

Audited Project Financial Statements

Project Number: 41456-033
Loan/Grant Number: 2961
Period covered: 1 January 2017 – 31 December 2017

VIE: Water Sector Investment Program – Tranche 2

Prepared by DAWACO

For the Asian Development Bank
Date received by ADB: 29 June 2018

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 Da Nang CPC.

Financial statements and Independent Auditors' Report

Da Nang Water Supply System Expansion Project,
stage 2012 – 2018

Viet Nam Water Sector Investment Program

Project 2 - Loan Agreement No. 2961 VIE, OCR fund of ADB

For the year ended 31 December 2017



Contents

Part I

Financial Statements	1
Report of the Project Management Unit	2
Independent Auditors' Report on the financial statements	4
Balance sheet	6
Statement of income and expenditures	7
Statement of cash flows	8
Statement of Advance account	9
Statement of loan withdrawals	10
Statement of actual expenditures and budget	11
Notes to the financial statements	12

Part II

Declaration of Project Management Unit on the Compliance	18
Independent Auditors' Report on the Compliance	19

Part I

Financial Statements

Report of the Project Management Unit

The Project Management submits its report together with the audited financial statements of the Da Nang Water Supply System Expansion Project, stage 2012 – 2018 ("the Project") for the year ended 31 December 2017.

The Project Management Unit

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

Project Management Unit

Mr. Ho Huong	Project Director
Mr. Ho Minh Khiet	Project Deputy Director
Mr. Phan Thinh	Chief Accountant

Statement of the Project Management Unit

The Project Management Unit is responsible for preparing Financial Statements for the year ended 31 December 2017 ("the year") which give a true and fair view of:

- the financial position of the Project;
- the funds received and expended for the year;
- the cash flow during the year;
- the activities of the advance account for the year ended 31 December 2017 and the balance of this account as at 31 December 2017;
- the funds withdrawn for the year; and
- the actual expenditures and budget.

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 Agreement No. 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 Agreement No. 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 16 which give a true and fair view of the fund balance of the Da Nang Water Supply System Expansion Project, stage 2012 – 2018 as at 31 December 2017, the funds received and expenditures for the year ended 31 December 2017, Statement of cash flow for the year ended 31 December 2017, the balance of the Project's Advance Account for the Loan from ADB as at 31 December 2017 as well as movement of this account for the year ended 31 December 2017 and statements of actual expenditures and budget, 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 year, and such statements of expenditure were adequately supported.

On behalf of the Project Management Unit,




Ho Huong
Project Director

Da Nang, Vietnam
18 June 2018

Independent Auditors' Report

on the financial statements of
Da Nang Water Supply System Expansion Project, stage 2012 – 2018
Loan Agreement No. 2961-VIE
for the year ended 31 December 2017

Grant Thornton (Vietnam) Limited
18th Floor
Hoa Binh International Office Building
106 Hoang Quoc Viet Street
Cau Giay District, Hanoi
Vietnam
T +84 24 3850 1686
F +84 24 3850 1688

No. 16-11-238-2

To the Project Management Unit of Da Nang Water Supply System Expansion
Project, stage 2012 – 2018

Auditors' opinion

We have audited the accompanying financial statements of Da Nang Water Supply System Expansion Project, stage 2012 – 2018 financed under the Asian Development Bank Loan Agreement No. 2961-VIE, prepared on 18 June 2018, which include Balance Sheet as at 31 December 2017, Statement of income and expenditures, Statement of cash flow, Statement of advance account, Statement of loan withdrawals and Statement of actual expenditures and budget for the year ended 31 December 2017, 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 16.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position as at 31 December 2017 as well as of the funds received and expenditures of the Project for the year then ended in conformity with the accounting policies described in Note 3 of the Notes to the financial statements.

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 Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of 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 Unit 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

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 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.



Hanoi, Vietnam
18 June 2018

Balance sheet

as at 31 December 2017

	Notes	31 December 2017 VND	31 December 2016 VND
ASSETS			
Cash		1,788,405,304	1,791,393,831
Cash at bank	4	1,788,405,304	1,791,393,831
Receivables		5,233,951,413	81,901,576
Advance to contractor	5	5,044,612,882	-
Value added tax deductible		189,338,531	81,901,576
Expenditures		6,473,472,857	4,203,723,851
Project implementation expenditures	10	6,473,472,857	4,203,723,851
TOTAL ASSETS		13,495,829,574	6,077,019,258
RESOURCES			
Liabilities		912,160,497	32,842,029
Payables to suppliers	6	912,160,497	32,842,029
FUNDS		12,583,669,077	6,044,177,229
Funds		12,452,367,963	5,909,722,265
- Loan from Asian Development Bank	8	11,995,262,804	5,805,438,750
- Counterpart fund	9	455,540,879	102,884,558
- Other fund	7	1,564,280	1,398,957
Foreign exchange differences		131,301,114	134,454,964
TOTAL RESOURCES		13,495,829,574	6,077,019,258



Da Nang, Vietnam
18 June 2018

Ho Huong
Project Director

Phan Thinh
Chief Accountant

Statement of income and expenditures

for the year ended 31 December 2017

		For year ended	For the period	Accumulated to
	Notes	31 December 2017	from 18 September 2013 to 31 December 2016	31 December 2017
		VND	VND	VND
INCOME		6,542,645,698	5,909,722,265	12,452,367,963
Loan from Asian Development Bank	8	6,189,824,054	5,805,438,750	11,995,262,804
Counterpart fund	9	352,656,321	102,884,558	455,540,879
Other fund	7	165,323	1,398,957	1,564,280
EXPENDITURES	10	2,269,749,006	4,203,723,851	6,473,472,857
Works		-	-	-
Goods		-	-	-
Consulting services		1,071,071,361	831,006,714	1,902,078,075
Interest and commitment charge		1,161,469,464	3,359,468,475	4,520,937,939
Administrative expenses		1,843,636	10,130,662	11,974,298
Other expenses		35,364,545	3,118,000	38,482,545
Surplus of income over expenditures		4,272,896,692	1,705,998,414	5,978,895,106
Foreign exchange differences		(3,153,850)	134,454,964	131,301,114
Fund balance at the beginning of the year/period		1,840,453,378	-	-
Fund balance at the end of the year/period		6,110,196,220	1,840,453,378	6,110,196,220

Da Nang, Vietnam
18 June 2018



Ho Huong
Project Director

Phan Thinh
Chief Accountant

Statement of cash flows

for the year ended 31 December 2017

		For the period	
	For year ended	from 18 September 2013	Accumulated to
Note	31 December 2017	to 31 December 2016	31 December 2017
	VND	VND	VND
		(Restated)	
RECEIPTS	5,341,839,224	2,522,893,968	7,864,733,192
Loan from Asian Development Bank	5,044,612,882	2,467,670,000	7,512,282,882
Counterpart fund	297,061,019	53,825,011	350,886,030
Other fund	165,323	1,398,957	1,564,280
DISBURSEMENTS	5,341,673,901	865,955,101	6,207,629,002
Works	-	-	-
Goods	-	-	-
Consulting services	5,288,207,428	831,006,714	6,119,214,142
Interest and commitment charge	16,258,292	21,699,725	37,958,017
Administrative expenses	1,843,636	10,130,662	11,974,298
Other expenses	35,364,545	3,118,000	38,482,545
Surplus of sources over uses of funds	165,323	1,656,938,867	1,657,104,190
Foreign exchange differences	(3,153,850)	134,454,964	131,301,114
Cash balance at the beginning of the year/period	1,791,393,831	-	-
Cash balance at the end of the year/period	1,788,405,304	1,791,393,831	1,788,405,304

Da Nang, Vietnam

18 June 2018



Ho Hương
Project Director

Phan Thinh
Chief Accountant

Statement of advance account

For the year: For year ended 31 December 2017
Account numbers: 999996879999
Depository Bank: Lien Viet Post Joint Stock Commercial Bank – Da Nang Branch
Address: 140 Nguyen Thi Minh Khai, Hai Chau District, Da Nang, Vietnam
Credit Agreement: No. 2961-VIE
Currency: USD

For year ended
31 December 2017
USD

Part A- Account activity

Opening balance as at 1 January 2017	78,783.00
Add:	
Replenishment to Advance Account during the year	-
Less:	
Total amount withdrawn from Advance Account	-
Closing balance as at 31 December 2017	78,783.00

Part B- Account reconciliation

Amount advanced by ADB at 1 January 2017	115,000.00
Amount advanced by ADB during the year	-
Outstanding amount advanced to the Advance Account as at 31 December 2017	115,000.00
Account balance as at 31 December 2017	78,783.00
Add:	
Amount withdrawn but not yet claimed	36,217.00
Outstanding amount advanced to the Advance Account as at 31 December 2017	115,000.00

Da Nang, Vietnam
18 June 2018



Ho Huong
Project Director

Phan Thinh
Chief Accountant

Statement of loan withdrawals

for the year ended 31 December 2017

Withdrawal number	Date of application	Amount claimed – For the year ended 31 December 2017					Amount disbursed	
		Advance	Works	Goods	Consulting	Total	Date	Amount
					services			
		USD	USD	USD	USD	USD		USD
DA002 – Direct payment	1 June 2017	-	-	-	224,742.38	224,742.38	12 July 2017	224,742.38
		-	-	-	224,742.38	224,742.38		224,742.38

Da Nang, Vietnam
18 June 2018



Hồ Hương
Project Director

me
Phan Thinh
Chief Accountant

Statement of actual expenditures and budget

for the year ended 31 December 2017


	For the year ended 31 December 2017			
	Actual expenditures VND	Budget expenditures (i) VND	% of actual expenditures over budget	Variances in VND
Works	-	-	-	-
Goods	-	-	-	-
Consulting services	1,071,071,361	8,611,567,734	12%	(7,540,496,373)
Interest and commitment charge	1,161,469,464	1,362,263,744	85%	(200,794,280)
Administrative expenses	1,843,636	1,900,000	97%	(56,364)
Other expenses	35,364,545	35,910,000	98%	(545,455)
	2,269,749,006	10,011,641,478	23%	(7,741,892,472)

- (i) Source of the budget expenditures is in accordance with Expenditure Plan for the year 2017 issued by Da Nang Water Supply Project Management Unit – Branch of Da Nang Water Supply Joint Stock Company.

Da Nang, Vietnam
18 June 2018



Ho Hương
Project Director



Phan Thinh
Chief Accountant

Notes to the financial statements

for the year ended 31 December 2017

1. The Project

On 23 May 2013, the Social Republic of Vietnam of Vietnam ("Borrower") signed Loan Agreement No. 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 water supply companies ("WSCs") as follows:

Items	Project Holders	Million USD
Sub-Project 1: Binh 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	HPWWSCo	56.80
Sub-Project 5: Quang Tri	QTWASUCO	20.50
Sub-Project 6: Thua Thien Hue	HUEWACO	35.16
Non-Physical Investments	Other WSCs	5.05
Total		212.00

Under the Sub-Loan Agreement dated 29 July 2013, the Social Republic of Vietnam of Vietnam agreed to Da Nang Water Supply Joint Stock Company (DAWACO) on-lending an amount of maximum USD30 million to implement Da Nang Water Supply System Expansion Project, stage 2012 – 2018 ("the Project"). In addition, DAWACO committed to contribute a counterpart fund of USD6.3 million for the Project. Then, total financing are allocated by categories as follows:

No.	Categories	Counterpart fund from		Million USD
		ADB fund	DAWACO	
1	Works	15.97	2.88	18.85
2	Goods	11.57	2.08	13.65
3	Consulting services	1.59	0.16	1.75
4	Interest and committed charges	0.87	0.07	0.94
5	Other expenses unallocated	-	1.11	1.11
Total		30.00	6.30	36.30

The objectives of the Project are:

- Constructing approximately 151km of transmission and distribution mains D200-1,000;
- Rehabilitating and replacing approximately 40km of distribution main;
- Implementing an institution strengthening program; and
- Implementing and operational management contract to improve and upgrade maintenance and operational procedures.

Project Management Unit's office is located at 57 Xo Viet Nghe Tinh, Hai Chau District, Da Nang, 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 Advance 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 recognised 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 sources and uses of fund

Project sources and uses of fund are recognised as follows:

- Loan from Asian Development Bank: Funds are recognised when direct payment from ADB to suppliers or/and receipts from ADB to Advance Account except for Interest and commitment charge from ADB loan are recorded to expenditures and income based on accrual basis.
- Counterpart fund: Fund is recognised when direct payment from DAWACO to suppliers.
- 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 unit 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. Cash at bank

	31 December 2017		31 December 2016	
	USD	VND equivalent	USD	VND equivalent
Advance Account	78,783.00	1,786,798,440	78,783.00	1,789,949,760
Current account 1	63.24	1,434,283	63.24	1,436,813
Current account 2	-	7,309	-	7,258
Current account 3	-	165,272	-	-
	78,846.24	1,788,405,304	78,846.24	1,791,393,831

5. Advance to contractor

	31 December 2017	31 December 2016
	VND	VND
Advance 15% of DNCS02 package to Eptisa Servicios De Ingenieria S.L.	5,044,612,882	-

6. Payables to suppliers

	31 December 2017	31 December 2016
	VND	VND
Southern Consultant Inspection Construction Joint Stock Company	848,142,609	32,842,029
Others	64,017,888	-
	912,160,497	32,842,029

7. Other fund

Other fund represents interest income incurred during the year.

8. Loan from Asian Development Bank

	For year ended 31 December 2017		For the period from 18 September 2013 to 31 December 2016		Accumulated to 31 December 2017	
	USD	VND equivalent	USD	VND equivalent	USD	VND equivalent
Advances from ADB	-	-	115,000.00	2,467,670,000	115,000.00	2,467,670,000
Direct payment	224,742.38	5,044,612,882	-	-	224,742.38	5,044,612,882
Interest and commitment charge	51,085.00	1,145,211,172	154,657.11	3,337,768,750	205,742.11	4,482,979,922
	275,827.38	6,189,824,054	269,657.11	5,805,438,750	545,484.49	11,995,262,804

9. Counterpart fund

	For year ended 31 December 2017		For the period from 18 September 2013 to 31 December 2016		Accumulated to 31 December 2017	
	USD	VND	USD	VND	USD	VND
Counterpart fund from DAWACO		336,398,029		81,184,833		417,582,862
Interest and commitment charge		16,258,292		21,699,725		37,958,017
		352,656,321		102,884,558		455,540,879

10. Expenditures

	Year ended 31 December 2017				For the period from 18 September 2013 to 31 December 2016				Accumulated to 31 December 2017	
	Loan from ADB	Counterpart fund	Total		Loan from ADB	Counterpart fund	Total		Loan from ADB	Counterpart fund
Works	-	-	-	VND	-	-	-	VND	-	-
Goods	-	-	-	VND	-	-	-	VND	-	-
Consulting services	-	1,071,071,361	1,071,071,361		812,130,090	18,876,624	831,006,714		812,130,090	1,089,947,985
Interest and commitment charge	1,145,211,172	16,258,292	1,161,469,464		3,337,768,750	21,699,725	3,359,468,475		4,482,979,922	37,958,017
Administrative expenses	-	1,843,636	1,843,636		-	10,130,662	10,130,662		-	11,974,298
Other expenses	-	35,364,545	35,364,545		-	3,118,000	3,118,000		-	38,482,545
	1,145,211,172	1,124,537,834	2,269,749,006		4,149,898,840	53,825,011	4,203,723,851		5,295,110,012	1,178,362,845
										6,473,472,857

11. Restatements

During the year 2017, the Project Management Unit had restated the Project's financial statements for the period from 18 September 2013 to 31 December 2016 to reflect the Interest and commitment charge, as follow:

Statement of income and expenditures for the period from 18 September 2013 to 31 December 2016

	As previously reported	Restatements	As restated
	VND	VND	VND
Loan from Asian Development Bank	2,467,670,000	3,337,768,750	5,805,438,750
Counterpart fund	81,184,833	21,699,725	102,884,558
Interest and commitment charge	-	3,359,468,475	3,359,468,475

Statement of cash flows for the period from 18 September 2013 to 31 December 2016

	As previously reported	Restatements	As restated
	VND	VND	VND
Counterpart fund	32,125,286	21,699,725	53,825,011
Interest and commitment charge	-	21,699,725	21,699,725

12. Approval for issuance of the financial statements

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

Da Nang, Vietnam

18 June 2018



Ho Huong
Project Director

ml
Phan Thinh
Chief Accountant