

Audited Project Financial Statements

Project Number: 41456-033

Loan Number: 2961

Period covered: 1 January 2020 – 30 April 2021

Viet Nam: Water Sector Investment Program – Tranche 2

Prepared by Quang Nam Water Supply and Drainage JSC.

For the Asian Development Bank

Date received by ADB: 30 June 2021

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 Quang Nam PPC.

**WATER SUPPLY SYSTEM FOR TAM HIEP
AND DIEN NAM – DIEN NGOC URBAN PROJECT**

Loan Number 2961 – VIE

AUDITED PROJECT FINANCIAL STATEMENTS
For the period from 01/01/2020 to 30/04/2021



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REPORT OF THE PROJECT MANAGEMENT UNIT

The Management Unit of Investment and Construction Projects of Quang Nam Water Supply and Drainage JSC ("the Project Management Unit") presents this report and the Project Financial statements of the Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project ("the Project") under the Loan Number 2961 – VIE signed on 23 May 2013 for the period from 01/01/2020 to 30/04/2021.

The Project

The Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project is a sub-project of the Viet Nam Water Sector Investment Program, which is invested by Quang Nam Water Supply and Drainage JSC ("Quang Nam WS"). In addition to the counterpart funds, the Project is also financed by the Asian Development Bank ("ADB") under the Loan Number 2961 – VIE signed on 23 May 2013 and the Loan Number 3251 – VIE signed on 19 November 2015 ("the Agreements").

The Project Management Unit

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

Mr. Ngo Duc Trung	Director	
Mr. Hoang Kim Tam	Deputy Director	
Mrs. Nguyen Thi Doan Ai	Chief Accountant	Appointed on 12 March 2021
Mr. Nguyen Huu Y	Chief Accountant	Resigned on 12 March 2021

Auditors

The auditors of AASC Limited have taken the audit of the 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 and Statement of Withdrawals and Reconciliation of Funds, which comply with the accounting policies described in the attached Notes to the Project 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 Project 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 additional, the Project Management Unit is 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 2961 – VIE signed on 23 May 2013;
- 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 2961 – VIE dated 23 May 2013.

Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project
Loan Number 2961 – VIE

On behalf of the Project Management Unit



Quang Nam, 24 June 2021

INDEPENDENT AUDITORS' REPORT ON THE PROJECT FINANCIAL STATEMENTS

**To: The Management Unit of Investment and Construction Projects
Quang Nam Water Supply and Drainage JSC**

Opinion

We have audited the accompanying Financial statements of the Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project ("the Project") under the Loan Number 2961 – VIE signed on 23 May 2013 which comprise Statement of Financial Position as at 30 April 2021, Statement of Receipts and Disbursements, Statement of Budget versus Actual Disbursements, Statement of Withdrawals and Reconciliation of Funds and Notes to the Project Financial statements for the period from 01/01/2020 to 30/04/2021, 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 funds received and expenditures incurred for the period from 01/01/2020 to 30/04/2021 in accordance with the basis of the principal accounting policies described in the Notes to the Project Financial statements and the provisions of the Loan Number 2961 – VIE signed on 23 May 2013.

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 Project 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 Project Financial statements

The Project Management Unit is responsible for the preparation of the Project Financial statements in accordance with the principal accounting policies described in Notes to the Project 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 Project Financial statements, the Project Management Unit 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 Project Financial statements

Our objectives are to obtain reasonable assurance about whether the Project 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 Project Financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the Project 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 Project Financial statements, including the disclosures, and whether the Project 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

Do Manh Cuong
Deputy General Director
CPA Registered No.:
0744-2018-002-1

Hanoi, 24 June 2021


Nguyen Pham Hung
Auditor in-charge
CPA Registered No.:
2893-2020-002-1

STATEMENT OF FINANCIAL POSITION
 As at 30 April 2021

	Note	30/04/2021 VND	31/12/2019 VND
CURRENT ASSETS		1,193,601,631	-
Deductible Value added tax		1,193,601,631	-
NON-CURRENT ASSETS		12,627,850,836	132,134,972
Project Implementation Expenditures	05	12,627,850,836	132,134,972
TOTAL ASSETS		13,821,452,467	132,134,972
CURRENT LIABILITIES		1,305,178,021	-
Payables to contractors	03	1,305,178,021	-
FUNDS		12,516,274,446	132,134,972
Project Implementation Funds		12,516,274,446	132,134,972
- The Asian Development Bank	04	12,505,123,790	126,690,461
- Quang Nam Water Supply and Drainage JSC		11,150,656	5,444,511
TOTAL RESOURCES		13,821,452,467	132,134,972

STATEMENT OF RECEIPTS AND DISBURSEMENTS
For the period from 01/01/2020 to 30/04/2021

	Note	Accumulated to 31/12/2019 VND	For the period from 01/01/2020 to 30/04/2021 VND	Accumulated to 30/04/2021 VND
RECEIPTS				
Received from the Asian Development Bank		126,690,461	12,378,433,329	12,505,123,790
Received from Quang Nam Water Supply and Drainage JSC		5,444,511	5,706,145	11,150,656
		132,134,972	12,384,139,474	12,516,274,446
DISBURSEMENTS				
Consulting Services		-	3,689,228,290	3,689,228,290
Equipment		-	8,661,968,182	8,661,968,182
Interest charges, commitment fees and borrowing costs		132,134,972	32,943,002	165,077,974
	06	132,134,972	12,384,139,474	12,516,274,446
RECONCILIATION AS AT CLOSING		-	-	-

STATEMENT OF BUDGET VERSUS ACTUAL DISBURSEMENTS

For the period from 01/01/2020 to 30/04/2021

Categories	Budget Disbursements			Actual Disbursements			Variance		
	ADB Funds	Counterpart Fund	Total	ADB Funds	Counterpart Fund	Total	ADB Funds	Counterpart Fund	Total
	VND	VND	VND	VND	VND	VND	VND	VND	VND
Consulting Services	5,000,000,000	500,000,000	5,500,000,000	3,689,228,290	-	3,689,228,290	(1,310,771,710)	(500,000,000)	(1,810,771,710)
Equipment	9,000,000,000	900,000,000	9,900,000,000	8,661,968,182	-	8,661,968,182	(338,031,818)	(900,000,000)	(1,238,031,818)
Interest charges, commitment fees and borrowing costs	50,000,000	-	50,000,000	27,236,857	5,706,145	32,943,002	(22,763,143)	5,706,145	(17,056,998)
	14,050,000,000	1,400,000,000	15,450,000,000	12,378,433,329	5,706,145	12,384,139,474	(1,671,566,671)	(1,394,293,855)	(3,065,860,526)
									80%

The budget disbursement period from 01/01/2020 to 30/04/2021 was prepared based on Decision 17B/CTN-TGD dated 21 January 2020 on the disbursement of ODA funds, the Project Management Unit's estimation and the Project's implementation progress.

STATEMENT OF WITHDRAWALS AND RECONCILIATION OF FUNDS

For the period from 01/01/2020 to 30/04/2021

Withdrawal applications			Claimed		Received		Variances (b) - (a)
Number	Date	Currency	Equipment	Total (a)	Date	Amount (b)	
Direct payment							
QN002	25/08/2020	VND	5,107,186,364	5,107,186,364	09/09/2020	5,107,186,364	-
QN003	02/12/2020	VND	3,554,781,818	3,554,781,818	11/01/2021	3,554,781,818	-
QN004	28/01/2021	USD	117,871.00	117,871.00	18/03/2021	117,871.00	-
QN005	28/01/2021	USD	42,600.00	42,600.00	18/03/2021	42,600.00	-
Total in VND			8,661,968,182	8,661,968,182		8,661,968,182	-
Total in USD			160,471.00	160,471.00		160,471.00	-

NOTES TO THE PROJECT FINANCIAL STATEMENTS

For the period from 01/01/2020 to 30/04/2021

1. Background

The Water supply system for Tam Hiep and Dien Nam – Dien Ngoc Urban Project ("the Project") is a sub-project of the Viet Nam Water Sector Investment Program ("the Program"), which is invested by Quang Nam Water Supply and Drainage JSC ("Quang Nam WS"). In addition to the counterpart funds, the Project is financed by the Asian Development Bank ("ADB") under the Loan Number 2961 – VIE and the Loan Number 3251 – VIE ("the Agreements").

The main objectives of the Project are: (i) Constructing Dien Nam - Dien Ngoc water supply system with capacity of 15,000 m³/day each to supply water to 9 communes, Dien Nam - Dien Ngoc Industrial Park, Trang Nhat 1, 2 Industrial Park, and Dien Ban District Tourist Area; and (ii) Expansion of the Tam Hiep water supply system with a capacity from 5,000 m³/day to 20,000 m³/day for the purpose of providing sustainable water supply services for Chu Lai Economic Zone.

The Project includes 02 components as below:

Component 1: Constructing Dien Nam - Dien Ngoc urban water supply system

- Constructing a pumping station and a raw water pump station with the capacity of 15,000 m³/day at Bau Sau River;
- Installing a rough water pipeline of about 2.4 km to drain water from the crude water pump station to Dien Nam - Dien Ngoc Water Plant;
- Constructing Dien Nam - Dien Ngoc Water Plant with a capacity of 15,000m³/day for the phase I in 2013 - 2016 in Trang Nhat 1 Industrial Zone, Dien Bien District, including a tank of 32,000m³ of raw water, a treatment group of 15,000 m³/day, a fresh water tank of 2,000 m³/day, a second level pump station and a filtration system, electrical equipment and drainage system using Lamem sedimentation technology;
- Constructing of a fresh water tank of 2,000 m³, sedimentation ponds for settling tanks and wastewater treatment tanks; constructing raw water pumping stations of 15,000 m³/day, grade II water supply stations for water supply and pressure requirements;
- Constructing a 18 km long transmission pipeline system using HDPE D400 and D300 pipes, 54 km of distribution pipeline using HDPE D110, D160, D225 and D250 pipes, 90 km of service pipeline and installing 8,000 consumption meters.

Component 2: Expansion of Tam Hiep water supply system

- Expansion of Tam Hiep water plant with a capacity from 5,000 m³/day to 20,000 m³/day with constructing of a new production unit of 15,000 m³/day in Bich Son village, Tam Xuan commune, Nui Thanh district and using fast filter technology;
- Constructing a D400 300m long raw water pipe from the raw water pump station in Phu Ninh lake to the water treatment plant in Tam Xuan 2 commune;
- Constructing a fresh water tank of 2,000 m³, sedimentation ponds for settling tanks and wastewater treatment tanks; constructing of raw water pumping stations of 15,000 m³/day, grade II water supply stations for water supply and pressure requirements;
- Building auxiliary works: operator, chemical house, workshop, warehouse, gate, fence, tree, internal road, drainage, electricity, new transformer station 560KVA - 22/0.4 KV;
- Constructing and installing of 18.1 km D500, D400 and D300 transmission pipelines, 39 km of D110, D165 and D250 distribution pipelines, and 75 km of service pipeline for 8,000 households.

The Project officially came into operation on 18 September 2013 and closed on 30 April 2021.

The Project is managed by the Management Unit of Investment and Construction Projects of Quang Nam Water Supply and Drainage JSC ("the Project Management Unit"), and its office is located at No. 86-88 Phan Boi Chau Street, Tam Ky City, Quang Nam Province.

2. Principal Accounting Policies

a. Basis of accounting

The annual accounting period commenced from 1st January to 31st December.
The final accounting period commenced from 01/01/2020 to 30/04/2021.

The Project 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. Statement of Receipts and Disbursements is prepared on the cash basis.

These Financial statements are presented in Vietnam Dong (VND), except for Statement of Withdrawals and Reconciliation of Funds which are prepared in United State Dollar (USD) and Vietnam Dong (VND). These 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 converted to VND under buying exchange rate of Saigon – Hanoi Commercial Joint Stock Bank – Quang Nam Branch ("the serving bank") on dates of direct payment made to contractors/suppliers. Capitalization of interest charges and commitment fees (Note 2c) in USD is converted to VND under monthly exchange rate of the Ministry of Finance in the month of announcement by the ADB.

Transactions in foreign currencies are converted to VND under actual exchange rates of the serving bank on transaction dates. 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 the serving bank at balance sheet date. All exchange differences from these transactions are recorded and presented as "Foreign exchange differences" on Statement of Financial Position.

c. Funds and Expenditures

Funds:

- Funds received from the Asian Development Bank (ADB) are recorded when direct payments are made from ADB to contractors/suppliers. Of which, capitalization of interest charges and commitment fees are recognized upon announcement by the VDB – Quang Nam Branch (twice per year);
- Counterpart funds received from Quang Nam Province State budget are recorded when payments are made directly to contractors/suppliers of the Project or funds remitted to Quang Nam WS for settlement of the Project's activities;
- Counterpart funds received from Quang Nam WS are recorded when payments are made directly to contractors/suppliers or funds remitted to the Project Management Unit for settlement of the Project's activities.

Expenditures:

- ▶ The Project's expenditures (excluding tax) are recorded when they are actually incurred, except for salary costs in "Project management costs" that are allocated upon people assigned to the Project and rates approved by the funds of Quang Nam WS;
- ▶ Value added tax is declared and deducted at Quang Nam WS. Value added tax deductibles is separately presented as an item on Statement of Financial Position.

3. Payable to contractors

	30/04/2021	31/12/2019
	VND	VND
Equipment		
Perfect Viet Nam Consultant Design Construction JSC	681,836,636	-
Victory Instrument Jsc	184,360,182	-
Consulting Services		
International Engineering Consultant JSC	287,249,843	-
SWS Consulting Engineering Srl	151,731,360	-
	1,305,178,021	-

4. Funds received from the Asian Development Bank

	For the period from 01/01/2020 to 30/04/2021		Accumulated to 30/04/2021	
	Original currency	Converted to VND	Original currency	Converted to VND
Direct payments VND		12,351,196,472		12,351,196,472
VND	8,661,968,182	8,661,968,182	8,661,968,182	8,661,968,182
USD	160,471.00	3,689,228,290	160,471.00	3,689,228,290
Capitalization of interest charges and commitment fees (USD)	1,174.74	27,236,857	6,914.62	153,927,318
		12,378,433,329		12,505,123,790

5. Expenditures by categories and by funds

	For the period from 01/01/2020 to 30/04/2021			Accumulated to 30/04/2021		
	ADB Funds	Counterpart funds	Total	ADB Funds	Counterpart funds	Total
	VND	VND	VND	VND	VND	VND
Consulting Services	3,689,228,290	111,576,391	3,800,804,681	3,689,228,290	111,576,391	3,800,804,681
Equipment	8,661,968,181	-	8,661,968,181	8,661,968,181	-	8,661,968,181
Interest charges, commitment fees and borrowing costs	27,236,857	5,706,145	32,943,002	153,927,318	11,150,656	165,077,974
	12,378,433,328	117,282,536	12,495,715,864	12,505,123,789	122,727,047	12,627,850,836

6. Disbursements

a. Disbursements by categories and by funds

	For the period from 01/01/2020 to 30/04/2021			Accumulated to 30/04/2021		
	ADB Funds	Counterpart funds	Total	ADB Funds	Counterpart funds	Total
	VND	VND	VND	VND	VND	VND
Consulting Services	3,689,228,290	-	3,689,228,290	3,689,228,290	-	3,689,228,290
Equipment	8,661,968,182	-	8,661,968,182	8,661,968,182	-	8,661,968,182
Interest charges, commitment fees and borrowing costs	27,236,857	5,706,145	32,943,002	153,927,318	11,150,656	165,077,974
	12,378,433,329	5,706,145	12,384,139,474	12,505,123,790	11,150,656	12,516,274,446

Disbursements are financed under the Loan Number 2961 - VIE dated 23 May 2013 as below:

Agreement	Categories	Funding rate (%)
Loan Number 2961 – VIE	Consulting Services, Equipment, Interest charges and commitment fees	100% expenditures excluding tax

b. Reconciliation between Project Implementation Expenditures on Statement of Financial Position and Disbursement on Statement of Receipts and Disbursements as at 30 April 2021

	VND
Project Implementation Expenditures	12,627,850,836
Add: Deductible Value added tax	1,193,601,631
Deduct: Payable to contractors	(1,305,178,021)
Disbursements accumulated to closing	12,516,274,446

7. Subsequent events

There have been no significant events occurring after the reporting date, which would require adjustments or disclosures to be made in the Project Financial statements.


8. Corresponding figures

The corresponding figures are the financial statements for the year ended 31 December 2019 which were audited by AASC Limited.

9. Approval of the Project Financial statements


The Project Financial statements were approved by the Project Management Unit for issuance on 24 June 2021.





Ngo Duc Trung
Director

Quang Nam, 24 June 2021



Nguyen Thi Doan Ai
Chief Accountant