

# Audited Project Financial Statements

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Project Number: 41456-023  
Loan/Grant Number: 2754  
Period covered: 1 January 2014 – 31 December 2014

## VIE: Water Sector Investment Program – Tranche 1

Prepared by SAWACO

For the Asian Development Bank  
Date received by ADB: 30 June 2015

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 2014

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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 2014.

### 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 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 2014, 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 2014, 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.



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

*Hanoi, 30 September 2015*

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



**STATEMENT OF FUNDS AND EXPENDITURES**

*Fiscal year ended 31 December 2014*

	Note	Accumulated to 31/12/2013 VND	Year ended 31/12/2014 VND	Accumulated to 31/12/2014 VND
<b>I. Funds</b>				
1 Funds received from the Asian Development Bank	3	20,889,335,717	19,258,003,052	40,147,338,769
2 Counterpart funds	4	8,841,664,582	4,466,564,278	13,308,228,860
3 Foreign exchange rate differences		254,474,128	125,511,302	379,985,430
		<b>29,985,474,427</b>	<b>23,850,078,632</b>	<b>53,835,553,059</b>
<b>II. Expenditures</b>				
1 Consulting services		763,886,500	14,091,438,907	14,855,325,407
2 Project Management		192,400,591	594,987,394	787,387,985
3 Interest		61,335,717	106,544,636	167,880,353
4 Commitment fees		8,556,686,400	4,344,340,836	12,901,027,236
5 Others		50,000,000	-	50,000,000
	5	<b>9,624,309,208</b>	<b>19,137,311,773</b>	<b>28,761,620,981</b>
<b>III. Surplus</b>		<b>20,361,165,219</b>	<b>4,712,766,859</b>	<b>25,073,932,078</b>

**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 2014

**STATEMENT OF FUNDS BALANCE**

As at 31 December 2014

	Note	31/12/2014 VND	31/12/2013 VND
<b>Surplus/(Deficit)</b>			
Surplus as at beginning		20,361,165,219	-
Surplus in the year		4,712,766,859	20,361,165,219
<b>Surplus as at closing</b>		<b>25,073,932,078</b>	<b>20,361,165,219</b>
<u>Represented by:</u>			
<b>Current assets</b>		<b>27,334,602,902</b>	<b>20,553,050,849</b>
Cash on hand		160,079,040	135,821
Cash at bank	6	20,396,396,331	18,961,067,045
VAT deductible		631,591,656	11,515,061
Advances to contractors	7	6,146,535,875	1,580,332,922
<b>Current liabilities</b>		<b>2,260,670,824</b>	<b>191,885,630</b>
Payables to contractors	8	1,027,335,939	173,687,688
Foreign Contractor Taxes		1,071,007,231	-
Other payables	9	162,327,654	18,197,942
<b>Net worth</b>		<b>25,073,932,078</b>	<b>20,361,165,219</b>



**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 2014

**STATEMENT OF IMPREST ACCOUNT**

For the period: from 01/01/2014 to 31/12/2014  
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>	<u>Note</u>	<u>USD</u>	<u>USD</u>
Opening balance			898,751.47
Add:			
Total amounts deposited by the ADB		434,794.72	
Interest to compensate bank charge		6.00	
Interest earned		<u>743.99</u>	
			435,544.71
Deduct:			
Total amounts withdrawn		(381,831.61)	
The interest transferred to interest account		<u>(743.99)</u>	
			<u>(382,575.60)</u>
Closing balance			<u><b>951,720.58</b></u>

**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		<u><b>1,000,000.00</b></u>
4. Closing balance		951,720.58
5. Add: Amounts withdrawn and not yet claimed	(1)	48,279.42
6. Total advances accounted for		<u><b>1,000,000.00</b></u>

(1) Including:

	<u>USD</u>
Consulting services	34,968.30
Project Management	13,311.12
	<u><b>48,279.42</b></u>

**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 2014

**STATEMENT OF WITHDRAWALS**

Loan Agreement No. 2754 – VIE

*For the fiscal year ended 31 December 2014*

Withdrawal applications			Consulting services	Project Management	Total
No	Date	Currency			
Imprest account					
00002	06/05/14	USD	187,965.00	11,208.37	199,173.37
00004	17/11/14	USD	221,167.50	14,459.85	235,627.35
Direct payment					
00003	22/07/14	EUR	349,053.00	-	349,053.00
Total amounts claimed in USD			409,132.50	25,668.22	434,800.72
Total amounts claimed in EUR			349,053.00	-	349,053.00

## NOTES TO THE FINANCIAL STATEMENTS

*Fiscal year ended 31 December 2014*

### 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.

The Project shall consist 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 31 December 2018.

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 Street, Ward 6, District 3, Ho Chi Minh City.

### 2. Principal Accounting Policies

#### a. Basis of accounting

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 the requirements of the Asian Development Bank and 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. Of which, capitalization of interest charges are recognized upon announcement by ADB (twice per year).
- Counterpart funds of the Vietnamese Government and Saigon 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 Saigon 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 Saigon Water Corporation. In case bank charges are not fully covered by the interests, it will be settled by the Saigon Water Corporation.

**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 2014

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

	Year ended 31/12/2014		Accumulated to 31/12/2014	
	Original Currency	Equivalent to VND	Original Currency	Equivalent to VND
<b>Loan agreement No. 2754 - VIE</b>		<b>19,258,003,052</b>		<b>40,147,338,769</b>
Imprest account (USD)	434,800.72	9,237,776,097	1,434,800.72	30,065,776,097
Advance	-	-	1,000,000.00	20,828,000,000
Replenishment	434,800.72	9,237,776,097	434,800.72	9,237,776,097
Direct payments (EUR)	349,053.00	9,913,682,319	349,053.00	9,913,682,319
Interest capitalized (USD)	5,040.93	106,544,636	7,956.68	167,880,353
		<b>19,258,003,052</b>		<b>40,147,338,769</b>

**4. Counterpart funds**

	Year ended 31/12/2014 VND	Accumulated to 31/12/2014 VND
Counterpart fund from State	122,223,442	130,383,442
Counterpart fund from SAWACO	4,344,340,836	13,177,845,418
	<b>4,466,564,278</b>	<b>13,308,228,860</b>

**5. Expenditures**

	Year ended 31/12/2014 VND	Accumulated to 31/12/2014 VND
<i>Expenditures covered by:</i>		
The Asian Development Bank	14,753,962,876	15,771,585,683
The Counterpart funds	4,383,348,897	12,990,035,298
	<b>19,137,311,773</b>	<b>28,761,620,981</b>

**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 2014

According to Loan Agreement No. 2754 – VIE dated 08/06/2011 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	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 are apportioned to project's components based on its granted amount. Details of the Project implemented expenditures incurred and accumulated to 31 December 2014 by components are as below:

<u>Component</u>	<u>Year ended 31/12/2014 VND</u>	<u>Accumulated to 31/12/2014 VND</u>
Component 1	2,542,152,705	7,006,107,339
Component 2	609,716,310	1,680,362,437
Component 3	1,040,881,423	2,868,642,375
Component 4	5,131,815,605	5,297,017,075
Component 5	9,812,745,730	11,909,491,755
	<b>19,137,311,773</b>	<b>28,761,620,981</b>

**6. Cash at bank**

	<u>31/12/2014 VND</u>	<u>31/12/2013 VND</u>
Cash at bank	20,396,396,331	18,961,067,045
<i>Imprest account (USD)</i>	20,347,786,000	18,950,174,745
<i>Imprest account interest (USD)</i>	10,063,352	10,892,300
<i>Payment Account (VND)</i>	28,205,259	-
<i>Sold bids account (USD)</i>	10,341,720	-
	<b>20,396,396,331</b>	<b>18,961,067,045</b>

**7. Advances to contractors**

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
<b>Consulting services</b>	<b>6,146,535,875</b>	<b>1,580,332,922</b>
Kaushik Venkateshamurthy Dinesh	94,860,000	380,831,280
Vitens Evides International B.V	5,824,857,693	-
Dalco Point - Paul Bulson	-	549,808,560
Wayne L.Stone	-	422,874,900
Mat Troi Viet Investment and Consulting JSC.	226,818,182	226,818,182
	<u><b>6,146,535,875</b></u>	<u><b>1,580,332,922</b></u>

**8. Payable to contractors**

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
<b>Consulting services</b>	<b>1,027,335,939</b>	<b>173,687,688</b>
Dalco Point - Paul Bulson	563,765,626	-
Wayne L.Stone	463,570,313	-
Eduardo Garcia Alonso	-	173,687,688
	<u><b>1,027,335,939</b></u>	<u><b>173,687,688</b></u>

**9. Other payables**

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
Bank interest	12,211,190	18,197,942
Surplus from the sale bids	150,116,464	-
	<u><b>162,327,654</b></u>	<u><b>18,197,942</b></u>

**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 period ended at 31 December 2013 which were audited by AASC Firm Limited.

## 12. 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 Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project**

Loan Agreement No. 2754 – VIE

**Financial Statements**  
Year ended 31 December 2014

**RECONCILIATION OF FUNDS**

Loan Agreement No. 2754 – VIE

*For the fiscal year ended 31 December 2014*

Withdrawal applications						
No	Date	Currency	Amount claimed (a)	Amount received (b)	Variances (b-a)	Note
Imprest account						
00002	06/05/14	USD	199,173.37	199,167.37	(6.00)	
00004	17/11/14	USD	235,627.35	235,627.35	-	
Direct payments						
00003	22/07/14	EUR	349,053.00	349,053.00	-	
	Total in	USD	<u>434,800.72</u>	<u>434,794.72</u>	<u>(6.00)</u>	(1)
	Total in	EUR	<u>349,053.00</u>	<u>349,053.00</u>	<u>-</u>	

(1): Bank charge