

# Audited Project Financial Statements

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Project Number: 41456-023

Loan/Grant Number: 2754

Period covered: 24 May 2012 – 31 December 2013

## VIE: Water Sector Investment Program – Tranche 1

Prepared by SAWACO

For the Asian Development Bank

Date received by ADB: 30 June 2014

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**

For the period from 24 May 2012 to 31 December 2013

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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

**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 period from 24 May 2012 to 31 December 2013.

**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 period 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 are 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, 30 September 2015*



**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 2013, Statement of Funds and Expenditures, Statement of Imprest Account, Statement of Withdrawals and Notes to the Financial Statements for the period then ended, as set out from page 6 to page 14.

*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 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 2013, funds received and expenditures incurred, movements of the Imprest Account for the period 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**



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

*Hanoi, 30 September 2015*

**Ngo Thi Huong**  
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**

For the period ended at 31 December 2013

**STATEMENT OF FUNDS AND EXPENDITURES**

*For the period ended at 31 December 2013*

	<u>Note</u>	<u>Accumulated to 31/12/2013 VND</u>
<b>I. Funds</b>		
1 Funds received from the Asian Development Bank	3	20,889,335,717
2 Counterpart funds	4	8,841,664,582
3 Foreign exchange rate differences		254,474,128
		<u>29,985,474,427</u>
<b>II. Expenditures</b>		
1 Consulting services		763,886,500
2 Project Management		192,400,591
3 Interest		61,335,717
4 Commitment fees		8,556,686,400
5 Others		50,000,000
	5	<u>9,624,309,208</u>
<b>III. Surplus</b>		<u>20,361,165,219</u>

**Reduction of Non - Revenue Water;  
Strengthening and Expansion of Water Supply  
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Loan Agreement No. 2754 - VIE

**Financial Statements**

For the period ended at 31 December 2013

**STATEMENT OF FUNDS BALANCE**

*As at 31 December 2013*

	<u>Note</u>	<u>31/12/2013</u> VND
<b>Surplus/ (Deficit)</b>		
Surplus as at beginning		-
Surplus in the period		20,361,165,219
<b>Surplus as at closing</b>		<b>20,361,165,219</b>
<u>Represented by:</u>		
<b>Current assets</b>		<b>20,553,050,849</b>
Cash on hand		135,821
Cash at bank	6	18,961,067,045
VAT deductible		11,515,061
Advances to contractors	7	1,580,332,922
<b>Current liabilities</b>		<b>191,885,630</b>
Payables to contractors	8	173,687,688
Other payables - Bank interests		18,197,942
<b>Net worth</b>		<b>20,361,165,219</b>



**Reduction of Non - Revenue Water;  
Strengthening and Expansion of Water Supply  
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Loan Agreement No. 2754 - VIE

**Financial Statements**

For the period ended at 31 December 2013

**STATEMENT OF IMPREST ACCOUNT**

For the period: from 24/05/2012 to 31/12/2013

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

<b>PART A: ACTIVITIES</b>	Note	USD	USD
<b>Opening balance</b>			-
Add:			
Total amounts deposited by the ADB		999,994.00	
Interest to compensate bank charge		6.00	
Interest earned		793.07	
			1,000,793.07
Deduct:			
Total amounts withdrawn		(101,248.53)	
The interest transferred to interest account		(793.07)	
			(102,041.60)
<b>Closing balance</b>			<b>898,751.47</b>

**PART B: RECONCILIATION**

1. Amount advanced by the ADB		1,000,000.00
2. Add: Amount supplemented by the ADB		-
<b>3. Present outstanding amount advanced to</b>		<b>1,000,000.00</b>
4. Closing balance		898,751.47
5. Add: Amounts withdrawn and not yet claimed	(1)	101,248.53
<b>6. Total advances accounted for</b>		<b>1,000,000.00</b>

(1) Including:

	USD
Claimed at Withdrawn No. 00002 at 6/5/2014	98,248.53
Project Management	3,000.00
	<b>101,248.53</b>

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Loan Agreement No. 2754 - VIE

**Financial Statements**

For the period ended at 31 December 2013

**STATEMENT OF WITHDRAWALS**

Loan Agreement No. 2754 - VIE

For the period ended at 31 December 2013

Withdrawal applications			Categories	
No	Date	Currency	Advance	Total
<b>Imprest account</b>				
00001	21/01/13	USD	1,000,000.00	1,000,000.00
<b>Total amounts claimed in USD</b>			<b>1,000,000.00</b>	<b>1,000,000.00</b>



**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 at 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 the Imprest account or direct payments made to contractors/suppliers. Of which, capitalization of interest charges are recognized upon announcement by ADB (twice per year).
- Counterpart funds of the Vietnamese Government and Sai Gon Water Corporation (SAWACO) are recorded when payments are made directly to contractors/ suppliers of the Project or funds are remitted to the PMU for settlement of project's activities.

Expenditures:

Project expenditures (excluding taxes) are recognized when it is actually incurred.

**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 Sai Gon Water Corporation 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 Sai Gon Water Corporation. In case bank charges are not fully covered by the interests, it will be settled by the Sai Gon Water Corporation.

**Reduction of Non - Revenue Water;  
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Loan Agreement No. 2754 - VIE

**Financial Statements**

For the period ended at 31 December 2013

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

	Accumulated to 31/12/2013	
	USD	Equivalent to VND
<b>Loan agreement No. 2754 - VIE</b>	<b>1,002,915.75</b>	<b>20,889,335,717</b>
Imprest account	1,000,000.00	20,828,000,000
Advance	1,000,000.00	20,828,000,000
Capitalization of interest charge	2,915.75	61,335,717
		<b>20,889,335,717</b>

**4. Counterpart funds**

	Accumulated to 31/12/2013 VND
Counterpart fund from State	8,160,000
Counterpart fund from SAWACO	8,833,504,582
	<b>8,841,664,582</b>

**5. Expenditures**

	Accumulated to 31/12/2013 VND
<i>Expenditures covered by:</i>	
The Asian Development Bank	1,017,622,807
The Counterpart funds	8,606,686,401
	<b>9,624,309,208</b>



**Reduction of Non - Revenue Water;  
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**Financial Statements**

For the period ended at 31 December 2013

According to Credit Agreement No. 2754-VIE dated 08 June 2011; the following expenditures are funded with percentage as below:

<u>Category</u>	<u>Funded ratio</u>
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 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 are apportioned to Project's components based on its granted amount. Details of the Project implemented expenditures incurred and accumulated to 31 December 2013 by components are as below:

<u>Component</u>	<u>Accumulated to 31/12/2013 VND</u>
Component 1	4,463,954,633
Component 2	1,070,646,127
Component 3	1,827,760,952
Component 4	165,201,471
Component 5	2,096,746,025
	<u><b>9,624,309,208</b></u>

**6. Cash at bank**

	<u>31/12/2013 VND</u>
Cash at bank	18,961,067,045
<i>Imprest account (USD)</i>	18,950,174,745
<i>Interest of imprest account (USD)</i>	10,892,300
	<u><b>18,961,067,045</b></u>

**Reduction of Non - Revenue Water;  
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Loan Agreement No. 2754 - VIE

**Financial Statements**

For the period ended at 31 December 2013

**7. Advances to contractors**

	<u>31/12/2013</u>
	VND
<b>Consulting Services</b>	
Kaushik Venkateshamurthy Dinesh	380,831,280
Dalco Point - Paul Bulson	549,808,560
Wayne L.Stone	422,874,900
Mat Troi Viet Investment and Consulting JSC	226,818,182
	<u><b>1,580,332,922</b></u>

**8. Payable to contractors**

	<u>31/12/2013</u>
	VND
<b>Consulting Services</b>	
Edurado Garcia Alonso	173,687,688
	<u><b>173,687,688</b></u>

**9. 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.

**10. Approval of the Financial Statements**

The financial statements were approved by Project Management Unit for issuance on 30 September 2015 .



**Vo Quang Hien**  
Director

*Ho Chi Minh City, 30 September 2015*

**Nguyen Trong Thai**  
Chief Accountant



**Reduction of Non - Revenue Water;  
Strengthening and Expansion of Water Supply  
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Loan Agreement No. 2754 - VIE

**Financial Statements**

For the period ended at 31 December 2013

**RECONCILIATION OF FUNDS**

Loan Agreement No. 2754 - VIE

For the period ended at 31 December 2013

Withdrawal applications			Amount claimed (a)	Amount received (b)	Variances (b-a)	Note
No	Date	Currency				
<b>Imprest account</b>			<b>1,000,000.00</b>	<b>999,994.00</b>	<b>(6.00)</b>	
00001	21/01/13	USD	1,000,000.00	999,994.00	(6.00)	(1)
<b>Total in</b>		<b>USD</b>	<b>1,000,000.00</b>	<b>999,994.00</b>	<b>(6.00)</b>	

(1) Bank charge