

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 HUEWACO

For the Asian Development Bank
Date received by ADB: 15 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 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 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	17
Independent Auditors' Report on the Compliance	18

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 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. 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 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 judgments 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 15 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 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,



Trương Công Nam

Director of Project Management Unit

Thua Thien Hue, Vietnam
4 June 2018



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 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. 16-11-239-2

To: The 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 Agreement No. 2961-VIE, prepared on 4 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 15.

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 and the cash flows 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.

Basis 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 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 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 Project Management Unit.

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.

GRANT THORNTON (VIETNAM) LIMITED



Thornton

Balance sheet

as at 31 December 2017

	Notes	31 December 2017 VND	31 December 2016 VND
ASSETS			
Receivables		36,257,978,599	5,110,251,000
Advance to contractor	4	36,257,978,599	5,110,251,000
Expenditures		27,146,133,325	23,836,121,717
Project implementation expenditures	7	27,146,133,325	23,836,121,717
TOTAL ASSETS		63,404,111,924	28,946,372,717
FUNDS			
Funds		63,404,111,924	28,946,372,717
- Loan from Asian Development Bank	5	37,783,027,093	8,976,590,491
- Counterpart fund	6	25,621,084,831	19,969,782,226
TOTAL RESOURCES		63,404,111,924	28,946,372,717



Thua Thien Hue, Vietnam

4 June 2018

Truong Cong Nam

Director of Project Management Unit

Nguyen Thi Lien Ngoc
PMU's 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	31 December 2017
		VND	to 31 December 2016	VND
			(Restated)	VND
INCOME		34,457,739,207	28,946,372,717	63,404,111,924
Loan from Asian Development Bank	5	28,806,436,602	8,976,590,491	37,783,027,093
Counterpart fund	6	5,651,302,605	19,969,782,226	25,621,084,831
EXPENDITURES	7	3,310,011,608	23,836,121,717	27,146,133,325
Works		-	-	-
Goods		-	-	-
Consulting services		208,448,728	18,806,117,534	19,014,566,262
Interest and commitment charge		3,094,873,607	4,903,822,610	7,998,696,217
Administrative expenses		6,689,273	126,181,573	132,870,846
Surplus of income over expenditures		31,147,727,599	5,110,251,000	36,257,978,599
Foreign exchange differences		-	-	-
Fund balance at the beginning of the year/period		5,110,251,000	-	-
Fund balance at the end of the year/period		36,257,978,599	5,110,251,000	36,257,978,599



Truong Cong Nam
Director of Project Management Unit

Nguyen Thi Lien Ngoc
PMU's Chief Accountant

Statement of cash flows

for the year ended 31 December 2017

	Note	For year ended 31 December 2017 VND	For the period from 18 September 2013 to 31 December 2016 VND (Restated)	Accumulated to 31 December 2017 VND
RECEIPTS		33,064,785,945	25,080,033,226	58,144,819,171
Loan from Asian Development Bank		27,413,483,340	5,110,251,000	32,523,734,340
Counterpart fund		5,651,302,605	19,969,782,226	25,621,084,831
DISBURSEMENTS		33,064,785,945	25,080,033,226	58,144,819,171
Works		-	-	-
Goods		27,873,293,372	-	27,873,293,372
Consulting services		3,482,882,955	23,916,368,534	27,399,251,489
Interest and commitment charge		1,701,920,345	1,037,483,119	2,739,403,464
Administrative expenses		6,689,273	126,181,573	132,870,846
Surplus of sources over uses of funds		-	-	-
Foreign exchange differences		-	-	-
Cash balance at the beginning of the year/period		-	-	-
Cash balance at the end of the year/period		-	-	-



Thua Thien Hue, Vietnam
4 June 2018

Truong Cong Nam
Director of Project Management Unit

Nguyen Thi Lien Ngoc
PMU's Chief Accountant

Statement of advance account

For the year:	For year ended 31 December 2017
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 year ended
31 December 2017
USD

Part A- Account activity

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

Part B- Account reconciliation

Amount advanced by ADB at 1 January 2017	-
Amount advanced by ADB during the year	-
Outstanding amount advanced to the Advance Account as at 31 December 2017	-

Account balance as at 31 December 2017	-
Add:	
Amount withdrawn but not yet claimed	-
Outstanding amount advanced to the Advance Account as at 31 December 2017	-



Thua Thien Hue, Vietnam
4 June 2018

Trương Công Nam
Director of Project Management Unit

Nguyen Thi Lien Ngoc
PMU's 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	Consulting		Total	Date	Amount
				Goods	services			
		USD	USD	USD	USD	USD		USD
HU002 –								
Direct payment	18 November 2016	-	-	-	105,984.14	105,984.14	13 January 2017	105,984.14
HU003 –								
Direct payment	1 September 2017			1,099,487.43	-	1,099,487.43	13 November 2017	1,099,487.43
		-	-	1,099,487.43	105,984.14	1,205,471.57		1,205,471.57



Thua Thien Hue, Vietnam
4 June 2018

Trương Công Nam
Director of Project Management Unit

Nguyen Thi Lien Ngoc
PMU's 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 VND
Works	-	-	-	-
Goods	-	-	-	-
Consulting services	208,448,728	299,604,993	70%	(91,156,265)
Interest and commitment charge	3,094,873,607	3,094,873,607	100%	-
Administrative expenses	6,689,273	6,689,273	100%	-
	3,310,011,608	3,401,167,873	97%	(91,156,265)

(i) Source of the budget expenditures is in accordance with Expenditures Plan for the year 2017 issued by Project Management Unit – Thua Thien Hue Water Supply Joint Stock Company in September 2017.



Truong Cong Nam
Director of Project Management Unit

Nguyen Thi Lien Ngoc
PMU's 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 following 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 Subsidiary Loan Agreement dated 14 April 2014, the Social Republic of Vietnam agreed Thua Thien Hue Water Supply Joint Stock Company ("HUEWACO") 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	Counterpart fund from		Million USD
		ADB fund	HUEWACO	
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 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 under the requirements of Asian Development Bank and 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 HUEWACO 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. Advance to contractors

	31 December 2017	31 December 2016
	VND	VND
Advance 25% of CS1 package to Haskoning DHV Nederland B.V	8,384,685,227	5,110,251,000
Advance 10% of HUE-CW03 package to Bach Dang Construction Corporation - JSC	27,873,293,372	-
	36,257,978,599	5,110,251,000

5. 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
Direct payment	1,205,471.57	27,413,483,340	230,773.62	5,110,251,000	1,436,245.19	32,523,734,340
Interest and commitment charge	62,196.52	1,392,953,262	179,257.78	3,866,339,491	241,454.30	5,259,292,753
	1,267,668.09	28,806,436,602	410,031.40	8,976,590,491	1,677,699.49	37,783,027,093

6. Counterpart fund

	For year ended 31 December 2017		For the period from 18 September 2013 to 31 December 2016		Accumulated to 31 December 2017	
	VND		VND		VND	
Counterpart fund from HUEWACO	3,949,382,260		18,932,299,107		22,881,681,367	
Interest and commitment charge	1,701,920,345		1,037,483,119		2,739,403,464	
	5,651,302,605		19,969,782,226		25,621,084,831	

7. Expenditures

	Year ended 31 December 2017			For the period from 18 September 2013 to 31 December 2016			Accumulated 31 December 2017		
	Loan from ADB VND	Counterpart fund VND	Total VND	Loan from ADB VND	Counterpart fund VND	Total VND	Loan from ADB VND	Counterpart fund VND	Total VND
Works	-	-	-	-	-	-	-	-	-
Goods	-	-	-	-	-	-	-	-	-
Consulting services	-	208,448,728	208,448,728	-	18,806,117,534	18,806,117,534	-	19,014,566,262	19,014,566,262
Interest and commitment charge	1,392,953,262	1,701,920,345	3,094,873,607	3,866,339,491	1,037,483,119	4,903,822,610	5,259,292,753	2,739,403,464	7,998,696,217
Administrative expenses	-	6,689,273	6,689,273	-	126,181,573	126,181,573	-	132,870,846	132,870,846
	1,392,953,262	1,917,058,346	3,310,011,608	3,866,339,491	19,969,782,226	23,836,121,717	5,259,292,753	21,886,840,572	27,146,133,325

