

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 DAKWACO

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 Dak Lak PPC.



**BUON MA THUOT CITY AND
THREE ADJACENT DISTRICTS OF EAKAR,
BUON DON AND KRONG NANG
WATER SUPPLY DEVELOPMENT PROJECT**
Loan Number 2961 – VIE

AUDITED FINANCIAL STATEMENTS
Period from 18 September 2013 to 31 December 2016

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REPORT OF THE PROJECT MANAGEMENT UNIT

Dak Lak Water Supply and Construction Investment Project Management Unit ("the Project Management Unit") presents this report and the Financial Statements of the Buon Ma Thuot city and three adjacent districts of Eakar, Buon Don and Krong Nang Water Supply Development Project ("the Project") for the period from 18 September 2013 to 31 December 2016.

The Project

Buon Ma Thuot city and three adjacent districts of Eakar, Buon Don and Krong Nang Water Supply Development Project is implemented under the Loan Number 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. Tran Van Thien	Director
Mr. Nguyen Khac Dan	Deputy Director
Mr. Tran Quoc Do	Chief Accountant

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



Tran Van Thien
Director

Dak Lak, 27 June 2017

No.: 1763/2017/BC.KTTC-AASC.DTNN2

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To: Dak Lak Water Supply and Construction Investment Project Management Unit

Opinion

We have audited the financial statements of the Buon Ma Thuot city and three adjacent districts of Eakar, Buon Don and Krong Nang Water Supply Development Project ("the Project") which comprise Statement of Financial Position as at 31 December 2016, Receipts and Disbursements, Statement of Imprest Account and Statement of Withdrawals for the period then ended, 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 then ended in accordance with the basis of the principal accounting policies described in the Notes to the Financial Statements and the provisions of the Loan Number 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 Number 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 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 Project's preparation and fair presentation of 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 those charged with governance regarding, 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 Mạnh Cuong
Deputy General Director
CPA Registered No.: 0744-2013-002-1

Hanoi, 27 June 2017

Nguyen Pham Hung
Auditor in-charge
CPA Registered No.: 2893-2015-002-1

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	31/12/2016 VND
CURRENT ASSETS		52,888,166,552
Cash on hand		35,566,101
Cash at bank	03	49,116,027,127
Value added tax deductible		642,972,324
Other receivables		10,000,000
Advances to contractors	04	3,083,601,000
NON-CURRENT ASSETS		22,175,138,988
Project Implementation Expenditures	05	22,175,138,988
TOTAL ASSETS		75,063,305,540
CURRENT LIABILITIES		3,539,725,978
Payables to contractors	06	3,470,183,552
Payables to staff		62,102,576
Other payables	07	7,439,850
FUNDS		71,523,579,562
Project Implementation Funds		70,973,624,887
- The Asian Development Bank	08	51,672,902,462
- Dak Lak Water Supply and Construction Investment One Member Limited		19,300,722,425
Foreign exchange differences		549,954,675
TOTAL RESOURCES		75,063,305,540

STATEMENT OF RECEIPTS AND DISBURSEMENTS

Period ended 31 December 2016

	Note	Incurring and Accumulated to 31/12/2016 VND
I. RECEIPTS		70,981,613,752
1. Received from the Asian Development Bank		51,672,902,462
2. Received from Dak Lak Water Supply and Construction Investment One Member Limited		19,300,722,425
3. Others		7,988,865
II. DISBURSEMENTS		22,369,975,199
1. Resettlement and Land Acquisition		6,877,593,000
2. Consulting services		9,448,000,000
3. Interest and commitment charges		3,244,203,962
4. Project management costs		1,350,728,222
5. Others		1,449,450,015
III. FOREIGN EXCHANGE DIFFERENCES DUE TO REVALUATION OF CASH BALANCE		549,954,675
IV. RECONCILIATION AS AT CLOSING		49,161,593,228
<i>Presented by:</i>		
Cash on hand		35,566,101
Cash at bank		49,116,027,127
Other receivables		10,000,000
		49,161,593,228

STATEMENT OF IMPREST ACCOUNT

For the period: from 18 September 2013 to 31 December 2016
Account No: 17702-000000436-4
Bank: Vietnam joint stock commercial bank for industry and trade – Dak Lak Branch
Address: No. 35 Nguyen Tat Thanh, Buon Ma Thuot City, Dak Lak Province
Agreement No.: 2961-VIE

	Note	USD
PART A: ACTIVITIES		
Opening balance		-
Add: Total amounts deposited by the Asian Development Bank		2,156,685.00
Closing balance		<u>2,156,685.00</u>
PART B: RECONCILIATION		
1. Amount advanced by the Asian Development Bank		2,156,700.00
2. Add: Amount supplemented by the Asian Development Bank		-
3. Present outstanding amount advanced to		<u>2,156,700.00</u>
4. Closing balance		2,156,685.00
5. Add: Oversea bank charges		15.00
6. Total advances accounted for		<u>2,156,700.00</u>

Buon Ma Thuot city and three adjacent districts of Eakar,
Buon Don and Krong Nang Water Supply Development Project
Loan Number 2961 – VIE

Financial Statements
Period ended 31 December 2016

STATEMENT OF WITHDRAWALS

Loan Number 2961 – VIE

For the period ended 31 December 2016

Withdrawal applications			Amount claimed	Amount received		Variances (b)-(a)	Note
No.	Date	Currency	Advance (a)	Date	Amount (b)		
Imprest account							
DL001	11/12/2015	USD	2,156,700.00	14/12/2015	2,156,685.00	(15.00)	(*)
			2,156,700.00		2,156,685.00	(15.00)	

(*) Oversea bank charges

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2016

1. Background

Buon Ma Thuot city and three adjacent districts of Eakar, Buon Don and Krong Nang Water Supply Development Project ("the Project") is a sub-project of the Viet Nam Water Sector Investment Program – Project 2 ("the Program") implemented under the Loan Number 2961 – VIE dated 23 May 2013 ("the Agreement") between the Government of the Socialist Republic of Vietnam and the Asian Development Bank (ADB).

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. Dak Lak Water Supply and Construction Investment One Member Limited ("Dakwaco") is entitled to borrow USD 24,590,000 to implement the Project.

The main activities of the Project are:

- Constructing a water intake and pumping station on the Srepok River;
- Constructing a 6 km D700 raw water pipeline from the intake to the water treatment plant ("WTP");
- Constructing Buon Ma Thuot WTP capacity 35,000 m3/day in Krong Ana District;
- Constructing a 12.5 km D700 treated water gravity pipeline from the WTP to the Booster Pump Station location;
- Constructing a Booster Pump Station and 5,000 m3 storage reservoir;
- Constructing 130 km D700 transmission main;
- Installing 80km D90-50 distribution mains and 25,000 household connection in Buon Ma Thuot city;
- Constructing EaKar District Town WTP capacity 2,500 m3/day, 44km transmission and distribution mains;
- Constructing Buon Don District Town WTP capacity 1,000 m3/day, 22km transmission and distribution mains;
- Constructing Krong Nang District Town WTP capacity 1,600 m3/day, 34km transmission and distribution mains; and
- Implementing an Institutional Strengthening in Non-Revenue Water Management.

The Project officially came into operation on 18 September 2013 and is expected to close on 30 June 2020.

The Project is managed by Dak Lak Water Supply and Construction Investment Project Management Unit, and its office is located at No. 339 Ton Duc Thang, Tan An Ward, Buon Ma Thuot City, Dak Lak Province.

2. Principal Accounting Policies

a. Basis of accounting

The annual accounting period commenced from 1st January to 31st December. The first accounting period commenced from 18 September 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).

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 selling exchange rate of Vietnam Joint Stock Commercial Bank for Industry and Trade – Dak Lak Branch on the date 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 – Dak Lak Branch on the date of the transaction. 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 – Dak Lak Branch 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 (ADB) 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);
- Funds received from Dak Lak Water Supply and Construction Investment One Member Limited 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 are recorded when they are actually incurred.
- Value added tax is recorded on the Project's Financial statements and is declared by the Project Management Unit.

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 – Dak Lak Branch for the Project's activities. Payments made via Imprest Account are for eligible expenditures of the Project in accordance with provisions of the Loan Number 2961 – VIE dated 23 May 2013.

Interests of the Imprest Account are considered as receipts of Dak Lak Water Supply and Construction Investment One Member Limited and initially recorded as Other payables in Statement of Financial Position and used to cover bank charges. They are recognized as fund on a systematic basis over the periods necessary to match them with bank charges which they are intended to compensate. At the end of the Project, outstanding interests will be returned to the Dak Lak Water Supply and Construction Investment One Member Limited. In case bank charges are not fully covered by the interests, Dak Lak Water Supply and Construction Investment One Member Limited 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)	48,978,316,350
Deposit Account (VND)	137,710,777
	49,116,027,127

4. Advances to contractors

	31/12/2016 VND
Resettlement and Land Acquisition	
Land development center of Dak Lak Province	530,672,000
Land development center of Buon Don District	962,039,000
Land development center of Ea Kar District	1,590,890,000
	3,083,601,000

5. Expenditures

5.1 By categories

	31/12/2016 VND
Resettlement and Land Acquisition	3,793,992,000
Consulting Services	12,292,907,593
Interest and commitment charges	3,244,203,962
Project management costs	1,395,134,433
Others	1,448,901,000
	22,175,138,988

5.2 By funding

	31/12/2016 VND
Asian Development Bank	3,244,203,962
Dak Lak Water Supply and Construction Investment One Member Limited	18,930,935,026
	22,175,138,988

Loan Agreement No. 2961 - VIE dated 23/05/2013 funding for project expenditures is allocated as follows (including tax):

- 82.70% of total expenditures claimed of Works;
- 84.00% of total expenditures claimed Consulting Services;
- 100.00% of amount due of Interest and Commitment Charges.

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

	VND	VND
Project Implementation Expenditures		22,175,138,988
Add:		
Value added tax deductible	642,972,324	
Advances to contractors	3,083,601,000	
Offset bank charges	549,015	
		3,727,122,339
Deduct:		
Payables to contractors	(3,470,183,552)	
Payables to staff	(62,102,576)	
		(3,532,286,128)
Disbursement accumulated to 31/12/2016		<u>22,369,975,199</u>

6. Payables to contractors

	31/12/2016
	VND
Consulting Services	
CEN JSC.,	3,393,687,552
Construction Inspection Center - Dak Lak Department of Construction	76,496,000
	<u>3,470,183,552</u>

7. Other payables

	31/12/2016
	VND
Surplus from the sale of bids	4,000,000
Bank interest	3,439,850
	<u>7,439,850</u>

8. Funds received from the Asian Development Bank

	Incurred and accumulated to 31/12/2016	
	USD	Equivalent to VND
Imprest account (USD)	2,156,700.00	48,428,698,500
Advance	2,156,700.00	48,428,698,500
Capitalization of interest	147,560.50	3,244,203,962
and commitment charges (USD)		
		<u>51,672,902,462</u>

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 27 June 2017.



Tran Van Thien
Director

Dak Lak, 27 June 2017

Tran Quoc Do
Chief Accountant