

Audited Project Financial Statements

Project Number: 41456-033

Loan/Grant Number: 2961

Period covered: 18 September 2013 – 31 December 2016

VIE: Water Sector Investment Program – Tranche 2

Prepared by HUEWACO

For the Asian Development Bank

Date received by ADB: 15 November 2017

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 Hue CPC.



Grant Thornton

Financial Statements and Independent Auditors' Report

Thua Thien Hue Water Supply Project,
period 2011-2015, vision to 2020

Viet Nam Water Sector Investment Program

Project 2 - Loan Number 2961-VIE, OCR fund of
ADB

For the period from 18 September 2013 to 31 December
2016

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Part I

Financial Statements

Report of the Project Management Unit

The Project Management Unit submits its report together with the audited financial statements of the Thua Thien Hue Water Supply Project, period 2011-2015, vision to 2020 ("the Project") for the period from 18 September 2013 to 31 December 2016 ("the period").

The Project Management Unit

The members of the Project Management are responsible for overall direction and management of the Project during the period and to the date of this report were:

Project Management Unit

Mr. Truong Cong Nam	Director of Project Management Unit
Mr. Tran Van Tho	Deputy Director of Project Management Unit
Mr. Nguyen Lien Minh	Deputy Director of Project Management Unit
Ms. Nguyen Thi Lien Ngoc	Chief Accountant of Project Management Unit

Statement of the Project Management Unit

The Project Management Unit is responsible for preparing Financial Statements for the period from 18 September 2013 to 31 December 2016 ("the period") which give a true and fair view of:

- the financial position of the Project;
- the funds received and expended for the period;
- the cash flow during the period;
- the activities of the imprest account for the period from 18 September 2013 to 31 December 2016 and the balance of this account as at 31 December 2016; and
- the funds withdrawn for the period.

In preparing those Financial Statements, the Project Management Unit is required to:

- select suitable accounting policies and then apply them consistently in accordance with the Loan Number 2961-VIE between Socialist Republic of Vietnam and Asian Development Bank ("ADB") and the Project Administration Manual;
- make judgements 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 system for the purpose of properly preparing and presenting the financial statements so as to minimise errors and frauds.

The Project Management Unit 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 to ensure that the accounting records comply with the accounting system as described in Note 3 to the financial statements and the Project Administration Manual. The Project Management Unit is responsible for ensuring that the project funds are used only for the purposes of the Project, in accordance with the provisions of Loan Number 2961-VIE as well as legal requirements applicable to the Project. They are also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Project Management Unit confirms that they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

We hereby approve the accompanying financial statements on pages 6 to 13 which give a true and fair view of the fund balance of the Thua Thien Hue Water Supply Project, period 2011-2015, vision to 2020 as at 31 December 2016, the funds received and expenditures for the period from 18 September 2013 to 31 December 2016, statement of cash flow for the period from 18 September 2013 to 31 December 2016, the balance of the Project's Imprest account for the Credit fund as at 31 December 2016 as well as movement of this account from 18 September 2013 to 31 December 2016, in accordance with the accounting policies as described in Note 3 to the financial statements. In the opinion of the Project Management Unit, the loan withdrawals have been adequately reconciled to the statements of expenditure prepared by the Project during the period, and such statements of expenditure were adequately supported.

On behalf of the Project Management Unit,



Truong Cong Nam
Director of Project Management Unit

Thua Thien Hue, Vietnam
28 June 2017



Independent Auditors' Report

on the financial statements of

Thua Thien Hue Water Supply Project, period 2011-2015, vision to 2020

Loan Number 2961-VIE

for the period from 18 September 2013 to 31 December 2016

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To: **Project Management Unit**

Thua Thien Hue Water Supply Project, period 2011-2015, vision to 2020

Auditors' opinion

We have audited the accompanying financial statements of Thua Thien Hue Water Supply Project, period 2011-2015, vision to 2020 financed under the Asian Development Bank Loan Number 2961-VIE, prepared on 28 June 2017, which include Balance Sheet as at 31 December 2016, Statement of income and expenditures, Statement of cash flow, Imprest account statement and Statement of loan withdrawals for the period from 18 September 2013 to 31 December 2016, and a summary of significant accounting policies and other explanatory notes (collectively referred to as "Financial Statements") as set out on pages from 6 to 13.

In our opinion, in all material respects:

- The accompanying financial statements have been prepared in accordance with the accounting policies described in Note 3 to the financial statements the Project Administration Manual;
- The Project fund from Asian Development Bank has been used exclusively for the purposes of the Project in accordance with the Loan Agreement between Asian Development Bank and Vietnamese Government and no loans were used for other purposes;
- The accompanying statement of imprest account give a true and fair view of the balance of the imprest account as at 31 December 2016 and the Project's receipts and disbursements via this imprest account for the period from 18 September 2013 to 31 December 2016 in conformity with the relevant covenants of Loan Agreement No. 2961-VIE, the Project Administration Manual and relevant regulations established by the Asian Development Bank;
- Withdrawal Applications were adequately reconciled to the statements of expenditures ("SOEs") prepared by the Project Management Unit for the period from 18 September 2013 to 31 December 2016 and those SOEs were adequately supported by accounting vouchers.

Basic for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent from the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Vietnam, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of the Project Management Unit for the financial statements

The Project Management are responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies as described in Note 3 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.

Auditors' Responsibility for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Project 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 scepticism 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.

We communicate with the Management, 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.

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Balance sheet

as at 31 December 2016

	Notes	31 December 2016 VND
ASSETS		
Receivables		
Advance to contractor	4	5,110,251,000
		5,110,251,000
Expenditures		
Project implementation expenditures	7	18,932,299,107
		18,932,299,107
TOTAL ASSETS		24,042,550,107
RESOURCES		
Funds		
Credit fund from ADB	5	5,110,251,000
Counterpart fund	6	18,932,299,107
		24,042,550,107
TOTAL RESOURCES		24,042,550,107

Thua Thien Hue, Vietnam
28 June 2017



Truong Cong Nam
Director of Project Management Unit



Nguyen Thi Lien Ngoc
PMU's Chief Accountant

Statement of income and expenditures

for the period from 18 September 2013 to 31 December 2016

	Notes	For the period from 18 September 2013 to 31 December 2016 VND
INCOME		
Credit fund from ADB	5	5,110,251,000
Counterpart fund	6	18,932,299,107
		24,042,550,107
EXPENDITURES		
Works		-
Goods		-
Consulting services		18,806,117,534
Administrative expenses		126,181,573
	7,8	18,932,299,107
SURPLUS OF INCOME AND EXPENDITURES		5,110,251,000
FOREIGN EXCHANGE DIFFERENCES		-
FUND BALANCE AT THE BEGINNING OF THE PERIOD		-
FUND BALANCE AT THE END OF THE PERIOD		5,110,251,000

Thua Thien Hue, Vietnam
28 June 2017



Truong Cong Nam
Director of Project Management Unit



Nguyen Thi Lien Ngoc
PMU's Chief Accountant

The notes set out on pages from 11 to 13 form an integral part of these financial statements.

Statement of cash flows

for the period from 18 September 2013 to 31 December 2016

	For the period from 18 September 2013 to 31 December 2016 VND
RECEIPTS	
Credit fund from ADB	5,110,251,000
Counterpart fund	18,932,290,107
	24,042,550,107
DISBURSEMENTS	
Works	-
Goods	-
Consulting services	23,916,368,534
Administrative expenses	126,181,573
	24,042,550,107
SURPLUS OF RECEIPTS OVER DISBURSEMENTS	-
FOREIGN EXCHANGE DIFFERENCES	-
CASH BALANCE AT THE BEGINNING OF THE PERIOD	-
CASH BALANCE AT THE END OF THE PERIOD	-

Thua Thien Hue, Vietnam
28 June 2017



Trương Công Nam
Director of Project Management Unit



Nguyễn Thị Liên Ngọc
PMU's Chief Accountant

Statement of imprest account

For the period:	From 18 September 2013 to 31 December 2016
Account numbers:	4000201008485
Depository Bank:	Vietnam Bank For Agriculture and Rural Development – Thua Thien Hue Branch
Address:	103 Bui Thi Xuan Street, Hue City, Vietnam
Credit Agreement:	No. 2961-VIE
Currency:	USD

For the period
from 18 September 2013
to 31 December 2016
USD

Part A- Account activity

Opening balance as at 18 September 2013

Add:

Advance from ADB during the period

Replenishment to Imprest Account during the period

Less:

Total amount withdrawn from Imprest Account

Closing balance as at 31 December 2016

Part B- Account reconciliation

Amount advanced by ADB at 18 September 2013

Amount advanced by ADB during the period

Outstanding amount advanced to the Imprest Account as at 31 December 2016

Account balance as at 31 December 2016

Add:

Amount withdrawn but not yet claimed

Outstanding amount advanced to the Imprest Account as at 31 December 2016

Thua Thien Hue, Vietnam
28 June 2017



Truong Cong Nam
Director of Project Management Unit



Nguyen Thi Lien Ngoc
PMU's Chief Accountant

The notes set out on pages from 11 to 13 form an integral part of these financial statements

Statement of loan withdrawals

for the period from 18 September 2013 to 31 December 2016

Withdrawal number	Date of application	Amount claimed – For the period from 18 September 2013 to 31 December 2016					Amount disbursed
		Advance	Works	Goods	Consulting services	Total	
		USD	USD	USD	USD	USD	USD
HU001	12 December 2016	-	-	-	230,773.62	230,773.62	230,773.62
		-	-	-	230,773.62	230,773.62	230,773.62

Thua Thien Hue, Vietnam
28 June 2017



Trương Công Nam
Director of Project Management Unit



Nguyễn Thị Liên Ngọc
PMU's Chief Accountant

Notes to the financial statements

for the period from 18 September 2013 to 31 December 2016

1 The Project

On 18 September 2013, the Social Republic of Vietnam of Vietnam ("Borrower") signed Loan Number 2961-VIE - Viet Nam Water Sector Investment Program - Project 2, OCR fund of ADB, with Asian Development Bank ("ADB"). The financing amount under the Loan Agreement is USD212 million which allocated to following water supply companies ("WSCs") as follows:

Items	Project holders	Million USD
Sub-Project 1: Dinh Duong	BIWASE	39.90
Sub-Project 2: Dak Lak	DAKWACO	24.59
Sub-Project 3: Da Nang	DAWACO	30.00
Sub-Project 4: Hai Phong	Hai Phong Water	58.80
Sub-Project 5: Quang Tri	QTVASUCO	20.50
Sub-Project 6: Thua Thien Hue	HUEWACO	35.16
Non-Physical Investments	Other WSCs	5.05
Total		212.00

Under the Subsidiary Loan Agreement dated 14 April 2014, the Social Republic of Vietnam agreed Thua Thien Hue Water Supply Joint Stock Company ("ThueWACO") on-lending an amount of maximum USD35.16 million to implement Thua Thien Hue Water Supply Project, period 2011-2015, vision to 2020 ("the Project") with counterpart fund committed from HueWACO of USD7.72 million. Total financing under Subsidiary Loan Agreement are allocated by categories as follows:

No.	Categories	ADB fund	Counterpart fund from HueWACO	Million USD
1	Works, expansion of treatment plant and networks	27.45	1.41	28.86
2	Consulting services	1.39	1.41	2.8
3	Interest, commitment and bank charges	3.12	-	3.12
4	Other expenses unallocated	3.20	-	3.2
5	Project management expenses	-	0.23	0.23
6	Other expenses	-	1.03	1.03
7	Taxes and fees	-	3.64	3.64
Total		35.16	7.72	42.88

The objectives of the Project are constructing 710km transmission and distribution pipeline (D50-1,200mm) in 5 water supply areas namely Phong Dien, Tu Ha, Loc An, Loc Bon, Hue city and its suburbs.

The Project Management Unit's office is located at No.103 Bui Thi Xuan Street, Phuong Duc Ward, Hue City, Vietnam.

2 Fiscal year and accounting currency

2.1 Fiscal year

The first fiscal year of the Project is from 18 September 2013 (effective date) to 31 December 2016. The following fiscal year is from 1 January to 31 December.

2.2 Accounting currency

The accounting records of the Project are maintained in Vietnamese Dong ("VND"). The financial statements are prepared in Vietnamese Dong except for the Imprest account statement and Statement of loan withdrawals, which are prepared in the original currency of United States Dollars ("USD") as required by the Asian Development Bank.

3 Accounting policies

3.1 Basis of preparation of financial statements

The financial statements, expressed in Vietnamese Dong ("VND"), are prepared in accordance with Vietnamese Accounting Standards, specifically Circular 200/2014/TT-BTC dated 22 December 2014 by the Ministry of Finance and other applicable requirements, which are set out below.

3.2 Foreign exchange

Transactions arising in currencies other than the reporting currency of VND are translated at the prevailing exchange rates at transaction dates. Foreign exchange differences arising on translation are recognized separately in the statement of income and expenditures for the purpose of reconciliation of balance as at beginning and closing accounting period.

3.3 Recognitions of income and expenditures

Project income and expenditures are recognised as follows:

- Credit fund from ADB: Funds are recognised when direct payment from ADB to suppliers or/and receipts from ADB to Imprest Account;
- Counterpart fund: Fund is recognised when direct payment from HueWACO to suppliers; and
- Expenditures are recognised when incurred.

3.4 Advance

Advances to contractors are recorded as expenditure when they are cleared (i.e. when related activities are completed and the supporting documents have been submitted to and approved by the Project management for advance clearance).

3.5 Payables

The amount payable is recorded on the basis of the amount payable in the future in respect of the assets and services received.

4 Advance to contractor

31 December 2016

VND

Advance 25% of HUE-CS01 package to HaskoningDHV Nederland B.V.

5,110,251,000

5 Credit fund from ADB

For the period from 18 September 2013 to 31 December 2016

	USD	VND Equivalent
Direct payment to suppliers	230,773.62	5,110,251,000

6 Counterpart fund

For the period from 18 September 2013 to 31 December 2016

	VND
Counterpart fund from HueWACO	18,932,299,107

7 Expenditures

For the period from 18 September 2013 to 31 December 2016

	ADB fund VND	Counterpart fund VND	Total VND
Works	-	-	-
Goods	-	-	-
Consulting services	-	18,806,117,534	18,806,117,534
Administrative expenses	-	126,181,573	126,181,573
	-	18,932,299,107	18,932,299,107

8 Reconciliation of actual expenditures to budget expenditures

For the period from 18 September 2013 to 31 December 2016

	Actual expenditures VND	Budget expenditures VND	% Disbursement %	Variances VND
Works	-	-	-	-
Goods	-	-	-	-
Consulting services	18,806,117,534	7,490,124,819	251%	11,315,992,715
Administrative expenses	126,181,573	-	N/A	126,181,573
	18,932,299,107	7,490,124,819	253%	11,442,174,288

9 Approval for issuance of the financial statements

The financial statements were approved by the Project Management Unit and authorised for issue.

Thua Thien Hue, Vietnam
28 June 2017


Truong Cong Nam
Director of Project Management Unit


Nguyen Thi Lien Ngoc
PMU's Chief Accountant