

# Audited Project Financial Statements

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Project Number: 37097-044

Loan Number: 3173-VIE

Period covered: from 1 January 2017 to 31 December 2017

## VIE: Integrated Rural Development Sector Project in the Central Provinces - Additional Financing

Prepared by Agricultural Project Management Board, Ministry of Agriculture and Rural  
Development

For the Asian Development Bank

Date received by ADB: 29 June 2018

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Public Communications Policy 2011 and as agreed between ADB and the Agricultural Project Management Board, Ministry of Agriculture and Rural Development.

**Project "Integrated Rural Development Sector Project  
in the Central Provinces - Additional Financing"**

**Audited Project Financial Statements**

Under the Loan Agreement No. 3173-VIE (SF) between the  
Asian Development Bank and the Government of the  
Socialist Republic of Vietnam

For the year ended 31 December 2017



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

*Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam*

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# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

*Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam*

## STATEMENT OF THE PROJECT MANAGEMENT BOARD

Project Management Board of the Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing" ("the Project Management Board") is responsible for the Financial Statements of the Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing" ("the Project") for the year ended 31 December 2017.

### The Project

Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing" is implemented by the Ministry of Agriculture and Rural Development - the Government of the Socialist Republic of Vietnam. The Project is granted by the Asian Development Bank under the Loan Agreement No. 3173-VIE (SF) dated 23 January 2015 with amounts equivalent to 55,024,000 Special Drawing Rights ("SDR") and counterpart funds from the Government of the Socialist Republic of Vietnam for four (4) years from 2015 to 2018.

The long-term objective of the Project is to improve rural livelihoods by increasing agriculture productivity, widen employment opportunities, improve access to health, education and safe drinking water and reduce exposure to natural disasters in Central Region.

The short-term objectives of the Project are: (i) To renovate and upgrade the priority infrastructure (including irrigation works, coastal works and roads); (ii) to improve capacity of institution, project management; and (iii) awareness raising and community encouragement in Project implementation.

The Project consists of three (3) following components:

- Component A: Improving the rural infrastructure;
- Component B: Building capacity and institution; and
- Component C: Project Management.

The Project is carried out in 6 central provinces including Ha Tinh, Thua Thien Hue, Phu Yen, Binh Dinh, Ninh Thuan and Binh Thuan.

### Project Management Board

Members of the Project Management Board were responsible for the management of the Project during the year and up to the reporting date:

Mr. Nguyen Tien Dung  
Ms. Le Thi Hai An  
Ms. Pham Hoang Lan  
Mr. Pham Ngoc Thanh  
Mr. Pham Duy Dong

Project Director  
Deputy Project Director  
Deputy Project Director  
Chief Accountant (*up to 21/2/2018*)  
Chief Accountant (*from 21/2/2018*)

### Auditors

The accompanying Financial Statements for the year ended 31 December 2017 have been audited by NEXIA STT Co., Ltd.



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

*Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam*

## STATEMENT OF THE PROJECT MANAGEMENT BOARD (CONTINUED)

### Responsibility of the Project Management Board in respect of the Financial Statements

The Project Management Board is responsible for ensuring the Financial Statements which give a true and fair view of the financial position and advance account balance of the Project as at 31 December 2017 and of its sources and uses of funds, operations of advance account and total funds withdrawn for the year ended 31 December 2017. In preparing the Financial Statements, the Project Management Board is required to select suitable accounting policies and then apply them consistently.

The Project Management Board is responsible for ensuring that proper accounting records are kept which enable the Financial Statements to be prepared in compliance with the accounting policies set out in Note 2 to the Financial Statements. The Project Management Board is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Project Management Board is also responsible for maintaining an effective internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and comply with relevant laws, regulations and other provisions of the Loan Agreement that could have a direct and material financial effect on the Project's Financial Statements.

The Project Management Board assumes the responsibility to provide, and has provided, the auditors with all accounting records, supporting and other documents, minutes, any pertinent information and explanations, either orally or by written confirmation, necessary for the audit.

### Approval of the Financial Statements

We hereby approve the accompanying Financial Statements of the Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing" on pages 9 to 26 which give a true and fair view of the financial position and advance account balance as at 31 December 2017 and its sources and uses of funds, operations of advance account and total funds withdrawn during the year ended 31 December 2017 in accordance with the accounting policies as described in Note 2 to the Financial Statements and withdrawals application have been adequately reconciled to the statements of expenditures and summary sheets prepared by the Project during the year, and such statements of expenditures were adequately supported. The Financial Statements were prepared in compliance with the Applicable Provisions of the Loan Agreement and other Guidance from the Asian Development Bank.

On behalf of the Project Management Board



Nguyen Tien Dung  
Project Director

Hanoi, 26 June 2018



## **INDEPENDENT AUDITORS' REPORT**

On Project Financial Statements

**To: The Project Management Board of the Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"**

### **Audit opinion**

We have audited the accompanying Balance Sheet as at 31 December 2017, the Consolidated Statement of Sources and Uses of Funds, the Statement of Budget versus Actual Expenditures, the Statement of Advance Account and the SOE Withdrawal Schedule for the year ended 31 December 2017 (collectively referred to as the "Financial Statements") of the Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing" ("the Project") implemented by the Asian Development Bank and counterpart funds, and summary of significant accounting policies and other explanatory information.

In our opinion, in all material respects:

- a) the Balance Sheet, the Consolidated Statement of Sources and Uses of Funds and Statement of Budget versus Actual Expenditures give a true and fair view of the financial position of the Project as at 31 December 2017 and of its sources and uses of funds for the year ended 31 December 2017 in conformity with the accounting policies described in Note 2; and
- b) the Statement of Advance Account and the SOE Withdrawal Schedule give a true and fair view of the advance account balance as at 31 December 2017 and of operations of the advance account, and of the funds withdrawn for the year ended 31 December 2017, in conformity with the accounting policies described in Note 2.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's 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 accordance with ISAs, 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.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with Note 2 and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibilities 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 ISAs 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 the Financial Statements.

A further description of the auditors' responsibilities for the audit of the Financial Statements are included in Appendix I of this auditors' report. This description, which is represented at page 27, forms part of our auditors' report.



**NEXIA STT Co., Ltd.**

Nguyen Viet Nga

*Deputy General Director*

Audit Practicing Registration Certificate

No. 2041-2018-225-1

Audit report No.: 041-2017HN/AUD/ADB-IRDSP

Hanoi, 26 June 2018



## **INDEPENDENT AUDITORS' REPORT**

On Compliance with the Applicable Laws, Regulations, Procurement Procedures, Other Provisions of the Loan Agreement and other requirements that could have a direct and material financial effect on the Project Financial Statements

**To: The Project Management Board of the Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"**

### **Audit opinion**

We have audited the Compliance with the Applicable Laws, Regulations, Procurement Procedures and Other Provisions of the Loan Agreement No. 3173-VIE (SF) of the Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing" (the Project) implemented by the Asia Development Bank's credit and counterpart funds for the year ended 31 December 2017.

In our opinion:

- a) the funds have been used, in all material respects, in accordance with the conditions of the loan agreement between the Government of the Socialist Republic of Vietnam and Asian Development Bank;
- b) with respect to Statements of Expenditures, adequate supporting documentation has been maintained to support claims to the Asian Development Bank for reimbursement of expenditures incurred and expenditures are eligible for financing under the loan agreement; and
- c) the advance account fairly reflects the receipts collected and payments made during the year ended 31 December 2017.

### **Basis for Opinion**

We conducted our engagement in accordance with International Standards on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. Our responsibility is to express an opinion on the Project's compliance with the requirements, based on our procedures. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with ISAs, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management**

The Management is responsible for compliance with the Applicable Laws, Regulations, Procurement Procedures and Other Provisions of the Loan Agreement No. 3173-VIE (SF) that could have a direct and material effect on the Project Financial Statements for the year ended 31 December 2017.



### **Auditors' Responsibilities**

Our responsibility is to express an opinion on the Project's compliance with the requirements, based on our procedures. We conducted our engagement in accordance with International Standards on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Project has complied with the requirements.

An assurance engagement to report on the compliance with regulatory and contractual requirements at a project involves performing procedures to obtain evidence about whether the project's activities are free of material noncompliance with the requirements. The procedures selected depend on the auditor's judgment, including the assessment of risks that the Project does not comply with the requirements and whether such non-compliance could have a direct and material effect on the Project Financial Statements. Our procedures included testing the compliance with the requirements that we consider necessary to provide reasonable assurance that the requirements are complied by the Project.



**NEXIA STT Co., Ltd.**

Nguyen Viet Nga

*Deputy General Director*

Audit Practicing Registration Certificate

No. 2041-2018-225-1

Audit report No.: 041-2017HN/AUD/ADB-IRDSP

Hanoi, 26 June 2018

# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam

## BALANCE SHEET

As at 31 December 2017

	Note	As at 31/12/2017 VND	As at 31/12/2016 VND
<b>ASSETS</b>			
<b>Current assets</b>		<b>68,332,919,484</b>	<b>118,354,533,353</b>
Cash on hand	3	144,094,000	255,225,567
Cash at bank – the State Treasury	4	992,554,640	160,558,151
Cash at bank – Current Account	5	2,956,950,419	1,376,387,085
Cash at bank – Advance Account	6	3,307,202,693	35,897,648,855
Cash at bank – Interest on Advance Account	7	90,433	88,614
Advances to staff	8	6,520,000	14,020,000
Internal receivables	9	168,818,573	214,493,473
Advances to contractors	10	59,728,806,020	64,871,498,257
Other advances	11	1,025,373,592	15,314,703,801
Other receivables	12	2,509,114	249,909,550
<b>TOTAL ASSETS</b>		<b>68,332,919,484</b>	<b>118,354,533,353</b>
<b>RESOURCES</b>			
<b>Current liabilities</b>		<b>104,970,992,687</b>	<b>105,344,738,332</b>
Payables to contractors	13	104,947,261,550	105,133,065,294
Payables to employees		-	21,958,279
Other payables	14	23,731,137	189,714,759
<b>Fund balance</b>		<b>(36,638,073,203)</b>	<b>13,009,795,021</b>
Fund balance	23	(36,638,073,203)	13,009,795,021
<b>TOTAL RESOURCES</b>		<b>68,332,919,484</b>	<b>118,354,533,353</b>

Prepared by:



Pham Duy Dong  
Chief Accountant

Hanoi, 26 June 2018

Approved by:



Nguyen Tien Dung  
Project Director



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam

## CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS

For the year ended 31 December 2017

	Note	Year ended 31/12/2017 VND	Accumulated to 31/12/2016 (reclassified) VND	Accumulated to 31/12/2017 VND
<b>SOURCES</b>				
Funds received from the Asian Development Bank	15	211,284,070,490	225,812,543,993	437,096,614,483
Counterpart funds	16	49,140,214,465	106,303,563,895	155,443,778,360
		<b>260,424,284,955</b>	<b>332,116,107,888</b>	<b>592,540,392,843</b>
<b>USES OF FUNDS</b>				
1. Civil Works	17	227,972,241,520	178,322,581,583	406,294,823,103
2. Equipment		-	1,535,160,000	1,535,160,000
3. Consultancy services	18	13,399,923,786	11,638,269,570	25,038,193,356
4. Training	19	3,670,490,475	5,635,707,300	9,306,197,775
5. CPMU Management Costs	20	3,987,076,511	5,509,461,003	9,496,537,514
6. Subproject Preparation and Management		55,934,585,744	114,390,273,193	170,324,858,937
PPMU Management Costs	21	7,967,631,374	14,981,754,345	22,949,385,719
Others	22	47,966,954,370	99,408,518,848	147,375,473,218
7. ADB's bank charges	15	5,539,066,557	1,283,781,075	6,822,847,632
		<b>310,503,384,593</b>	<b>318,315,233,724</b>	<b>628,818,618,317</b>
<b>(DEFICIT)/SURPLUS OF SOURCES AGAINST USES OF FUNDS</b>		<b>(50,079,099,638)</b>	<b>13,800,874,164</b>	<b>(36,278,225,474)</b>
Foreign exchange gains/(losses)		431,231,414	(791,079,143)	(359,847,729)
Fund balance, beginning of the year		13,009,795,021	-	-
<b>FUND BALANCE, END OF THE YEAR</b>		<b>23 (36,638,073,203)</b>	<b>13,009,795,021</b>	<b>(36,638,073,203)</b>

Prepared by:



Pham Duy Dong  
Chief Accountant

Hanoi, 26 June 2018

Approved by:



Nguyen Tien Dung  
Project Director



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam

## STATEMENT OF ADVANCE ACCOUNT

For the year ended 31 December 2017

Account No.: 160 10 37 0006576  
 Account holder: Project Management Board of Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"  
 Bank: Bank for Investment and Development of Vietnam JSC – Head Transaction 3  
 Address: 20 Hang Tre, Hoan Kiem district, Hanoi  
 Loan Agreement No.: 3173-VIE (SF)

Part A – Account Activity	Note	USD
Balance as at 1 January 2017		1,616,355.48
Add:		
Total amount advanced to Advance Account	15	1,000,000.00
Total amount replenished to Advance Account	15	4,295,018.08
Deduct:		
Total amount withdrawn		(6,765,413.30)
Bank charges		(40.00)
Ending balance as at 31 December 2017	6	<b>145,920.26</b>
<b>Part B - Account Reconciliation</b>		
Amount advanced by the Asian Development Bank		3,000,000.00
Add:		
Amount advanced by the Asian Development Bank		1,000,000.00
Deduct:		
Bank charges withheld by the Asian Development Bank (*)		(70.00)
Amount recovered by the Asian Development Bank (**)		(1,123,076.90)
Outstanding amount advanced to Advance Account as at 31 December 2017		<b>2,876,853.10</b>
Ending balance of Advance Account as at 31 December 2017	6	145,920.26
Add:		
Amount submitted for liquidation of advance account (***)		1,886,478.50
Amount withdrawn and not yet claimed	24	844,454.34
Total advance to Advance Account as at 31 December 2017		<b>2,876,853.10</b>

(\*) This represented bank charges incurred in 2016 and 2017.

(\*\*) This represented amounts accepted for liquidation of advance account under the Application No. A0010 dated 17/10/2017.

(\*\*\*) Application No. A0013 of USD1,886,478.50 was prepared by the Project Management on 11 December 2017 and affected in the Asian Development Bank's Loan Disbursements Data on 7 March 2018.

Prepared by:

  
 Pham Duy Dong  
 Chief Accountant  
 Hanoi, 26 June 2018

Approved by:  
  
 \* Nguyen Tien Dung  
 Project Director



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam

## SOE WITHDRAWAL SCHEDULE – ACCOUNT NO. 160 10 37 0006576

For the year ended 31 December 2017

Withdrawal applications		Categories						Unit: USD
No.	Date	Civil Works	Equipment	Consultancy services	Training	Project Management Expenses	Advances	Total
A0008	15/3/2017	1,934,587.51	-	-	-	-	-	1,934,587.51
A0009	27/7/2017	340,630.39	68,932.44	268,907.12	130,990.08	269,151.58	-	1,078,611.61
A0010	17/10/2017	1,091,423.67	-	-	31,653.23	-	-	1,123,076.90
A0011	8/11/2017	1,145,996.96	-	-	43,167.45	92,654.55	-	1,281,818.96
A0012	24/11/2017	-	-	-	-	-	1,000,000.00	1,000,000.00
BD005	23/2/2017	112,309.39	-	-	-	-	-	112,309.39
BD006	23/2/2017	124,224.96	-	-	-	-	-	124,224.96
BD007	23/2/2017	103,283.52	-	-	-	-	-	103,283.52
BD008	18/7/2017	119,123.86	-	-	-	-	-	119,123.86
BD009	18/7/2017	161,960.39	-	-	-	-	-	161,960.39
BD010	14/7/2017	194,282.65	-	-	-	-	-	194,282.65
BT005	18/7/2017	568,216.91	-	-	-	-	-	568,216.91
BT006	18/7/2017	106,943.72	-	-	-	-	-	106,943.72
BT007	18/7/2017	104,569.82	-	-	-	-	-	104,569.82
BT008	18/7/2017	102,275.77	-	-	-	-	-	102,275.77
HT001	18/7/2017	173,312.54	-	-	-	-	-	173,312.54
HT002	12/7/2017	236,090.70	-	-	-	-	-	236,090.70
HT003	25/7/2017	115,905.85	-	-	-	-	-	115,905.85
NT001	18/7/2017	141,331.79	-	-	-	-	-	141,331.79
NT002	18/7/2017	219,799.96	-	-	-	-	-	219,799.96
PY001	11/7/2017	231,656.79	-	-	-	-	-	231,656.79
TTH01	22/2/2017	283,496.02	-	-	-	-	-	283,496.02
TTH02	11/7/2017	111,373.46	-	-	-	-	-	111,373.46
TTH03	11/7/2017	178,197.53	-	-	-	-	-	178,197.53

The accompanying notes form an integral part of the Financial Statements

# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam

Withdrawal applications		Categories						
No.	Date	Civil Works	Equipment	Consultancy services	Training	Project Management Expenses	Advances	Total
TTH04	11/7/2017	133,648.15	-	-	-	-	-	133,648.15
TTH05	11/7/2017	293,728.87	-	-	-	-	-	293,728.87
Total claimed/advanced amount		8,328,371.18	68,932.44	268,907.12	205,810.76	361,806.13	1,000,000.00	10,233,827.63

Prepared by:

*Dung*

Pham Duy Dong  
Chief Accountant

Hanoi, 26 June 2018

Approved by:



Nguyen Tien Dung  
Project Director

The accompanying notes form an integral part of the Financial Statements



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam

## STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES

For the year ended 31 December 2017

Categories	Year ended 31/12/2017			Accumulated to 31/12/2017		
	Budget per PAM USD (a)	Actual expenditures USD (b)	(Over)/under budget USD (c) = (a)-(b)	Budget per PAM USD (e)	Actual expenditures USD (f)	(Over)/under budget USD (g) = (e)-(f)
A. Civil Works	31,311,000	10,058,338	21,252,662	44,357,000	17,913,958	26,443,042
B. Equipment	-	-	-	39,000	67,628	(28,628)
C. Consultancy services	652,000	591,217	60,783	1,956,000	1,103,916	852,084
D. Training	344,000	161,945	182,055	1,438,000	411,195	1,026,805
E. CPMU Management Costs	187,000	175,913	11,087	561,000	419,554	141,446
F. Subproject Preparation and Management	1,916,000	2,467,884	(551,884)	7,457,000	6,840,835	616,165
G. Operational and maintenance infrastructure	764,000	-	764,000	764,000	-	764,000
	35,174,000	13,455,297	21,718,703	56,572,000	26,757,086	29,814,914
			62			53

Actual disbursements for the year ended 31 December 2017 were converted into USD using the exchange rate of Bank for Investment and Development of Vietnam JSC ruling at the balance sheet date (i.e.: VND22,665/USD1).

Prepared by:

*[Signature]*

Pham Duy Dong  
Chief Accountant

Hanoi, 26 June 2018

Approved by:



Nguyen Tien Dung  
Project Director

The accompanying notes form an integral part of the Financial Statements



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

*Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam*

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 1. Project background

Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing" is implemented by the Ministry of Agriculture and Rural Development - the Government of the Socialist Republic of Vietnam. The Project is granted by the Asian Development Bank under the Loan Agreement No. 3173-VIE (SF) dated 23 January 2015 with amounts equivalent to 55,024,000 Special Drawing Rights ("SDR") and counterpart funds from the Government of the Socialist Republic of Vietnam for four (4) years from 2015 to 2018.

The long-term objective of the Project is to improve rural livelihoods by increasing agriculture productivity, widen employment opportunities, improve access to health, education and safe drinking water and reduce exposure to natural disasters in Central Region.

The short-term objectives of the Project are: (i) To renovate and upgrade the priority infrastructure (including irrigation works, coastal works and roads); (ii) to improve capacity of institution, project management; and (iii) awareness raising and community encouragement in Project implementation.

The Project consists of three (3) following components:

- Component A: Improving the rural infrastructure;
- Component B: Building capacity and institution; and
- Component C: Project Management.

The Project is carried out in 6 central provinces including Ha Tinh, Thua Thien Hue, Phu Yen, Binh Dinh, Ninh Thuan and Binh Thuan.

### 2. Summary of significant accounting policies

The significant accounting policies, which have been adopted by the Project Management Board in the preparation of the Financial Statements, are as follows:

#### Reporting currency

The Financial Statements, including the Balance Sheet and the Consolidated Statement of Sources and Uses of Funds are expressed in Vietnam Dong ("VND"), except for the Statement of Budget versus Actual Expenditures, the Statement of Advance Account and SOE Withdrawal Schedule which are expressed in United States Dollar ("USD").

#### Basis for preparation of the Financial Statements

The Financial Statements are prepared and presented by the Project in accordance with requirements of the Asian Development Bank (ADB), complied with Vietnamese Accounting Standards and Circular No. 195/2012/TT-BTC dated 15 November 2012 issued by the Ministry of Finance guiding the accounting regime applicable to investors. The financial statements are prepared on modified cash basis. This basis of accounting is considered appropriate to the operation of Project by the management.



## **Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"**

*Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam*

### **Funds**

Funds from Asian Development Bank (ADB) are recorded when payments are made directly from ADB to contractors/suppliers or credited to Project's Advance Account.

The counterpart funds of the Vietnamese Government are recorded when payments are made directly from the Vietnamese Government to contractors/suppliers of the Project or when received.

### **Expenditures**

Expenditures financed by ADB are recorded when the obligation to pay them arises rather than when actually paid.

Expenditures financed by the counterpart funds are recorded when they are approved by the State Treasury, except for expenditures for contractors/suppliers on completion of works or completion of contracts, and advances to staffs, advances to contractors/suppliers.

### **Foreign exchange differences**

Funds received from ADB in United States Dollar ("USD") are converted into Vietnam Dong ("VND") at actual exchange rates of Bank for Investment and Development of Vietnam JSC ruling at the transaction dates.

Transactions incurred in the year via the Advance Account are converted into VND at actual exchange rates of the Project's Commercial Bank at the transaction dates for expenditures denominated in VND.

Foreign exchange differences are taken up in the Consolidated Statement of Sources and Uses of Funds.

### **Fixed assets**

Expenditures for acquisition of fixed assets are recognized as expenditures in the Consolidated Statement of Sources and Uses of Funds for the period. Accordingly, fixed assets are not presented in the Balance Sheet at the year end. Memorandum listings are kept for control and management purposes.

### **Advance Account and interest on Advance Account**

Advance Account is a deposit account in USD opened at Bank for Investment and Development of Vietnam JSC – Head Transaction 3 for settlement of the Project's activities. Payments made via Advance Account are for eligible expenditures of the Project in accordance with provisions of the Loan Agreement No. 3173-VIE (SF) dated 23 January 2015.

Interests on Advance Account are presented as other payables in the Balance Sheet and are used to cover bank charges as regulated in according to Circular No. 195/2012/TT-BTC dated 15 November 2012 issued by the Ministry of Finance guiding the accounting regime applicable to investors.



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

*Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam*

## 3. Cash on hand

Unit	As at 31/12/2017 VND	As at 31/12/2016 VND
Central Project Management Unit	794,072	37,067,148
Ha Tinh PPMU	47,440,000	123,117,000
Hue PPMU	298,101	3,408,293
Phu Yen PPMU	10,593,000	14,423,838
Binh Dinh PPMU	43,416,000	60,607,000
Ninh Thuan PPMU	40,600,810	14,893,388
Binh Thuan PPMU	952,017	1,708,900
	<hr/> 144,094,000	<hr/> 255,225,567

## 4. Cash at bank – the State Treasury

Unit	As at 31/12/2017 VND	As at 31/12/2016 VND
Hue PPMU	-	99,678,553
Phu Yen PPMU	29,156,750	879,598
Binh Dinh PPMU	963,397,890	60,000,000
	<hr/> 992,554,640	<hr/> 160,558,151

## 5. Cash at bank – Current Account

Unit	As at 31/12/2017 VND	As at 31/12/2016 VND
Central Project Management Unit	528,991,365	320,603,831
Ha Tinh PPMU	48,410,132	449,784,700
Hue PPMU	679,389,187	410,382,745
Phu Yen PPMU	689,672	1,034,491
Binh Dinh PPMU	3,544,863	185,355,934
Ninh Thuan PPMU	372,419,888	2,420,517
Binh Thuan PPMU	1,323,505,312	6,804,867
	<hr/> 2,956,950,419	<hr/> 1,376,387,085



## Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

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### 6. Cast at bank – Advance Account

This represented the advance account balance of the Project at Central Project Management Unit, which was converted into Vietnam Dong ("VND") as at 31 December 2017. The original currency balance of this account as at 31 December 2017 was USD145,920.26 (31/12/2016: USD1,616,355.48).

### 7. Cash at bank – Interest on Advance Account

This represented the interest on advance account balance of the Project at Central Project Management Unit, which was converted into Vietnam Dong ("VND") as at 31 December 2017. The original currency balance of this account as at 31 December 2017 was USD3.99 (31/12/2016: USD3.99).

### 8. Advances to staffs

This represented advances to Project's staffs of Ninh Thuan PPMU. These advances will be cleared and recorded in project expenditures in 2018.

### 9. Internal receivables

This represented receivables from Ha Tinh Provincial ODA Project Management Unit for 2017 counterpart funds to cover management expenses which have not been fully utilized and being maintained in one same the State Treasury account of Ha Tinh Provincial ODA Project Management Unit.

### 10. Advances to contractors

Unit	As at 31/12/2017 VND	As at 31/12/2016 VND
Central Project Management Unit	-	3,988,236,477
Ha Tinh PPMU	6,640,652,000	670,652,000
Hue PPMU	37,758,951,520	1,735,466,000
Phu Yen PPMU	7,710,339,200	10,308,308,000
Binh Dinh PPMU	7,333,563,300	7,739,868,300
Ninh Thuan PPMU	-	100,000,000
Binh Thuan PPMU	285,300,000	40,328,967,480
	<hr/> 59,728,806,020	<hr/> 64,871,498,257

These represented advances to contractors to implement the Project's consulting service contracts and civil works contracts.

# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

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## 11. Other advances

Unit	As at 31/12/2017 VND	As at 31/12/2016 VND
Hue PPMU (a)	126,258,000	494,756,000
Phu Yen PPMU (b)	641,565,246	8,415,101,357
Binh Dinh PPMU (c)	76,991,000	6,244,912,518
Ninh Thuan PPMU (d)	180,559,346	159,933,926
	<hr/> 1,025,373,592	<hr/> 15,314,703,801

- (a) This represented advances to Phong Dien and Huong Thuy Land Centers of Thua Thien Hue Province to carry out site clearance activities of Thua Thien Hue PPMU.
- (b) This represented advances to Tuy An, Phu Hoa, Tay Hoa and Dong Xuan Land Development Centers to carry out site clearance activities of Phu Yen PPMU.
- (c) This represented advances to An Nhon Land Development Center to carry out site clearance activities of Binh Dinh PPMU.
- (d) This represented advances to Ninh Thuan Land Development Centers of Thuan Nam Branch, Ninh Phuoc and of Bac Ai Branch, Ninh Son to carry out site clearance activities of Ninh Thuan PPMU.

## 12. Other receivables

Unit	As at 31/12/2017 VND	As at 31/12/2016 VND
Central Project Management Unit	-	50,000,000
Phu Yen PPMU	2,509,114	1,280,690
Ninh Thuan PPMU	-	198,628,860
	<hr/> 2,509,114	<hr/> 249,909,550



## Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

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### 13. Payables to contractors

Unit	As at 31/12/2017 VND	As at 31/12/2016 VND
Central Project Management Unit	1,755,208,944	4,722,234,762
Ha Tinh PPMU	21,965,147,953	8,636,818,000
Hue PPMU	180,784,800	181,653,220
Phu Yen PPMU	16,617,781,400	2,025,695,888
Binh Dinh PPMU	-	5,128,269,000
Ninh Thuan PPMU	64,356,389,843	84,438,394,424
Binh Thuan PPMU	71,948,610	-
	<hr/> 104,947,261,550	<hr/> 105,133,065,294

Payables to contractors included the volume of completed works to be paid to contractors and temporary retentions for warranty of completed construction contracts which will be paid to contractors at the end of warranty period.

### 14. Other payables

Unit	As at 31/12/2017 VND	As at 31/12/2016 VND
Central Project Management Unit	132,218	25,282,943
Ha Tinh PPMU	1,628,628	3,894,796
Hue PPMU	5,262,637	7,770,808
Phu Yen PPMU	3,198,786	13,220,580
Binh Dinh PPMU	8,330,437	136,859,084
Ninh Thuan PPMU	2,406,096	2,443,728
Binh Thuan PPMU	2,772,335	242,820
	<hr/> 23,731,137	<hr/> 189,714,759

Other payables of Central Project Management Unit and Provincial Project Management Units included interests earned from Advance Account balance and Commercial Bank Accounts after offsetting with bank charges and surplus of income over expenses from selling bidding documents sources. Interests on Advance Account were recorded as other payables under Circular No. 195/2012/TT-BTC dated on 15 November 2012 issued by the Ministry of Finance – Accounting guidance applied for Investors.



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam

## 15. Funds received from the Asian Development Bank

	Year ended 31/12/2017		Accumulated to 31/12/2017	
	Original amount USD	Equivalent to VND	Original amount USD	Equivalent to VND
Direct payments	3,815,732.65	85,512,647,504	6,168,486.05	137,038,218,184
Advance Account	5,295,018.08	120,232,356,429	13,019,548.68	293,235,548,667
Advances	1,000,000.00	22,689,773,100	4,000,000.00	89,681,771,250
Replenishments	4,295,018.08	97,542,583,329	9,019,548.68	203,553,777,417
ADB's bank charges	247,608.34	5,539,066,557	306,043.51	6,822,847,632
	9,358,359.07	211,284,070,490	19,494,078.24	437,096,614,483

(\*) Details of Funds received from the Asian Development Bank for the year ended 31 December 2017 were as follows:

<i>Receipts under withdrawal applications</i>		Year ended 31/12/2017	
		Original amount USD	Equivalent to VND
No.	Date		
A0008	15/3/2017	1,934,587.51	43,992,292,577
A0009	27/7/2017	1,078,611.61	24,478,863,539
A0011	8/11/2017	1,281,818.96	29,071,427,213
A0012	24/11/2017	1,000,000.00	22,689,773,100
Total funds replenished to Advance Account		5,295,018.08	120,232,356,429 (a)

(Note: Withdrawal application No. A0010 dated 17 October 2017 is the application for liquidation of advance account.)



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

Under the Loan Agreement No. 3173-VIE (SF) between the Asian Development Bank and the Government of the Socialist Republic of Vietnam

<b>Direct payments under withdrawal applications</b>		<b>Original amount</b>	<b>Equivalent to</b>
<b>No.</b>	<b>Date</b>	<b>USD</b>	<b>VND</b>
BD005	23/2/2017	112,309.39	2,496,750,000
BD006	23/2/2017	124,224.96	2,761,645,000
BD007	23/2/2017	103,283.52	2,296,096,000
BD008	18/7/2017	119,123.86	2,673,735,000
BD009	18/7/2017	161,960.39	3,635,201,000
BD010	14/7/2017	194,282.65	4,361,257,000
BT005	18/7/2017	568,216.91	12,753,628,553
BT006	18/7/2017	106,943.72	2,400,351,739
BT007	18/7/2017	104,569.82	2,347,069,598
BT008	18/7/2017	102,275.77	2,295,579,614
HT001	18/7/2017	173,312.54	3,890,000,000
HT002	12/7/2017	236,090.70	5,300,000,000
HT003	25/7/2017	115,905.85	2,600,000,000
NT001	18/7/2017	141,331.79	3,172,192,000
NT002	18/7/2017	219,799.96	4,933,410,000
PY001	11/7/2017	231,656.79	5,200,000,000
TTH01	22/2/2017	283,496.02	6,302,400,000
TTH02	11/7/2017	111,373.46	2,500,000,000
TTH03	11/7/2017	178,197.53	4,000,000,000
TTH04	11/7/2017	133,648.15	3,000,000,000
TTH05	11/7/2017	293,728.87	6,593,332,000
Total directly paid by the Asian Development Bank		3,815,732.65	85,512,647,504 (b)
ADB's bank charges		247,608.34	5,539,066,557 (c)
Total (a), (b) and (c)		9,358,359.07	211,284,070,490

## 16. Counterpart funds

<b>Unit</b>	<b>Year ended 31/12/2017 VND</b>	<b>Accumulated to 31/12/2017 VND</b>
Central Project Management Unit	1,308,589,706	4,158,942,514
Ha Tinh PPMU	5,012,197,000	25,000,000,000
Hue PPMU	2,999,999,200	16,091,546,192
Phu Yen PPMU	17,763,503,426	39,862,097,893
Binh Dinh PPMU	6,415,631,000	33,812,590,000
Ninh Thuan PPMU	12,150,000,000	26,645,117,000
Binh Thuan PPMU	3,490,294,133	9,873,484,761
	49,140,214,465	155,443,778,360



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

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## 17. Civil Works

Unit	Year ended 31/12/2017 VND	Accumulated to 31/12/2017 VND
Ha Tinh PPMU	61,567,335,753	61,567,335,753
Phu Yen PPMU	42,884,640,000	42,884,640,000
Binh Dinh PPMU	37,036,534,000	68,108,996,000
Ninh Thuan PPMU	13,412,869,440	160,662,989,023
Binh Thuan PPMU	73,070,862,327	73,070,862,327
	<hr/> 227,972,241,520	<hr/> 406,294,823,103

Construction expenses for the year ended 31 December 2017 represented disbursements for civil works activities at Ha Tinh, Phu Yen, Binh Dinh, Ninh Thuan and Binh Thuan PPMUs, which were made from ADB's funds.

## 18. Consultancy services

Unit	Year ended 31/12/2017			Accumulated to 31/12/2017 (reclassified) VND
	ADB funds VND	Counterpart funds VND	Total VND	
Central Project Management Unit	11,330,235,434	2,069,688,352	13,399,923,786	25,038,193,356



# Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

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## 19. Training

Unit	Year ended 31/12/2017			Accumulated to 31/12/2017 VND
	ADB funds VND	Counterpart funds VND	Total VND	
Central Project Management Unit	309,658,500	34,406,500	344,065,000	5,587,069,300
Ha Tinh PPMU	682,938,900	75,882,100	758,821,000	758,821,000
Phu Yen PPMU	242,973,000	26,997,000	269,970,000	269,970,000
Binh Dinh PPMU	542,224,000	60,243,000	602,467,000	602,467,000
Ninh Thuan PPMU	833,096,700	92,566,300	925,663,000	925,663,000
Binh Thuan PPMU	692,554,028	76,950,447	769,504,475	1,162,207,475
	3,303,445,128	367,045,347	3,670,490,475	9,306,197,775

## 20. CPMU Management Costs

	Year ended 31/12/2017 VND	Accumulated to 31/12/2017 VND
ADB funds	3,787,722,683	9,021,710,636
Counterpart funds	199,353,828	474,826,878
	3,987,076,511	9,496,537,514

## 21. PPMU Management Costs

Unit	Year ended 31/12/2017			Accumulated to 31/12/2017 VND
	ADB funds VND	Counterpart funds VND	Total VND	
Ha Tinh PPMU	1,267,554,500	268,334,777	1,535,889,277	4,637,388,900
Hue PPMU	1,084,455,514	271,113,878	1,355,569,392	3,841,112,829
Phu Yen PPMU	1,243,518,430	310,879,607	1,554,398,037	5,250,000,000
Binh Dinh PPMU	1,142,967,018	285,741,755	1,428,708,773	3,686,568,684
Ninh Thuan PPMU	1,413,080,160	220,804,275	1,633,884,435	3,453,499,984
Binh Thuan PPMU	367,345,167	91,836,293	459,181,460	2,080,815,322
	6,518,920,789	1,448,710,585	7,967,631,374	22,949,385,719



## Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

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### 22. Others

Unit	Year ended 31/12/2017		Total VND	Accumulated to 31/12/2017 (reclassified) VND
	ADB funds VND	Counterpart funds VND		
Ha Tinh PPMU	-	1,250,783,123	1,250,783,123	28,427,752,123
Hue PPMU	364,090,500	2,554,791,500	2,918,882,000	13,218,289,192
Phu Yen PPMU	-	23,179,708,699	23,179,708,699	36,962,366,697
Binh Dinh PPMU	136,500,000	12,736,088,000	12,872,588,000	31,636,859,000
Ninh Thuan PPMU	-	5,583,512,559	5,583,512,559	29,198,861,688
Binh Thuan PPMU	-	2,161,479,989	2,161,479,989	7,931,344,518
	500,590,500	47,466,363,870	47,966,954,370	147,375,473,218

Other expenditures of Provincial Project Management Units were disbursements for subproject preparation and disbursements for compensation and site clearance of the Project.

### 23. Fund balance, end of the year

Unit	As at 31/12/2017 VND
Central Project Management Unit	392,415,901,466
Ha Tinh PPMU (*)	(70,391,297,776)
Hue PPMU (*)	(967,855,829)
Phu Yen PPMU (*)	(45,504,878,804)
Binh Dinh PPMU (*)	(70,222,300,684)
Ninh Thuan PPMU (*)	(167,595,896,695)
Binh Thuan PPMU (*)	(74,371,744,881)
	(36,638,073,203)

(\*) The fund balances of Ha Tinh, Hue, Phu Yen, Binh Dinh, Ninh Thuan and Binh Thuan Provincial Project Management Units represented payables for completed works of some consultancy, civil contracts to which funds have not yet been allocated. Such amounts will be recovered by ADB's funds and local counterpart funds in next years.



## Project "Integrated Rural Development Sector Project in the Central Province - Additional Financing"

*Under the Loan Agreement No. 3173-VIE (SF) between the the Asian Development Bank and the Government of the Socialist Republic of Vietnam*

### 24. Amount withdrawn and not yet claimed

These represented payments for Project's activities. These expenses will be included in the next SOE Withdrawal Schedules.

### 25. Corresponding figures

Accumulated figures on the financial statements for the year ended 31 December 2016 were restated to reclassify categories of expenditures, including consultancy services and Subproject Preparation and Management expenditures under the counterpart funds in accordance with the signed Loan Agreement. Detail of reclassifications and their impacts on the financial statements are as follows:

	<b>Audited Accumulated to 31/12/2016 VND</b>	<b>Reclassification (*) VND</b>	<b>Reclassified Accumulated to 31/12/2016 VND</b>
Consultancy services	75,663,408,824	(64,025,139,254)	11,638,269,570
Subproject Preparation and Management	50,365,133,939	64,025,139,254	114,390,273,193
Others	35,383,379,594	64,025,139,254	99,408,518,848

(\*) These represented expenditures for subproject studies and design and construction supervision from counterpart funds of Ha Tinh, Hue, Phu Yen, Binh Dinh, Ninh Thuan and Binh Thuan Provincial Project Management Units for the period from 22 May 2015 to 31 December 2016.

Prepared by:



Pham Duy Dong  
Chief Accountant

Hanoi, 26 June 2018

Approved by:



Nguyen Tien Dung  
Project Director