

Audited Project Financial Statements

Project Number: 41456-023
Loan/Grant Number: 2754
Period covered: 1 January 2018 – 31 December 2018

VIE: Water Sector Investment Program – Tranche 1

Prepared by SAWACO

For the Asian Development Bank
Date received by ADB: 6 July 2019

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and Ho Chi Minh CPC.

**REDUCTION OF NON-REVENUE WATER;
STRENGTHENING AND EXPANSION OF
WATER SUPPLY NETWORK AND
INSTITUTIONAL STRENGTHENING FOR
SAIGON WATER CORPORATION
(PHASE 2011-2015) PROJECT**

Loan Number 2754-VIE

AUDITED FINANCIAL STATEMENTS
Fiscal year ended 31 December 2018

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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 2018.

The Project

The Project is implemented under the Loan Number 2754-VIE dated 08/06/2011 ("the Agreement") between 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. Tran Luyen Nhu An	Deputy Director	
Mr. Dao Anh Duong	Deputy Director	
Mr. Nguyen Trong Thai	Chief Accountant	Resigned on 18/7/2018
Mrs. Tran Thi Minh Tuyen	Chief Accountant	Appointed on 18/7/2018
		Resigned on 25/4/2019
Mrs. Truong Thi Thu Trang	Accountant in charge	Appointed on 25/4/2019

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 Financial Position, Statement of Receipts and Disbursements, Statement of Budget versus Actual Disbursements, Statement of Advance 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 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 agreement, including over the procurement progress, that could have a direct and material financial effect on the Project financial statements ("the Requirements").

In addition, the Project Management Unit is also responsible for complying with the Requirements applicable to the Project, in which:

- ▶ The funds have been used in accordance with the conditions of the Loan Number 2754-VIE dated 08/06/2011;
- ▶ The Advance Account procedures have been operated in accordance with the Asian Development Bank's Loan Disbursement Handbook;
- ▶ Adequate supporting documents, with respect to Statement of Expenditures, 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 Number 2754-VIE dated 08/06/2011.

Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network
and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project
Loan Number 2754-VIE

On behalf of the Project Management Unit *[Signature]*



[Signature]
Võ Quang Hien
Director

Hồ Chí Minh city, 20 June 2019

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

Opinion

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 2018, Statement of Funds and Expenditures, Statement of Budget versus Actual Expenses, Statement of Advance Account, Statement of Withdrawals for the fiscal year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Project, including the balance of the Advance Account as at 31 December 2018, funds received and expenditures incurred, movements of the Advance Account for the fiscal 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 Number 2754-VIE dated 08/06/2011.

Basis of Opinion

We conducted our audit in accordance with the 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 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.

Responsibilities of Project Management Unit for the Financial Statements

The Project Management Unit is responsible for the preparation of the 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.

In preparing the financial statements, management 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 management either intends to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 management.
- Conclude on the appropriateness of management'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 the Project Management Unit regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit (if any).

AASC Limited



Do Mạnh Cường
Deputy General Director
CPA Registered No.:
0744-2018-002-1

Hanoi, 20 June 2019

Nguyen Pham Hung
Auditor in-charge
CPA Registered No.:
2893-2015-002-1

Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project
Loan Number 2754-VIE

Financial Statements
Fiscal year ended 31 December 2018

STATEMENT OF FUNDS AND EXPENDITURES

Fiscal year ended 31 December 2018

	Note	Accumulated to 31/12/2017 VND	Year 2018 VND	Accumulated to 31/12/2018 VND
I. Funds				
1 Funds received from the Asian Development Bank	4	564,437,601,379	52,524,811,874	616,962,413,253
2 Counterpart funds	3	55,679,323,844	15,047,152,576	70,726,476,420
3 Foreign exchange rate differences		1,306,707,327	1,219,700,445	2,526,407,772
		621,423,632,550	68,791,664,895	690,215,297,445
II. Expenditures				
1 Works		151,607,804,583	174,086,562,625	325,694,367,208
2 Consulting services		125,377,665,481	12,792,774,623	138,170,440,104
3 Project Management		2,231,751,881	380,021,962	2,611,773,843
4 Interest		4,902,084,273	9,960,394,480	14,862,478,753
5 Commitment fees		26,654,869,151	5,072,576,525	31,727,445,676
6 Goods		7,812,315,000	(283,919,000)	7,528,396,000
7 Others		50,000,000	-	50,000,000
	5	318,636,490,369	202,008,411,215	520,644,901,584
III. Surplus/ (Deficit)		302,787,142,181	(133,216,746,320)	169,570,395,861

STATEMENT OF FUNDS BALANCE

As at 31 December 2018

	Note	31/12/2018 VND	31/12/2017 VND
Surplus			
Surplus as at beginning		302,787,142,181	98,930,451,991
Surplus/ (Deficit) in the year		(133,216,746,320)	203,856,690,190
Surplus as at closing		169,570,395,861	302,787,142,181
<u>Represented by:</u>			
Current assets		172,137,596,424	311,917,238,642
Cash on hand		35,002,843	13,003,443
Cash at bank	6	12,820,172,058	18,866,488,894
VAT deductible		27,900,569,038	22,886,161,781
Advances to contractors	7	131,381,852,485	270,151,584,524
Current liabilities		2,567,200,563	9,130,096,461
Payables to contractors	8	2,376,272,098	8,943,247,527
Other payables	9	190,928,465	186,848,934
Net worth		169,570,395,861	302,787,142,181

STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES

Fiscal year ended 31 December 2018

Categories	Budget (*)		Actual		Percentage		Note
	ADB Funds	Counterpart Funds	ADB Funds	Counterpart Funds	ADB Funds	Counterpart Funds	
Works	139,134,000,000	23,286,000,000	170,656,075,994	3,430,486,631	122.66%	14.73%	
Consulting services	27,887,000,000	3,126,000,000	12,154,047,315	638,727,308	43.58%	20.43%	
Project Management	2,289,000,000	225,000,000	380,021,962	-	16.60%	0.00%	
Interest	24,644,793,000	-	9,960,394,480	-	40.42%	0.00%	
Commitment fees	-	2,034,798,000	-	5,072,576,525	-	249.29%	
	193,954,793,000	28,671,798,000	193,150,539,751	9,141,790,464	99.59%	31.88%	

(*) The 2018 budget disbursement was prepared on the Project Management Unit's estimate and the Project's status.

STATEMENT OF ADVANCE ACCOUNT

For the period: From 01/01/2018 to 31/12/2018
Account No: 31010370030569
Serving bank: Bank for Investment and Development of Vietnam JSC – Ho Chi Minh Branch
Address: No. 134 Nguyen Cong Tru Street, District 1, Ho Chi Minh City
Loan Number: 2754-VIE

CATEGORIES A: ACTIVITIES	Note	USD	USD
Opening balance			824,783.66
Deduct: Total amounts withdrawn			(278,295.14)
Closing balance			546,488.52
CATEGORIES 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			546,488.52
5. Add:			
Amounts withdrawn claimed and not yet credited - Consulting services	(1)	173,051.73	
Amounts withdrawn and not yet claimed	(2)	280,459.75	
			453,511.48
6. Total advances accounted for			1,000,000.00
(1) Claimed at WA No. 00033 dated 28 November 2017			
(2) Including:			
			USD
Works			116,248.36
Consulting services			141,203.74
Project Management			23,007.65
			280,459.75

STATEMENT OF WITHDRAWALS
Fiscal year ended 31 December 2018

Withdrawal applications		Original currency	Categories		
No.	Date		Consulting services	Goods	Total
Direct payment					
00039	09/11/2018	USD	18,201.69	-	18,201.69
00040	13/11/2018	VND	1,116,405,568	-	1,116,405,568
00041	14/11/2018	VND	938,394,091	-	938,394,091
00042	13/11/2018	EUR	-	198,456.04	198,456.04
00043	20/12/2018	EUR	-	947,655.05	947,655.05
00044	20/12/2018	VND	-	5,569,483,428	5,569,483,428
00045	21/12/2018	VND	-	4,976,268,614	4,976,268,614
Total amounts in EUR			-	1,146,111.09	1,146,111.09
Total amounts in USD			18,201.69	-	18,201.69
Total amounts in VND			2,054,799,659	10,545,752,042	12,600,551,701

NOTES TO THE FINANCIAL STATEMENTS

Fiscal year ended 31 December 2018

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 Number 2754-VIE dated 08/06/2011 (the "Agreement") between 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's total fund is estimated at USD 154 million, in which ADB finances USD 138 million (90 percent of the Project's), Ho Chi Minh City's State budget finances USD 13 million, Saigon Water Corporation (SAWACO) finances USD 3 million (according to Decision No.2895/QĐ-UBND dated 04 June 2016 by People's Committee of Ho Chi Minh City) including taxes.

The Project consists of:

- (i) Constructing 10 kilometers (km) of a 2,400mm 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 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 1st January and ends at 31st December.

The financial statements are prepared under the requirements of the Asian Development Bank and in accordance with Vietnamese Accounting Standards and Circular No. 195/2012/TT-BTC dated 15 November 2012.

These financial statements are presented in Vietnam Dong (VND), except for Statements of Advance Account and Statement of Withdrawals which are prepared in VND, 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 JSC – Ho Chi Minh Branch at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are revalued under exchange rate of Bank for Investment and Development of Vietnam JSC – Ho Chi Minh Branch at the reporting dates. All exchange differences from these transactions are recorded as "Foreign exchange rate differences" account and presented as Foreign exchange rate differences 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 Advance 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 the Project's activities.

Expenditures:

- ▶ Project expenditures (excluding taxes) are recognized when it is actually incurred.
- ▶ Value added tax is recorded in the Project's financial statement but declared, deducted by SAWACO. Value added tax is presented as a separate item on the Statement of Funds balance.

d. Advance Account and its interest

Advance Account is the deposit account in USD opened at Bank for Investment and Development of Vietnam JSC – Ho Chi Minh Branch for the Project's activities. Payments made via the Advance Account are for eligible expenditures of the Project in accordance with the provisions of the Loan Number 2754-VIE dated 08/06/2011.

Interests of the Advance 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 Circular No.111/2016/TT-BTC dated 30/06/2016 that comes into force from 01 November 2016).

3. Counterpart funds

	Year 2018 VND	Accumulated to 31/12/2018 VND
Counterpart funds from the State budget	10,084,495,051	37,748,331,562
Counterpart funds from SAWACO	4,962,657,525	32,978,144,858
	15,047,152,576	70,726,476,420

Reduction of Non-Revenue Water; Strengthening and Expansion of Water Supply Network and Institutional Strengthening for Saigon Water Corporation (Phase 2011-2015) project
Loan Number 2754-VIE

Financial Statements
Fiscal year ended 31 December 2018

4. Funds received from the Asian Development Bank

	Year 2018		Accumulated to 31/12/2018	
	Original currency	Equivalent to VND	Original currency	Equivalent to VND
Advance Account (USD)	-	-	-	80,255,562,954
Advance	-	-	1,000,000.00	20,828,000,000
Replenishment	-	-	2,698,787.68	59,427,562,954
Direct payments	-	42,564,417,394	-	521,844,371,546
- EUR	1,146,111.09	29,550,323,296	7,338,324.85	185,837,629,538
- USD	18,201.69	413,542,397	1,770,076.37	38,491,386,893
- VND	12,600,551,701	12,600,551,701	297,515,355,115	297,515,355,115
Interest capitalized (USD)	441,438.14	9,960,394,480	662,238.11	14,862,478,753
		52,524,811,874		616,962,413,253

5. Expenditures

a. Expenditures by funding and by categories

Categories	Year 2018		Accumulated to 31/12/2018	
	ADB Fund VND	Counterpart fund VND	ADB Fund VND	Counterpart fund VND
Works	170,656,075,994	3,430,486,631	322,263,880,577	3,430,486,631
Consulting services	12,154,047,315	638,727,308	131,008,346,813	7,162,093,291
Project Management	380,021,962	-	1,835,599,833	776,174,010
Interest	9,960,394,480	-	14,862,478,753	-
Commitment fees	-	5,072,576,525	-	31,727,445,676
Goods	-	(283,919,000)	7,226,915,000	301,481,000
Others	-	-	-	50,000,000
	193,150,539,751	8,857,871,464	477,197,220,976	43,447,680,608
				520,644,901,584

According to Loan Number 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*
Consulting Services	100 percent of total expenditure claimed*
Project Management	100 percent of total expenditure claimed*
Interests	100 percent of total expenditure claimed*
Goods	100 percent of total expenditure claimed*

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

b. Expenditure by components

Project management expenditures, interest charges and commitment fees, audit expenditures are apportioned to the project's components based on its granted amount. Details of the Project implemented expenditures incurred and accumulated to 31 December 2018 by components are as below:

<u>Component</u>	<u>Accumulated to 31/12/2017</u>	<u>Year 2018</u>	<u>Accumulated to 31/12/2018</u>
	<u>VND</u>	<u>VND</u>	<u>VND</u>
Component 1	178,260,501,306	178,843,026,967	357,103,528,273
Component 2	4,345,806,234	5,173,395,642	9,519,201,876
Component 3	26,133,932,298	11,992,564,904	38,126,497,202
Component 4	5,707,546,979	(29,409,624)	5,678,137,355
Component 5	104,188,703,552	6,028,833,326	110,217,536,878
	318,636,490,369	202,008,411,215	520,644,901,584

6. Cash at bank

	<u>31/12/2018</u>	<u>31/12/2017</u>
	<u>VND</u>	<u>VND</u>
Advance Account (USD)	12,659,406,566	18,701,969,491
Interest account of the Advance Account (USD)	1,558,310	4,789,640
Current accounts (VND)	157,692,886	157,948,188
Account for sale of bidding documents (USD)	1,514,296	1,781,575
	12,820,172,058	18,866,488,894

7. Advances to contractors

	31/12/2018 VND	31/12/2017 VND
Works	27,410,355,813	163,349,725,835
Joint venture Vinci-Bessac	27,410,355,813	163,349,725,835
Consulting services	170,909,091	-
Mat Troi Viet Investment and Consulting JSC	170,909,091	-
Goods	103,800,587,581	106,801,858,689
Intelligent Building Solution JSC	57,837,342,897	57,837,342,897
Pyrenalia Net Center, S. L	27,035,466,861	30,036,737,969
DTS Communication Technologies Corporation	18,927,777,823	18,927,777,823
	131,381,852,485	270,151,584,524

8. Payables to contractors

	31/12/2018 VND	31/12/2017 VND
Works	2,191,068,280	7,496,109,118
Hai Dang JSC	2,191,068,280	6,041,622,953
Minh Thong Co., Ltd.	-	1,454,486,165
Consulting services	185,203,818	1,447,138,409
Dr. Eduardo Garcia Alonso	-	1,021,734,000
Center for Investment and Procurement Support	-	248,900,000
AASC Auditing Firm Co., Ltd.	185,203,818	91,364,409
Phan Nam integrated system Co., Ltd.	-	85,140,000
	2,376,272,098	8,943,247,527

9. Other payables

	31/12/2018 VND	31/12/2017 VND
Bank interest	6,816,907	9,428,496
Surplus from the sale of bids	176,961,558	177,420,438
Others	7,150,000	-
	190,928,465	186,848,934

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 2017 that were audited by AASC Limited.

12. Approval of the Financial Statements

The financial statements were approved by the Project Management Unit for issuance on 20 June 2019



Vo Quang Hien
Director

Ho Chi Minh city, 20 June 2019

Truong Thi Thu Trang
Accountant in charge