

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 BIWASE

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 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

Fiscal year ended as at 31 December 2017

ASIAN DEVELOPMENT BANK



Disbursement Operations
Division (V/RM)

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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 fiscal year ended as at 31 December 2017.

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 Nam Thu Dau Mot Water Supply Project Management Unit in the year 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)
Mrs. Nguyen Thi Thu Van	Deputy Director	
Mrs. Vo Thi Thanh Ha	Chief Accountant	

Auditors

The auditors of AASC Limited have taken the audit of the financial statements of the Project.

Responsibilities of Nam Thu Dau Mot Water Supply 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 Advance Account and Statement of Withdrawals and Reconciliation of fund, 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


Nguyen Thi Thu Van
Deputy Director
Binh Duong, 15 June 2018

No: 150618.002/BCTC.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 accompanying financial statements of the Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m³/day ("the Project") which comprise Statement of Financial Position as at 31 December 2017, Statement of Receipts and Disbursements, Statement of Advance Account, Statement of Withdrawals and Reconciliation of fund for the fiscal year 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 Advance Account as at 31 December 2017, funds received and expenditures incurred, movements of the Advance Account for the fiscal year ended as at 31 December 2017 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.

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

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 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 (if any).



Đo Mạnh Cường
Deputy General Director
CPA Registered No.:
0744-2018-002-1

Hanoi, 15 June 2018

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

STATEMENT OF FINANCIAL POSITION

At as 31 December 2017

	Notes	31/12/2017 VND	01/01/2017 VND
CURRENT ASSETS		39,919,006,541	56,871,630,858
Cash on hand		20,982,957	2,094,926
Cash at bank	03	39,898,023,584	56,869,535,932
NON-CURRENT ASSETS		510,954,527,914	311,259,488,445
Project Implementation Expenditures	08	510,954,527,914	311,259,488,445
TOTAL ASSETS		550,873,534,455	368,131,119,303
CURRENT LIABILITIES		68,756,802,104	46,289,831,111
Payables to contractors	06	68,647,095,097	46,200,525,283
Other payables	07	109,707,007	89,305,828
FUNDS		482,116,732,351	321,841,288,192
Project Implementation Funds		479,455,564,086	318,877,809,797
- The Asian Development Bank	04	424,651,169,181	282,479,345,692
- Binh Duong Province State budget		54,804,394,905	36,398,464,105
Foreign exchange differences	05	2,661,168,265	2,963,478,395
TOTAL RESOURCES		550,873,534,455	368,131,119,303

STATEMENT OF RECEIPTS AND DISBURSEMENTS
Fiscal ended 31 December 2017

	Note	Accumulated to 31/12/2016 VND	Year 2017 VND	Accumulated to 31/12/2017 VND
I. RECEIPTS				
1. Receipts from the Asian Development Bank		282,479,345,692	142,171,823,489	424,651,169,181
2. Receipts from Binh Duong province State budget		36,398,464,135	18,405,930,800	54,804,394,935
3. Receipts from interest of Imprest Account		3,305,828	-	3,305,828
		318,881,115,625	160,577,754,289	479,458,869,914
II. DISBURSEMENTS				
1. Civil works		242,978,781,350	154,872,027,300	397,850,808,650
2. Consulting services		15,882,110,191	9,977,077,832	25,859,188,023
3. Interest charges and commitment fees		1,087,949,793	12,220,823,953	13,308,773,746
4. Project management costs		3,135,466,374	178,540,570	3,315,006,944
	09	263,085,307,708	177,248,469,655	440,333,777,363
III. FOREIGN EXCHANGE DIFFERENCES				
1. Foreign exchange differences due to revaluation cash balance		1,075,822,941	(302,310,130)	773,512,811
		1,075,822,941	(302,310,130)	773,512,811
IV. OTHER PAYABLES DIFFERENCES				
	(i)	-	20,401,179	20,401,179
V. RECONCILIATION AS AT CLOSING				
<i>Presented by:</i>		56,871,630,858		39,919,006,541
1. Cash on hand		2,094,926		20,982,957
2. Cash at bank		56,869,535,932		39,898,023,584
		56,871,630,858		39,919,006,541

(i) Receipts and disbursements of bidding activities and interest on warranty deposits.

STATEMENT OF ADVANCE ACCOUNT

For the period: from 01/01/2017 to 31/12/2017
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
PART A: ACTIVITIES		
Opening balance		2,445,052.14
Add: Total amounts deposited by the ADB		5,728,702.60
Deduct: Total amounts withdrawn		(6,521,327.22)
Closing balance		<u>1,652,427.52</u>
PART B: RECONCILIATION		
1. Amount advanced by the ADB		3,436,252.33
2. Present outstanding amount advanced to		<u>3,436,252.33</u>
3. Closing balance of the Imprest Account		1,652,427.52
4. Add: Amounts withdrawn but not yet claimed	(i)	1,783,824.81
5. Total advances accounted for		<u>3,436,252.33</u>

Notes:

- (i) This amount of civil work was claimed at Withdrawal application No. BD009 on 11 January 2018.

STATEMENT OF WITHDRAWALS AND RECONCILIATION OF FUND

Loan Agreement No. 2961 – VIE

For the fiscal year ended as at 31 December 2017

Withdrawal applications			Claimed				Received		Variances		
No.	Date	Currency	Advance	Civil works	Equipment	Consulting services	Other	Total		Date	Amount
Advance account											
BD007	11/04/2017	USD	-	2,183,474.10	-	218,982.72	-	2,402,456.82	31/07/2017	2,402,456.82	-
BD008	19/09/2017	USD	-	3,190,646.14	-	135,599.64	-	3,326,245.78	28/11/2017	3,326,245.78	-
Total amounts in USD			-	5,374,120.24	-	354,582.36	-	5,728,702.60		5,728,702.60	-

NOTES TO THE FINANCIAL STATEMENTS

Year 2017

1 . Background

The Extension of Southern Thu Dau Mot Water Supply Project, capacity 45,000 m3/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 safe water 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 m3/day including treated water storage reservoir 15,000 m3, 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 m3/day including treated water storage reservoir 15,000 m3, 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 force on 18 September 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 1st January to 31st December.

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 Advance Account and Statement of Withdrawals which are prepared in United State Dollar (USD) and Vietnam Dong (VND).

The Financial Statements are prepared under Circular 195/2012/TT-BTC dated 15 November 2012, in which 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 converted into VND under buying exchange rate of the service bank (Note 2d) on dates of remittance made into the Advance Account or direct payment made to contractors.

Other transactions in foreign currencies are translated to VND under actual exchange rates of the service bank on dates of transactions. Monetary items denominated in foreign currencies are revalued annually at the balance sheet date (buying exchange rate with assets / selling exchange rate with liabilities) of the service bank 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 Advance 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 . Advance Account and its interest

Advance 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 the Advance 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 Advance 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/TTBTC dated 30 June 2016 which comes into force from 01 November 2016).

3 . Cash at bank

	31/12/2017	01/01/2017
	VND	VND
Advance Account (USD)	37,460,531,878	55,527,134,099
Interest of Advance Account (USD)	3,423,623	3,305,828
Current Account (VND) (i)	2,434,068,083	1,339,096,005
	<u>39,898,023,584</u>	<u>56,869,535,932</u>

(i) In which, amount retained for construction warranty at 31/12/2017 of VND 2,402,568,900.

4 . Funds received from the Asian Development Bank

	Year 2017		Accumulated to 31/12/2017	
	Original currency	Equivalent to VND	Original currency	Equivalent to VND
Advance (USD)	5,728,702.60	129,950,999,536	14,359,957.31	320,978,687,835
Advance	-	-	3,436,252.33	74,875,938,271
Replenishment	5,728,702.60	129,950,999,536	10,923,704.98	246,102,749,564
Direct payments	-	-	-	90,363,707,600
VND	-	-	-	90,363,707,600
Capitalization of interest charges and commitment fees (USD)	552,049.83	12,220,823,953	603,477.46	13,308,773,746
		142,171,823,489		424,651,169,181

5 . Foreign exchange differences

	31/12/2017 VND	01/01/2017 VND
Foreign exchange differences due to payment	1,897,541,534	1,897,541,534
Foreign exchange differences due to year-end revaluation of cash	773,512,811	1,075,822,941
Foreign exchange differences due to year-end revaluation of payables	(9,886,080)	(9,886,080)
	2,661,168,265	2,963,478,395

6 . Payables to contractors

	31/12/2017 VND	01/01/2017 VND
Civil works		
Water Supply & Sewerage Construction and Investment Joint Stock Company (WASECO)	5,942,850,917	5,367,878,617
Construction Joint Stock Company No. 5	55,225,888,900	34,085,934,500
Consulting Services		
EXP International Services Inc. (Vietnam)	7,147,517,834	1,181,646,720
Water Supply, Sewerage and Environment Consultancy Joint Stock Company (WASE)	330,937,446	5,575,065,446
	68,647,095,097	46,200,525,283

7 . Other payables

	31/12/2017 VND	01/01/2017 VND
Payable for environmental impact assessment	86,000,000	86,000,000
Interest on advance account	3,305,828	3,305,828
Payables for the bidding activities and interest on warranty deposits	20,401,179	-
	109,707,007	89,305,828

8 . Project Implementation Expenditures

a) Expenditures by funding and by categories

Category	Year ended 31/12/2017		
	ADB	Counterpart fund	Total
	VND	VND	VND
Civil works	160,526,631,186	16,070,322,814	176,596,954,000
Consulting services	9,042,626,946	1,656,094,000	10,698,720,946
Interest charges and commitment fees	12,220,823,953	-	12,220,823,953
Project management costs	-	178,540,570	178,540,570
	181,790,082,085	17,904,957,384	199,695,039,469

Category	Accumulated to 31/12/2017		
	ADB	Counterpart fund (i)	Total
	VND	VND	VND
Civil works	418,896,653,724	41,935,748,593	460,832,402,317
Consulting services	17,566,395,461	15,931,949,446	33,498,344,907
Interest charges and commitment fees	13,308,773,746	-	13,308,773,746
Project management costs	-	3,315,006,944	3,315,006,944
	449,771,822,931	61,182,704,983	510,954,527,914

Loan Number 2961 - VIE dated 23 May 2013 funding for project expenditures (including tax) as follows:

- 90.90% of total Works
- 34.1% of total Consulting Services;
- 100% of Interest and Commitment Charges.

(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 (18/09/2013) with total amount of VND 14,275,855,446.

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

	VND	VND
Project Implementation Expenditures		510,954,527,914
Add:		
Foreign exchange differences due to revaluation of payables	9,886,080	9,886,080
Deduct:		
Payables to contractors	(68,647,095,097)	
Foreign exchange differences due to payment	(1,897,541,534)	
Other payables	(86,000,000)	
		(70,630,636,631)
Disbursements accumulated to closing		440,333,777,363

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

Financial Statements
fiscal year ended 31 December 2017

9 . Disbursement

STT	Package	Content	Budget (1)		Actual disbursement (2)		Rate	
			ADB fund VND	Counterpart VND	ADB fund VND	Counterpart VND	ADB fund VND	Counterpart VND
1	BDCW01	Transmission pipeline DN100mm-DN 800mm	118,181,818,182	11,818,181,818	107,559,753,100	10,719,992,900	91%	91%
2	BDCW03	Supply and installation of transmission pipeline D>200mm	33,851,179,558	2,272,020,462	31,813,914,100	-	94%	0%
3	BDCW04	Distribution pipeline D<200mm and Household connections	10,460,277,273	1,046,027,727	5,264,750,800	585,615,900	50%	56%
4	BDCS02	Construction supervision, tender assistance and contract	14,015,282,963	1,401,528,297	3,076,755,832	-	22%	0%
5	BDCS08	Geological and topographical surveys for detailed design, preparation of bidding document of additional works	-	7,332,325,000	-	6,900,322,000	-	94%
6		Project management unit cost	-	200,000,000	-	178,540,570	-	89%
			176,508,557,976	24,070,083,304	147,715,173,832	18,384,471,370	84%	76%

(1) The information have been reviewed and controlled by the Project Management Unit based on the actual and changing situation of the Project.

(2) Including the amount disbursed by the State Budget of Binh Duong province but not being paid to contractors due to construction warranty in the year 2017 of VND 1,071,999,500 and accumulated to 31/12/2017 of VND 2,402,568,900 (details at Note No. 3).



10/2/11

10 . 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.

11 . Corresponding figures

The corresponding figures are the financial statements for the period from 18 September 2013 to 31 December 2016 which were audited by AASC Limited.

12 . Approval of the Financial Statements

The financial statements were approved by Project Management Unit for issuance on 15 June 2018.



Nguyễn Thị Thu Vân
Deputy Director

Bình Dương, 15 June 2018

A blue ink signature of Vo Thi Thanh Ha.

Vo Thi Thanh Ha
Chief Accountant