

# Audited Project Financial Statements

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Project Number: 41456-023  
Loan/Grant Number: 2754  
Period covered: 1 January 2015 – 31 December 2015

## VIE: Water Sector Investment Program – Tranche 1

Prepared by SAWACO

For the Asian Development Bank  
Date received by ADB: 30 June 2016

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 Ho Chi Minh City People's Committee.

**REDUCTION OF NON-REVENUE WATER;  
STRENGTHENING AND EXPANSION OF  
WATER SUPPLY NETWORK AND  
INSTITUTIONAL STRENGTHENING FOR  
SAIGON WATER CORPORATION  
(PHASE 2011-2015) PROJECT**  
Loan Agreement No. 2754-VIE

**AUDITED FINANCIAL STATEMENTS**  
Fiscal year ended 31 December 2015

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**Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project**  
Loan Agreement No. 2754-VIE

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**REPORT OF THE PROJECT MANAGEMENT UNIT**

The Project Management Unit of the Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project ("the Project") presents this report and the Financial Statements of the Project for the fiscal year ended 31 December 2015.

**The Project**

The Project is implemented under the Loan Agreement No. 2754-VIE dated 08/06/2011 ("the Agreement") between the Government of the Socialist Republic of Vietnam and the Asian Development Bank (ADB).

**The Project Management Unit**

Members of the Project Management Unit in the year and to the reporting date are:

Mr. Vo Quang Hien	Director
Mrs. Le Thi Nguyet Hong	Deputy Director
Mr. Dao Anh Duong	Deputy Director
Mr. Nguyen Trong Thai	Chief Accountant

**Auditors**

The auditors of AASC Limited have taken the audit of financial statements of the Project.

**Responsibilities of the Project Management Unit**

The Project Management Unit is responsible for preparing the project financial statements, including Statement of Funds and Expenditures, Statement of Funds balance, Statement of Imprest Account and Statement of Withdrawals, which comply with the accounting policies described in the attached Notes to the Financial Statements. The Project Management Unit assures that the accounting policies are appropriately selected and consistently applied.

The Project Management Unit assures that the accounting records were fully maintained to prepare the financial statements in accordance with the applied accounting policies and to disclose, with reasonable accuracy at any time, the financial position of the Project.

The Project Management Unit is also responsible for maintaining an effective internal control as management determines 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 funding agreement that could have a direct and material financial effect on the Project financial statements.

**On behalf of the Project Management Unit**



**Vo Quang Hien**  
Director

Ho Chi Minh City, 27 May 2016



No.: 1480/2016/BC.KTTC-AASC.DTNN2

## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

**To: The Project Management Unit of Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project**

We have audited the accompanying financial statements of the Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project ("the Project") which comprise Statement of Funds balance as at 31 December 2015, Statement of Funds and Expenditures, Statement of Imprest Account, Statement of Withdrawals and Notes to the Financial Statements for the year then ended, as set out from page 6 to page 15.

### *Project Management Unit's Responsibility for the Financial Statements*

Project Management Unit is responsible for the preparation and fair presentation of these financial statements in accordance with the principal accounting policies described in Notes to the Financial Statements, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and made by management, as well as evaluating the overall presentation of the financial statements.

We also examined the withdrawal applications for direct payments, replenishments to the Imprest Account and the attached Statements of Expenditure (SOEs).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Auditor's Opinion

In our opinion:

- The Financial Statements give a true and fair view of the financial position of the Project, including the balance of the Imprest Account as at 31 December 2015, funds received and expenditures incurred, movements of the Imprest Account for the year then ended in accordance with the basis of the principal accounting policies described in the Notes to the Financial Statements and the provisions of the Loan Agreement No. 2754-VIE dated 08/06/2011.
- In addition, with respect to Statements of Expenditure, adequate supporting documents have been fully maintained to support to the replenishment requests submitted to the Asian Development Bank. The expenditures are eligible and in right purposes of the Loan Agreement No. 2754-VIE dated 08/06/2011.



**AASC Limited**

**Đỗ Mạnh Cường**  
Deputy General Director  
CPA Registered No.:  
0744-2013-002-1

*Hanoi, 27 May 2016*

**Ngô Thị Hương**  
Auditor in-charge  
CPA Registered No.:  
2280-2013-002-1

Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project  
Loan Agreement No. 2754-VIE

Financial Statements  
Year ended 31 December 2015

**STATEMENT OF FUNDS AND EXPENDITURES**

*Fiscal year ended 31 December 2015*

	Note	Accumulated to 31/12/2014 VND	Year ended 31/12/2015 VND	Accumulated to 31/12/2015 VND
<b>I. Funds</b>				
1 Funds received from the Asian Development Bank	3	40,147,338,769	46,840,754,273	86,988,093,042
2 Counterpart funds	4	13,308,228,860	10,726,841,572	24,035,070,432
3 Foreign exchange rate differences		379,985,430	(280,487,315)	99,498,115
		<b>53,835,553,059</b>	<b>57,287,108,530</b>	<b>111,122,661,589</b>
<b>II. Expenditures</b>				
1 Consulting services		14,855,325,407	11,934,791,349	26,790,116,756
2 Project Management		787,387,985	776,174,010	1,563,561,995
3 Interest		167,880,353	254,965,537	422,845,890
4 Commitment fees		12,901,027,236	4,547,871,636	17,448,898,872
5 Others		50,000,000	-	50,000,000
	5	<b>28,761,620,981</b>	<b>17,513,802,532</b>	<b>46,275,423,513</b>
<b>III. Surplus</b>				
		<b>25,073,932,078</b>	<b>39,773,305,998</b>	<b>64,847,238,076</b>

**STATEMENT OF FUNDS BALANCE**  
As at 31 December 2015

	Note	31/12/2015 VND	31/12/2014 VND
<b>Surplus</b>			
Surplus as at beginning		25,073,932,078	20,361,165,219
Surplus in the year		39,773,305,998	4,712,766,859
<b>Surplus as at closing</b>		<b>64,847,238,076</b>	<b>25,073,932,078</b>
<u>Represented by:</u>			
<b>Current assets</b>		<b>65,087,482,373</b>	<b>27,334,602,902</b>
Cash on hand		326,324,626	160,079,040
Cash at bank	6	19,677,370,043	20,396,396,331
Advances to staff		27,000,000	-
VAT deductible		3,177,325,940	631,591,656
Advances to contractors	7	41,879,461,764	6,146,535,875
<b>Current liabilities</b>		<b>240,244,297</b>	<b>2,260,670,824</b>
Payables to contractors	8	48,505,100	1,027,335,939
Foreign Contractor Taxes		-	1,071,007,231
Other payables	9	191,739,197	162,327,654
<b>Net worth</b>		<b>64,847,238,076</b>	<b>25,073,932,078</b>



# STATEMENT OF IMPREST ACCOUNT

For the period: From 01/01/2015 to 31/12/2015  
Account No: 31010370030569  
Bank: Bank for Investment and Development of Vietnam – Ho Chi Minh Branch  
Address: No. 134 Nguyen Cong Tru Street, District 1, Ho Chi Minh City

PART A: ACTIVITIES	Note	USD	USD
Opening balance			951,720.58
Add:			
Total amounts deposited by the ADB		235,722.40	
Interest earned		556.19	
			236,278.59
Deduct:			
Total amounts withdrawn		(311,098.28)	
The interest transferred to interest account		(556.19)	
			(311,654.47)
Closing balance			876,344.70

## PART B: RECONCILIATION

1. Amount advanced by the ADB		1,000,000.00
2. Add: Amount supplemented by the ADB		-
3. Present outstanding amount advanced to		1,000,000.00
4. Closing balance		876,344.70
5. Add: Amounts withdrawn and not yet claimed	(1)	123,655.30
6. Total advances accounted for		1,000,000.00

(1) Including:

	USD
Consulting services	94,169.51
Project Management	29,485.79
	123,655.30

**Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project**  
Loan Agreement No. 2754-VIE

**Financial Statements**  
Year ended 31 December 2015

**STATEMENT OF WITHDRAWALS**

Loan Agreement No. 2754-VIE  
For the fiscal year ended 31 December 2015

Withdrawal applications			Amount claimed		Amount received	
No	Date	Currency	Consulting services	Project Management	Total	Variances
<b>Imprest account</b>						
00007	27/10/2015	USD	213,549.28	22,173.12	235,722.40	-
<b>Direct payment</b>						
00005	05/02/2015	USD	1,126,300.00	-	1,126,300.00	-
00006	07/05/2015	VND	17,257,680,000	-	17,257,680,000	-
<b>Total amounts in USD</b>			<u>1,339,849.28</u>	<u>22,173.12</u>	<u>1,362,022.40</u>	<u>-</u>
<b>Total amounts in VND</b>			<u>17,257,680,000</u>	<u>-</u>	<u>17,257,680,000</u>	<u>-</u>



## NOTES TO THE FINANCIAL STATEMENTS

*Fiscal year ended 31 December 2015*

### 1. Background

The Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project is implemented under the Loan Agreement No. 2754-VIE dated 08/06/2011 (the "Agreement") between the Government of the Socialist Republic of Vietnam and the Asian Development Bank.

The Project aims to increase coverage of households in Ho Chi Minh City with reliable piped water supply and improve the efficiency of Saigon Water Corporation's operations.

Total Project fund is estimated at USD 154 million, in which ADB finances USD 138 million (90 percent of the Project's), Saigon Water Corporation (SAWACO) finances USD 16 million (10 percent of the Project's) including taxes.

The Project consists of:

- (i) Constructing 10 kilometers (km) of a 2,400 mm treated water pipeline to extend and strengthen transmission capacity to achieve reliable delivery of continuous water supply of adequate pressure (Component 1);
- (ii) Repairing and replacing pipes to extend coverage and reduce non-revenue water (Component 2);
- (iii) Implementing an Information and Communication Technology program (Component 3);
- (iv) Supporting SAWACO in developing climate change mitigation and disaster management plans and water conservancy plans; in achieving ISO Certification for performance benchmarking and continuous improvement process; and in implementing social development activities (Information Education Communication, Gender Action Plan) (Component 4); and
- (v) Consulting services for detailed design and construction supervision (Component 5).

The Project officially came into operation since 24 May 2012 and is expected to close on 30 June 2020.

The Project is managed by Project Management Unit of Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project, and its office is located at No. 1, Cong truong quoc te, Ward 6, District 3, Ho Chi Minh City.

### 2. Principal Accounting Policies

#### a. Basis of preparation of the Financial statements

The annual accounting period commences from 1<sup>st</sup> January and ends at 31<sup>st</sup> December.

The financial statements are prepared in accordance with Circular No. 195/2012/TT-BTC dated 15 November 2012 and adjusted to conform to the requirement of the Asian Development Bank. They are presented in Vietnam Dong (VND), except for the Statement of Imprest Account and Statement of Withdrawals, which are prepared in United State Dollar (USD) and Euro (EUR).



The principal accounting policies are summarized as below:

**b. Foreign currencies**

Funds received from the Asian Development Bank in the foreign currencies are translated into VND under exchange rates announced by Ministry of Finance at the transaction dates.

Other transactions in foreign currencies are translated to VND under buying-exchange rate of Bank for Investment and Development of Vietnam – Ho Chi Minh Branch at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are revalued under buying-exchange rate of Bank for Investment and Development of Vietnam – Ho Chi Minh Branch at the reporting dates. All exchange differences from these transactions are recorded as “exchange rate differences” account and presented as other funds on the Statement of Funds and Expenditures.

**c. Funds and Expenditures**

Funds:

- Funds received from the Asian Development Bank are recorded when remittance made into Imprest account or direct payments made to contractors/suppliers. In which, capitalization of interest charges are recognized upon announcement by ADB (twice per year).
- Counterpart funds of the Vietnamese Government and SAWACO are recorded when payments are made directly to contractors/ suppliers of the Project or funds are remitted to the Project Management Unit for settlement of project's activities.

Expenditures:

- Project expenditures (excluding taxes) are recognized when it is actually incurred.
- VAT is recorded in the Project's financial statement but declared, deducted and refunded by SAWACO.

**d. Imprest account and its interest**

Imprest Account is the deposit account in USD opened at Bank for Investment and Development of Vietnam – Ho Chi Minh Branch for the Project's activities. Payments made via Imprest Account are for eligible expenditures of the Project in accordance with the provisions of the Loan Agreement No. 2754-VIE dated 08/06/2011.

Interests of the Imprest Account are considered as receipts of the SAWACO and initially recorded as Other payables in Statement of Funds balance and used to cover bank charges. At the end of the Project, outstanding interests will be returned to the SAWACO. In case bank charges are not fully covered by the interests, it will be settled by the SAWACO (According to the Circular No. 218/2013/TT-BTC dated 31 December 2013).

**Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project**  
Loan Agreement No. 2754-VIE

**Financial Statements**  
Year ended 31 December 2015

**3. Funds received from the Asian Development Bank**

	Year ended 31/12/2015		Accumulated to 31/12/2015	
	Original currency	Equivalent to VND	Original currency	Equivalent to VND
<b>Loan agreement No. 2754-VIE</b>				
Imprest account (USD)	235,722.40	5,159,963,336	1,670,523.12	35,225,739,433
Advance	-	-	1,000,000.00	20,828,000,000
Replenishment	235,722.40	5,159,963,336	670,523.12	14,397,739,433
<b>Direct payments</b>				
EUR	-	41,425,825,400	349,053.00	51,339,507,719
USD	1,126,300.00	24,168,145,400	1,126,300.00	9,913,682,319
VND	17,257,680,000	17,257,680,000	17,257,680,000	24,168,145,400
<b>Interest capitalized (USD)</b>	11,811.78	254,965,537	19,768.46	17,257,680,000
		<b>46,840,754,273</b>		<b>86,988,093,042</b>



4. Counterpart funds

	Year ended 31/12/2015 VND	Accumulated to 31/12/2015 VND
Counterpart fund from the State budget	5,929,469,936	6,059,853,378
Counterpart fund from SAWACO	4,797,371,636	17,975,217,054
	<b>10,726,841,572</b>	<b>24,035,070,432</b>

5. Expenditures

	Year ended 31/12/2015 VND	Accumulated to 31/12/2015 VND
<i>Expenditures covered by:</i>		
The Asian Development Bank	9,861,521,370	25,633,107,054
The Counterpart funds	7,652,281,162	20,642,316,459
	<b>17,513,802,532</b>	<b>46,275,423,513</b>

According to Loan Agreement No. 2754-VIE dated 08/06/2011 the following expenditures are funded with percentage as below:

Category	Funded ratio
Works	100 percent of total expenditure claimed*
ICT Equipment and NRW and Network extension (Goods)	100 percent of total expenditure claimed*
Climate Change Adaptation and Mitigation	100 percent of total expenditure claimed*
Safeguards	100 percent of total expenditure claimed*
Consulting Services	100 percent of total expenditure claimed*
Project Management	100 percent of total expenditure claimed*

\* Exclusive of taxes and duties imposed within the territory of the Borrower

Project management expenditures, interest charges and commitment fees, audit expenditures are apportioned to project's components based on its granted amount. Details of the Project implemented expenditures incurred and accumulated to 31 December 2015 by components are as below:

Component	Accumulated to 31/12/2014 VND	Year ended 31/12/2015 VND	Accumulated to 31/12/2015 VND
Component 1	7,006,107,339	3,097,620,677	10,103,728,016
Component 2	1,680,362,437	742,941,148	2,423,303,585
Component 3	2,868,642,375	1,268,317,128	4,136,959,503
Component 4	5,297,017,075	113,886,356	5,410,903,431
Component 5	11,909,491,755	12,291,037,223	24,200,528,978
	<b>28,761,620,981</b>	<b>17,513,802,532</b>	<b>46,275,423,513</b>



**6. Cash at bank**

	31/12/2015	31/12/2014
	VND	VND
Imprest account (USD)	19,656,411,621	20,347,786,000
Imprest account interest (USD)	17,676,634	10,063,352
Current Account (VND)	1,026,003	28,205,259
Account for sale of bidding documents (USD)	2,255,785	10,341,720
	<b>19,677,370,043</b>	<b>20,396,396,331</b>

**7. Advances to contractors**

	31/12/2015	31/12/2014
	VND	VND
<b>Consulting services</b>	<b>41,879,461,764</b>	<b>6,146,535,875</b>
Kaushik Venkateshamurthy Dinesh	-	94,860,000
Vitens Evides International B.V	-	5,824,857,693
CDM International Inc. (USA)	41,425,825,400	-
Mat Troi Viet Investment and Consulting JSC.	453,636,364	226,818,182
	<b>41,879,461,764</b>	<b>6,146,535,875</b>

**8. Payable to contractors**

	31/12/2015	31/12/2014
	VND	VND
<b>Consulting services</b>	<b>48,505,100</b>	<b>1,027,335,939</b>
Dalco Point - Paul Bulson	-	563,765,626
Wayne L.Stone	-	463,570,313
Vietsoft finance JSC.,	48,505,100	-
	<b>48,505,100</b>	<b>1,027,335,939</b>

**9. Other payables**

	31/12/2015	31/12/2014
	VND	VND
Bank interest	20,010,766	12,211,190
Surplus from the sale of bids	171,728,431	150,116,464
	<b>191,739,197</b>	<b>162,327,654</b>

**10. Subsequent events**

There have been no significant events occurring after the reporting date, which would require adjustments or disclosures to be made in the financial statements.

## 11. Corresponding figures

The corresponding figures are the financial statements for the fiscal year ended as at 31 December 2014 which were audited by AASC Limited.

## 12. Approval of the Financial Statements

The financial statements were approved by the Project Management Unit for issuance on 27 May 2016



**Vo Quang Hien**  
Director

*Ho Chi Minh City, 27 May 2016*

**Nguyen Trong Thai**  
Chief Accountant