

Audited Project Financial Statements

Project Number: 41456-043

Loan Number: 3251

Period covered: 17 February 2016 to 31 December 2016

Viet Nam: Water Sector Investment Program – Tranche 3

Prepared by Cua Lo Water Supply JSC

For the Asian Development Bank

Date received by ADB: 4 January 2019

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Financial statements and Independent Auditors' Report

Cua Lo Water Supply Upgrading and Expanding Project

Viet Nam Water Sector Investment Program

Project 3 - Loan Number 3251-VIE, OCR fund of ADB

For the period from 17 February 2016 to 31 December
2016

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Financial Statements

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 Cua Lo Water Supply Upgrading and Expanding Project - Loan No. 3251-VIE ("the Project") for the period from 17 February 2016 to 31 December 2016.

The Project Management Unit

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

Project Management Unit

Mr. Nguyen Huu Luan	Director of Project Management Unit
Mr. Nguyen Dau Luong	Deputy Director of Project Management Unit
Ms. Dam Thi Thanh Thuy	Chief Accountant of Project Management Unit

Statement of the Project Management Unit

The Project Management Unit is responsible for preparing Financial Statements for the period from 17 February 2016 to 31 December 2016 ("the period") which give a true and fair view of:

- the financial position of the Project;
- the funds received and expended for the period;
- the cash flow during the period;
- the activities of the advance account for the period from 17 February 2016 to 31 December 2016 and the balance of this account as at 31 December 2016;
- the funds withdrawn for the period; and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. 3251-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. 3251-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 Cua Lo Water Supply Upgrading and Expanding Project - Loan No. 3251-VIE as at 31 December 2016, the funds received and expenditures for the period from 17 February 2016 to 31 December 2016, Statement of cash flow for the period from 17 February 2016 to 31 December 2016, the balance of the Project's Advance Account for the Loans from ADB as at 31 December 2016 as well as movement of this account for the period from 17 February 2016 to 31 December 2016 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 period, and such statements of expenditure were adequately supported.

On behalf of the Project Management Unit,



Nguyen Huu Loan
Director of Project Management Unit

Nghe An, Vietnam
20 June 2018



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Independent Auditors' Report

on the financial statements of
Cua Lo Water Supply Upgrading and Expanding Project
Loan Number 3251-VIE
for the period from 17 February 2016 to 31 December 2016

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To: The Project Management Unit
Cua Lo Water Supply Upgrading and Expanding Project

Auditors' opinion

We have audited the accompanying financial statements of Cua Lo Water Supply Upgrading and Expanding Project financed under the Asian Development Bank Loan Agreement No. 3251-VIE, prepared on 20 June 2018, which include Balance Sheet as at 31 December 2016, 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 period from 17 February 2016 to 31 December 2016, 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 2016 as well as of the funds received and expenditures and the cash flows of the Project for the period from 17 February 2016 to 31 December 2016 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.



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Balance sheet

as at 31 December 2016

	Notes	31 December 2016 VND
ASSETS		
Cash and cash equivalents		-
Cash		-
Expenditures		366,051,300
Project implementation expenditures	5	366,051,300
TOTAL ASSETS		366,051,300
FUNDS		
Funds		366,051,300
- Loan from Asian Development Bank	4	366,051,300
- Counterpart fund		-
TOTAL RESOURCES		366,051,300

Nghe An, Vietnam
20 June 2018



Nguyen Huu Luan
Director of Project Management Unit



Dam Thi Thanh Thuy
PMU's Chief Accountant

Statement of income and expenditures

for the period from 17 February 2016 to 31 December 2016

	Notes	For the period from 17 February 2016 to 31 December 2016 VND
INCOME		366,051,300
Loan from Asian Development Bank	4	366,051,300
Counterpart fund		-
EXPENDITURES	5.6	366,051,300
Resettlement and land acquisitions		-
Construction works		-
Equipment		-
Consulting services		-
Interest and commitment charge		366,051,300
Project management expenses		-
Surplus of income over expenditures		-
Foreign exchange differences		-
Fund balance at the beginning of the period		-
Fund balance at the end of the period		-

Nghe An, Vietnam
20 June 2018



Nguyen Huu Luan
Director of Project Management Unit



Dam Thi Thanh Thuy
PMU's Chief Accountant

Statement of cash flows

for the period from 17 February 2016 to 31 December 2016

	Note	For the period from 17 February 2016 to 31 December 2016 VND
RECEIPTS		-
Loan from Asian Development Bank		-
Counterpart fund		-
DISBURSEMENTS	6	-
Resettlement and land acquisitions		-
Construction works		-
Equipment		-
Consulting services		-
Interest and commitment charge		-
Project management expenses		-
Surplus of sources over uses of funds		-
Foreign exchange differences		-
Cash balance at the beginning of the period		-
Cash balance at the end of the period		-

Nghe An, Vietnam
20 June 2018



Nguyen Huu Luan
Director of Project Management Unit



Dam Thi Thanh Thuy
PMU's Chief Accountant

Statement of advance account

For the period: From 17 February 2016 to 31 December 2016
Account numbers: 403841000000536
Depository Bank: The Vietnam Development Bank – Nghe An Branch
Address: No 45, Duy Tan Road, Hung Phuc Ward, Vinh City, Nghe An
Credit Agreement: No. 3251-VIE
Currency: USD

For the period
from 17 February 2016
to 31 December 2016
USD

Part A- Account activity

Opening balance as at 17 February 2016

Add:

Replenishment to Advance Account during the period

Less:

Total amount withdrawn from Advance Account

Closing balance as at 31 December 2016

Part B- Account reconciliation

Amount advanced by ADB at 17 February 2016

Amount advanced by ADB during the period

Outstanding amount advanced to the Advance Account as at 31 December 2016


Account balance as at 31 December 2016

Add:


Amount withdrawn but not yet claimed

Outstanding amount advanced to the Advance Account as at 31 December 2016

Nghe An, Vietnam
20 June 2018



Nguyen Huu Luan
Director of Project Management Unit



Dam Thi Thanh Thuy
PMU's Chief Accountant

Statement of loan withdrawals

for the period from 17 February 2016 to 31 December 2016

There was no loan withdrawal relating to Loan Number 3251-VIE during the period from 17 February 2016 to 31 December 2016.

Nghe An, Vietnam
20 June 2018



Nguyen Huu Luan
Director of Project Management Unit



Dam Thi Thanh Thuy
PMU's Chief Accountant

Statement of actual expenditures and budget

for the period from 17 February 2016 to 31 December 2016

	For the period from 17 February 2016 to 31 December 2016			
	Actual expenditures	Budget expenditures (i)	% of actual expenditures	Variances
	VND	VND	over budget	VND
Resettlement and land acquisitions	-	-	-	-
Construction works	-	-	-	-
Equipment	-	-	-	-
Consulting services	-	-	-	-
Interest and commitment charge	366,051,300	360,600,000	102%	5,451,300
Project management expenses	-	-	-	-
	366,051,300	360,600,000	102%	5,451,300

- (i) Source of the budget expenditures is in accordance with Expenditures Plan for the years 2016 and 2017 prepared by Project Management Unit – Cua Lo Water Supply Joint Stock Company in September 2017.

Nghe An, Vietnam
20 June 2018



Nguyen Huu Luan
Director of Project Management Unit



Dam Thi Thanh Thuy
PMU's Chief Accountant

Notes to the financial statements

for the period from 17 February 2016 to 31 December 2016

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 the following water supply companies ("WSCs"):

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

Subsequently on 19 November 2015, the Social Republic of Vietnam of Vietnam ("Borrower") continuously signed Loan Agreement No. 3251-VIE - Viet Nam Water Sector Investment Program - Project 3, OCR fund of ADB, with Asian Development Bank ("ADB"). The financing amount under the Loan Agreement is USD142.5 million which allocated to the following water supply companies ("WSCs"):

Project Holders	Million USD
Quang Nam Water Supply and Sewerage JSC	23.30
Nghe An Water Supply Single Owner Co., Ltd	18.96
Cua Lo Water Supply Joint Stock Company	12.48
Thai Hoa Water Supply Single Owner Co., Ltd	9.21
Song Chu Water Supply Single Owner Co., Ltd	28.68
Bac Giang Water Supply and Sewerage Single Owner Co., Ltd	18.96
Thai Nguyen Water Supply Joint Stock Company	23.42
Interest and commitment charge allocated to WSCs	7.49
Total	142.50

Under the Subsidiary Loan Agreement dated 9 July 2013 for Loan Agreement No 2961-VIE and Subsidiary Loan Agreement dated 11 May 2016 for Loan Agreement No 3251-VIE, the Social Republic of Vietnam agreed Cua Lo Water Supply Joint Stock Company ("CUALOWACO") on-lending amounts of maximum USD370,000 and USD13,190,000, respectively to implement Cua Lo Water Supply Upgrading and Expanding Project ("the Project") with counterpart fund committed from CUALOWACO of USD2,910,000. Total financing under Subsidiary Loan Agreements are allocated by categories as follows:

No.	Categories	ADB fund	Counterpart fund from	Million USD
			CUALOWACO	
1	Construction work and equipment expense	9.85	-	9.85
2	Project administrative expenses	-	0.37	0.37
3	Consulting services for construction investment	1.39	-	1.39
4	Taxes	-	1.48	1.48
5	Compensation and site clearance expense	-	0.27	0.27
6	Provision expense	1.75	0.63	2.38
7	Interest, commitment and bank charges	0.57	-	0.57
8	Other expenses	-	0.16	0.16
Total		13.56	2.91	16.47

The objectives of the Project are:

- Build a water plant with capacity of 10,000 m3 per day;
- Construction of pipeline and distribution pipe D100-400;
- Investing in pipeline network services D40-90;
- Construction of a booster pump station, office building and auxiliary facilities; and
- Install water supply points for 7352 households.

The Project Management Unit's office is located at Block 1, Nghi Tan Ward, Cua Lo Town, Nghe An Province Vietnam.

2. Fiscal year and accounting currency

2.1 Fiscal year

The first fiscal year of the Project for Loan Agreement No. 3251-VIE is from 17 February 2016 (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

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. 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 CUALOWACO to suppliers; and
- 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. Loan from Asian Development Bank

	For the period from 17 February 2016 to 31 December 2016	
	USD	VND equivalent
Direct payments	-	-
Interest and commitment charge	16,322.63	366,051,300
	16,322.63	366,051,300

5. Expenditures

	For the period from 17 February 2016 to 31 December 2016		
	Loan from ADB VND	Counterpart fund VND	Total VND
Resettlement and land acquisitions	-	-	-
Construction works	-	-	-
Equipment	-	-	-
Consulting services	-	-	-
Interest and commitment charge	366,051,300	-	366,051,300
Project management expenses	-	-	-
	366,051,300	-	366,051,300

6. Reconciliations between expenditures and disbursements

	Accumulated expenditures to 31 December 2016 VND	Interest and commitment charge from ADB fund (Note 4) VND	Accumulated disbursements to 31 December 2016 VND
Resettlement and land acquisitions	-	-	-
Construction works	-	-	-
Equipment	-	-	-
Consulting services	-	-	-
Interest and commitment charge	366,051,300	(366,051,300)	-
Project management expenses	-	-	-
	366,051,300	(366,051,300)	-

7. Approval for issuance of the financial statements

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

Nghệ An, Vietnam
20 June 2018



Nguyen Huu Luan
Director of Project Management Unit



Dam Thi Thanh Thuy
PMU's Chief Accountant