

# Audited Project Financial Statements

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Project Number: 44265-013  
Loan/Grant Number: 3038  
Period covered: 1 January 2018 to 31 December 2018

## VIE: Second Health Care in the Central Highlands Project

Prepared by the Ministry of Health (Central Project Management Unit)

For the Asian Development Bank  
Date received by ADB: 27 June 2019

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 the Ministry of Health.

**SECOND HEALTH CARE IN THE CENTRAL HIGHLANDS PROJECT**  
**Loan Agreement No. 3038-VIE (SF)**

**AUDITED FINANCIAL STATEMENTS**  
**For the year ended 31/12/2018**

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**PART I**  
**FINANCIAL STATEMENTS**

## REPORT OF THE PROJECT MANAGEMENT UNIT

The Project Management Unit of the Second Health Care in the Central Highlands Project ("the Project") presents this report and the Financial Statements of the Project for the year ended 31 December 2018.

### The Project

The Project is implemented under the Loan Agreement No. 3038-VIE (SF) dated 08 November 2013 ("the Agreement") between the Government of the Socialist Republic of Vietnam and the Asian Development Bank ("ADB").

### The Project Management Unit

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

Mr. Ha Van Thuy	Director
Mrs. Nguyen Thi Mai An	Deputy Director
Mrs. Nguyen Thi Minh Khoa	Chief Accountant

### Auditor

UHY Auditing and Consulting Company 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 which give a true and fair view of the balances of assets, liabilities and funds as at 31/12/2018 as well as the receipts and disbursements of the Project for the year ended 31/12/2018 in accordance with the accounting policies described in the attached Notes to the Financial Statements.

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 Agreement that could have a direct and material financial effect on the Project financial statements.

On behalf of the Project Management Unit



Ha Van Thuy  
Director  
Hanoi, 10 June 2019

### STATEMENT OF COMPLIANCE

The Project Management Unit Management hereby confirm:

- (i) That project financial statements are free from material misstatements including omissions and errors, and are truly presented;
- (ii) That the Project Management Unit has utilized the proceeds of the Loan only for the purpose(s) of the project;
- (iii) That the Project Management Unit was in compliance with the financial covenants of the legal agreement(s) (where applicable);
- (iv) That Project Management Unit was in compliance with relevant laws and regulation. (However, in case there are conflicts between ADB policies and procedures with Borrower's relevant laws, ADB policies and procedures will prevail).
- (v) That the Advance fund procedure has been operated in accordance with the Asian Development Bank's (ADB) Loan Disbursement Handbook;
- (vi) That adequate supporting documentation has been maintained to authenticate claims stated on the statement of expenditures (SOE), for reimbursement of eligible expenditures incurred and liquidation of advances provided to the Advance account; and
- (vii) That effective internal control, including over the procurement process, was maintained.

On behalf of the Project Management Unit



**Ha Van Thuy**  
Director  
Hanoi, 10 June 2019



No: 301/ 2019/UHY-BCKT

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS**

To: **The Project Management Unit of  
Second Health Care in the Central Highlands Project**

**Opinion**

We have audited the financial statements of Second Health Care in the Central Highlands Project (the Project), which comprise the Balance Sheet as at 31 December 2018, the Income Statement, and the Statement of receipts and disbursements, the Statement of Advance account, the Statement of withdrawal applications for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Project's assets, liabilities and funds as at 31 December 2018, and the Project's fund receipts and disbursements for the year ended 31 December 2018 in accordance with the basis of the principal accounting policies described in 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 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.

**Emphasis of Matters – Basis of Accounting and Restriction on Use**

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Project to meet the requirements of the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

**Responsibilities of Management for the Financial Statements**

The Project Management Unit is responsible for the preparation and presentation of these financial statements in accordance with the accounting policies as described in Note 2 to the financial statements, and for such internal control as the Project management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.



## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (Cont'd)

### 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.
- ▶ 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 (if any) in internal control that we identify during our audit.



**Nguyen Thi Phuong Thao**  
Deputy General Director  
Practising Certificate No. 0933-2018-112-1

**Pham Thi Thao**  
Auditor  
Practising Certificate No. 2465-2018-112-1

For and on behalf of  
**UHY AUDITING AND CONSULTING COMPANY LIMITED**  
10 June 2019  
Hanoi, SR Vietnam



**BALANCE SHEET**

For the year ended 31/12/2018

	Note	31/12/2018 VND	31/12/2017 VND
<b>ASSETS</b>			
<b>I. Current assets</b>		<b>99,754,586,912</b>	<b>28,306,532,222</b>
Cash		98,418,549,113	24,317,205,679
Cash on hand		203,940,115	113,529,523
- VND (Counter-part fund and Others Fund)		193,575,692	91,579,600
- USD (ADB Fund)		10,364,423	21,949,923
Cash at bank	6	98,214,608,998	24,203,676,155
Receivables		1,336,037,799	3,989,326,543
Advances to staff		405,028,980	204,506,124
Advances to suppliers	7	504,068,000	3,717,735,950
Other receivables	8	426,940,819	67,084,469
<b>II. Project's expenditures</b>		<b>676,310,814,819</b>	<b>225,434,881,870</b>
Project implementing expenditures	3	676,310,814,819	225,434,881,870
<b>TOTAL ASSETS</b>		<b>776,065,401,731</b>	<b>253,741,414,092</b>
<b>RESOURCES</b>			
<b>I. Liabilities</b>		<b>71,106,174,904</b>	<b>26,631,273,602</b>
Payables to suppliers	9	70,734,663,477	26,130,883,890
Taxes and other payables to the State Budget		14,437,440	26,052,880
Payables to employees		254,196,959	384,613,470
Other payables	10	102,877,028	89,723,362
<b>II. Funds</b>		<b>704,959,226,827</b>	<b>227,110,140,490</b>
Funds for Project's implementation		697,881,105,562	224,121,053,759
ADB fund	5	623,311,773,870	180,405,844,376
Counter-part fund		74,569,331,692	43,715,209,383
Other funds		7,078,121,265	2,989,086,731
Foreign exchange difference		6,604,050,324	2,732,672,427
Bank interests		1,524,949	2,711,754
Receipts from Sale of bidding documents		472,545,992	253,702,550
<b>TOTAL RESOURCES</b>		<b>776,065,401,731</b>	<b>253,741,414,092</b>



**Ha Van Thuy**  
Director  
Hanoi, 10 June 2019

**Nguyen Thi Minh Khoa**  
Chief Accountant

**INCOME STATEMENT**

For the year ended 31/12/2018

	Note	For the year ended 31/12/2018	Accumulated to 31/12/2018
		VND	VND
<b>I. INCOMES</b>			
1. Funds reived from the ADB	5	442,905,929,494	623,311,773,870
2. Counterpart funds		30,854,122,309	74,569,331,692
3. Other funds		4,089,034,534	7,078,121,265
3. Exchange rate differences		3,871,377,897	6,604,050,324
4. Bank interest		(1,186,805)	1,524,949
5. Receipts from Sale of bidding documents		218,843,442	472,545,992
		<b>477,849,086,337</b>	<b>704,959,226,827</b>
<b>II. EXPENDITURES</b>			
1. Works		209,573,571,531	291,159,089,286
2. Medical Equipment		150,094,488,341	177,540,618,341
3. Vehicles		6,880,923,162	29,557,479,278
4. Training		43,662,477,760	67,027,977,951
5. Workshops and studies		650,900,100	3,320,167,053
6. International consultants		902,040,000	3,596,915,419
7. National consultants		20,809,072,947	44,571,905,148
8. Community development and IEC		6,717,908,136	10,588,577,574
9. Project management and Office equipment		11,309,757,622	48,493,540,739
10. O&M		-	-
11. Interest charge		-	-
12. Others		274,793,350	454,544,030
	3	<b>450,875,932,949</b>	<b>676,310,814,819</b>
<b>III. SURPLUS/(DEFICIT)</b>		<b>26,973,153,388</b>	<b>28,648,412,008</b>



**Ha Van Thuy**  
Director  
Hanoi, 10 June 2019

**Nguyen Thi Minh Khoa**  
Chief Accountant



## As at 31 December 2018

Represented by:	
Cash	98,418,549,113
Other payables not related to expenditures	(102,877,028)
Other receivables not related to expenditures	426,940,819
	<u>98,742,612,904</u>

**Nguyen Thi Minh Khoa**  
**Chief Accountant**

**STATEMENT OF ADVANCE ACCOUNT**

For the period: From 01/01/2018 to 31/12/2018  
Account No: 123000016754  
Bank: Vietnam Commercial Bank for Industry and Trade JSC - Dong Da Branch  
Address: No. 183 Nguyen Luong Bang - Dong Da - Hanoi  
Agreement No.: 3038-VIE (SF)

	For the year ended 31/12/2018 USD	For the year ended 31/12/2017 USD
<b>PART A: ACTIVITIES</b>		
Balance of imprest account as at 31/12/2017	846,691.14	976,144.25
<u>Add</u>	-	-
Total amount deposited by ADB	10,925,386.12	2,843,875.51
Bank interest	-	-
<u>Less</u>	-	-
Total amount withdrawn	(7,748,027.87)	(2,971,315.49)
Bank charges	(6,560.57)	(2,013.13)
Balance of imprest account as at 31/12/2018	<u>4,017,488.82</u>	<u>846,691.14</u>
<b>PART B: RECONCILIATION</b>		
Outstanding advance from ADB as at 31/12/2017	2,504,543.00	504,543.00
<u>Add</u>	-	-
Amount advanced by ADB in the period	4,000,000.00	2,000,000.00
Amount replenished by ADB in the period	6,925,386.12	2,843,875.51
<u>Less</u>	-	-
Amount claimed and replenished in the period	(6,925,386.12)	(2,843,875.51)
Outstanding advance from ADB as at 31/12/2018	<u>6,504,543.00</u>	<u>2,504,543.00</u>
 Balance of imprest account as at 31/12/2018	 4,017,488.82	 846,691.14
<u>Add</u>		
Amount withdrawn but not yet claimed	2,476,238.36	1,653,596.61
Overseas bank charges	-	15.00
Bank charges	10,815.82	4,240.25
Total advance accounted for as at 31/12/2018	<u>6,504,543.00</u>	<u>2,504,543.00</u>



**Ha Van Thuy**  
Director  
Hanoi, 10 June 2019

**Nguyen Thi Minh Khoa**  
Chief Accountant



**STATEMENT OF AGGREGATED SUB-ACCOUNTS**

For the period: From 01/01/2018 to 31/12/2018

Bank: Vietnam Commercial Bank For industry and Trade JSC -Branches

Agreement No.: 3038-VIE (SF)

**PART A: ACTIVITIES**

Balance of sub-account as at 31/12/2017

Add

Total amount deposited by CPMU

Bank interest

Less

Total amount withdrawn

Bank charges

Balance of sub-account as at 31/12/2018

**PART B: RECONCILIATION**

Outstanding advance from CPMU as at 31/12/2017

Add

Amount advanced by CPMU in the year

Amount replenished by CPMU in the year

Less

Amount claimed in the year

Outstanding advance as at 31/12/2018

	PPMU Dak Lak USD	PPMU Dak Nong USD	PPMU Kon Tum USD	PPMU Gia Lai USD	PPMU Lam Dong USD	Total USD
Balance of sub-account as at 31/12/2017	66,656.79	7,214.12	24,888.80	25,854.66	112,493.43	237,107.80
Add						
Total amount deposited by CPMU	321,012.70	151,434.32	430,603.78	437,929.09	290,989.63	1,631,969.52
Bank interest	-	-	-	-	-	-
Less						
Total amount withdrawn	(347,909.21)	(158,532.48)	(330,921.15)	(453,953.38)	(308,855.30)	(1,600,171.52)
Bank charges	-	-	(176.73)	-	-	(176.73)
Balance of sub-account as at 31/12/2018	39,760.28	115.96	124,394.70	9,830.37	94,627.76	268,729.07
PART B: RECONCILIATION						
Outstanding advance from CPMU as at 31/12/2017	78,189.76	111,259.98	314,251.05	34,282.96	112,802.62	650,786.37
Add						
Amount advanced by CPMU in the year	-	50,000.00	50,000.00	-	-	100,000.00
Amount replenished by CPMU in the year	321,012.70	101,434.32	380,603.78	477,760.03	290,989.63	1,571,800.46
Less						
Amount claimed in the year	(191,521.50)	(86,321.36)	(574,132.68)	(395,753.74)	(290,989.63)	(1,538,718.91)
Outstanding advance as at 31/12/2018	207,680.96	176,372.94	170,722.15	116,289.25	112,802.62	783,867.92

**STATEMENT OF AGGREGATED SUB-ACCOUNTS (CONT'D)**

For the period: From 01/01/2018 to 31/12/2018  
Bank: Vietnam Commercial Bank For Industry and Trade JSC -Branches  
Agreement No.: 3038-VIE (SF)

	PPMU Dak Lak USD	PPMU Dak Nong USD	PPMU Kon Tum USD	PPMU Gia Lai USD	PPMU Lam Dong USD	Total USD
Balance of sub-account as at 31/12/2017	39,760.28	115.96	124,394.70	9,830.37	94,627.76	268,729.07
Add						
Amount withdrawn but not yet claimed	167,920.68	176,048.12	45,923.88	105,548.13	18,174.86	513,615.67
Bank charges	-	208.86	403.57	910.75	-	1,523.18
Less						
Bank interest	-	-	-	-	-	-
Total advance accounted for as at 31/12/2018	207,680.96	176,372.94	170,722.15	116,289.25	112,802.62	783,867.92



Ha Van Thuy  
Director  
Hanoi, 10 June 2019

Nguyen Thi Minh Khoa  
Chief Accountant

**STATEMENT OF WITHDRAWAL APPLICATIONS**  
Loan Agreement No. 3038-VIE (SF) dated 08 November 2013  
For the year ended 31/12/2018

Withdrawal Application				Category (USD)										Total	
No.	Date	Curre ncy	Amount in original currency	Advance	Works	Medical equipment	Medical Equipment	Training	Workshops and studies	International consultants	National consultants	Community development and IEC	Project management & Office equipment	USD	Equivalent VND
Accumulated to 31/12/2017				2,504,543.00	2,061,644.85	991,861.63	110,405.25	741,506.02	115,710.64	-	749,727.19	136,461.17	742,269.58	8,154,129.33	180,405,844,376
Increases during the period				4,000,000.00	6,598,345.41	5,539,145.55	1,206,701.12	938,495.59	16,989.84	140,454.53	844,550.19	91,681.68	207,357.07	19,583,720.98	442,905,929,494
Imprest account				4,000,000.00	4,156,131.26	647,305.44	-	938,495.59	16,989.84	140,454.53	726,970.71	91,681.68	207,357.07	10,925,386.12	246,844,426,712.00
00025	08/02/2018	USD	275,886.00	-	91,710.86	-	-	20,700.99	1,413.44	80,454.53	54,848.90	-	26,757.28	275,886.00	6,182,881,146
00028	27/03/2018	USD	262,703.08	-	107,427.32	-	-	27,239.32	-	40,000.00	86,174.24	-	1,862.20	262,703.08	5,894,794,412
00030	12/04/2018	USD	180,221.32	-	-	-	-	81,310.54	-	-	85,520.34	-	13,390.44	180,221.32	4,046,689,519
00031	27/04/2018	USD	382,113.21	-	382,113.21	-	-	-	-	-	-	-	-	382,113.21	8,592,579,753
00032	26/04/2018	USD	4,000,000.00	4,000,000.00	-	-	-	-	-	-	-	-	-	4,000,000.00	89,816,000,000
00037	09/08/2018	USD	879,563.93	-	729,393.06	-	-	71,129.16	-	-	77,712.98	-	1,328.73	879,563.93	19,920,363,887
00039	13/11/2018	USD	486,792.40	-	-	193,125.33	-	127,798.59	2,899.96	20,000.00	101,832.19	26,518.96	14,617.37	486,792.40	11,059,923,328
00041	13/11/2018	USD	155,880.32	-	-	-	-	132,961.20	2,895.96	-	-	-	20,023.16	155,880.32	3,541,600,870
00042	03/12/2018	USD	668,450.88	-	339,589.54	47,097.72	-	34,532.58	-	-	216,127.59	-	31,103.45	668,450.88	15,193,888,502
00043	04/12/2018	USD	1,806,699.11	-	1,806,699.11	-	-	-	-	-	-	-	-	1,806,699.11	41,066,270,770
00051	20/12/2018	USD	745,278.11	-	338,195.72	407,082.39	-	-	-	-	-	-	-	745,278.11	16,940,171,440
00052	19/12/2018	USD	237,183.13	-	-	-	-	92,852.39	7,273.32	-	104,754.47	-	32,302.95	237,183.13	5,391,172,545
00053	20/12/2018	USD	220,874.17	-	-	-	-	157,085.37	-	-	-	23,441.84	40,346.96	220,874.17	5,020,469,884
00056	20/12/2018	USD	244,465.53	-	175,951.99	-	-	57,517.98	-	-	-	-	10,995.56	244,465.53	5,556,701,497
00057	20/12/2018	USD	379,274.93	-	185,050.45	-	-	135,367.47	2,507.16	-	-	41,720.88	14,628.97	379,274.93	8,620,919,159



**STATEMENT OF WITHDRAWAL APPLICATIONS (CONT'D)**  
Loan Agreement No. 3038-VIE (SF) dated 08 November 2013  
For the year ended 31/12/2018

Withdrawal Application				Category (USD)										Total
No.	Date	Currency	Amount in original currency	Advance	Works	Medical equipment	Medical Equipment	Training	Workshops and studies	International consultants	National consultants	Community development and IEC	Project management & Office equipment	Equivalent VND
<b>Direct payment</b>				-	2,442,214.15	4,891,840.11	1,206,701.12	-	-	-	117,579.48	-	-	196,061,502,762
00026	02/02/2018	VND	3,186,000,000	-	-	-	-	-	-	-	-	-	-	3,186,000,000
00027	01/02/2018	JPY	98,296,000	-	-	141,972.28	-	-	-	-	-	-	-	141,972.28
00029	09/02/2018	VND	12,869,000,000	-	-	-	901,178.09	-	-	-	-	-	-	901,178.09
00033	23/04/2018	VND	4,376,030,630	-	573,612.66	-	-	-	-	-	-	-	-	573,612.66
00034	04/05/2018	VND	2,651,182,000	-	-	-	194,559.42	-	-	-	-	-	-	194,559.42
00035	19/06/2018	VND	9,699,633,000	-	429,282.28	-	-	-	-	-	117,579.48	-	-	117,579.48
00036	19/06/2018	JPY	12,287,000	-	-	-	-	-	-	-	-	-	-	429,282.28
00038	26/07/2018	VND	22,295,681,319	-	984,182.98	-	110,963.61	-	-	-	-	-	-	110,963.61
00044	16/10/2018	USD	509,578.50	-	-	509,578.50	-	-	-	-	-	-	-	509,578.50
00045	22/10/2018	VND	8,342,145,000	-	-	367,220.36	-	-	-	-	-	-	-	367,220.36
00046	16/10/2018	USD	795,000.00	-	-	795,000.00	-	-	-	-	-	-	-	795,000.00
00047	16/10/2018	USD	272,066.40	-	-	272,066.40	-	-	-	-	-	-	-	272,066.40
00048	30/10/2018	USD	671,493.30	-	-	671,493.30	-	-	-	-	-	-	-	671,493.30
00049	07/11/2018	USD	648,378.00	-	-	648,378.00	-	-	-	-	-	-	-	648,378.00
00050	09/11/2018	USD	366,567.00	-	-	366,567.00	-	-	-	-	-	-	-	366,567.00
00054	18/12/2018	VND	10,367,093,000	-	455,136.23	-	-	-	-	-	-	-	-	455,136.23
00055	12/12/2018	VND	25,488,000,000	-	-	1,119,564.27	-	-	-	-	-	-	-	1,119,564.27
<b>Accumulated to 31/12/2018</b>				6,504,543.00	8,659,990.26	6,531,007.18	1,317,106.37	1,580,001.61	132,700.48	140,454.53	1,594,277.38	228,142.85	949,626.65	623,311,773.870



**Ha Van Thuy**  
Director  
Hanoi, 10 June 2019

**Nguyen Thi Minh Khoa**  
Chief Accountant



## NOTES TO THE FINANCIAL STATEMENTS

### 1. BACKGROUND

The Second Health Care in the Central Highlands Project is implemented under the Loan Agreement No. 3038-VIE (SF) dated 08 November 2013 ("The Agreement") between the Government of the Socialist Republic of Vietnam and the Asian Development Bank. Total budget of the Project under the Agreement is SDR 46,609,000.

The objective of the Project is an increased use of health services, in particular maternal and child health services, in district hospitals, inter-communal polyclinics in the Target Provinces, and Commune health stations in the Central Highland.

The Project consists of the following components:

- Component A: Improving primary health care at the commune level, including 2 sub-components as Sub-component (A1): Upgrading health services at the commune level, and Sub-component (A2): Improving access to community-based health services;
- Component B: Improving Access and Quality of Hospital Services, including 2 sub-components as Sub-component (B1): Improving Access and Quality of Hospitals, and Sub-component (B2): Developing health human resources;
- Component C: Strengthening Management Capacity at all levels, including 2 sub-component as Sub-component (C1): Strengthening Management Capacity at all levels, and Sub-component (C2): Effective management and implementation.

The Project has become effective on 23 June 2014 and Loan closing on 30 June 2020.

The Project is managed by project management units with their office locations as follows:

Project management unit	Address
Central Project Management Unit (CPMU)	The 4th floor, Pullman Hotel, No. 40 Cat Linh street, Dong Da district, Hanoi
Dak Lak PPMU	No.68 Le Duan street, Buon Ma Thuot city, Dak Lak province
Dak Nong PPMU	Tran Hung Dao street, Gia Nghia town, Dak Nong province
Lam Dong PPMU	No.36 Tran Phu street, Da Lat city, Lam Dong province
Gia Lai PPMU	No.09 Tran Hung Dao street, Pleiku city, Gia Lai province
Kon Tum PPMU	No.810 Phan Dinh Phung street, Kon Tum city, Kon Tum province

### 2. PRINCIPAL ACCOUNTING POLICIES

#### a. Basis of preparation of the Financial Statements

The annual accounting period commences from 1st January and ends at 31st December. This is the financial statements for the year ended 31/12/2018.

The financial statements are prepared in accordance with Circular 107/2017/TT-BTC dated 10 October 2017 and adjusted to conform to the requirement of the Asian Development Bank. They are presented in Vietnam Dong (VND), except for the Statement of Advance account and Statement of Withdrawals, which are prepared in United State Dollar (USD).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

**2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**

**b. Foreign currencies**

Funds received from the Asian Development Bank in foreign currency is translated into VND using the exchange rates announced by the Ministry of Finance at the date of receiving the funds or at the date of direct payment made to contractors/suppliers.

Other transactions in foreign currencies are translated to VND under transfer buying rate of the service bank at the date of transaction. All exchange differences from these transactions are recorded as "exchange rate difference" account and presented on the Statement of Funds and Expenditures.

Monetary assets and liabilities denominated in foreign currencies are not revalued at the reporting date according to Circular 107/2017/TT-BTC dated 10 October 2017.

**c. Funds and expenditures**

Funds

Funds received from the Asian Development Bank are recorded when remittance made into the Advance account or direct payments made to contractors/suppliers from the Advance account.

Counterpart funds of the Project include National capital budget and Local capital budget and are recorded when payments are made directly from the Vietnamese Government to contractors/ suppliers or remittance made to the project for settlement of project's activities including payments under current year planning to 31 January of the following year.

Expenditures

Expenditures are recorded when they are approved by the Treasury or advances recorded for the year by Ministry of Finance.

The accumulated interest charge payable to ADB under the Loan Agreement No. 3038-VIE (SF) dated 08 November 2013 in 2018 is 193,687.73 USD and accumulated to 31/12/2018 is 284,187.40 USD according to notification on website <http://fis.adb.org> of ADB. This amount is not included in the Project's Financial Statement because prevailing Vietnamese regulations do not require recognition of those interest expenses.

**d. Advance account and its interests**

The Project has an Advance account at the CPMU which is the deposit account in USD opened at Vietnam Commercial Bank for Industry and Trade - Dong Da branch. In addition, a Sub-Account at each PPMU is opened at Vietnam Commercial Bank for Industry and Trade to receive the ADB fund throughout the Advance account (managed by the CPMU) for the Project's activities. Payments made via Advance account and Sub-Accounts are for eligible expenditures of the Project in accordance with the provisions of the Loan Agreement No. 3038-VIE (SF) dated 08 November 2013, the ADB's Disbursement Handbook, the Project's Operations Manual and relevant regulations established by the ADB.

Interests of the Advance account are considered as receipts of the State Budget and initially recorded as Other payables in Statement of Funds balance and used to cover bank charges. At the end of the Project, outstanding interests will be returned to the Vietnamese Government. In case bank charges are not fully covered by the interests, it will be settled by the Counterpart funds (According to Circular No. 111/2016/TT-BTC dated 30 June 2016).



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROJECT'S EXPENDITURES BY FUNDS AND CATEGORIES

Categories	For the year ended 31/12/2018				Accumulated to 31/12/2018			
	ADB fund		Counterpart fund		ADB fund		Counterpart fund	
	VND	VND	VND	VND	VND	VND	VND	VND
Works	182,220,259,583	27,353,311,948	-	209,573,571,531	242,133,705,873	49,025,383,413	-	291,159,089,286
Medical Equipment	150,094,488,341	-	-	150,094,488,341	177,540,618,341	-	-	177,540,618,341
Vehicles	6,880,923,162	-	-	6,880,923,162	29,557,479,278	-	-	29,557,479,278
Training	43,662,477,760	-	-	43,662,477,760	67,027,977,951	-	-	67,027,977,951
Workshops and studies	650,900,100	-	-	650,900,100	3,320,167,053	-	-	3,320,167,053
International consultants	902,040,000	-	-	902,040,000	3,596,915,419	-	-	3,596,915,419
National consultants	20,809,072,947	-	-	20,809,072,947	44,571,905,148	-	-	44,571,905,148
Community development and IEC	6,717,908,136	-	-	6,717,908,136	10,588,577,574	-	-	10,588,577,574
Project management & Office equipment	5,188,293,654	6,121,463,968	-	11,309,757,622	23,543,850,403	24,949,690,336	-	48,493,540,739
O&M	-	-	-	-	-	-	-	-
Other	-	-	274,793,350	274,793,350	-	-	454,544,030	454,544,030
<b>Total</b>	<b>417,126,363,683</b>	<b>33,474,775,916</b>	<b>274,793,350</b>	<b>450,875,932,949</b>	<b>601,881,197,040</b>	<b>73,975,073,749</b>	<b>454,544,030</b>	<b>676,310,814,819</b>

*[Handwritten signature]*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. STATEMENT OF BUDGETED VS EXPENDITURES

Categories	For the year ended 31/12/2018						Counterpart fund			
	ADB									
	Expenditures		Plan	Variance	%	Expenditures	Plan		Variance	%
	VND	VND'million	USD'000	implemente	VND	VND'million	USD'000	implemente		
Works	182,220	266,995	(84,775)	68%	27,354	30,569	(3,215)	89%		
Medical equipment	150,094	426,615	(276,521)	35%	-	-	-			
Vehicles	6,881	36,930	(30,049)	19%	-	-	-			
Training	43,662	74,419	(30,757)	59%	-	-	-			
Workshops and studies	651	6,023	(5,372)	11%	-	-	-			
International consultants	902	2,242	(1,340)	40%	-	-	-			
National consultants	20,810	28,158	(7,348)	74%	-	-	-			
Community development and IEC	6,718	46,484	(39,766)	14%	-	-	-			
Project management & Office equipment	5,188	16,986	(11,798)	31%	6,121	6,609	(488)	93%		
<b>Total</b>	<b>417,126</b>	<b>904,852</b>	<b>(487,726)</b>	<b>46%</b>	<b>33,475</b>	<b>37,178</b>	<b>(3,703)</b>	<b>90%</b>		

(\*) Summary of decisions on budget delivery by CPMU and project provinces.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FUNDS RECEIVED FROM THE ASIAN DEVELOPMENT BANK

For the year ended 31/12/2018			
Original currency			
	USD	JPY	VND
			VND equivalent
Imprest account	10,925,386.12	-	-
Advance	4,000,000.00	-	-
Replenishment	6,925,386.12	-	-
Direct payment	3,263,083.20	110,583,000	99,274,764,949
	14,188,469.32	110,583,000	99,274,764,949
			442,905,929,494

Accumulated to 31/12/2018			
Original currency			
	USD	JPY	VND
			VND equivalent
Imprest account	17,495,629.46	-	-
Advance	6,504,528.00	-	-
Replenishment	10,991,101.46	-	-
Direct payment	3,263,083.20	122,870,000	132,341,426,939
	20,758,712.66	122,870,000	132,341,426,939
			623,311,773,870

6. CASH AT BANK

	31/12/2018	31/12/2017
	VND	VND
Cash at bank by USD	97,132,713,340	24,086,937,493
Imprest Account	90,761,141,014	18,899,149,952
Sub-Accounts	6,362,948,893	5,170,866,172
Current Account	8,623,433	16,921,369
Cash at bank by VND	1,081,895,658	116,738,663
Current Account	1,080,513,531	116,738,663
Interest from Current Account	1,382,127	-
Total	98,214,608,998	24,203,676,156

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. ADVANCES TO SUPPLIERS

	31/12/2018 VND	31/12/2017 VND
Investment and Construction Project Management Unit - Kontum Health Department	-	242,370,000
Dak Lak Construction JSC (at PPMU Dak Lak)	-	1,211,188,000
Dak Lak Construction JSC (at PPMU Dak Nong)	-	204,364,000
Hoan Cau International Commercial JSC	-	213,700,000
Land Development Center	125,321,000	-
Nguyen Phat Construction JSC	114,900,000	-
ASC Vietnam Auditing Consulting Ltd	243,847,000	-
Others	20,000,000	1,846,113,950
<b>Total</b>	<b>504,068,000</b>	<b>3,717,735,950</b>

8. OTHER RECEIVABLES

	31/12/2018 VND	31/12/2017 VND
Bank charges	426,896,759	67,084,469
Others	44,060	-
<b>Total</b>	<b>426,940,819</b>	<b>67,084,469</b>

9. PAYABLES TO SUPPLIERS

	31/12/2018 VND	31/12/2017 VND
HDN Investment JSC	27,507,112,216	-
Nguyen Phuong Ban Me Construction One-member Ltd	-	1,160,014,550
Tan Tien Ltd.	-	2,105,694,800
Tran Phu Construction Investment Ltd.	-	1,871,293,700
Tay Nguyen Medial Equipment Trading Ltd.	-	4,368,700,000
Dak Lak Construction JSC	10,251,447,668	-
Binh Chuan Material Supply JSC	2,605,793,150	-
Tri Dung Construction - Trading - Service Ltd	2,030,846,350	-
Kim Nguyen Construction and Trading Investment Ltd	1,238,409,200	-
H-B Kon Tum Ltd	2,070,848,400	-
501.1 One-member Ltd	1,409,499,750	-
Quoc Hung Ltd	391,952,850	-
Hai Dang One-member Ltd	206,309,450	-
Phu Hung Ltd	854,584,900	-
Duy Phuc One-member Ltd	974,689,900	-
Doan Ket Construction Ltd	3,801,126,747	-
Thanh Dat JSC	1,695,327,540	-
Chi Lang Ltd	1,190,707,941	-
Nhat Nam Ltd	858,301,185	-
Dong Tam Construction Ltd	768,659,861	-
Joint venture of Luu Viet Khang - Viet Environment	535,111,500	-
Others	12,343,934,870	16,625,180,840
<b>Total</b>	<b>70,734,663,477</b>	<b>26,130,883,890</b>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. OTHER PAYABLES

	31/12/2018 VND	31/12/2017 VND
Insurances	-	41,765,263
Interest from imprest accounts	7,958,099	7,958,099
Bid security	-	40,000,000
Others	94,918,929	-
<b>Total</b>	<b>102,877,028</b>	<b>89,723,362</b>

11. RECONCILIATION BETWEEN PROJECT'S EXPENDITURES ON BALANCE SHEET AND DISBURSEMENTS ON STATEMENT OF RECEIPTS AND DISBURSEMENTS

	VND
Project implementing expenditures as per Balance sheet as at 31/12/2018	676,310,814,819
Disbursements accumulated to 31/12/2018 as per Statement of receipts and disbursements	606,216,613,923
<b>Difference</b>	<b>70,094,200,896</b>
Including payables and receivables related to expenditures as at 31/12/2018:	
Advances to staff	405,028,980
Advances to suppliers	504,068,000
Payables to suppliers	(70,734,663,477)
Taxes and payables to the State Budget	(14,437,440)
Payables to staff	(254,196,959)
	<b>(70,094,200,896)</b>

12. RECONCILIATION BETWEEN FS AND LFIS

	Year 2018			Accumulated to 31/12/2018		
	In Financial Statement	LFIS	Difference (*)	In Financial Statement	LFIS	Difference (*)
ADB Fund (USD)	19,583,720.98	19,777,408.71	193,687.73	27,737,850.31	28,022,037.71	284,187.40

(\*) Difference because in FS is not included the interest charge in the Project's Financial Statement due to prevailing Vietnamese regulations does not require recognition of those interest expenses.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. RECONCILIATION OF FUND

Withdrawal Application			Amount	Amount	Variance
No	Date	Currency	claimed	received	
			(a)	(b)	(b-a)
Imprest account					
00025	08/02/2018	USD	275,886.00	275,886.00	-
00028	27/03/2018	USD	262,703.08	262,703.08	-
00030	12/04/2018	USD	180,221.32	180,221.32	-
00031	27/042/018	USD	382,113.21	382,113.21	-
00032	26/04/2018	USD	4,000,000.00	4,000,000.00	-
00037	09/08/2018	USD	879,563.93	879,563.93	-
00039	13/11/2018	USD	486,792.40	486,792.40	-
00041	13/11/2018	USD	155,880.32	155,880.32	-
00042	03/12/2018	USD	668,450.88	668,450.88	-
00043	04/12/2018	USD	1,806,699.11	1,806,699.11	-
00051	20/12/2018	USD	745,278.11	745,278.11	-
00052	19/12/2018	USD	237,183.13	237,183.13	-
00053	20/12/2018	USD	220,874.17	220,874.17	-
00056	20/12/2018	USD	244,465.53	244,465.53	-
00057	20/12/2018	USD	379,274.93	379,274.93	-
Direct payment					
00026	02/02/2018	VND	3,186,000,000	3,186,000,000	-
00027	01/02/2018	JPY	98,296,000	98,296,000	-
00033	23/04/2018	VND	4,376,030,630	4,376,030,630	-
00034	04/05/2018	VND	2,651,182,000	2,651,182,000	-
00035	19/06/2018	VND	9,699,633,000	9,699,633,000	-
00036	19/06/2018	JPY	12,287,000	12,287,000	-
00038	26/07/2018	VND	22,295,681,319	22,295,681,319	-
00044	16/10/2018	USD	509,579	509,579	-
00045	22/10/2018	VND	8,342,145,000	8,342,145,000	-
00046	16/10/2018	USD	795,000	795,000	-
00047	16/10/2018	USD	272,066	272,066	-
00048	30/10/2018	USD	671,493	671,493	-
00049	07/11/2018	USD	648,378	648,378	-
00050	09/11/2018	USD	366,567	366,567	-
00054	18/12/2018	VND	10,367,093,000	10,367,093,000	-
00055	12/12/2018	VND	25,488,000,000	25,488,000,000	-



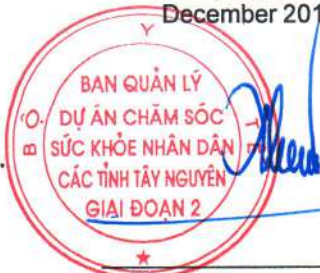
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. 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.

15. COMPARATIVE FIGURES

Comparative figures are those in the audited financial statements of the Project for the year ended 31 December 2017.



**Hà Văn Thuy**  
Director  
Hanoi, 10 June 2019

**Nguyen Thi Minh Khoa**  
Chief Accountant

**PART II**

**INDEPENDENT AUDITORS' REPORT ON THE COMPLIANCE**



**INDEPENDENT AUDITORS' REPORT ON THE COMPLIANCE**

**To: The Project Management Unit of  
Second Health Care in the Central Highlands Project**

We have audited, in accordance with the International Standards on Auditing, the financial statements of the Second Health Care in the Central Highlands Project ("the Project") for the year ended 31 December 2018 and issued the auditors' report thereon dated on 10 June 2019 expressing an opinion on those financial statements.

In connection with the audit of the financial statements, we also performed procedures on the Project's compliance with Loan Agreement No. 3038-VIE (SF) signed on 08 November 2013 on disbursement regulations, contract signing regulations, the procedures of receipts collected and payments made and those receipts and payments support Advance account liquidations/replenishments during the year, using the project funds, SOEs, financial covenants, particular covenants, laws and regulations that could have a direct and material financial effect on the Project's financial statements for the year ended 31 December 2018 (the "Requirements")

***Responsibilities of the Project Management Unit***

The Project Management Unit is responsible for complying with Loan Agreement No. 3038-VIE (SF) signed on 08 November 2013 on disbursement regulations, contract signing regulations, the procedures of receipts collected and payments made and those receipts and payments support Advance account liquidations/replenishments during the year, using the project funds, SOEs, financial covenants, particular covenants, laws and regulations applicable to Project.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the Project's compliance with the requirements based on our procedures. We limited our tests of compliance to the requirements, and we did not test compliance with all laws and regulations applicable to Project.

We performed our work in accordance with International Standard on Assurance Engagements (ISAE 3000). That standard requires that we comply with International Standard on Quality Control 1, ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Project has complied with the requirements.

We apply International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

An assurance engagement to report on the compliance with the requirements at the Project involves performing procedures to obtain evidence about whether the Project's activities are free of material noncompliance with the requirements, including obtaining an understanding of the internal control relevant to the Project's compliance with the requirements. The procedures selected depend on the auditor's judgment, including the assessment of risk that the Project does not comply with the requirements and whether such noncompliance could have a direct and material financial effect on the Project's financial statements. Our procedures included testing the compliance with the requirements that we consider necessary to provide reasonable assurance that the requirements are complied by the Project. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## INDEPENDENT AUDITORS' REPORT ON THE COMPLIANCE (CONT'D)

### **Auditors' opinion**

In our opinion, in all material respects:

- ▶ The funds have been used in accordance with the conditions of the Loan Agreements No. 3083-VIE (SF) dated 08 November 2013.
- ▶ With respect to Statements of Expenditures, adequate supporting documentation has been maintained to support claims to ADB for reimbursement of expenditures incurred and which expenditures are eligible for financing under the Loan Agreement.
- ▶ The Advance account fairly reflects the receipts collected and payments made during the year ended 31 December 2018, and those receipts and payments support Advance account liquidations/replenishments during the year.



**Nguyễn Thị Phương Thao**  
Deputy General Director  
Practising Certificate No. 0933-2014-112-1

**Pham Thi Thao**  
Auditor  
Practising Certificate No. 2465-2018-112-1

For and on behalf of  
**UHY AUDITING AND CONSULTING COMPANY LIMITED**  
10 June 2019  
Hanoi, SR Vietnam