

Audited Project Financial Statements

Project Number: 40253-023

Loan Number: 2721-VIE

Period covered: 1 January 2017 to 31 December 2017

CAM/LAO/VIE: Greater Mekong Subregion Biodiversity Conservation Corridors Project

Prepared by Quang Nam Provincial Project Management Unit, Quang Nam Provincial People's Committee

For the Asian Development Bank
Date received by ADB: 28 September 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.

QUANG NAM PROVINCIAL PROJECT MANAGEMENT UNIT
GREATER MEKONG SUBREGION BIODIVERSITY CONSERVATION
CORRIDORS PROJECT - PHASE II

Loan Agreement No. 2721-VIE(SF)

AUDITED FINANCIAL STATEMENTS

For the year ended 31/12/2017



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QUANG NAM PROVINCIAL PROJECT MANAGEMENT UNIT

Greater Mekong subregion biodiversity conservation corridors project – Phase 2

Loan Agreement No. 2721-VIE(SF)

PART I

FINANCIAL STATEMENTS

QUANG NAM PROVINCIAL PROJECT MANAGEMENT UNIT

Greater Mekong subregion biodiversity conservation corridors project – Phase 2

Loan Agreement No. 2721-VIE(SF)

STATEMENT OF THE PROJECT MANAGEMENT UNIT

Quang Nam Provincial Project Management Unit - Greater Mekong subregion biodiversity conservation corridors project - Phase 2 ("the PMU", "the Project Management Unit") presents this report together with the financial statements of the Greater Mekong subregion biodiversity conservation corridors project - Phase 2, the work implemented in Quang Nam province ("the Project") for the year ended 31/12/2017.

Provincial Project Management Unit

The members of the Project Management Unit who held office during the year and at the date of this report are as follows:

Mr. Nguyen Vien	Director
Mrs. Le Thi Tuyet Hanh	Deputy Director
Mrs. Ngo Thi Phuoc Tuyen	Chief Accountant
Mr. Nguyen Van An	Coordinator

The Project Management Unit's Statement of Responsibility

The PMU is responsible for preparing the Project's financial statements, which give a true and fair view of the balances of assets, liabilities and funds as at 31/12/2017 as well as the receipts and disbursements of the Project, actual expenditure for the year ended 31/12/2017, in accordance with the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements and the covenants contained in Loan Agreement No. 2721-VIE(SF). In preparing these financial statements, the PMU is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Design and implement an effective internal control for the purpose of properly preparing and presenting the financial statements so as to minimize risks and frauds.

The PMU is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Project and ensuring that the funds have been used as intended for the Project. The PMU is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The PMU confirms that they have complied with the above requirements in preparing these financial statements.

For and on behalf of the PMU 



Nguyen Vien
Director

Quang Nam, 30 August 2018

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To: **Quang Nam Provincial Project Management Unit**
Greater Mekong subregion biodiversity conservation corridors project - Phase 2

Auditor's Opinion

We have audited the financial statements of the Greater Mekong subregion biodiversity conservation corridors project – Phase 2 – Quang Nam province ("the Project"), which comprise the Balance sheet as at 31/12/2017, the Statement of funds and expenditures, the Statement of receipts and disbursements, the Statement of actual expenditure compared to budget, the Statement of advance account, the Statement of loan withdrawals for the year ended 31/12/2017 and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the balances of assets, liabilities and funds as at 31/12/2017, its financial receipts and disbursements of the Project for the year then ended in accordance with regulations on preparation and presentation of financial statements set out in Note 2 and Note 3 of the Notes to financial statements.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project Management Unit in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Use

We draw attention to Note 2 and Note 3 to the financial statements, which describe the basis of accounting. The financial statements are prepared to assist the Project to meet the requirements of the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibility of Quang Nam Provincial Project Management Unit for the Financial Statements

Quang Nam Provincial Project Management Unit of Greater Mekong subregion biodiversity conservation corridors project - Phase 2 ("the Project Management Unit") is responsible for the preparation and presentation of these financial statements in accordance with regulations on preparation and presentation of financial statements set out in Note 2 and Note 3 of the Notes to the financial statements and for such internal control as the Project Management Unit determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Project Management Unit is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Project Management Unit either intends to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (CONT'D)

Auditor's Responsibility for 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 auditor's 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 these 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 the reasonableness of accounting estimates and related disclosures made by the Project Management Unit.
- Conclude on the appropriateness of Project Management Unit's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- 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 the Project Management Unit regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies (if any) in internal control that we identify during our audit.



Nguyễn Thị Phương Thao
Deputy General Director
Practicing Certificate No.0933-2018-112-1

A blue ink signature of Nguyễn Thị Thu Ha.

Nguyễn Thị Thu Ha
Auditor
Practicing Certificate No. 2277-2018-112-1

For and on behalf of
UHY Auditing and Consulting Company Limited
Hanoi, 30 August 2018

BALANCE SHEET

As at 31/12/2017

	Notes	31/12/2017 VND	31/12/2016 VND
ASSETS			
I. Current assets		9,427,225,032	6,578,815,121
Cash	6	2,798,346,232	4,159,404,616
Cash on hand		104,708,000	30,661,000
Cash in bank, state treasury		2,693,638,232	4,128,743,616
Account receivables		6,628,878,800	2,419,410,505
Other receivables		-	3,949,105
Advance to employees		-	976,477,000
Advance to suppliers	7	6,628,878,800	1,438,984,400
II. Fixed assets		64,078,774,936	36,681,646,939
Tangible fixed assets		1,891,458,655	2,470,351,067
Cost		4,012,201,974	4,013,552,240
Accumulated depreciation		(2,120,743,319)	(1,543,201,173)
Intangible fixed assets		202,020,000	269,360,000
Cost		336,700,000	336,700,000
Accumulated amortization		(134,680,000)	(67,340,000)
III. Project implementing expenditures	8	61,985,292,481	33,941,935,872
Project implementing expenditures		62,879,959,747	34,851,463,703
Foreign exchange rate differences		(894,663,466)	(909,527,831)
TOTAL ASSETS		73,505,999,968	43,260,462,060

BALANCE SHEET (CONT'D)

As at 31/12/2017

	Notes	31/12/2017 VND	31/12/2016 VND
RESOURCES			
I. Liabilities		2,652,433,000	2,018,400
Payables to suppliers	9	2,566,122,000	-
Tax payable to State Treasury		-	2,018,400
Other payables	10	86,311,000	-
II. Fund		70,853,566,968	43,258,443,660
Project funds		68,760,088,313	40,518,732,593
ADB fund	11	68,695,103,034	40,453,751,114
Other funds	12	64,985,279	64,981,479
Other fund		2,093,478,655	2,739,711,067
Funds for fixed assets acquisition		2,093,478,655	2,739,711,067
TOTAL RESOURCES		73,505,999,968	43,260,462,060

OFF-BALANCE SHEET ITEMS

Items	31/12/2017	31/12/2016
1. Foreign		
USD	117,778.91	179,698.98



★ **Nguyen Vien**
Director

Quang Nam, 30 August 2018

Ngo Thi Phuoc Tuyen
Chief Accountant

Le Thi Quynh Nga
Preparer

STATEMENT OF FUNDS AND EXPENDITURES

For the year ended 31/12/2017

Đơn vị tính: VND

No.	Contents	For the year ended 31/12/2017				Accumulated to 31/12/2017			
		ADB	Counterpart	Others	Total	ADB	Counterpart	Others	Total
I.	FUNDS	28,241,351,920	-	3,800	28,241,355,720	68,695,103,034	-	64,985,279	68,760,088,313
1	ADB fund	28,241,351,920	-	-	28,241,351,920	68,695,103,034	-	-	68,695,103,034
2	Counterpart	-	-	-	-	-	-	-	-
3	Other funds	-	-	3,800	3,800	-	-	64,985,279	64,985,279
II.	EXPENDITURES	28,003,520,298	-	24,975,746	28,028,496,044	62,832,144,074	-	47,815,673	62,879,959,747
1	Civil works	3,642,831,800	-	-	3,642,831,800	5,113,810,800	-	-	5,113,810,800
2	Transportation and Equipment	-	-	-	-	1,770,142,956	-	-	1,770,142,956
3	Goods and Services	14,302,913,920	-	-	14,302,913,920	26,643,102,718	-	-	26,643,102,718
4	Improving Livelihoods	6,087,282,650	-	-	6,087,282,650	17,450,851,270	-	-	17,450,851,270
5	Consulting services	1,276,610,400	-	-	1,276,610,400	1,728,397,200	-	-	1,728,397,200
6	Capacity Building	825,225,800	-	-	825,225,800	3,314,457,068	-	-	3,314,457,068
7	Operating expenses	1,868,655,728	-	24,975,746	1,893,631,474	6,811,382,062	-	47,815,673	6,859,197,735
8	Interest expense	-	-	-	-	-	-	-	-
9	Foreign exchange difference in payment	-	-	-	-	-	-	-	-
	DIFFERENCE BETWEEN FUNDS AND EXPENDITURES	237,831,622	-	(24,971,946)	212,859,676	5,862,958,960	-	17,169,606	5,880,128,566
	OPENING BALANCE	5,625,127,338	-	42,141,552	5,667,268,890	-	-	-	-
III.									
IV.	CLOSING BALANCE	5,862,958,960	-	17,169,606	5,880,128,566	5,862,958,960	-	17,169,606	5,880,128,566

Nguyễn Viên
Giám đốc

Quang Nam, 30 August 2018

Ngo Thi Phuoc Tuyen
Chief Accountant

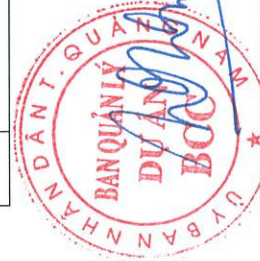
Le Thi Quynh Nga
Preparer

STATEMENTS OF RECEIPTS AND DISBURSEMENTS

For the year ended 31/12/2017

Unit: VND

No.	Contents	For the year ended 31/12/2017				Accumulated to 31/12/2017			
		ADB	Counterpart	Others	Total	ADB	Counterpart	Others	Total
I.	RECEIPTS	28,241,351,920	-	3,800	28,241,355,720	68,695,103,034	-	64,985,279	68,760,088,313
1	ADB fund	28,241,351,920	-	-	28,241,351,920	68,695,103,034	-	-	68,695,103,034
2	Counterpart	-	-	-	-	-	-	-	-
3	Other funds	-	-	3,800	3,800	-	-	64,985,279	64,985,279
II.	DISBURSEMENTS	32,066,277,098	-	24,975,746	32,091,252,844	66,894,900,874	-	47,815,673	66,942,716,547
1	Civil works	9,481,293,800	-	-	9,481,293,800	10,952,272,800	-	-	10,952,272,800
2	Transportation and Equipment	-	-	-	-	1,770,142,956	-	-	1,770,142,956
3	Goods and Services	12,382,976,920	-	-	12,382,976,920	24,723,165,218	-	-	24,723,165,218
4	Improving Livelihoods	5,887,282,650	-	-	5,887,282,650	17,250,851,270	-	-	17,250,851,270
5	Consulting services	1,682,619,200	-	-	1,682,619,200	2,134,406,000	-	-	2,134,406,000
6	Capacity Building	801,535,800	-	-	801,535,800	3,267,756,768	-	-	3,267,756,768
7	Operating expenses	1,830,568,728	-	24,975,746	1,855,544,474	6,796,305,862	-	47,815,673	6,844,121,535
8	Interest expense	-	-	-	-	-	-	-	-
9	Foreign exchange difference in payment	-	-	-	-	-	-	-	-
	DIFFERENCE BETWEEN RECEIPTS AND DISBURSEMENTS	(3,824,925,178)	-	(24,971,946)	(3,849,897,124)	1,800,202,160	-	17,169,606	1,817,371,766
III.	OPENING BALANCE	5,625,127,338	-	42,141,552	5,667,268,890	-	-	-	-
IV.	CLOSING BALANCE	1,800,202,160	-	17,169,606	1,817,371,766	1,800,202,160	-	17,169,606	1,817,371,766



Nguyễn Văn
Giám đốc

Ngo Thi Phuoc Tuyen
Chief Accountant

Le Thi Quynh Nga
Preparer

Quang Nam, 30 August 2018

The financial statements should be read in conjunction with accompanying note

STATEMENT OF ACTUAL DISBURSEMENTS COMPARED BUDGET

For the year ended 31/12/2017

Unit: VND

No.	Contents	ADB fund			
		Authorized estimate budget (A)	Actual disbursements (B)	Difference (B) - (A)	Rate
1	Civil works	32,654,158,000	9,481,293,800	(23,172,864,200)	-71%
2	Transportation and Equipment	-	-	-	-
3	Goods and Services	47,722,569,183	12,382,976,920	(35,339,592,263)	-74%
4	Improving Livelihoods	14,316,645,067	5,887,282,650	(8,429,362,417)	-59%
5	Consulting services	1,294,950,968	1,682,619,200	387,668,232	30%
6	Capacity Building	1,982,709,117	801,535,800	(1,181,173,317)	-60%
7	Operating expenses	2,800,454,717	1,855,544,474	(944,910,243)	-34%
	Total	100,771,487,052	32,091,252,844	(68,680,234,208)	-68%

(A) The estimate budget is authorized under Decision No. 1185/QĐ-UBND dated 10/04/2017 of Provincial People's Committees on approval of operation plan of 2017 of Quang Nam Provincial project management unit of the Greater Mekong subregion biodiversity conservation corridors project - Phase 2.

(B) Expense has been disbursed in the year.

Nguyễn Viên
Giám đốc

Ngo Thi Phuoc Tuyen
Chief Accountant

Le Thi Quynh Nga
Preparer

Quang Nam, 30 August 2018

STATEMENT OF FIRST GENERATION ADVANCE ACCOUNT
Quang Nam Province

For the year: Ended 31/12/2017
Account Number: 4200201003971
Depository bank: Vietnam Bank for Agriculture and Rural development – Quang Nam Branch
Address: No. 06 Phan Boi Chau - Tam Ky City – Quang Nam Province
Loan Agreement No: 2721-VIE(SF)
Currency Unit: USD

Amount

PART A: ACCOUNT ACTIVITY

Opening balance (01/01/2017)	171,266.83
Add:	1,245,152.45
Total Amount first advanced by ADB	1,244,821.11
Money transfer fees are refunded	331.34
Deduct:	1,303,447.13
Total amount withdrawn	1,303,447.13
Total interest transferred to a separate account	-
Closing balance (31/12/2017)	112,972.15

PART B: ACCOUNT RECONCILIATION

1.	Amount advanced by ADB	664,172.00
2.	Deduct: Total amount recovered by the ADB	-
3.	Present outstanding amount advanced to Advance Account as at 31/12/2017	664,172.00
4.	Closing balance of Advance Account (31/12/2017)	112,972.15
5.	Add: Amounts claimed and not yet credited	
6.	Add: Amounts withdrawn and not yet claimed	551,199.85
9.	Total amounts advance to Advance Account accounted for as at 31/12/2017	664,172.00



Nguyen Vien
Giám đốc

Quang Nam, 30 August 2018

Ngô Thị Phước Tuyền
Chief Accountant

Le Thi Quynh Nga
Preparer

STATEMENT OF SECOND GENERATION ADVANCE ACCOUNT
 Nam Giang District

For the year: Ended 31/12/2017
 Account Number: 4212201001336
 Depository bank: Vietnam Bank for Agriculture and Rural development - Nam Giang Branch
 Address: Ca Dy Town – Nam Giang District – Quang Nam Province
 Loan Agreement No: 2721-VIE(SF)
 Currency Unit: USD

	Amount
PART A: ACCOUNT ACTIVITY	
Opening balance (01/01/2017)	6,435.83
Add:	292,000.00
Total amount replenished by the PPMU	292,000.00
Total interest earned	
Deduct:	298,159.42
Total amount withdrawn	298,159.42
Total interest transferred to a separate account	-
Closing balance (31/12/2017)	276.41

PART B: ACCOUNT RECONCILIATION

1. Amount advanced by the PPMU	300,000.00
2. Deduct: Total amount recovered by the PPMU	-
3. Present outstanding amount advanced to Advance Account as at 31/12/2017	300,000.00
4. Closing balance of Advance Account (31/12/2017)	276.41
5. Add: Amounts claimed and not yet credited	-
6. Add: Amounts withdrawn and not yet claimed	299,723.59
9. Total amounts advance to Advance Account accounted for as at 31/12/2017	300,000.00



Nguyễn Viên
 Giám đốc

Quang Nam, 30 August 2018

Ngo Thi Phuoc Tuyen
 Chief Accountant

Le Thi Quynh Nga
 Preparer

STATEMENT OF SECOND GENERATION ADVANCE ACCOUNT
Tay Giang District

For the year: Ended 31/12/2017
Account Number: 4217201000883
Depository bank: Vietnam Bank for Agriculture and Rural development - Tay Giang Branch
Address: A Tieng Town – Tay Giang District – Quang Nam Province
Loan Agreement No: 2721-VIE(SF)
Currency Unit: USD

	Amount
PART A: ACCOUNT ACTIVITY	
Opening balance (01/01/2017)	1,996.32
Add:	287,000.48
Total amount replenished by the PPMU	287,000.48
Total interest earned	
Deduct:	284,466.45
Total amount withdrawn	284,466.45
Total interest transferred to a separate account	
Closing balance (31/12/2017)	4,530.35

PHẦN B: ĐỐI CHIẾU TÀI KHOẢN

1.	Amount advanced by the PPMU	227,900.00
2.	Deduct: Total amount recovered by the PPMU	-
3.	Present outstanding amount advanced to Advance Account as at 31/12/2017	227,900.00
4.	Closing balance of Advance Account (31/12/2017)	4,530.35
5.	Add: Amounts claimed and not yet credited	-
6.	Add: Amounts withdrawn and not yet claimed	223,369.65
9.	Total amounts advance to Advance Account accounted for as at 31/12/2017	227,900.00



Nguyen Vien
Giám đốc

Quang Nam, 30 August 2018

Ngo Thi Phuoc Tuyen
Chief Accountant

Le Thi Quynh Nga
Preparer

QUANG NAM PROVINCIAL PROJECT MANAGEMENT UNIT

Greater Mekong subregion biodiversity conservation corridors project – Phase 2

Loan Agreement No. 2721-VIE(SF)

FINANCIAL STATEMENTS

For the year ended
31/12/2017

STATEMENT OF LOAN WITHDRAWALS

For the year ended 31/12/2017

Withdraw Application			Amount requested							Amount received		Difference (*)		
No.	Date	Currency	Civil works	Goods and services	Equipment	Improving Livelihoods	Consulting	Capacity Building	Operating expenses	Total	Date		USD	
Direct payment														
Advance account														
00009	20/02/17	USD	17,724.03	-	75,264.54	41,458.56	-	-	-	-	-	-	-	
00010	11/09/17	USD	84,256.68	-	120,568.49	33,435.28	17,866.17	24,110.83	40,825.94	199,383.90	14/07/18	199,373.90	10.00	
00011	10/11/17	USD	110,588.59	-	137,225.88	49,801.63	28,134.66	23,606.78	21,014.04	300,747.44	19/10/18	300,737.44	10.00	
00012	22/11/17	USD	-	-	153,656.41	91,455.88	14,071.98	8,154.79	37,188.98	371,094.53	15/12/17	371,084.53	10.00	
00013	11/12/17	USD	56,923.46	-	38,256.21	-	-	1,167.29	12,130.28	272,481.84	15/12/17	272,471.84	10.00	
											101,163.40	22/12/17	101,153.40	10.00
Total			269,492.76	-	524,971.53	216,151.35	60,072.81	60,892.30	113,290.36	1,244,871.11	1,244,821.11		50.00	

(*) Bank's fee



Nguyễn Viên
Giám đốc

Quang Nam, 30 August 2018

[Signature]

Ngo Thi Phuoc Tuyen
Chief Accountant

[Signature]

Le Thi Quynh Nga
Preparer

NOTES TO THE FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

The Greater Mekong subregion biodiversity conservation corridors project – Vietnam component is the second phase project with a view to enhancing transboundary cooperation and management of forest ecosystems between countries of the Greater Mekong Subregion (GMS). The GMS Governments, with support from ADB, have identified the most important biodiversity conservation landscapes in the subregion that are vulnerable to increased development pressures and environmental degradation. In Viet Nam, the project will address the fragmentation of the biodiversity rich forest landscape of central Viet Nam which included the three provinces of Quang Nam, Quang Tri and Thua Thien Hue, increasing its ability to provide critical ecosystem services necessary for sustaining local livelihoods and investments in hydropower, transport, water and food-security sectors. The Project will promote sustainable resource use, and restore and enhance productivity of these landscapes. The project implementation period is projected from 5/2011 to 9/2019.

General objectives of the project are as follows:

- Enhance capacities for central, provincial, district, communal levels in the project implementing areas in biodiversity corridor planning, corridor plan development and implementation.
- Conduct forest rehabilitation and reforestation to the connectivity of biodiversity corridors and increase the medium-rich forest areas in the 34 selected communes in the biodiversity corridor area.
- Propose solutions to livelihoods and sustainable development goals linked with small-scale infrastructure to contribute to reducing poverty and improving the living conditions of ethnic minorities in poor mountainous districts in the project area.

2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD**Accounting convention**

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost. These financial statements are prepared under the requirements of the Asian Development Bank and in accordance with Vietnamese Accounting Standards, the public-sector administrative accounting policies issued under Decision No. 19/2006/QĐ- BTC dated 30/03/2006 and Circular No. 185/2010/TT-BTC dated 15/11/2010 providing guidance on amending and supplementing the public-sector administrative accounting regulations.

Accounting period

The Project's fiscal year begins on 1 January and ends on 31 December. The financial statements have been prepared for the year from 1 January 2017 to 31 December 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Project Management Unit in the preparation of these financial statements, are as follows:

Receivables

Receivables are recognised based on the actual amounts as incurred and those advanced to suppliers under contract terms.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Payables

Payables are recognized based on actual expenditures as occurred and works completed and payment made.

Foreign currency translation

Transactions arising in foreign currencies are translated into Vietnam Dong (VND) at exchange rates ruling on the transaction date. Cash and liabilities balances denominated in foreign currencies are retranslated at the rates of exchange prevailing on the balance sheet date (quoted by the Bank for Agriculture and Rural Development of Vietnam).

Recognition of funds and expenditures

Funds and expenditures are recognized when actually incurred. Details are as follows:

- ADB fund are recognized when credited to the first generation Advance account or payment directly made to suppliers from ADB in the fiscal year.
- Project management cost are recognized on the accrual basis including actual expenses incurred and payables owed to the suppliers..

Fixed assets and depreciation

Cost of fixed assets is totally charged for the period in which they are acquired. However, their disclosure in the Balance sheet is simply for the purpose of management and amortization in accordance with Circular No.162/2014/TT-BTC dated 06/11/2014 issued by the Minister of Finance on Regulation on management and depreciation of fixed assets in the State agencies and public administrative units and State-funded organizations.

4. ADVANCE ACCOUNT

First Generation Advance account and Second Generation Advance accounts are deposit accounts opened at Vietnam Bank for Agriculture and Rural development – Quang Nam province Branch. Payments from Advance accounts are made for expenditures in accordance with the relevant covenants of Loan Agreement No. 2721-VIE(SF) dated 05/05/2011 and relevant regulations established by the ADB. Amounts withdrawn from the Advance account are used for payments to contractors, operating expenses and transferred to the Second Generation Advance Account of districts.

5. STATEMENT OF RECEIPTS AND DISBURSEMENTS

Statement of receipts and disbursements is prepared based on actual cash flows; Specifically:

Cash inflow is the actual cash flow received from the Asian Development Bank (ADB).

Cash outflow is the actual cash flow paid out by the Project management unit for the project's cost items of this year and payables to suppliers during current year and those carried forward.

Closing balance is presented based on the opening balance of cash flow plus cash inflows and minus cash outflows during the year. This balance is reconciled with the balance sheet items as at the end of the financial year as disclosed in Note 14.

Accumulated amounts are presented on the accrual basis from the commencement date of the Project to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. CASH

	31/12/2017	31/12/2016
	VND	VND
Cash on hand	104,708,000	30,661,000
- Provincial Project Office	43,417,000	30,661,000
- Tay Giang	61,291,000	-
- Nam Giang	-	-
Advance Accounts	2,672,125,915	4,082,860,963
- Provincial Project Office	2,562,208,362	3,890,326,043
- Tay Giang	102,775,613	45,346,409
- Nam Giang	7,141,940	147,188,511
Interest from Advance accounts	21,512,317	45,882,653
- Provincial Project Office	20,084,551	42,647,913
- Tay Giang	1,039,744	2,714,538
- Nam Giang	388,022	520,202
Total	2,798,346,232	4,159,404,616

7. ADVANCE TO SUPPLIERS

	31/12/2017	31/12/2016
	VND	VND
Phuoc Vinh Construction Consultant Company Limited	406,008,800	725,161,400
Ha Son Company Ltd	-	9,000,000
An Thanh Luy Trading & Service Construction Co., Ltd	476,746,000	329,077,000
Branch of My Son Co., Ltd in Dong Giang	-	176,796,000
Phuc Thinh Construction Company Limited	103,755,000	109,950,000
Silvicultural Services Trading Co., Ltd	-	89,000,000
Khanh Dai Nam Transport and Travel Co., Ltd	437,128,000	-
Traffic Construction and Development Joint Stock Company	653,933,000	-
Luc Dong Construction and Trading Co., Ltd	1,286,823,000	-
Kim Hoang Co., Ltd	384,408,000	-
Tien Loi Construction Co., Ltd	523,166,000	-
Tien Luc Construction Company Limited	1,154,757,000	-
Binh Hoang Company Limited	1,202,154,000	-
Total	6,628,878,800	1,438,984,400

8. PROJECT IMPLEMENTING EXPENDITURES

	The year ended 31/12/2017	Accumulated to 31/12/2017
	VND	VND
Civil works	3,642,831,800	5,113,810,800
Transportation and Equipment	-	1,770,142,956
Goods and Services	14,302,913,920	26,643,102,218
Improving Livelihoods	6,087,282,650	17,450,851,270
Consulting services	1,276,610,400	1,728,397,200
Capacity Building	825,225,800	3,291,446,768
Operating expenses	1,893,631,474	6,882,208,535
Total	28,028,496,044	62,879,959,747
Foreign exchange rate differences	14,864,365	(894,663,466)
Total	28,043,360,409	61,985,296,281

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PAYABLES TO SUPPLIERS

	31/12/2017 VND	31/12/2016 VND
Ha Son Company Limited	1,146,600,000	-
Northern Seed Joint Stock Company	770,000,000	-
Others	649,522,000	-
Total	2,566,122,000	-

10. OTHER PAYABLES

	31/12/2017 VND	31/12/2016 VND
Payables, other payable not related to expenses	86,311,000	-
Contract performance guarantee	86,311,000	-
Total	86,311,000	-

QUANG NAM PROVINCIAL PROJECT MANAGEMENT UNIT

Greater Mekong subregion biodiversity conservation corridors project – Phase 2
Loan Agreement No. 2721 - VIE(SF)

FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. ADB FUND

	For the year ended 31/12/2017		Accumulated to 31/12/2017	
	USD	VND equivalent	USD	VND equivalent
Advance Account	1,244,871.11	28,241,351,920	3,124,060.78	68,695,103,034
Direct payment	-	-	-	-
Total	1,244,871.11	28,241,351,920	3,124,061.78	68,695,103,034

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. OTHER FUNDS AND EXPENSES

	For the year ended 31/12/2017	Accumulated to 31/12/2017
	VND	VND
Receipts	3,800	64,985,279
Bank Interest	3,800	64,985,279
Disbursements	24,975,746	47,815,673
Bank fees	24,975,746	47,815,673
Opening balance	42,141,552	-
Closing balance	17,169,606	17,169,606

13. RECONCILIATION BETWEEN THE CLOSING BALANCE ON THE STATEMENT OF RECEIPTS AND DISBURSEMENTS AND THE CLOSING BALANCE OF ASSETS AND LIABILITIES ON THE BALANCE SHEET AS AT 31/12/2017

	31/12/2017 VND
Ending Balance on Statement of Receipts and Disbursements	1,817,371,766
Ending Balance onn Balance Sheet	1.817.371.766
Cash on hand	104.708.000
Cash in bank, state treasury	2.693.638.232
Other receivables	(86.311.000)
Foreign exchange rate differences	(894,663,466)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECONCILIATION BETWEEN PROJECT IMPLEMENTING EXPENDITURES AND THE BALANCE OF EXPENDITURES ON THE BALANCE SHEET AS AT 31/12/2017

	31/12/2017 VND
Project implementing expenditures on Balance Sheet	62,879,955,947
In which:	
Civil works	5,113,810,800
Transportation and Equipment	1,770,142,956
Goods and Services	26,643,102,718
Improving Livelihoods	17,450,851,270
Consulting services	1,728,397,200
Capacity Building	3,314,457,068
Operating expenses	6,859,193,935
Reconciliation of disbursements to expenditures = (1) - (2)	62.879.955.947
Accumulated disbursements to 31/12/2017 (1)	66,942,712,747
Closing balance of Receivables relating to expenditure as at 31/12/2017 (2)	4.062.756.800
In which:	
Payables to suppliers	2,566,122,000
Advances to suppliers	6,628,878,800

15. COMPARATIVE FIGURES

The comparative figures are those from the financial statements for the year ended at 31/12/2016 audited by UHY Auditing and Consulting Co., Ltd.



Nguyễn Văn
Giám đốc

Quang Nam, 30 August 2018

Ngo Thi Phuoc Tuyen
Chief Accountant

Le Thi Quynh Nga
Preparer