

Audited Project Financial Statements

Project Number: 37097-044

Loan Number: 3173-VIE

Period covered: from 1 January 2018 to 31 December 2018

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: 26 June 2019

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

For the year ended 31 December 2018



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

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

Contents

STATEMENT OF THE PROJECT MANAGEMENT BOARD.....	3
INDEPENDENT AUDITORS' REPORT	5
BALANCE SHEET	9
CONSOLIDATED STATEMENT OF FUNDS AND EXPENDITURES	10
STATEMENT OF ADVANCE ACCOUNT	11
STATEMENT OF LOAN WITHDRAWALS – ACCOUNT NO. 160 10 37 0006576.....	12
STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES	14
NOTES TO THE FINANCIAL STATEMENTS.....	15

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

Under Loan Agreement No. 3173-VIE (SF) between 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 2018.

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 Asian Development Bank under 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 intended loan closing date is 30 June 2019.

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	Project Director
Ms. Le Thi Hai An	Deputy Project Director
Ms. Pham Hoang Lan	Deputy Project Director
Mr. Pham Ngoc Thanh	Chief Accountant (<i>up to 21/2/2018</i>)
Mr. Pham Duy Dong	Chief Accountant (<i>from 21/2/2018</i>)

Auditors

The accompanying Financial Statements for the year ended 31 December 2018 have been audited by NEXIA STT Co., Ltd.

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

Under Loan Agreement No. 3173-VIE (SF) between 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 2018 and of its funds and expenditures, operations of advance account and total funds withdrawn for the year ended 31 December 2018. 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 2018 and its funds and expenditures, operations of advance account and total funds withdrawn during the year ended 31 December 2018 in accordance with the accounting policies as described in Note 2 to the Financial Statements and withdrawal applications 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, 24 June 2019

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"

Qualified opinion

We have audited the accompanying Balance Sheet as at 31 December 2018, the Consolidated Statement of Funds and Expenditures, the Statement of Advance Account, the Statement of Loan Withdrawals, and the Statement of Budget versus Actual Expenditures for the year ended 31 December 2018 (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 Asian Development Bank and counterpart funds, and summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, in all material respects:

- a) the Balance Sheet, the Consolidated Statement of Funds and Expenditures, and the Statement of Budget versus Actual Expenditures give a true and fair view of the financial position of the Project as at 31 December 2018 and of its funds and expenditures for the year ended 31 December 2018 in conformity with the accounting policies described in Note 2; and
- b) the Statement of Advance Account and the Statement of Loan Withdrawals give a true and fair view of the advance account balance as at 31 December 2018 and of operations of the advance account, and of the funds withdrawn for the year ended 31 December 2018, in conformity with the accounting policies described in Note 2.

Basis for Qualified Opinion

As presented in Note 12 of the financial statements, included in other receivables are other receivables of Ninh Thuan PPMU amounting to VND244,848,227 as at 31 December 2018. We were unable to collect any audit evidence to express our opinion on the existence, completeness, accuracy, and valuation of the receivable balance of Ninh Thuan PPMU as at 31 December 2018.

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 qualified 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.: 041-2019HN/AUD/ADB-IRDSP

Hanoi, 24 June 2019

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

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

BALANCE SHEET

As at 31 December 2018

	Note	As at 31/12/2018 VND	As at 31/12/2017 VND
ASSETS			
Current assets		208,011,164,440	68,332,919,484
Cash on hand	3	141,236,574	144,094,000
Cash at bank – the State Treasury	4	1,345,752,339	992,554,640
Cash at bank – Current Account	5	2,830,202,003	2,956,950,419
Cash at bank – Advance Account	6	171,249,477,941	3,307,202,693
Cash at bank – Interest on Advance Account	7	90,433	90,433
Advances to staff	8	7,500,000	6,520,000
Internal receivables	9	40,786,067	168,818,573
Advances to contractors	10	32,102,242,996	59,728,806,020
Other advances	11	19,064,200	1,025,373,592
Other receivables	12	274,811,887	2,509,114
TOTAL ASSETS		208,011,164,440	68,332,919,484
RESOURCES			
Current liabilities		72,758,090,019	104,970,992,687
Payables to contractors	13	72,633,629,105	104,947,261,550
Tax payables to the State Budget		5,682,088	-
Other payables	14	118,778,826	23,731,137
Fund balance		135,253,074,421	(36,638,073,203)
Fund balance	23	135,253,074,421	(36,638,073,203)
TOTAL RESOURCES		208,011,164,440	68,332,919,484

Prepared by:

Dung

Pham Duy Dong
Chief Accountant

Hanoi, 24 June 2019

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

CONSOLIDATED STATEMENT OF FUNDS AND EXPENDITURES

For the year ended 31 December 2018

	Note	Year ended 31/12/2018 VND	Accumulated to 31/12/2017 VND	Accumulated to 31/12/2018 VND
FUNDS				
Funds received from Asian Development Bank	15	924,118,671,523	437,096,614,483	1,361,215,286,006
Counterpart funds	16	28,917,221,474	155,443,778,360	184,360,999,834
		953,035,892,997	592,540,392,843	1,545,576,285,840
EXPENDITURES				
1. Civil Works	17	716,881,904,697	406,294,823,103	1,123,176,727,800
2. Equipment		-	1,535,160,000	1,535,160,000
3. Consultancy services	18	9,458,588,001	25,038,193,356	34,496,781,357
<i>ADB funds</i>		<i>8,065,171,285</i>	<i>18,889,805,912</i>	<i>26,954,977,197</i>
<i>Counterpart funds</i>		<i>1,393,416,716</i>	<i>6,148,387,444</i>	<i>7,541,804,160</i>
4. Training	19	3,102,899,620	9,306,197,775	12,409,097,395
<i>ADB funds</i>		<i>2,792,609,658</i>	<i>8,038,089,373</i>	<i>10,830,699,031</i>
<i>Counterpart funds</i>		<i>310,289,962</i>	<i>1,268,108,402</i>	<i>1,578,398,364</i>
5. CPMU Management Costs	20	4,375,748,122	9,496,537,514	13,872,285,636
<i>ADB funds</i>		<i>4,156,960,716</i>	<i>9,021,710,636</i>	<i>13,178,671,352</i>
<i>Counterpart funds</i>		<i>218,787,406</i>	<i>474,826,878</i>	<i>693,614,284</i>
6. Subproject Preparation and Management		32,322,339,110	170,324,858,937	202,647,198,047
PPMU Management Costs	21	8,383,758,351	22,949,385,719	31,333,144,070
<i>ADB funds</i>		<i>6,603,683,175</i>	<i>17,521,015,743</i>	<i>24,124,698,918</i>
<i>Counterpart funds</i>		<i>1,780,075,176</i>	<i>5,428,369,976</i>	<i>7,208,445,152</i>
Others	22	23,938,580,759	147,375,473,218	171,314,053,977
<i>ADB funds</i>		<i>662,239,000</i>	<i>500,590,500</i>	<i>1,162,829,500</i>
<i>Counterpart funds</i>		<i>23,276,341,759</i>	<i>146,874,882,718</i>	<i>170,151,224,477</i>
7. ADB's capitalization of interests	15	14,557,662,667	6,822,847,632	21,380,510,299
		780,699,142,217	628,818,618,317	1,409,517,760,534
SURPLUS/(DEFICIT) OF FUNDS AGAINST EXPENDITURES		172,336,750,780	(36,278,225,474)	136,058,525,306
Foreign exchange losses		(445,603,156)	(359,847,729)	(805,450,885)
Fund balance, beginning of the year		(36,638,073,203)	-	-
FUND BALANCE, END OF THE YEAR		23 135,253,074,421	(36,638,073,203)	135,253,074,421

Prepared by:

Dung

Pham Duy Dong
Chief Accountant

Approved by:



Nguyen Tien Dung
Project Director

Hanoi, 24 June 2019

The accompanying notes form an integral part of the Financial Statements

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

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

STATEMENT OF ADVANCE ACCOUNT

For the year ended 31 December 2018

Account No.: 160 10 37 0006576
 Account holder: Project Management Board of the 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 2018		145,920.26
Add:		
Total amount advanced to Advance Account	15	11,000,000.00
Total amount replenished to Advance Account	15	19,781,703.99
Deduct:		
Total amount withdrawn		(23,530,108.85)
Bank charges		(130.00)
Ending balance as at 31 December 2018	6	7,397,385.40
Part B - Account Reconciliation		
Amount advanced by Asian Development Bank		4,000,000.00
Add:		
Amount advanced by Asian Development Bank		11,000,000.00
Deduct:		
Bank charges withheld by Asian Development Bank (*)		(200.00)
Amounts recovered by Asian Development Bank (**)		(3,917,006.29)
Outstanding amount advanced to Advance Account as at 31 December 2018		11,082,793.71
Ending balance of Advance Account as at 31 December 2018	6	7,397,385.40
Add:		
Amount withdrawn and not yet claimed	24	3,685,408.31
Total advance to Advance Account as at 31 December 2018		11,082,793.71

(*) These represented bank charges incurred in 2016, 2017 and 2018.

(**) These represented amounts accepted for liquidation of advance account under Applications No. A0010, A0013 and A0015.

Prepared by:

Pham Duy Dong

Pham Duy Dong
Chief Accountant

Approved by:



Nguyen Tien Dung
Project Director

Hanoi, 24 June 2019

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

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

STATEMENT OF LOAN WITHDRAWALS – ACCOUNT NO. 160 10 37 0006576

For the year ended 31 December 2018

Withdrawal applications		Categories					Unit: USD	
No.	Date	Civil Works	Equipment	Consultancy services	Training	Project Management Expenses	Advances	Total
A0013	7/3/2018	1,685,264.47	-	72,174.49	23,033.63	106,005.91	-	1,886,478.50
A0014	1/2/2018	-	-	-	-	-	5,000,000.00	5,000,000.00
A0015	8/3/2018	379,340.28	-	215,559.38	52,894.37	259,656.86	-	907,450.89
A0016	30/3/2018	3,428,387.85	-	-	-	-	-	3,428,387.85
A0017	26/4/2018	-	-	-	-	-	3,000,000.00	3,000,000.00
A0018	25/5/2018	1,543,124.82	-	-	-	-	-	1,543,124.82
A0019	25/6/2018	2,994,995.20	-	-	-	-	-	2,994,995.20
A0020	1/8/2018	2,882,296.42	-	-	-	-	-	2,882,296.42
A0021	28/8/2018	912,780.26	-	-	35,049.75	48,630.35	-	996,460.36
A0022	24/9/2018	1,235,027.08	-	-	12,513.76	29,199.34	-	1,276,740.18
A0023	24/10/2018	1,359,123.16	-	-	8,665.58	15,027.09	-	1,382,815.83
A0024	28/11/2018	-	-	237,033.32	-	105,825.37	-	342,858.69
A0025	27/11/2018	3,013,694.32	-	-	39,580.58	13,095.04	-	3,066,369.94
A0026	13/12/2018	1,867,849.42	-	-	-	-	-	1,867,849.42
A0027	13/12/2018	-	-	-	-	-	3,000,000.00	3,000,000.00
BD011	26/2/2018	445,168.11	-	-	-	-	-	445,168.11
BD012	26/2/2018	168,240.94	-	-	-	-	-	168,240.94
BD013	26/2/2018	239,933.01	-	-	-	-	-	239,933.01
BD014	26/2/2018	176,128.37	-	-	-	-	-	176,128.37
BD015	26/2/2018	288,316.93	-	-	-	-	-	288,316.93
BD016	26/2/2018	311,795.10	-	-	-	-	-	311,795.10
BD017	26/2/2018	135,382.90	-	-	-	-	-	135,382.90
BD018	26/2/2018	191,141.92	-	-	-	-	-	191,141.92
BD019	26/2/2018	145,629.18	-	-	-	-	-	145,629.18
BD020	26/2/2018	198,926.59	-	-	-	-	-	198,926.59
BD021	26/2/2018	185,028.15	-	-	-	-	-	185,028.15
BD022	26/2/2018	178,617.35	-	-	-	-	-	178,617.35
BD023	26/2/2018	113,096.62	-	-	-	-	-	113,096.62
BD024	26/2/2018	202,559.55	-	-	-	-	-	202,559.55

The accompanying notes form an integral part of the Financial Statements

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

Under Loan Agreement No. 3173-VIE (SF) between 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
BT009	20/3/2018	262,445.18	-	-	-	-	-	262,445.18
BT010	20/3/2018	125,309.54	-	-	-	-	-	125,309.54
BT011	20/3/2018	196,526.00	-	-	-	-	-	196,526.00
BT012	20/3/2018	239,395.45	-	-	-	-	-	239,395.45
BT013	20/3/2018	788,330.63	-	-	-	-	-	788,330.63
HT004	26/2/2018	196,205.61	-	-	-	-	-	196,205.61
HT005	26/2/2018	178,144.67	-	-	-	-	-	178,144.67
HT006	20/3/2018	141,409.99	-	-	-	-	-	141,409.99
HT007	21/3/2018	290,440.64	-	-	-	-	-	290,440.64
HT008	26/3/2018	183,973.25	-	-	-	-	-	183,973.25
NT003	30/3/2018	711,656.56	-	-	-	-	-	711,656.56
NT004	25/5/2018	416,088.89	-	-	-	-	-	416,088.89
NT005	25/5/2018	467,010.14	-	-	-	-	-	467,010.14
NT006	25/5/2018	186,526.65	-	-	-	-	-	186,526.65
PY002	20/3/2018	354,787.83	-	-	-	-	-	354,787.83
PY003	26/3/2018	475,127.72	-	-	-	-	-	475,127.72
PY004	26/3/2018	144,807.98	-	-	-	-	-	144,807.98
TTH06	20/3/2018	179,967.49	-	-	-	-	-	179,967.49
TTH07	20/3/2018	437,648.97	-	-	-	-	-	437,648.97
Total claimed/advanced amount		30,257,651.19	-	524,767.19	171,737.67	577,439.96	11,000,000.00	42,531,596.01

Prepared by:



Pham Duy Dong
Chief Accountant
Hanoi, 24 June 2019



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

STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES

For the year ended 31 December 2018

Categories	Year ended 31/12/2018			Accumulated to 31/12/2018		
	Budget per PAM USD (a)	Actual expenditures USD (b)	Under/(over) budget % (c)/(a)	Budget per PAM USD (e)	Actual expenditures USD (f)	Under/(over) budget % (g)/(e)
A. Civil Works	18,265,000	30,714,735	(12,449,735)	62,622,000	48,628,693	13,993,307
B. Equipment	-	-	-	39,000	67,628	(28,628)
C. Consultancy services	652,000	405,252	246,748	2,608,000	1,509,168	1,098,832
D. Training	344,000	132,943	211,057	1,782,000	544,138	1,237,862
E. CPMU Management Costs	187,000	187,478	(478)	748,000	607,032	140,968
F. Subproject Preparation and Management	755,000	1,384,847	(629,847)	8,212,000	8,225,682	(13,682)
G. Operational and maintenance infrastructure	1,401,000	-	1,401,000	2,165,000	-	2,165,000
	21,604,000	32,825,255	(11,221,255)	78,176,000	59,582,341	18,593,659
			(52)			24

Actual disbursements for the year ended 31 December 2018 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.: VND23,340/USD1).

Prepared by:

Pham Duy Dong

Pham Duy Dong
Chief Accountant

Hanoi, 24 June 2019



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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 Asian Development Bank under 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 intended loan closing date is 30 June 2019.

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 Funds and Expenditures, are expressed in Vietnam Dong (“VND”), except for the Statement of Advance Account, the Statement of Loan Withdrawals, and the Statement of Budget versus Actual Expenditures 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 Asian Development Bank (ADB), complied with 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 Loan Agreement No. 3173-VIE (SF) between 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 the Project's Advance Account.

The counterpart funds of 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 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 transaction dates for expenditures denominated in VND.

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

Fixed assets

Expenditures for acquisition of fixed assets are recognized as expenditures in the Consolidated Statement of Funds and Expenditures for the year. 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 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 Loan Agreement No. 3173-VIE (SF) between Asian Development Bank and the Government of the Socialist Republic of Vietnam

3. Cash on hand

Unit	As at 31/12/2018 VND	As at 31/12/2017 VND
Central Project Management Unit	17,456,109	794,072
Ha Tinh PPMU	11,295,000	47,440,000
Hue PPMU	56,420	298,101
Phu Yen PPMU	24,265,470	10,593,000
Binh Dinh PPMU	37,696,872	43,416,000
Ninh Thuan PPMU	18,465,590	40,600,810
Binh Thuan PPMU	32,001,113	952,017
	141,236,574	144,094,000

4. Cash at bank – the State Treasury

Unit	As at 31/12/2018 VND	As at 31/12/2017 VND
Hue PPMU	46,317,232	-
Phu Yen PPMU	-	29,156,750
Binh Dinh PPMU	1,171,221,702	963,397,890
Ninh Thuan PPMU	128,213,405	-
	1,345,752,339	992,554,640

5. Cash at bank – Current Account

Unit	As at 31/12/2018 VND	As at 31/12/2017 VND
Central Project Management Unit	45,634,231	528,991,365
Ha Tinh PPMU	363,067,528	48,410,132
Hue PPMU	341,210,386	679,389,187
Phu Yen PPMU	152,147	689,672
Binh Dinh PPMU	2,917,638	3,544,863
Ninh Thuan PPMU	240,319,316	372,419,888
Binh Thuan PPMU	1,836,900,757	1,323,505,312
	2,830,202,003	2,956,950,419

Cash at bank – Current Account at 31 December 2018 included amounts denominated in USD amounting to USD4,370.92 (equivalent to VND101,208,653) and USD19,073.78 (equivalent to VND443,126,376) at the second level advance accounts of Hue PPMU and Binh Thuan PPMU as at 31 December 2018, respectively.

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

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

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 2018. The original currency balance of this account as at 31 December 2018 was USD7,397,385.40 (31/12/2017: USD145,920.26).

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 2018. The original currency balance of this account as at 31 December 2018 was USD3.99 (31/12/2017: USD3.99).

8. Advances to staffs

This represented advances to the Project's staffs of Ninh Thuan PPMU. These advances will be cleared and recorded in project expenditures in 2019.

9. Internal receivables

This represented receivables from Ha Tinh Provincial Management Board of investment projects on construction of agricultural and rural development for 2018 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 Management Board of investment projects on construction of agricultural and rural development.

10. Advances to contractors

Unit	As at 31/12/2018 VND	As at 31/12/2017 VND
Ha Tinh PPMU	70,652,000	6,640,652,000
Hue PPMU	13,983,914,715	37,758,951,520
Phu Yen PPMU	59,585,000	7,710,339,200
Binh Dinh PPMU	4,562,376,000	7,333,563,300
Ninh Thuan PPMU	7,124,915,281	-
Binh Thuan PPMU	6,300,800,000	285,300,000
	<hr/>	<hr/>
	32,102,242,996	59,728,806,020

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"

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

11. Other advances

Unit	As at 31/12/2018 VND	As at 31/12/2017 VND
Hue PPMU	-	126,258,000
Phu Yen PPMU (a)	19,064,200	641,565,246
Binh Dinh PPMU	-	76,991,000
Ninh Thuan PPMU	-	180,559,346
	19,064,200	1,025,373,592

(a) This represented advances to Phu Hoa, Tay Hoa and Dong Xuan Land Development Centers to carry out site clearance activities of Phu Yen PPMU.

12. Other receivables

Unit	As at 31/12/2018 VND	As at 31/12/2017 VND
Phu Yen PPMU	1,963,660	2,509,114
Ninh Thuan PPMU	244,848,227	-
Binh Thuan PPMU	28,000,000	-
	274,811,887	2,509,114

13. Payables to contractors

Unit	As at 31/12/2018 VND	As at 31/12/2017 VND
Central Project Management Unit	1,830,608,740	1,755,208,944
Ha Tinh PPMU	17,324,338,900	21,965,147,953
Hue PPMU	9,530,639,670	180,784,800
Phu Yen PPMU	33,915,330,570	16,617,781,400
Ninh Thuan PPMU	7,233,760,541	64,356,389,843
Binh Thuan PPMU	2,798,950,684	71,948,610
	72,633,629,105	104,947,261,550

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.

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

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

14. Other payables

Unit	As at 31/12/2018 VND	As at 31/12/2017 VND
Central Project Management Unit	265,065	132,218
Ha Tinh PPMU	65,107	1,628,628
Hue PPMU	52,647,105	5,262,637
Phu Yen PPMU	8,105,527	3,198,786
Binh Dinh PPMU	7,703,212	8,330,437
Ninh Thuan PPMU	47,002,386	2,406,096
Binh Thuan PPMU	2,990,424	2,772,335
	<hr/>	<hr/>
	118,778,826	23,731,137

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

15. Funds received from Asian Development Bank

	Year ended 31/12/2018		Accumulated to 31/12/2018	
	Original amount USD	Equivalent to VND	Original amount USD	Equivalent to VND
Direct payments	8,955,767.91	201,435,969,268	15,124,253.96	338,474,187,452
Advance Account	30,781,703.99	708,125,039,588	43,801,252.67	1,001,360,588,255
<i>Advances</i>	<i>11,000,000.00</i>	<i>251,339,313,300</i>	<i>15,000,000.00</i>	<i>341,021,084,550</i>
<i>Replenishments</i>	<i>19,781,703.99</i>	<i>456,785,726,288</i>	<i>28,801,252.67</i>	<i>660,339,503,705</i>
ADB's capitalization of interests	643,797.06	14,557,662,667	949,840.57	21,380,510,299
	40,381,268.96	924,118,671,523	59,875,347.20	1,361,215,286,006

Details of Funds received from Asian Development Bank for the year ended 31 December 2018 were as follows:

<i>Receipts under withdrawal applications</i>		Year ended 31/12/2018	
		Original amount USD	Equivalent to VND
No.	Date		
A0014	9/2/2018	5,000,000.00	113,324,773,350
A0016	25/4/2018	3,428,193.13	77,922,602,545 (*)
A0017	8/5/2018	3,000,000.00	68,204,772,650
A0018	15/6/2018	1,543,124.82	35,206,164,618
A0019	10/7/2018	2,994,995.20	68,914,609,452
A0020	24/8/2018	2,882,296.42	67,027,570,697
A0021	5/9/2018	996,460.36	23,177,435,374
A0022	4/10/2018	1,276,740.18	29,632,907,478
A0023	19/11/2018	1,382,815.83	32,184,805,693
A0024	5/12/2018	342,858.69	7,981,517,503
A0025	6/12/2018	3,066,369.94	71,338,864,004
A0026	19/12/2018	1,867,849.42	43,399,248,924
A0027	18/12/2018	3,000,000.00	69,809,767,300
Total funds replenished to Advance Account		30,781,703.99	708,125,039,588 (a)

(Note: Withdrawal applications No. A0013 dated 7 March 2018 and No. A0015 dated 8 March 2018 are applications for liquidation of advance account).

(*) The difference of USD194.72 between the amount requested to withdraw in the withdrawal application No. A0016 with the actual amount replenished to advance account was the reduction by ADB because Thua Thien Hue PPMU made an over budgeted advance to the package bid 03HD/TDA03-XL.

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

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

Direct payments under withdrawal applications		Original amount	Equivalent to
No.	Date	USD	VND
BD011	15/3/2018	445,168.11	9,994,024,000
BD012	15/3/2018	168,240.94	3,777,009,000
BD013	15/3/2018	239,933.01	5,386,496,000
BD014	15/3/2018	176,128.37	3,954,082,000
BD015	15/3/2018	288,316.93	6,472,715,000
BD016	15/3/2018	311,795.10	6,999,800,000
BD017	27/3/2018	135,382.90	3,040,023,000
BD018	15/3/2018	191,141.92	4,291,136,000
BD019	15/3/2018	145,629.18	3,269,375,000
BD020	15/3/2018	198,926.59	4,465,902,000
BD021	15/3/2018	185,028.15	4,153,882,000
BD022	15/3/2018	178,617.35	4,009,960,000
BD023	15/3/2018	113,096.62	2,539,019,000
BD024	8/5/2018	202,559.55	4,568,123,000
BT009	24/4/2018	262,445.18	5,906,853,596
BT010	24/4/2018	125,309.54	2,820,341,718
BT011	24/4/2018	196,526.00	4,423,210,728
BT012	24/4/2018	239,395.45	5,388,073,357
BT013	24/4/2018	788,330.63	17,742,957,669
HT004	27/3/2018	196,205.61	4,405,797,000
HT005	15/3/2018	178,144.67	3,999,347,900
HT006	16/4/2018	141,409.99	3,178,472,400
HT007	4/4/2018	290,440.64	6,519,811,500
HT008	4/4/2018	183,973.25	4,129,831,400
NT003	21/5/2018	711,656.56	16,072,051,800
NT004	1/6/2018	416,088.89	9,399,448,000
NT005	7/6/2018	467,010.14	10,540,886,000
NT006	7/6/2018	186,526.65	4,210,093,000
PY002	13/4/2018	354,787.83	7,974,566,000
PY003	4/4/2018	475,127.72	10,665,667,000
PY004	13/4/2018	144,807.98	3,254,849,000
TTH06	13/4/2018	179,967.49	4,045,129,200
TTH07	13/4/2018	437,648.97	9,837,036,000
Total directly paid by Asian Development Bank		8,955,767.91	201,435,969,268 (b)
ADB's capitalization of interests		643,797.06	14,557,662,667 (c)
Total (a), (b) and (c)		40,381,268.96	924,118,671,523

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

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

16. Counterpart funds

Unit	Year ended 31/12/2018 VND	Accumulated to 31/12/2018 VND
Central Project Management Unit	1,584,432,721	5,743,375,235
Ha Tinh PPMU	6,103,691,000	31,103,691,000
Hue PPMU	4,217,963,417	20,309,509,609
Phu Yen PPMU	3,764,171,991	43,626,269,884
Binh Dinh PPMU	4,583,675,000	38,396,265,000
Ninh Thuan PPMU	4,692,729,002	31,337,846,002
Binh Thuan PPMU	3,970,558,343	13,844,043,104
	28,917,221,474	184,360,999,834

17. Civil Works

Unit	Year ended 31/12/2018 VND	Accumulated to 31/12/2018 VND
Ha Tinh PPMU	160,535,871,247	222,103,207,000
Hue PPMU	137,264,545,000	137,264,545,000
Phu Yen PPMU	141,779,008,000	184,663,648,000
Binh Dinh PPMU	189,104,350,000	257,213,346,000
Ninh Thuan PPMU	2,450,949,829	163,113,938,852
Binh Thuan PPMU	85,747,180,621	158,818,042,948
	716,881,904,697	1,123,176,727,800

Construction expenses for the year ended 31 December 2018 represented disbursements for civil works activities at Ha Tinh, Thua Thien Hue, Phu Yen, Binh Dinh, Ninh Thuan, and Binh Thuan PPMUs, which were made from ADB's funds.

18. Consultancy services

Unit	Year ended 31/12/2018			Accumulated to 31/12/2018 VND
	ADB funds VND	Counterpart funds VND	Total VND	
Central Project Management Unit	8,065,171,285	1,393,416,716	9,458,588,001	34,496,781,357

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

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

19. Training

Unit	Year ended 31/12/2018			Accumulated to 31/12/2018 VND
	ADB funds VND	Counterpart funds VND	Total VND	
Central Project Management Unit	526,284,000	58,476,000	584,760,000	6,171,829,300
Ha Tinh PPMU	858,911,400	95,434,600	954,346,000	1,713,167,000
Hue PPMU	889,300,080	98,811,120	988,111,200	988,111,200
Phu Yen PPMU	291,699,000	32,411,000	324,110,000	594,080,000
Binh Dinh PPMU	87,917,400	9,768,600	97,686,000	700,153,000
Ninh Thuan PPMU	-	-	-	925,663,000
Binh Thuan PPMU	138,497,778	15,388,642	153,886,420	1,316,093,895
	2,792,609,658	310,289,962	3,102,899,620	12,409,097,395

20. CPMU Management Costs

	Year ended 31/12/2018 VND	Accumulated to 31/12/2018 VND
ADB funds	4,156,960,716	13,178,671,352
Counterpart funds	218,787,406	693,614,284
	4,375,748,122	13,872,285,636

21. PPMU Management Costs

Unit	Year ended 31/12/2018			Accumulated to 31/12/2018 VND
	ADB funds VND	Counterpart funds VND	Total VND	
Ha Tinh PPMU	593,670,583	277,572,029	871,242,612	5,508,631,512
Hue PPMU	1,102,187,744	275,546,936	1,377,734,680	5,218,847,509
Phu Yen PPMU	1,308,800,000	327,200,000	1,636,000,000	6,886,000,000
Binh Dinh PPMU	1,951,008,253	487,752,063	2,438,760,316	6,125,329,000
Ninh Thuan PPMU	1,040,662,085	260,165,521	1,300,827,606	4,754,327,590
Binh Thuan PPMU	607,354,510	151,838,627	759,193,137	2,840,008,459
	6,603,683,175	1,780,075,176	8,383,758,351	31,333,144,070

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

22. Others

Unit	Year ended 31/12/2018			Accumulated to 31/12/2018 VND
	ADB funds VND	Counterpart funds VND	Total VND	
Ha Tinh PPMU	83,368,000	2,487,901,877	2,571,269,877	30,999,022,000
Hue PPMU	151,788,000	5,270,961,097	5,422,749,097	18,641,038,289
Phu Yen PPMU	167,076,000	4,810,372,807	4,977,448,807	41,939,815,504
Binh Dinh PPMU	189,735,000	4,201,276,000	4,391,011,000	36,027,870,000
Ninh Thuan PPMU	63,720,000	2,466,331,582	2,530,051,582	31,728,913,270
Binh Thuan PPMU	6,552,000	4,039,498,396	4,046,050,396	11,977,394,914
	662,239,000	23,276,341,759	23,938,580,759	171,314,053,977

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 31/12/2018 VND	As at 31/12/2017 VND
Central Project Management Unit	1,288,696,928,394	392,415,901,466
Ha Tinh PPMU (*)	(229,220,336,512)	(70,391,297,776)
Hue PPMU (*)	(141,803,359,547)	(967,855,829)
Phu Yen PPMU (*)	(190,457,273,620)	(45,504,878,804)
Binh Dinh PPMU (*)	(261,670,433,000)	(70,222,300,684)
Ninh Thuan PPMU (*)	(169,184,996,710)	(167,595,896,695)
Binh Thuan PPMU (*)	(161,107,454,584)	(74,371,744,881)
	135,253,074,421	(36,638,073,203)

(*) The fund balances of Ha Tinh, Thua Thien 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 the next years.

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

24. Amount withdrawn and not yet claimed

These represented payments for Project's activities. These expenses will be included in the next Statement of Loan Withdrawals.

Prepared by:



Pham Duy Dong
Chief Accountant

Hanoi, 24 June 2019

Approved by:



Nguyen Tien Dung
Project Director

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

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

Appendix I – Auditors' Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with Project Management Unit regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with Project Management Unit with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with Project Management Unit, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.