report the funds received from the IFAD, the funds disbursed during the period, and the fund balance as at 31 December 2018.

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

- select suitable accounting policies and then apply them consistently in accordance with the presentation and disclosure requirements of IFAD. The accounting policies adopted by Project Management in preparing the Project's financial statements are described in Note 3 to the 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; and
- comply with the related financing agreement.

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

Project 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.

Project 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.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as at and for the period from 14 March 2017 to 31 December 2018, which are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the accompanying financial statements and comply with the related financing agreements.

As disclosed in Note 2 to the financial statements, the accompanying financial statements are intended solely for the information and use of the Project Management and the IFAD, and will not be distributed to other parties.

On behalf of the Project Management:

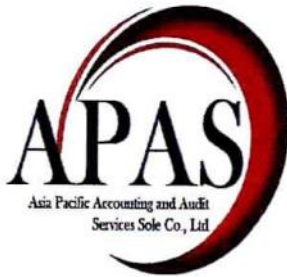


Mr. Souphavanh KEOVILAY
National Project Coordinator
Northern Smallholder Livestock
Commercialization Project
Vientiane, Lao PDR

Ms. Lamphoun SYSOUPHAN
Deputy National Project
Coordinator

Mr. Thoumthong SYSOMPHOU
Project Accountant

28 June 2019



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Reference: IFAD Loan No.: 2000001743

INDEPENDENT AUDITORS' REPORT

To: The Project Management of the Northern Smallholder Livestock Commercialization Project

We have audited the accompanying statements of receipts and disbursements and fund balance as at 31 December 2018 and for the period from 14 March 2017 to 31 December 2018 and the notes thereto ("the financial statements") of the Northern Smallholder Livestock Commercialization Project ("the Project"), funded by the International Fund for Agricultural Development ("IFAD") under the Financing Agreement Loan Number: 2000001743, as set out on pages 5 to 15. The financial statements have been prepared by the Project Management in accordance with the accounting policies as described in Note 3 to financial statements.

Project Management's responsibility for the financial statements

Project 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 Project 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 Project 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 Project's statement of receipts and disbursements for the period from 14 March 2017 to 31 December 2018 and statement of fund balance as at 31 December 2018 are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to financial statements and comply related grant agreement.



Mr. Ounheuane Amkhavanh
Managing Director

Vientiane, Lao PDR

28 June 2019

Northern Smallholder Livestock Commercialization Project

(Funded by the International Fund for Agricultural Development under the specific Financing Agreement
IFAD Loan Number: 2000001743)

STATEMENT OF RECEIPTS AND DISBURSEMENTS for the period from 14 March 2017 to 31 December 2018

		For the period from 14 March 2017 to 31 December 2018
	Notes	USD
Receipts		
IFAD funds - designated account replenishment	4	1,288,117.29
Total receipts		1,288,117.29
Disbursements		
Category I: Equipment and materials		115,846.25
Category III: Training		285,229.64
Category IV: Goods, services and inputs		23,535.70
Category VI: Consultancies		26,458.00
Category VII: Operating costs		51,818.04
Total disbursements	5	502,887.63
Net receipts/(disbursements)		785,229.66



Mr. Souphavanh KEOVILAY
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Northern Smallholder Livestock
Commercialization Project
Vientiane, Lao PDR

Ms. Lamphoun SYSOUPHAN
Deputy National Project
Coordinator

Mr. Thouthong SYSOMPHOU
Project Accountant

28 June 2019

The accompanying notes on pages 7 to 15 form an integral part of these financial statements.

Northern Smallholder Livestock Commercialization Project

(Funded by the International Fund for Agricultural Development under the specific Financing Agreement IFAD Loan Number: 2000001743)

STATEMENT OF FUND BALANCE

as at 31 December 2018

	Notes	As at 31 December 2018 USD
Fund balance at the beginning of the period		-
Net receipts/(disbursements)		785,229.66
Fund balance at the end of the period		785,229.66

Represented by:

Current assets

Cash in banks	6	785,229.66
		785,229.66



Mr. Souphavanh KEOVILAY
National Project Coordinator
Northern Smallholder Livestock
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Ms. Lamphoun SYSOUPHAN
Deputy National Project
Coordinator

Mr. Thoumthong SYSOMPHOU
Project Accountant

28 June 2019

The accompanying notes on pages 7 to 15 form an integral part of these financial statements.

Northern Smallholder Livestock Commercialization Project

(Funded by the International Fund for Agricultural Development under the specific Financing Agreement IFAD Loan Number: 2000001743)

NOTES TO THE FINANCIAL STATEMENTS

as at and for the period from 14 March 2017 to 31 December 2018

1 BACKGROUND INFORMATION

The Northern Smallholder Livestock Commercialization Project ("the Project") is implemented by the Government of Lao People's Democratic Republic through the Department of Planning and MAF with assistance from the IFAD under the Financing Agreement Loan Number: 2000001743.

The overall goal of the Project is to establish sustainable and scalable rural financial and technical services that support the reduction of rural poverty and increased livestock productivity.

The objective of the Project is to increase livestock production through expanded financial and technical services.

The Project initially consists of the following parts:

Component I: Strengthening capacities of smallholders and other LVC actors;

Component III: Improving access to credit aims to establish sustainable and scalable rural finance services;

Component IV: Project management.

The Project received total financing of seven million three hundred thousand Special Drawing Rights (SDR 7,300,000) or approximately USD 10,000,000. The Project will use this fund to seven categories over five years. Total cost for each project's categories from IFAD is as follows:

Category Number	Loan amount	
	SDR	Equivalent to USD
Category I: Equipment and materials	SDR 360,000	SDR 360,000
Category II: Grants and subsidies	SDR 230,000	SDR 230,000
Category III: Training	SDR 710,000	SDR 710,000
Category IV: Goods, services and inputs	SDR 1,390,000	SDR 1,390,000
Category V: Credit	SDR 2,520,000	SDR 2,520,000
Category VI: Consultancies	SDR 1,100,000	SDR 1,100,000
Category VII: Operating costs	SDR 260,000	SDR 260,000
Unallocated	SDR 73,000	SDR 73,000
Total	SDR 7,300,000	SDR 7,300,000

The Financing Agreement signed between GOL, Ministry of Finance and IFAD on 14 March 2017 and the Project became effective on the same date.

Northern Smallholder Livestock Commercialization Project

(Funded by the International Fund for Agricultural Development under the specific Financing Agreement
IFAD Loan Number: 2000001743)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the period from 14 March 2017 to 31 December 2018

2 BASIS OF PREPARATION

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

The financial statements are prepared solely to report:

- a. funds received from IFAD;
- b. funds disbursed by the Project; and
- c. the Project's fund balance.

The Project maintains its accounting records in USD which is the functional currency of the Project.

Fiscal year

The Project's fiscal year starts on 1 January to 31 December. However, the Project's initial reporting period is from 14 March 2017 to 31 December 2018.

3 BASIS OF ACCOUNTING

The significant policies adopted in the preparation of the financial statements are set out below.

IFAD funds - designated account replenishment

IFAD funds - designated account replenishment are recognized as receipts when cash is credited to the Project's designated bank account managed by the Ministry of Finance.

Disbursements

Expenditure under each category, except for disbursements classified as advances, is recognized when documents substantiating the Project's transactions are submitted and approved and that payment is made.

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.

Northern Smallholder Livestock Commercialization Project

(Funded by the International Fund for Agricultural Development under the specific Financing Agreement
IFAD Loan Number: 2000001743)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the period from 14 March 2017 to 31 December 2018

4 IFAD FUNDS - DESIGNATED ACCOUNT REPLENISHMENT

		<i>For the period from 14 March 2017 to 31 December 2018</i>
<i>Withdrawal Application No.</i>	<i>Date of receipt</i>	<i>USD</i>
WA001 - Initial advanced	1 March 2018	1,000,000.00
WA002 - Replenishment	25 December 2018	288,117.29
		1,288,117.29

5 DISBURSEMENTS BY CATEGORY

<i>Category</i>	<i>For the period from 14 March 2017 to 31 December 2018</i>
	<i>USD</i>
Category I: Equipment and materials	115,846.25
Category III: Training	285,229.64
Category IV: Goods, services and inputs	23,535.70
Category VI: Consultancies	26,458.00
Category VII: Operating costs	51,818.04
	502,887.63

Northern Smallholder Livestock Commercialization Project

(Funded by the International Fund for Agricultural Development under the specific Financing Agreement IFAD Loan Number: 2000001743)

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the period from 14 March 2017 to 31 December 2018

6 CASH IN BANKS

		As at 31 December 2018	USD
	<i>Bank name</i>	<i>Bank account No.</i>	
Designated account, Noted 7.2	BOL		464,258.02
Operating account for VPMO, Noted 7.2	LVB, Luang Prabang Branch		260,819.99
Operating account for PIU at Luang Prabang Province, Note 7.2	LVB, Luang Prabang Branch		16,907.38
	BCEL, Luang Namtha		
Operating account for PIU at Luang Namtha Province, Note 7.2	Branch		13,755.64
Operating account for PIU at Xiengkhouang Province, Note 7.2	LVB, Xiengkhouang Branch		10,300.82
Operating account for PIU at Huaphanh Province, Note 7.2	BCEL, Huaphanh Branch		19,187.81
			785,229.66

The Designated Account is maintained in USD at the Bank of the Lao PDR (BOL) with is non-interest bearing. The Project also maintains its operation account or sub-account for VPMO and Project Implementing Unit at Luang Prabang, Luang Namtha, Xiengkhouang and Huaphanh Provinces at Lao-Viet Bank (LVB) and Banque Pour Le Commerce Extérieur Lao Public (BCEL) with non-interest bearing.

Northern Smallholder Livestock Commercialization Project

(Funded by the International Fund for Agricultural Development under the specific Financing Agreement
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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the period from 14 March 2017 to 31 December 2018

7 STATEMENT OF DESIGNATED ACCOUNT

Project Title	:	Northern Smallholder Livestock Commercialization Project
IFAD Loan No.	:	2000001743
Account No.	:	
Depository	:	Bank of Lao PDR
Address	:	Yonnet Street, Vientiane, Lao PDR
Currency	:	USD

7.1 FOR THE PERIOD ENDED 31 DECEMBER 2018

	<i>As at 31 December</i>
	<i>2018</i>
	<i>USD</i>
Beginning balance	-
Add:	
IFAD funds - designed account replenishment, Note 4	1,288,117.29
	<u>1,288,117.29</u>
Deduct:	
Total amount withdrawn, Note 9	(823,859.27)
Closing balance, Note 6	<u><u>464,258.02</u></u>

7.2 DESIGNATED ACCOUNT RECONCILIATION STATEMENT

	<i>As at 31 December</i>
	<i>2018</i>
	<i>USD</i>
Amount advanced by IFAD, Note 4	1,000,000.00
Outstanding amount advanced to Designed Account	<u><u>1,000,000.00</u></u>
Closing balance of designated account, Note 6	464,258.02
Add:	
Operating account for VPMO, Note 6	260,819.99
Operating account for PIU at Luang Prabang Province, Note 6	16,907.38
Operating account for PIU at Luang Namtha Province, Note 6	13,755.64
Operating account for PIU at Xiengkhouang Province, Note 6	10,300.82
Operating account for PIU at Huaphanh Province, Note 6	19,187.81
Amount withdrawn and not yet claimed, Note 9	214,770.34
	<u><u>1,000,000.00</u></u>

Northern Smallholder Livestock Commercialization Project

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the period from 14 March 2017 to 31 December 2018

8. SUMMARY OF WITHDRAWAL FOR DESIGNATED ACCOUNT REPLENISHMENT

In 02 November 2018, the Project prepared a withdrawal for designated account replenishment which amounted to USD 288,117.29. The withdrawal approved by the MOF and submitted to IFAD for replenishment. The following is a summary of withdrawal by category:

<i>Withdrawal application by category</i>	<i>Amount in USD</i>
Category I: Equipment and materials	50,253.00
Category III: Training	188,406.03
Category IV: Goods, services and inputs	2,959.23
Category VI: Consultancies	12,900.00
Category VII: Operating costs	33,599.03
	288,117.29

9. SUMMARY OF WITHDRAWALS UNDER THE STATEMENT OF DESIGNATED ACCOUNT

<i>Reconciliation with the Statement of Designated Account as at 31 December 2018</i>	<i>Amount in USD</i>
Total withdrawal for Designated Account replenishment, Note 4	288,117.29
Amount withdrawn but not yet claimed, Note 7.2	214,770.34
Total disbursements included in the Statement of Receipt and Disbursements, Note 5	502,887.63
Add:	
Operating account for VPMO, Note 6	260,819.99
Operating account for PIU at Luang Prabang Province, Note 6	16,907.38
Operating account for PIU at Luang Namtha Province, Note 6	13,755.64
Operating account for PIU at Xiengkhouang Province, Note 6	10,300.82
Operating account for PIU at Huaphanh Province, Note 6	19,187.81
Total amount withdrawn from the designated account, Note 7.1	823,859.27

Northern Smallholder Livestock Commercialization Project

(Funded by the International Fund for Agricultural Development under the specific Financing Agreement
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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the period from 14 March 2017 to 31 December 2018

10 COMPARISON OF ACTUAL DISBURSEMENTS AGAINST BUDGET FOR THE PERIOD FROM 14 MARCH 2017 TO 31 DECEMBER 2018

<i>Expenditure by category</i>	<i>Approved budget</i>	<i>Actual</i>	<i>Variance</i>	
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>%</i>
Category I: Equipment and materials	318,765.92	115,846.25	202,919.67	63.66%
Category II: Grants and subsidies	60,000.00	-	60,000.00	100.00%
Category III: Training	250,024.10	285,229.64	(35,205.54)	-14.08%
Category IV: Goods, services and inputs	270,162.65	23,535.70	246,626.95	91.29%
Category V: Credit	1,156,626.51	-	1,156,626.51	100.00%
Category VI: Consultancies	424,700.00	26,458.00	398,242.00	93.77%
Category VII: Operating costs	75,000.00	51,818.04	23,181.96	30.91%
	2,555,279.17	502,887.63	2,052,391.54	80.32%

The overall actual expenditure of the Project for the period from 14 March 2017 to 31 December 2018 was lower than approved budget for significant amount (USD 2,052,391.54 or 80.32%) that mainly due to the following factors:

- The procurement of materials for AI and Breeding and Selection Programme which initially budgeted for the amount of USD 37,228.92 only made for the amount of USD 12,245.25. Furthermore, the procurement of car and motorbike which were initially budgeted for the period 14 March 2017 to 31 December 2018 for the amount of USD 94.737 and USD 82,500, respectively was not approved by the IFAD.
- The category II-Grants and subsidies and category V-Credit which initially budgeted for the amount of USD 60,000 and USD 1,156,626.51 were cancelled on implementation by the IFAD.
- The under spending of the category IV - Goods, services and inputs for the amount of USD 246,626.95 or 91.29% that mainly due to the implementation of the following activities moved to the fiscal year 2019:
 - a) Services (DSA, travel, etc) for forage development programme initially budgeted for the amount of USD 31,722.89;
 - b) Transform VLF into new LFs with new guidelines was initially budgeted for the amount of USD 3,795.18.

Additionally, the actual expenditure for providing staff-related costs: National Staff was initially budgeted for the amount of USD 140,000 and only disbursed USD 9,768.34.

- The position of the following consultancies under category VI - Consultancies which initially budgeted for the period from 14 March 2017 to 31 December 2018 were not appointed:

Northern Smallholder Livestock Commercialization Project

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NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the period from 14 March 2017 to 31 December 2018

10 COMPARISON OF ACTUAL DISBURSEMENTS AGAINST BUDGET FOR THE PERIOD FROM 14 MARCH 2017 TO 31 DECEMBER 2018 (continued)

- a) Forage production adviser initially scheduled for the amount of USD 34,000;
 - b) Service provider for household methodologies initially budgeted for the amount of USD 36,000;
 - c) International Rural Finance Expert (RFE) was initially budgeted amounting to USD 136,000;
 - d) National Micro-Finance Trainer (MFT) was initially budgeted amounting to USD 55,000;
 - e) Local travel cost for finance experts was initially budgeted amounting to USD 18,700.
 - f) International consultant to design the NARF was initially budgeted amounting to USD 40,000.
 - g) RIMS impact surveys were initially budgeted amounting to USD 35,000.
- The operating cost was lower than approved budget for the amount of USD 23,181.96 that mainly due to the under spending of the activity for establishing new VF villages; which was initially budgeted for the amount of USD 40,000, but actual spending was only USD 4,319.

Nevertheless, the actual expenditure for the category of training was higher than approved budget for the amount of USD 35,205.54 or 14.08% that mainly due to during the period the Project Management joint the meeting on agriculture development in Vietnam and Italy between 5 October 2017 and 11 to 18 February 2018, respectively.

Northern Smallholder Livestock Commercialization Project

(Funded by the International Fund for Agricultural Development under the specific Financing Agreement IFAD Loan Number: 20000001743)

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the period from 14 March 2017 to 31 December 2018

11 COMMITMENT

		Contract		Consultant	Value USD	Disbursement USD	Remaining balance as at 31 December 2018 USD
No	Description	Number	Date				
1	Knowledge Management (KM) Specialist International Project	IC-Nat.01/2018	01-Aug-18	Mr. Bounkong Phothisane	97,000	18,358	78,642
2	Accountant Specialist	IC-Int.01/2018	01-Aug-18	Ms. Malaithong Kongprachit	35,000	19,699	15,301
Total					132,000	38,057	93,943