

# 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 BIWASE

For the Asian Development Bank

Date received by ADB: 30 June 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 Thu Dau Mot's CPC.

**EXTENSION OF SOUTHERN THU DAU MOT  
WATER SUPPLY PROJECT, CAPACITY 45,000 M3/DAY**  
Loan Agreement No. 2961 – VIE

**AUDITED FINANCIAL STATEMENTS**  
Period from 19 August 2013 to 31 December 2016

CONTENTS

Page

<b>PART I</b>	<b>INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS</b>	
	Report of the Project Management Unit	3
	Independent Auditors' Report on the Financial statements	4 – 5
	<b>Audited Financial statements</b>	
	Statement of Financial Position	6
	Statement of Receipts and Disbursements	7
	Statement of Imprest Account	8
	Statement of Withdrawals	9
	Notes to the Financial statements	10 – 16
<b>PART II</b>	<b>INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL SYSTEM</b>	17 – 18
<b>PART III</b>	<b>INDEPENDENT AUDITORS' REPORT ON THE COMPLIANCE</b>	19 – 20
<b>PART IV</b>	<b>MANAGEMENT LETTER</b>	21 – 23

## REPORT OF THE PROJECT MANAGEMENT UNIT

The Management Unit of Southern Thu Dau Mot Water Supply Project of Binh Duong Water-Environment Joint Stock Company presents this report and the Financial Statements of the Extension of Southern Thu Dau Mot Water Supply Project, capacity 45.000 m3/day ("The Project") for the period from 19 August 2013 to 31 December 2016.

### The Project

The Extension of Southern Thu Dau Mot Water Supply Project, capacity 45.000 m3/day is implemented under the Loan Agreement No. 2961 – VIE dated 23 May 2013 ("the Agreement") between the Government of the Socialist Republic of Vietnam and the Asian Development Bank.

### The Project Management Unit

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

Mr. Vo Van Long	Director	(Appointed on 27 May 2017)
Mr. Duong Hoai Ly	Acting Director	(Resigned on 27 May 2017)
Mr. Duong Hoai Ly	Deputy Director	(Appointed on 27 May 2017)
Ms. Nguyen Thi Thu Van	Deputy Director	(Appointed on 10 October 2016)
Ms. Vo Thi Thanh Ha	Chief Accountant	(Appointed on 10 October 2016)

### 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 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



*Nguyễn Thị Thu Vân*

Binh Duong, 28 June 2017



No.: 1783/2017/BCKT.TC-AASC.KT1

## **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS**

**To: The Management Unit of Southern Thu Dau Mot Water Supply Project**

### *Opinion*

We have audited the financial statements of the Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m<sup>3</sup>/day ("the Project") which comprise Statement of Financial Position as at 31 December 2016, Statement of Receipts and Disbursements, Statement of Imprest Account, Statement of Withdrawals for the period from 19 August 2013 to 31 December 2016, 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 Imprest Account as at 31 December 2016, funds received and disbursements paid, movements of the Imprest Account for the period from 19 August 2013 to 31 December 2016 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. 2961 – VIE dated 23 May 2013.
- ▶ 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. 2961 – VIE dated 23 May 2013.

### *Basis of Opinion*

We conducted our audit in accordance with 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 Management for the Financial Statements*

The Project Management Unit is responsible for the preparation and fair presentation 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, 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.

**AASC Limited**



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

*Hanoi, 28 June 2017*

**Nguyen Thi Thanh Ha**  
Auditor in-charge  
CPA Registered No.:  
2888-2015-002-1

**STATEMENT OF FINANCIAL POSITION**  
*As at 31 December 2016*

	Note	31/12/2016 VND
<b>CURRENT ASSETS</b>		<b>56,871,630,858</b>
Cash on hand		2,094,926
Cash at bank	03	56,869,535,932
<b>NON-CURRENT ASSETS</b>		<b>311,259,488,445</b>
Project Implementation Expenditures	07	311,259,488,445
<b>TOTAL ASSETS</b>		<b>368,131,119,303</b>
<b>CURRENT LIABILITIES</b>		<b>46,289,831,111</b>
Payables to contractors	06	46,200,525,283
Other payables		89,305,828
<b>FUNDS</b>		<b>321,841,288,192</b>
Project Implementation Funds		318,877,809,797
- The Asian Development Bank	04	282,479,345,692
- Binh Duong Province State budget		36,398,464,105
Foreign exchange differences	05	2,963,478,395
<b>TOTAL RESOURCES</b>		<b>368,131,119,303</b>

Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m<sup>3</sup>/day  
Loan Agreement No. 2961 – VIE

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Period from 19 August 2013 to 31 December 2016

	Note	Incurred and accumulated to 31/12/2016	VND
<b>I. RECEIPTS</b>			
1. Receipts from the Asian Development Bank		282,479,345,692	
2. Receipts from Binh Duong province State budget		36,398,464,105	
3. Receipts from interest of Imprest Account		3,305,828	
		<u>318,881,115,625</u>	
<b>II. DISBURSEMENTS</b>			
1. Civil works		242,978,781,350	
2. Consulting services		15,090,594,191	
3. Interest charges and commitment fees		1,087,949,793	
4. Project management costs		3,136,466,374	
5. Others		791,516,000	
	08	<u>263,085,307,708</u>	
<b>III. FOREIGN EXCHANGE DIFFERENCES</b>			
1. Foreign exchange differences due to revaluation cash balance		1,075,822,941	
		<u>1,075,822,941</u>	
<b>IV. RECONCILIATION AS AT CLOSING</b>			
Presented by:			
Cash on hand		2,094,926	
Cash at bank		56,869,535,932	
		<u>56,871,630,858</u>	



# STATEMENT OF IMPREST ACCOUNT

For the period: from 19 August 2013 to 31 December 2016  
 Account No: 177020000004371  
 Bank: Vietnam Joint Stock Commercial Bank for Industry and Trade – Binh Duong Branch  
 Address: No. 330, Binh Duong avenue, Thu Dau Mot city, Binh Duong province  
 Agreement No.: 2961-VIE

	Note	USD
<b>PART A: ACTIVITIES</b>		
Opening balance		-
Add: Total amounts deposited by the ADB		8,631,254.71
Deduct: Total amounts withdrawn		(6,186,202.57)
Closing balance		<u>2,445,052.14</u>

## PART B: RECONCILIATION

1. Amount advanced by the ADB		3,436,066.45
2. Add: amount supplemented by the ADB		-
3. Present outstanding amount advanced to		<u>3,436,066.45</u>
4. Closing balance of the Imprest Account		2,445,052.14
5. Add: Amounts withdrawn but not yet claimed	(i)	991,014.31
6. Total advances accounted for		<u>3,436,066.45</u>

### Note:

(i) This amount was claimed at Withdrawal application No. BD007 on 11 April 2017, as follows:

	USD
Civil works	772,031.59
Consulting services	218,982.72
	<u>991,014.31</u>

Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m3/day  
Loan Agreement No. 2961 – VIE

STATEMENT OF WITHDRAWALS

Loan Agreement No. 2961 – VIE  
For the period from 19 August 2013 to 31 December 2016

No.	Withdrawal applications			Claimed				Received			Variances	Note
	Date	Currency	Advance	Civil works	Equipment	Consulting services	Other	Total	Equivalent to USD (i)	Date	Amount	
								(a)			(b)	(a) - (b)
<b>Imprest account</b>												
BD001	01/07/2015	USD	3,770,142.25	-	-	-	-	3,770,142.25	-	07/08/2015	3,436,252.33	333,889.92 (1)
BD004	16/12/2015	USD	-	1,858,675.86	-	-	-	1,858,675.86	-	22/12/2015	1,858,489.98	185.88 (2)
BD005	07/07/2016	USD	-	3,226,802.67	-	109,709.73	-	3,336,512.40	-	01/09/2016	3,336,512.40	-
<b>Direct payment</b>												
BD002	23/11/2015	VND	-	40,916,961,200	-	-	-	40,916,961,200	1,869,207.91	17/12/2015	40,916,961,200	-
BD003	27/11/2015	VND	-	38,943,323,000	-	-	-	38,943,323,000	1,779,046.28	17/12/2015	38,943,323,000	-
BD006	19/07/2016	VND	-	10,503,423,400	-	-	-	10,503,423,400	480,970.02	10/08/2016	10,503,423,400	-
<b>Total amounts in USD</b>			<b>3,770,142.25</b>	<b>5,085,478.53</b>	<b>-</b>	<b>109,709.73</b>	<b>-</b>	<b>8,965,330.51</b>			<b>8,831,254.71</b>	<b>334,075.80</b>
<b>Total amounts in VND</b>			<b>-</b>	<b>90,363,707,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,363,707,600</b>	<b>4,129,224.21</b>		<b>90,363,707,600</b>	<b>-</b>

(i) Translated into USD under actual exchange rate of Vietnam Joint Stock Commercial Bank for Industry and Trade when direct payments made to the contractors/suppliers.

(1) Not approved under ADB's reassessment of 6-months expenditures.

(2) Not approved under ADB's recalculation of funding rate.



## NOTES TO THE FINANCIAL STATEMENTS

Period from 19 August 2013 to 31 December 2016

### 1. Background

The Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m<sup>3</sup>/day ("the Project") is a sub-project of the Viet Nam Water Sector Investment Program – Project 2 ("the Program") implemented under the Loan Agreement No. 2961 – VIE dated 23 May 2013 ("the Agreement") between the Government of the Socialist Republic of Vietnam and the Asian Development Bank.

Total budget of the Loan under the Agreement is USD 212,000,000 for 15 projects in 12 provinces, of which USD 207,000,000 is for 6 projects in Hai Phong, Quang Tri, Thua Thien Hue, Da Nang, Dak Lak and Binh Duong which are provinces with the best preparation and USD 5,000,000 for the remaining 9 projects. Binh Duong Water-Environment Joint Stock Company is entitled to borrow USD 39,900,000 to implement the Project.

The objective of the Investment Program is: the sustainable provision of safewater in Viet Nam through improvement in the efficiency of Vietnamese water utilities. In which, the initial objectives of the project are: (i) constructing a water intake, pumping station and an approximately 5 km D1,200 pipeline from the intake; (ii) constructing a WTP 45,000 m<sup>3</sup>/day including treated water storage reservoir 15,000 m<sup>3</sup>, pumping station, chemical house, and sludge drying beds; (iii) constructing approximately 179 km of transmission and distribution main; and installing 30,000 household connections in Di An town and Thuan An town. Binh Duong Water-Environment Joint Stock Company has decided to use the company's fund to (i) construct a water intake, pumping station and an approximately 5 km D1,200 pipeline from the intake; (ii) construct a WTP 45,000 m<sup>3</sup>/day including treated wastewater storage reservoir 15,000 m<sup>3</sup>, pumping station, chemical house, and sludge drying beds. Accordingly, the initial scope of the project has been adjusted, additional works can be made by loan including: (i) constructing approximately 493 km instead of 179 km of transmission and distribution main; and installing 30,000 household connections in Di An town and Thuan An town (unchanged).

The Project officially came into operation on 19 August 2013 and is expected to close on 30 June 2020.

The Project is managed by the Management Unit of Southern Thu Dau Mot Water Supply Project of Binh Duong Water-Environment Joint Stock Company, and its office is located at No. 11 Ngo Van Tri, Phu Loi ward, Thu Dau Mot city, Binh Duong province.

### 2. Principal Accounting Policies

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

The annual accounting period commenced from 1<sup>st</sup> January to 31<sup>st</sup> December. The first accounting period commenced from 19 August 2013 to 31 December 2016.

The financial statements are prepared in accordance with the requirements of the Asian Development Bank and presented in Vietnam Dong (VND), except for Statements of Imprest Account and Statement of Withdrawals which are prepared in United State Dollar (USD) and Vietnam Dong (VND).

The Project Management Unit is applying Circular 195/2012/TT-BTC dated 15 November 2012 for accounting. Statement of Receipts and Disbursements is prepared on the cash basis. Other financial statements are prepared in accordance with the principal accounting policies are summarized as below:

#### b. Foreign currencies

Funds received from the Asian Development Bank in foreign currency are translated into VND under buying exchange rate of Vietnam Joint Stock Commercial Bank for Industry and Trade on dates of remittance made into Imprest Account or direct payment made to contractors.



Transactions in foreign currencies are translated to VND under the actual exchange rate of Vietnam Joint Stock Commercial Bank for Industry and Trade on dates of transactions. Monetary items denominated in foreign currencies are revalued annually at the actual exchange rate (buying exchange rate with assets / selling exchange rate with liabilities) of Vietnam Joint Stock Commercial Bank for Industry and Trade at balance sheet date. All exchange differences from these transactions are recorded into "Foreign exchange differences" account and presented as "Foreign exchange differences" on Statement of Financial Position.

**c. Funds and Expenditures**

**Funds:**

- Funds received from the Asian Development Bank are recorded when direct payments are made from ADB to contractors/suppliers or remittance are made into Imprest Account. Of which, capitalization of interest charges and commitment fees are recognized upon announcement by the ADB (twice per year);
- Counterpart funds of the Binh Duong province State budget are recorded when payments are made directly to contractors/suppliers of the Project or funds remitted to the Management Unit of Southern Thu Dau Mot Water Supply Project of Binh Duong Water-Environment Joint Stock Company for settlement of project's activities;

**Expenditures:**

- The Project expenditures are recorded when they are actually incurred.

**d. Imprest Account and its interest**

Imprest Account is the deposit account in USD opened at Vietnam Joint Stock Commercial Bank for Industry and Trade for the Project's activities. Payments made via Imprest Account are for eligible expenditures of the Project in accordance with provisions of the Loan Agreement No. 2961 – VIE dated 23 May 2013.

Interests of the Imprest Account are considered as receipts of Binh Duong Water-Environment Joint Stock Company and initially recorded as Other payables in Statement of Financial Position and used to cover bank charges. At the end of the Project, outstanding interests will be returned to the Binh Duong Water-Environment Joint Stock Company. In case bank charges are not fully covered by the interests, the Project Management Unit will plan to settle by the Counterpart funds (according to Circular No. 218/2013/TT-BTC dated 31 December 2013 and the replacing Circular No. 111/2016/TT-BTC dated 30 June 2016 which comes into force from 01 November 2016).

**3. Cash at bank**

	31/12/2016
	VND
Imprest Account (USD)	55,527,134,099
Interest of Imprest Account (USD)	3,305,828
Current Account (VND)	1,339,096,005
	<u>56,869,535,932</u>

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

	Incurred and accumulated to 31/12/2016	
	USD	Equivalent to VND
Imprest account	8,631,254.71	191,027,688,299
Advance	3,436,252.33	74,875,938,271
Replenishment	5,195,002.38	116,151,750,028
Direct payments	-	90,363,707,600
VND	-	90,363,707,600
Capitalization of interest charges and commitment fees	51,427.60	1,087,949,793
		<b>282,479,345,692</b>

**5. Foreign exchange differences**

	31/12/2016 VND
Foreign exchange differences due to payment	1,897,541,534
Foreign exchange differences due to revaluation of cash balance	1,075,822,941
Foreign exchange differences due to revaluation of payables	(9,886,080)
	<b>2,963,478,395</b>

**6. Payables to contractors**

	31/12/2016 VND
<b>Civil works</b>	
Water Supply & Sewerage Construction and Investment Joint Stock Company (WASECO)	5,357,878,617
Construction Joint Stock Company No. 5	34,085,934,500
<b>Consulting Services</b>	
Exp International Services Inc. (Vietnam)	1,181,646,720
Water Supply, Sewerage and Environment Consultancy Joint Stock Company (WASE)	5,575,065,446
	<b>46,200,525,283</b>

**7. Project Implementation Expenditures**

a) By categories

	31/12/2016 VND
Civil works	284,235,448,317
Consulting services	21,922,107,961
Interest charges and commitment fees	1,087,949,793
Project management costs	3,136,466,374
Others	877,516,000
	<b>311,259,488,445</b>

b) By funding



31/12/2016

VND

The Asian Development Bank	267,981,740,846
Binh Duong Province State budget (i)	43,277,747,599

**311,259,488,445**

Expenditures are financed under the Loan Agreement No. 2961 - VIE dated 23 May 2013 as below:

Categories	Funding rate (%)
Works	90.90%
Consulting services	100%
Interest charges and commitment fees	100%

(i) Including expenditure of "Consulting services" and "Other costs" which was financed by the Binh Duong province State budget, and incurred before the effective date of the Project (19/08/2013) with total amount of VND 14,275,855,446.

c) Reconciliation between Project Implementation Expenditures on Statement of Financial Position and Disbursement on Statement of Receipts and Disbursements

	VND	VND
<b>Project Implementation Expenditures</b>		<b>311,259,488,445</b>
Add:		
Foreign exchange differences due to revaluation of payables	9,886,080	9,886,080
Deduct:		
Payables to contractors	(46,200,525,283)	
Foreign exchange differences due to payment	(1,897,541,534)	
Other payables	(86,000,000)	
		(48,184,066,817)
<b>Disbursements accumulated to closing</b>		<b>263,085,307,708</b>



Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m3/day  
Loan Agreement No. 2961 – VIE

8. Disbursement

No.	Package	Content	Disbursement plan		Total	Actual disbursement		Rate
			ADB fund	Counterpart Fund		ADB fund	Counterpart Fund	
			VND	VND	VND	VND	VND	
1	BDCW01	Transmission pipeline DN100mm - DN 800mm	313,705,543,581	31,405,065,419	345,110,609,000	-	-	0%
2	BDCW02	Distribution pipeline D<200mm	31,766,802,093	3,180,174,907	34,946,977,000	-	-	0%
3	BDCW03	Supply and installation of transmission pipeline D>200mm	207,665,124,138	20,789,357,862	228,454,482,000	173,813,944,580	18,517,337,400	84%
4	BDCW04	Distribution pipeline D<200mm and Household connections	63,155,975,380	6,322,545,390	69,478,520,770	45,856,819,870	4,788,679,400	73%
5	BDCS01	Cost of resettlement monitoring	332,156,165	641,908,835	974,065,000	-	-	0%
6	BDCS02	Construction supervision, tender assistance and contract management	39,387,734,000	-	39,387,734,000	7,267,320,191	-	18%
7	BDCS08	Geological and topographical surveys for detailed design, preparation of bidding documents of additional works	-	9,965,579,000	9,965,579,000	-	-	0%
8	BDWS02	Geological and topographical surveys for detailed design, preparation of bidding documents	-	6,478,537,853	6,478,537,853	-	6,147,700,000	95%
9	BDCS06	Cost of work risk insurance	-	1,774,000,000	1,774,000,000	-	-	0%
10	BDCS03	Cost of work auditing	-	544,000,000	544,000,000	-	-	0%
11		Cost of equipment appraisal	-	250,000,000	250,000,000	-	-	0%
12		Environmental impact assessment	-	85,000,000	85,000,000	-	-	0%
13		Household socio-economic survey report	-	281,310,000	281,310,000	-	281,310,000	100%
14		Preparation of investment project	-	1,394,264,000	1,394,264,000	-	1,394,264,000	100%
15		Analysis report and gender action plan	-	62,829,000	62,829,000	-	-	0%

**Financial Statements**  
**Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m<sup>3</sup>/day**  
**Loan Agreement No. 2961 – VIE**  
**Period ended 31 December 2016**

No.	Package	Content	Disbursement plan			Actual disbursement			Rate
			ADB fund	Counterpart Fund	Total	ADB fund	Counterpart Fund	Total	
			VND	VND	VND	VND	VND	VND	
16		Resettlement plan	-	78,755,000	78,755,000	-	-	-	0%
17		Project appraisal	-	44,000,000	44,000,000	-	-	-	0%
18		Cost of settlement appraisal and approval	-	406,000,000	406,000,000	-	-	-	0%
19		Cost of backfilling	-	25,075,000,000	25,075,000,000	-	-	-	0%
20		Cost of appraisal of basic design, working drawings, total cost estimate	-	192,000,000	192,000,000	-	-	-	0%
21		Cost of appraisal of bidding results	-	59,000,000	59,000,000	-	-	-	0%
22		Cost of appraisal of project investment feasibility and efficiency	-	85,000,000	85,000,000	-	-	-	0%
23		Unused contingencies	-	92,811,923,000	92,811,923,000	-	-	-	0%
24		Commitment fees	-	1,087,949,793	1,087,949,793	1,087,949,793	-	1,087,949,793	100%
25		Project management unit cost	-	6,434,000,000	6,434,000,000	-	3,136,466,374	3,136,466,374	49%
26		Other cost	-	2,370,000,000	2,370,000,000	-	791,516,000	791,516,000	33%
			856,013,335,357	211,819,200,059	867,832,535,416	228,028,034,534	35,057,273,174	263,085,307,708	30%

**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 28 June 2017.



*Nguyễn Thị Thu Vân*

Binh Duong, 28 June 2017

*Thanh*

**Võ Thị Thanh Hà**  
Chief Accountant



No.: 1783/2017/BC.KTTC-AASC.KT1

## **INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL SYSTEM**

**To: The Management Unit of Southern Thu Dau Mot Water Supply Project**

We have audited, in accordance with International Standards on Auditing, the financial statements of the Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m<sup>3</sup>/day ("the Project") for the period from 19 August 2013 to 31 December 2016 and issued the auditors' report thereon dated 28 June 2017 with an opinion on those financial statements.

In connection with our audit of the financial statements, we also examined the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as the internal control over financial reporting for the period from 19 August 2013 to 31 December 2016.

### *Responsibilities of the Project Management Unit*

The Project Management Unit is responsible for maintaining an effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as the internal control over financial reporting.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the effectiveness of internal control based on our examination.

Our examination was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Project has maintained an effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting.

Our examination included obtaining an understanding, testing, and evaluating the design and operating effectiveness of the internal control, and performing other procedures as we considered necessary in the circumstances to obtain sufficient appropriate evidence to provide a basis for our opinion.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not to be prevented or detected on a regular basis. In addition, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

*Auditors' opinion*

In our opinion, the Project has maintained an effective internal control over misstatements that could have a direct and material financial effect on the Project financial statements for the period from 19 August 2013 to 31 December 2016.



**AASC Limited**

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

*Hanoi, 28 June 2017*

**Nguyen Thi Thanh Ha**  
Auditor in-charge  
CPA Registered No.:  
2888-2015-002-1



No.: 1783/2017/BC.KTTC-AASC.KT1

## **INDEPENDENT AUDITORS' REPORT ON THE COMPLIANCE**

**To: The Management Unit of Southern Thu Dau Mot Water Supply Project**

We have audited, in accordance with the International Standards on Auditing, the financial statements of the Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m<sup>3</sup>/day ("the Project") for the period from 19 August 2013 to 31 December 2016 and issued the auditors report thereon dated on 28 June 2017 with an opinion on those financial statements.

In connection with the audit of the financial statements, we also performed procedures on the Project's compliance with the Loan Agreement No. 2961 – VIE dated 23 May 2013, law and regulations that have a direct and material effect on the Project's financial statements for the period from 19 August 2013 to 31 December 2016 ("the Requirements").

### *Responsibilities of the Project Management Unit*

The Project Management Unit is responsible for complying with the Requirements applicable to the Project.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the Project's compliance with the Requirements based on our procedures. We limited our tests of compliance to the Requirements, and we did not test compliance with all laws and regulations applicable to the Project.

We performed our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Project has complied with the Requirements.

An assurance engagement to report on the compliance with the Requirements at the Project involves performing procedures to obtain evidence about whether the Project's activities are free of material non-compliance with the Requirements, including obtaining an understanding of the internal control relevant to the Project's compliance with the Requirements. The procedures selected depend on the auditors' judgment, including the assessment of risks that the Project does not comply with the Requirements and whether such non-compliance could have a direct and material financial effect on the Project's financial statements. Our procedures included testing the compliance with the Requirements we consider necessary to provide a reasonable assurance that the Requirements are complied by the Project.

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



*Auditors' opinion*

In our opinion, the Project has complied with the Requirements that could have a direct and material financial effect on the Project's financial statements for the period from 19 August 2013 to 31 December 2016.



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

*Hanoi, 28 June 2017*

**Nguyen Thi Thanh Ha**  
Auditor In-charge  
CPA Registered No.:  
2888-2015-002-1

**EXTENSION OF SOUTHERN THU DAU MOT  
WATER SUPPLY PROJECT, CAPACITY 45,000 M3/DAY**  
Loan Agreement No. 2961 – VIE

**MANAGEMENT LETTER**

Period from 19 August 2013 to 31 December 2016

THAN  
DAN  
3. MAY

Hanoi, 28 June 2017

**To: The Management Unit of Southern Thu Dau Mot Water Supply Project**  
**Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000**  
**m3/day**  
No. 11 Ngo Van Tri, Phu Loi ward, Thu Dau Mot city, Binh Duong province

We have conducted the audit of the financial statements of Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m3/day ("the Project") for the Period from 19 August 2013 to 31 December 2016. During the course of our engagement, we reviewed the accounting procedures and internal controls, and examined the compliances with laws, regulations and Loan Agreement.

Accordingly, we enclose a memorandum of the points noted by us during our audit together with recommendations thereon. We have discussed the matters with the Board of Project Managements, and the responses were incorporated in our memorandum.

We would also like to extend our sincere thanks to the Director, the Chief Accountant and your staff for the co-operation you all have extended to us during our recent audit visit. We look forward to working with you again soon, and in providing you with the required assistance, if any, in your future endeavors.

Yours sincerely,



**Do Manh Cuong**  
Deputy General Director



CONTENTS

Pages

1. Management of bank accounts and project management cost	23
--	----

0311  
CÔNG  
CHÍNH  
19 KIẾN  
AAS  
KIẾN

## 1. Management of bank accounts and project management cost

### *Observation and Implication*

We noted that there is only one account opened at Bank for Investment and Development of Vietnam (BIDV) to receive funds from the State budget of Binh Duong province granted for (02) projects that the PMU is managing.

Besides, project management unit cost of those projects has not been accounted separately. The mentioned issues cause difficulties in separating receipts and expenditures by each projects, simultaneously not being easy to review transactions and to reconcile bank outstanding balances.

### *Recommendation*

The PMU should open additionally bank accounts to manage receipts and expenditures and account separately PMU cost by each projects.

### *The Project's responses*

Agreement with auditor's opinion. However, transactions between the State Treasury and the PMU have been only made via one account opened at commercial bank, therefore the PMU only use this account to pay cost of projects managed by the PMU. Up to now, project management unit cost was accounted separately by each projects.

