

Audited Project Financial Statements

Project Number: 45198-004

Loan Number: 3044

Period covered: 1 January 2019 to 31 May 2020

Viet Nam: Secondary Cities Development Project

Consolidated Report, prepared by Quang Nam Projects Construction Investment Management Authority of Quang Nam Provincial People's Committee, Ha Tinh Central Region Urban Environment Improvement Project Management Unit of Ha Tinh Provincial People's Committee, and Buon Ma Thuot Project Management Unit of Dak Lak Provincial People's Committee

For the Asian Development Bank

Date received by ADB: 2 February 2021

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 Provincial People's Committees of Quang Nam, Ha Tinh, and Dak Lak.

QUANG NAM PROVINCIAL PEOPLE'S COMMITTEE
QUANG NAM PROJECTS CONSTRUCTION INVESTMENT
MANAGEMENT AUTHORITY
SECONDARY CITIES DEVELOPMENT PROJECT IN QUANG NAM,
HA TINH AND DAK LAK PROVINCES
Loan Agreement No. 3044-VIE (SF)

**AUDITED FINANCIAL STATEMENTS,
ASSURANCE REPORTS AND MANAGEMENT LETTER**

For the period from 01 January 2019 to 31 May 2020
(end of winding-up period)



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PART I
FINANCIAL STATEMENTS

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STATEMENT OF THE PROJECT MANAGEMENT UNIT

The Quang Nam Projects Construction Investment Management Authority (the "Project Management Unit") presents this report together with the financial statements of the Secondary Cities Development Project in Quang Nam, Ha Tinh and Dak Lak Provinces – Loan Agreement No. 3044-VIE(SF) ("the Project") for the period from 01 January 2019 to 31 May 2020 (end of winding-up period).

The Project Management Units

The members of the Project Management Units in the Project provinces who held office during the period and to the date of this report are as follows:

Quang Nam Projects Construction Investment Management Authority

Mr. Dang Ba Du	Director
Mr. Do Xuan Anh	Deputy Director (resigned on 30 October 2019)
Ms. Phan Thi Ha	Deputy Director
Mr. Le Van Quang	Deputy Director (appointed on 19 November 2020)

The Project Management Unit for Investment and Construction - Ha Tinh City

Mr. Van Hoai Ninh	Director
Mr. Nguyen Cong Nguyen	Deputy Director (resigned on 01 October 2019)

The Construction and Investment Projects Management Unit of Buon Ma Thuot City

Mr. Phan Thanh Dung	Director
Mr. Dieu Linh	Deputy Director

The Project Management Unit's statement of responsibility

The Project Management Unit is responsible for preparing the financial statements of the Project, which comprise the Balance Sheet as at 31 May 2020, the Statement of Receipts, Disbursements and Fund Balance, Statement of Budget versus Actual Expenditures, Statement of Project Implementing Expenditures by Category, Statement of Project Implementing Expenditures by Component, Statement of Advance Accounts, Statement of Sub-account, Statement of Withdrawals for the period from 01 January 2019 to 31 May 2020 and the Notes to the Financial Statements, including a summary of significant accounting policies, which give a true and fair view of the financial position of the Project and the balances of its advance accounts and sub-account as at 31 May 2020 as well as its receipts, disbursements and expenditures, the movements of its advance accounts and sub-account and fund withdrawals for the period from 01 January 2019 to 31 May 2020, in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements and covenants contained in Loan Agreement. In preparing these financial statements, the Project Management Unit is required to:

- Select suitable accounting policies and then apply them consistently;
- 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Project will continue in operation; and
- Design and maintain an effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements, as well as over financial reporting for the purpose of properly preparing and presenting the financial statements so as to minimise errors and frauds; and take responsibility for its assertion as to the effectiveness of such internal control.

STATEMENT OF THE PROJECT MANAGEMENT UNIT (Continued)

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 that the financial statements comply with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements. The Project Management Unit is responsible for using the Project's funds as intended for the Project and for complying with covenants contained in Loan Agreement No. 3044-VIE(SF) as well as laws and regulations applicable to the Project. The Project Management Unit is also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Project Management Unit confirms that they have complied with the above requirements in preparing these financial statements.

For and on behalf of the Project Management Unit, *chulo*



Phan Thi Ha
Deputy Director

Quang Nam, 21 January 2021

No.: 0517/VN1A-HN-BC

INDEPENDENT AUDITORS' REPORT

To: Quang Nam Projects Construction Investment Management Authority
Secondary Cities Development Project in Quang Nam, Ha Tinh and Dak Lak Provinces

Opinion

We have audited the financial statements of the Secondary Cities Development in Quang Nam, Ha Tinh and Dak Lak Provinces (the "Project"), which comprise the Balance Sheet as at 31 May 2020, the Statement of Receipts, Disbursements and Fund Balance, Statement of Budget versus Actual Expenditures, Statement of Project Implementing Expenditures by Category, Statement of Project Implementing Expenditures by Component, Statement of Advance Accounts, Statement of Sub-account and Statement of Withdrawals for the period from 01 January 2019 to 31 May 2020 (end of winding-up period), and the 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 and the balances of its advance accounts and sub-account as at 31 May 2020, and of its receipts, disbursements and expenditures, the movements of its advance accounts and sub-account, and fund withdrawals for the period from 01 January 2019 to 31 May 2020, in accordance with the accounting convention and the accounting policies set out in Note 2 and 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 *Auditor's 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, 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.

Emphasis of Matters

We draw attention to the following matters:

Basis of Accounting and Restriction on Distribution: Note 2 and Note 3 of the Notes to the financial statements describe the accounting convention and the summary of the significant accounting policies. The financial statements are prepared in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements and the requirements of the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Project Management Unit and the Asian Development Bank, and should not be distributed to parties other than the Project Management Unit and the Asian Development Bank.

As presented in Note 7 of the Notes to the financial statements, the "Project implementing expenditures" and "Counterpart Fund" and "Other Fund" items in the balance sheet as at 31 May 2020 included expenditures incurred before 28 February 2014 (the effective date of the Loan Agreement) which were financed by the counterpart fund and other funds with the amount of VND 22,622,857,042, VND 22,297,395,365 and VND 325,461,677, respectively (31 December 2018: VND 22,622,857,042, VND 22,297,395,365 and VND 325,461,677).

Our opinion is not modified in respect of these matters.

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the 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 liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditors' 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 auditors' 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 International Standards on Auditing (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.
- 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 in the 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with those charged with governance and 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.



Dang Chi Dung
Deputy General Director
Audit Practising Registration Certificate
No. 0030-2018-001-1

DELOITTE VIETNAM COMPANY LIMITED

21 January 2021
Hanoi, S.R. Vietnam

Nguyen Thanh Huong
Auditor
Audit Practising Registration Certificate
No. 1415-2018-001-1



BALANCE SHEET

As at 31 May 2020

	Notes	Closing balance VND	Opening balance VND
ASSETS			
I. Current assets		29,572,934,982	85,722,368,387
Cash	5	24,747,103,539	44,063,725,914
Cash on hand		39,612,859	1,046,931,859
Cash in bank		24,707,490,680	43,016,794,055
Receivables		4,825,831,443	41,658,642,473
Prepayments to suppliers		-	29,410,568,422
Other receivables	6	4,825,831,443	12,248,074,051
II. Fixed assets		687,006,342	1,339,569,545
Tangible fixed assets		687,006,342	1,322,169,545
Cost		3,462,396,100	3,462,396,100
Accumulated depreciation		(2,775,389,758)	(2,140,226,555)
Intangible assets		-	17,400,000
Cost		87,000,000	87,000,000
Accumulated amortization		(87,000,000)	(69,600,000)
III. Project implementing expenditures		2,480,981,039,564	2,078,121,148,110
Project implementing expenditures	7	2,480,981,039,564	2,078,121,148,110
TOTAL ASSETS		2,511,240,980,888	2,165,183,086,042
RESOURCES			
I. Liabilities		54,289,386,395	172,691,808,012
Current liabilities		54,289,386,395	172,691,808,012
Payables to suppliers	8	53,968,079,162	172,184,985,570
Other current payables	9	321,307,233	506,822,442
II. Funds		2,456,951,594,493	1,992,491,278,030
ADB fund	10	1,553,255,872,226	1,149,675,096,401
Counterpart fund	11	901,082,665,518	840,146,769,091
Other funds		328,091,198	328,825,531
Funds for fixed assets acquisition		687,006,342	1,339,569,545
Foreign exchange differences		1,597,959,209	1,001,017,462
TOTAL RESOURCES		2,511,240,980,888	2,165,183,086,042

OFF BALANCE SHEET ITEMS

	Unit	Closing balance	Opening balance
Foreign currencies			
United States Dollar	USD	824,009.95	1,762,641.33



Phan Thi Ha
 Deputy Director

Quang Nam, 21 January 2021

Nguyen Thanh Chau
 Chief Accountant

Le Duc Thua
 Preparer

The accompanying notes are an integral part of these financial statements

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE

For the period from 01 January 2019 to 31 May 2020

Unit: VND

No.	Contents	Period from 01/01/2019 to 31/5/2020				Accumulated from the beginning of the Project to 31/5/2020			
		ADB Fund	Counterpart Fund	Other funds	Total	ADB Fund	Counterpart Fund	Other funds (I)	Total
I.	RECEIPTS	403,580,775,825	60,935,896,427	(734,333)	464,515,937,919	1,553,255,872,226	901,082,665,518	2,629,521	2,454,341,167,265
1	ADB fund	403,580,775,825	-	-	403,580,775,825	1,553,255,872,226	-	-	1,553,255,872,226
2	Counterpart fund	-	60,935,896,427	-	60,935,896,427	-	901,082,665,518	-	901,082,665,518
3	Other funds (I)	-	-	(734,333)	(734,333)	-	-	2,629,521	2,629,521
II.	DISBURSEMENTS	424,874,257,365	66,792,706,408	(734,333)	491,666,229,440	1,534,767,713,774	891,917,155,430	2,629,521	2,426,687,498,725
A	Subproject in Tam Ky City	223,731,782,386	(4,450,240,322)	(734,333)	219,280,807,731	638,609,781,881	391,395,859,774	-	1,030,005,641,655
1	New and Improved urban infrastructure (ii)	202,351,155,262	(8,463,780,774)	-	193,887,374,488	564,897,673,353	359,060,761,074	-	923,958,434,427
2	Improving community awareness through information, education and communication, along with associated livelihood opportunities (iii)	(2,125,158,680)	(88,548,278)	-	(2,213,706,958)	-	-	-	-
3	Improving competences in integrated urban development, environmental planning, climate adaptation, and project management	23,505,785,804	4,102,088,730	(734,333)	27,607,140,201	73,712,108,528	32,335,098,700	-	106,047,207,228
B	Subproject in Ha Tinh City	97,041,480,416	25,081,300,729	-	122,122,781,145	455,931,869,077	224,451,928,839	175,123	680,383,973,039
1	New and improved urban infrastructure	95,015,746,543	24,027,448,061	-	119,043,194,604	444,801,481,300	190,714,087,955	-	635,515,569,255
2	Improving community awareness through information, education and communication, along with associated livelihood opportunities	-	-	-	-	-	-	-	-
3	Improving competences in integrated urban development, environmental planning, climate adaptation, and project management	2,025,733,873	1,053,852,668	-	3,079,586,541	11,130,387,777	33,737,840,884	175,123	44,868,403,784
C	Subproject in Buon Ma Thuot City	80,975,143,214	46,161,646,001	-	127,136,789,215	394,561,452,129	276,069,366,817	2,454,398	670,633,273,344
1	New and improved urban infrastructure	80,092,292,623	46,061,379,378	-	126,153,672,001	389,377,865,171	254,026,212,095	-	643,404,077,266
2	Improving community awareness through information, education and communication, along with associated livelihood opportunities	-	-	-	-	-	-	-	-
3	Improving competences in integrated urban development, environmental planning, climate adaptation, and project management	882,850,591	100,266,623	-	983,117,214	5,183,586,958	22,043,154,722	2,454,398	27,229,196,078
D	Interest capitalization	23,125,851,349	-	-	23,125,851,349	45,664,610,687	-	-	45,664,610,687

The accompanying notes are an integral part of these financial statements



STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE (Continued)

For the period from 01 January 2019 to 31 May 2020

Unit: VND

No.	Contents	Period from 01/01/2019 to 31/5/2020				Accumulated from the beginning of the Project to 31/5/2020			
		ADB Fund	Counterpart Fund	Other funds	Total	ADB Fund	Counterpart Fund	Other funds	Total
III.	SURPLUS/(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(21,293,481,540)	(5,856,809,981)	-	(27,150,291,521)	18,488,158,452	9,165,510,088	-	27,653,668,540
	Foreign exchange differences	596,941,747	-	-	596,941,747	1,597,959,209	-	-	1,597,959,209
IV.	OPENING BALANCE	40,782,657,454	15,022,320,069	-	55,804,977,523	-	-	-	-
V.	CLOSING BALANCE	20,086,117,661	9,165,510,088	-	29,251,627,749	20,086,117,661	9,165,510,088	-	29,251,627,749
	Represented by balances as at 31/5/2020 of:								
	Cash								24,747,103,539
	Other receivables								4,825,831,443
	Other current payables								(321,307,233)

(i) In the Subproject in Ha Tinh city, receipts and disbursements under other funds do not include the amount of VND 325,461,677 of contribution in kind.

(ii) In the Subproject in Tam Ky city, according to the reimbursement Withdrawal Application No. Q0090, the disbursements for new and improved urban infrastructure using ADB fund have been increased by VND 26,000,000,000 and those using counterpart fund have been decreased by the same amount.

(iii) In the Subproject in Tam Ky city, certain reclassifications have been made to figures between Components 2 and 3 in the period.



Phan Thi Ha
Deputy Director

Quang Nam, 21 January 2021

Nguyen Thanh Chau
Chief Accountant

Le Duc Thua
Preparer

The accompanying notes are an integral part of these financial statements



STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES

For the period from 01 January 2019 to 31 May 2020

Unit: VND

No.	Contents	Period from 01/01/2019 to 31/5/2020					Accumulated from the beginning of the Project to 31/5/2020				
		Civil works (ii)	Land acquisition and resettlement	Consulting services	Project management	Total	Civil works	Land acquisition and resettlement	Consulting services	Project management	Total
A	SUBPROJECT IN TAM KY CITY										
I	Budget (i)					206,065,000,000					1,150,774,142,256
1	ADB Fund					203,065,000,000					687,731,000,000
2	Counterpart Fund					3,000,000,000					463,043,142,256
3	Other Funds					-					-
II	Actual expenditures	176,351,155,262	17,536,219,226	24,057,202,671	1,336,230,572	219,280,807,731	564,897,673,353	359,060,761,074	95,678,249,803	10,368,957,425	1,030,005,641,655
1	ADB Funds	202,351,155,262	-	20,827,599,445	553,027,679	223,731,782,386	564,897,673,353	-	69,894,307,810	3,817,800,718	638,609,781,881
2	Counterpart Fund (ii)	(26,000,000,000)	17,536,219,226	3,229,603,226	783,937,226	(4,450,240,322)	-	359,060,761,074	25,783,941,993	6,551,156,707	391,395,859,774
3	Other Funds	-	-	-	(734,333)	(734,333)	-	-	-	-	-
III	Difference between Budget and Actual expenditures					(13,215,807,731)					120,768,500,601
1	ADB Fund					(20,666,782,386)					49,121,218,119
2	Counterpart Fund					7,450,240,322					71,647,282,482
3	Other Funds					734,333					-
IV	Difference between Budget and Actual expenditures (%)					-6%					10%
1	ADB Fund					-10%					7%
2	Counterpart Fund					248%					15%
3	Other Funds					0%					-

The accompanying notes are an integral part of these financial statements

STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES (Continued)

For the period from 01 January 2019 to 31 May 2020

Unit: VND

No.	Contents	Period from 01/01/2019 to 31/5/2020					Accumulated from the beginning of the Project to 31/5/2020				
		Civil works	Land acquisition and resettlement	Consulting services	Project management	Total	Civil works	Land acquisition and resettlement	Consulting services	Project management	Total
B	SUBPROJECT IN HA TINH CITY										
I	Budget (I)					144,945,449,600					785,703,449,600
1	ADB Fund					116,421,000,000					537,921,000,000
2	Counterpart Fund					28,524,449,600					247,782,449,600
3	Other Funds					-					-
II	Actual expenditures	101,835,523,666	17,207,496,000	3,079,761,479	-	122,122,781,145	486,473,469,622	149,041,924,695	30,791,167,000	14,077,411,722	680,383,973,039
1	ADB Fund	95,015,571,420	-	2,025,908,996	-	97,041,480,416	444,801,306,177	-	11,130,562,900	-	455,931,869,077
2	Counterpart Fund	6,819,952,246	17,207,496,000	1,053,852,483	-	25,081,300,729	41,672,163,445	149,041,924,695	19,660,604,100	14,077,236,599	224,451,928,839
3	Other Funds	-	-	-	-	-	-	-	-	175,123	175,123
III	Difference between Budget and Actual expenditures					22,822,668,455					105,319,476,561
1	ADB Fund					19,379,519,584					81,989,130,923
2	Counterpart Fund					3,443,148,871					23,330,520,761
3	Other Funds					-					(175,123)
IV	Difference between Budget and Actual expenditures (%)					16%					13%
1	ADB Fund					17%					15%
2	Counterpart Fund					12%					9%
3	Other Funds					0%					0%

The accompanying notes are an integral part of these financial statements

STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES (Continued)

For the period from 01 January 2019 to 31 May 2020

Unit: VND

No.	Contents	Period from 01/01/2019 to 31/5/2020						Accumulated from the beginning of the Project to 31/5/2020					
		Civil works	Procure equipment	Land acquisition and resettlement	Consulting services	Project management	Total	Civil works	Procure equipment	Land acquisition and resettlement	Consulting services	Project management	Total
C	SUBPROJECT IN BUON MA THUOT CITY												
I	Budget (i)						135,020,406,000						987,839,406,000
1	ADB Fund						79,442,982,000						693,108,982,000
2	Counterpart Fund						55,577,424,000						294,730,424,000
3	Other Funds						-						-
II	Actual expenditures	119,295,798,265	67,912,735	6,789,961,000	424,450,897	558,666,318	127,136,789,215	395,171,368,665	34,028,884,600	214,203,824,000	20,359,175,897	6,870,020,182	670,633,273,344
1	ADB Fund	82,546,689,681	(2,454,397,057)	-	413,546,675	469,303,915	80,975,143,214	358,422,260,081	30,955,605,091	-	1,631,401,102	3,552,185,855	394,561,452,129
2	Counterpart Fund	36,749,108,584	2,522,309,792	6,789,961,000	10,904,222	89,362,403	46,161,646,001	36,749,108,584	3,073,279,509	214,203,824,000	18,727,774,795	3,315,379,929	276,069,366,817
3	Other Funds	-	-	-	-	-	-	-	-	-	-	2,454,398	2,454,398
III	Difference between Budget and Actual expenditures						7,883,616,785						317,206,132,656
1	ADB Fund (ii)						(1,532,161,214)						298,547,529,871
2	Counterpart Fund						9,415,777,999						18,661,057,183
3	Other Funds						-						(2,454,398)
IV	Difference between Budget and Actual expenditures (%)						6%						32%
1	ADB Fund						-2%						43%
2	Counterpart Fund						17%						6%
3	Other Funds						0%						0%

The accompanying notes are an integral part of these financial statements

STATEMENT OF BUDGET VERSUS ACTUAL EXPENDITURES (Continued)

For the period from 01 January 2019 to 31 May 2020

Unit: VND

No.	Contents	Period from 01/01/2019 to 31/5/2020							Accumulated from the beginning of the Project to 31/5/2020						
		Civil works	Procure equipment	Land acquisition and resettlement	Consulting services	Project management	Interest capitalization	Total	Civil works	Procure equipment	Land acquisition and resettlement	Consulting services	Project management	Interest capitalization	Total
D	THE WHOLE PROJECT														
I	Budget							486,030,855,600							2,924,316,997,856
1	ADB Fund							398,928,982,000							1,918,760,982,000
2	Counterpart Fund							87,101,873,600							1,005,556,015,856
3	Other Funds							-							-
II	Actual expenditures	397,482,477,193	67,912,735	41,533,676,226	27,561,415,047	1,894,896,890	23,125,851,349	491,666,229,440	1,446,542,511,640	34,028,884,600	722,306,509,769	146,828,592,700	31,316,389,329	45,664,610,687	2,426,687,498,725
1	ADB Fund	379,913,415,363	(2,454,397,057)	-	23,267,055,116	1,022,331,594	23,125,851,349	424,674,257,365	1,368,121,239,611	30,955,605,091	-	82,656,271,812	7,369,985,573	45,664,610,687	1,534,767,713,774
2	Counterpart Fund	17,569,060,830	2,522,309,792	41,533,676,226	4,294,359,931	873,299,629	-	66,792,706,408	78,421,272,029	3,073,279,509	722,306,509,769	64,172,320,888	23,943,773,235	-	891,917,155,430
3	Other Funds	-	-	-	-	(734,333)	-	(734,333)	-	-	-	-	2,629,521	-	2,629,521
III	Difference between Budget and Actual expenditures							(5,635,373,840)							497,629,499,131
1	ADB Fund							(25,945,275,365)							383,993,268,226
2	Counterpart Fund							20,309,167,192							113,638,860,426
3	Other Funds							734,333							(2,629,521)
IV	Difference between Budget and Actual expenditures (%)							-1%							17%
1	ADB Fund							-7%							20%
2	Counterpart Fund							23%							11%
3	Other Funds							0%							0%

- (i) The budget amounts are those abstracted from relevant annual budget approving decisions issued by the Provincial People's Committees.
- (ii) In the Subproject in Tam Ky City, the counterpart funded expenditures for Civil works in the period were negative due to the reimbursement from ADB under Withdrawal Application No. Q0090 for works which have been paid for by the counterpart fund in the previous years.
- (iii) In the Subproject in Buon Ma Thuot City, budget for ADB funds for the period from 01 January 2019 to 31 May 2020 was less than actual disbursements as the 2019 budget for ADB funds have been used until end of May 2020.



Phan Thi Ha
Deputy Director

Quang Nam, 21 January 2021

Nguyen Thanh Chau
Chief Accountant

Le Duc Thua
Preparer

The accompanying notes are an integral part of these financial statements



STATEMENT OF PROJECT IMPLEMENTING EXPENDITURES BY CATEGORY

For the period from 01 January 2019 to 31 May 2020

Unit: VND

No.	Contents	From 01/01/2019 to 31/5/2020					Accumulated from the beginning of the Project to 31/5/2020				
		ADB Fund		Counterpart Fund		Total	ADB Fund		Counterpart Fund		Total
		Amount	Percent age	Amount	Percent age		Amount	Percent age	Amount	Percent age	
A	Subproject in Tam Ky City	207,304,423,835		23,608,267,387		230,912,691,222	667,159,909,581		396,116,636,772		1,063,276,546,353
1	Civil works	191,592,498,080	100%	-	0%	191,592,498,080	592,567,801,053	100%	-	0%	592,567,801,053
2	Equipment	-	0%	-	0%	-	-	0%	-	0%	-
3	Land acquisition and resettlement	-	0%	17,536,219,226	100%	17,536,219,226	-	0%	359,060,761,074	100%	359,060,761,074
4	Consulting services (i)	15,291,622,915	74%	5,253,617,610	26%	20,545,240,525	70,774,307,810	71%	29,102,974,355	29%	99,877,282,165
5	Project management (ii)	420,302,840	34%	818,430,551	66%	1,238,733,391	3,817,800,718	32%	7,952,901,343	68%	11,770,702,061
B	Subproject in Ha Tinh City	62,958,172,800		25,000,691,200		87,958,864,000	455,932,044,200		228,344,726,506		684,276,770,706
1	Civil works	62,022,280,800	91%	6,202,229,200	9%	68,224,510,000	444,801,481,300	91%	44,346,016,700	9%	489,147,498,000
2	Equipment	-	0%	-	0%	-	-	0%	-	0%	-
3	Land acquisition and resettlement	-	0%	17,248,496,000	100%	17,248,496,000	-	0%	149,082,924,695	100%	149,082,924,695
4	Consulting services (iii)	935,892,000	38%	1,549,966,000	62%	2,485,858,000	11,130,562,900	35%	20,513,086,835	65%	31,643,649,735
5	Project management (iv)	-	0%	-	0%	-	-	0%	14,402,698,276	100%	14,402,698,276
C	Subproject in Buon Ma Thuot City	36,698,285,486		24,164,199,397		60,862,484,883	404,331,872,528		283,431,239,290		687,763,111,818
1	Civil works	36,212,547,485	71%	14,779,776,080	29%	50,992,323,565	366,872,331,574	89%	45,209,938,991	11%	412,082,270,565
2	Equipment	-	0%	-	0%	-	30,918,811,455	91%	3,132,354,145	9%	34,051,165,600
3	Land acquisition and resettlement	-	0%	8,960,615,000	100%	8,960,615,000	-	0%	214,088,644,170	100%	214,088,644,170
4	Consulting services (i)	-	0%	350,880,000	100%	350,880,000	2,298,034,302	11%	18,338,721,999	89%	20,636,756,301
5	Project management (v)	485,738,001	87%	72,928,317	13%	558,666,318	4,242,695,197	61%	2,661,579,985	39%	6,904,275,182
D	Interest capitalization	23,125,851,349		-		23,125,851,349	45,664,610,687		-		45,664,610,687
	Total	330,086,733,470		72,773,157,984		402,859,891,454	1,573,088,436,996		907,892,602,568		2,480,981,039,564

The accompanying notes are an integral part of these financial statements

STATEMENT OF PROJECT IMPLEMENTING EXPENDITURES BY CATEGORY (Continued)

For the period from 01 January 2019 to 31 May 2020

- (i) In the Subproject in Tam Ky City and Buon Ma Thuot City, ADB-funded expenditures for consulting services accumulated from the beginning of the Subprojects to 31 May 2020 account for only 71% và 11%, respectively, while the ADB funding rate under the Loan Agreement is 96%, because ADB only funds certain packages at the rate of 96%, namely, Project management and implementation support (PMIS) package, local and international individual consultant's services packages including revised resettlement plan package, revised environment impact assessment package, and audit services package. The remaining consulting packages were wholly funded by the counterpart fund.
- (ii) In the Subproject in Tam Ky City, ADB-funded expenditures for project management accumulated from the beginning of the Subproject to 31 May 2020 account for only 32%, while the ADB funding rate under the Loan Agreement is 95%, because only incremental costs are funded by ADB at the rate of 95%. The remaining management expenditures such as anti-termite expense and other management expenses are wholly funded by the counterpart fund.
- (iii) In the Subproject in Ha Tinh City, ADB-funded expenditures for consulting services accumulated from the beginning of the Subproject to 31 May 2020 account for only 35% while the ADB funding rate under the Loan Agreement is 96%, because some consulting expenses such as monitoring and environment consultants' services were wholly funded by the counterpart fund.
- (iv) In the Subproject in Ha Tinh City, ADB-funded expenditures for project management accumulated from the beginning of the Subproject to 31 May 2020 account for 0% while the ADB funding rate under the Loan Agreement is 95%, as they were allocated by the Project Management Unit for Investment and Construction of Ha Tinh City and wholly funded by the counterpart fund.
- (v) In the Subproject in Buon Ma Thuot City, Project management expenditures include incremental costs (funded by both ADB and counterpart funds) and other management expenditures (funded by counterpart fund).



Phan Thi Ha
Deputy Director

Quang Nam, 21 January 2021

Nguyen Thanh Chau
Chief Accountant

Le Duc Thua
Preparer

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STATEMENT OF PROJECT IMPLEMENTING EXPENDITURES BY COMPONENT

For the period from 01 January 2019 to 31 May 2020

Unit: VND

No.	Contents	From 01/01/2019 to 31/5/2020			Accumulated from the beginning of the Project to 31/5/2020		
		ADB Fund	Counterpart Fund	Total	ADB Fund	Counterpart Fund	Total
A	Subproject in Tam Ky	207,304,423,835	23,608,267,387	230,912,691,222	667,159,909,581	396,116,636,772	1,063,276,546,353
I	New and improved urban infrastructure	191,592,498,080	17,536,219,226	209,128,717,306	592,567,801,053	359,060,761,074	951,628,562,127
1	Flood protection and drainage; urban roads	1,350,934,585	305,670,000	1,656,604,585	130,913,732,095	223,360,716,074	354,274,448,169
2	Urban roads	190,241,563,495	17,230,549,226	207,472,112,721	461,654,068,958	135,700,045,000	597,354,113,958
II	Improving competencies in integrated urban development, environmental planning, climate adaptation, and project management	15,711,925,755	6,072,048,161	21,783,973,916	74,592,108,528	37,055,875,698	111,647,984,226
1	Project management, implementation and institutional strengthening	15,711,925,755	6,072,048,161	21,783,973,916	74,592,108,528	37,055,875,698	111,647,984,226
B	Subproject in Ha Tinh	62,958,172,800	25,000,691,200	87,958,864,000	455,932,044,200	228,344,726,506	684,276,770,706
I	New and improved urban infrastructure	62,022,280,800	23,450,725,200	85,473,006,000	444,801,481,300	193,428,941,210	638,230,422,510
1	Flood protection and drainage; urban roads	31,525,008,000	20,400,998,000	51,926,006,000	243,666,134,364	115,379,744,570	359,045,878,933
2	Urban roads	30,497,272,800	3,049,727,200	33,547,000,000	201,135,346,936	78,049,196,640	279,184,543,577
II	Improving competencies in integrated urban development, environmental planning, climate adaptation, and project management	935,892,000	1,549,966,000	2,485,858,000	11,130,562,900	34,915,785,296	46,046,348,196
1	Project management, implementation and institutional strengthening	935,892,000	1,549,966,000	2,485,858,000	11,130,562,900	34,915,785,296	46,046,348,196
C	Subproject in Dak Lak	36,698,285,485	24,164,199,397	60,862,484,883	404,331,872,527	283,431,239,290	687,763,111,818
I	New and improved urban infrastructure	36,139,197,628	19,198,399,937	55,337,597,565	398,985,516,172	260,049,934,163	659,035,450,335
1	Flood protection and drainage; urban roads	-	-	-	-	-	-
2	Urban roads	34,098,043,750	18,930,355,549	53,028,399,299	241,478,433,567	174,766,822,732	416,245,256,299
3	Solid waste management	2,041,153,878	268,044,388	2,309,198,266	157,507,082,605	85,283,111,431	242,790,194,036
II	Improving competencies in integrated urban development, environmental planning, climate adaptation, and project management	559,087,857	4,965,799,460	5,524,887,318	5,346,356,355	23,381,305,127	28,727,661,483
1	Project management, implementation and institutional strengthening	559,087,857	4,965,799,460	5,524,887,318	5,346,356,355	23,381,305,127	28,727,661,483
D	Interest capitalization	23,125,851,349	-	23,125,851,349	45,664,610,687	-	45,664,610,687
Total	Total	330,086,733,470	72,773,157,984	402,859,891,454	1,573,088,436,996	907,892,602,568	2,480,981,039,564



Phan Thi Ha
Deputy Director
Quang Nam, 21 January 2021

Nguyen Thanh Chau
Chief Accountant

Le Duc Thua
Preparer

The accompanying notes are an integral part of these financial statements

STATEMENT OF ADVANCE ACCOUNTS

For the period : From 1 January 2019 to 31 May 2020
 Depository bank : Vietnam Joint Stock Commercial Bank for Industry and Trade
 Loan Agreement No. : 3044-VIE (SF)

Account Number Subproject	177020000004982, 123000016779		177020000005046		177020000004951	
	Tam Ky		Ha Tinh		Buon Ma Thuot	
Unit	USD	VND equivalent	USD	VND equivalent	USD	VND equivalent
PART A: ACCOUNT ACTIVITY						
Opening balance (01/01/2019)	73,198.61	1,694,547,822	191,446.05	4,431,976,058	1,490,691.46	34,487,146,927
<u>Add</u>	417,900.96	9,679,564,997	4,000,000.00	92,865,947,245	751,913.50	17,425,824,402
Amount replenished by the Asian Development Bank to the advance accounts	417,680.35	9,674,449,663	4,000,000.00	92,420,000,000	744,338.41	17,249,836,192
Other deposit to advance account	220.61	5,115,334	-	-	7,575.09	175,988,210
Foreign exchange differences	-	-	-	445,947,245	-	-
<u>Deduct</u>	489,157.07	11,329,123,543	3,369,378.60	78,241,577,745	2,242,604.96	51,912,971,329
Total amount withdrawn in the period	489,157.07	11,329,123,543	3,367,178.60	78,190,746,745	364,904.63	8,446,999,776
Total amount transferred to sub-account	-	-	-	-	1,877,700.33	43,465,971,553
Bank charges	-	-	2,200.00	50,831,000	-	-
Closing balance (31/5/2020)	1,942.50	44,989,276	822,067.45	19,056,345,558	-	-

The accompanying notes are an integral part of these financial statements



STATEMENT OF ADVANCE ACCOUNTS (Continued)

Account Number	177020000004982, 123000016779	177020000005046	177020000004951
Subproject	Tam Ky	Ha Tinh	Buon Ma Thuot
Unit	USD	USD	USD
PART B: ACCOUNT RECONCILIATION			
Amount advanced by the ADB at the beginning of the period	117,000.00	469,550.63	1,498,000.00
Add			
Amount advanced by the ADB in the period	310,507.60	4,000,000.00	744,338.41
Deduct			
Amount accepted for liquidation of advance in the period	-	419,557.83	2,242,338.41
Outstanding advance to the Advance Account as at 31/5/2020	427,507.60	4,049,992.80	-
Closing balance of the Advance Account as at 31/5/2020	1,942.50	822,067.45	-
Add			
Claimed amount for liquidation of advance but not yet approved by ADB	425,421.19	3,221,428.42	-
Intermediary bank charges	150.00	6,508.52	-
Deduct			
Interest earnings (if included in the advance account)	-	11.59	-
Foreign exchange differences arising under Withdrawal application No. Q002	6.09	-	-
Total advance to the advance account accounted for as at 31/5/2020	427,507.60	4,049,992.80	-



Phan Thi Ha
 Deputy Director

Quang Nam, 21 January 2021

Nguyen Thanh Chau
 Chief Accountant

Le Duc Thua
 Preparer

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STATEMENT OF SUB-ACCOUNT

For the period : From 1 January 2019 to 31 May 2020
 Account Number : 177020000004937
 Depository bank : Vietnam Bank for Agriculture and Rural Development - Dak Lak Branch
 Address : No. 35 Nguyen Tat Thanh, Buon Ma Thuot City, Dak Lak, Vietnam
 Loan Agreement No. : 3044-VIE(SF)

	<u>Amount</u> USD	<u>Amount</u> VND equivalent
PART A: ACCOUNT ACTIVITY		
Opening balance (01/01/2019)	7,305.21	169,115,749
<i>Add</i>		
Amount deposited by Buon Ma Thuot PMU to the Sub-account	1,877,700.33	43,466,607,645
Foreign exchange differences	-	636,092
<i>Deduct</i>		
Amount withdrawn	1,877,430.45	43,459,735,184
Amount transferred to Advance account	7,575.09	175,988,210
Closing balance (31/5/2020)	-	-

PART B: ACCOUNT RECONCILIATION

	<u>Amount</u> USD
Amount advanced by the Project Management Unit of Buon Ma Thuot	7,305.21
<i>Add</i>	
Amount deposited by Buon Ma Thuot PMU to the Sub-account	1,877,700.33
<i>Deduct</i>	
Amounts claimed and accepted for advance clearance	1,877,430.45
Amount returned to Buon Ma Thuot PMU	7,575.09
Outstanding advance from Buon Ma Thuot PMU to the Sub-account as at 31/5/2020	0.00



Phan Thi Ha
Deputy Director

Quang Nam, 21 January 2021


Nguyen Thanh Chau
Chief Accountant


Le Duc Thua
Preparer

STATEMENT OF WITHDRAWALS

For the period from 01 January 2019 to 31 May 2020

Withdrawal applications			Amount claimed for disbursement/liquidation of advance					Amount disbursed			Difference	Notes
No.	Currency	Advance	Construction	Equipment	Consulting services	Project management expenses	Total	Amount	USD equivalent	Date		
Direct payment												
Tam Ky												
Q0063	USD	-	256,735.61	-	-	-	256,735.61	256,735.61	256,735.61	24/01/2019	-	
Q0064	USD	-	217,735.74	-	-	-	217,735.74	217,735.74	217,735.74	24/01/2019	-	
Q0065	VND	-	2,560,191,000	-	-	-	2,560,191,000	2,560,191,000	111,920.91	28/01/2019	-	
Q0066	USD	-	162,017.85	-	-	-	162,017.85	162,017.85	162,017.85	24/01/2019	-	
Q0068	USD	-	177,129.53	-	-	-	177,129.53	177,129.53	177,129.53	21/02/2019	-	
Q0069	USD	-	186,345.46	-	-	-	186,345.46	186,345.46	186,345.46	21/02/2019	-	
Q0070	USD	-	152,171.84	-	-	-	152,171.84	152,171.84	152,171.84	21/02/2019	-	
Q0072	USD	-	-	-	111,262.32	-	111,262.32	111,262.32	111,262.32	07/05/2019	-	
Q0073	USD	-	-	-	161,547.72	-	161,547.72	161,547.72	161,547.72	27/06/2019	-	
Q0074	USD	-	-	-	155,107.31	-	155,107.31	155,107.31	155,107.31	13/08/2019	-	
Q0075	USD	-	102,237.35	-	-	-	102,237.35	102,237.35	102,237.35	20/09/2019	-	
Q0076	USD	-	245,945.68	-	-	-	245,945.68	245,945.68	245,945.68	20/09/2019	-	
Q0077	USD	-	88,118.46	-	-	-	88,118.46	88,118.46	88,118.46	20/09/2019	-	
Q0078	USD	-	-	-	228,946.99	-	228,946.99	228,946.99	228,946.99	29/08/2019	-	
Q0079	USD	-	-	-	118,612.20	-	118,612.20	118,612.20	118,612.20	17/10/2019	-	
Q0080	USD	-	181,722.56	-	-	-	181,722.56	181,722.56	181,722.56	04/12/2019	-	
Q0081	USD	-	33,456.44	-	-	-	33,456.44	33,456.44	33,456.44	04/12/2019	-	
Q0083	VND	-	7,866,342,242	-	-	-	7,866,342,242	7,866,342,242	339,608.00	23/12/2019	-	
Q0085	VND	-	36,043,000,000	-	-	-	36,043,000,000	36,043,000,000	1,556,529.00	17/01/2020	-	
Q0087	VND	-	15,289,447,400	-	-	-	15,289,447,400	15,289,447,400	658,063.00	24/02/2020	-	
Q0088	VND	-	1,972,178,950	-	-	-	1,972,178,950	1,972,178,950	84,995.56	06/03/2020	-	
Q0089	VND	-	10,123,880,200	-	-	-	10,123,880,200	10,123,880,200	435,529.00	30/03/2020	-	
Q0092	VND	-	4,968,390,750	-	-	-	4,968,390,750	4,968,390,750	213,629.00	04/05/2020	-	
Q0093	VND	-	10,085,926,400	-	-	-	10,085,926,400				10,085,926,400	(i)
Q0094	VND	-	17,584,201,300	-	-	-	17,584,201,300				17,584,201,300	(i)

The accompanying notes are an integral part of these financial statements

STATEMENT OF WITHDRAWALS (Continued)

For the period from 01 January 2019 to 31 May 2020

Withdrawal applications			Amount claimed for disbursement/liquidation of advance					Amount disbursed			Difference	Notes
No.	Currency	Advance	Construction	Equipment	Consulting services	Project management expenses	Total	Amount	USD equivalent	Date		
Ha Tinh												
HT032	VND	-	10,492,244,200	-	-	-	10,492,244,200	10,492,244,200	456,959.37	28/03/2019	-	
HT034	VND	-	8,447,770,400	-	-	-	8,447,770,400	8,447,770,400	365,087.97	15/11/2019	-	
Buon Ma Thuot												
BM030	VND	-	6,966,865,000	-	-	-	6,966,865,000	6,966,865,000	301,883.40	11/07/2019	-	
BM031	VND	-	2,631,017,000	-	-	-	2,631,017,000	2,631,017,000	114,005.42	11/07/2019	-	
BM032	VND	-	3,452,159,000	-	-	-	3,452,159,000	3,452,159,000	148,896.23	03/02/2020	-	
BM033	VND	-	6,558,726,000	-	-	-	6,558,726,000	6,558,726,000	282,569.73	12/02/2020	-	
BM034	VND	-	7,545,263,000	-	-	-	7,545,263,000	7,545,263,000	325,072.72	12/02/2020	-	
BM035	VND	-	1,759,640,000	-	-	-	1,759,640,000	1,759,640,000	75,826.94	14/02/2020	-	
BM039	VND	-	7,894,855,000	-	-	-	7,894,855,000	-	-		7,894,855,000	(i)
BM040	VND	-	1,712,796,000	-	-	-	1,712,796,000	-	-		1,712,796,000	(i)
BM041	VND	-	160,315,000	-	-	-	160,315,000	-	-		160,315,000	(i)
Advance account												
Tam Ky												
Q0082	USD	-	-	-	98,926.14	8,276.61	107,202.75	107,202.75	107,202.75	21/11/2019	-	
Q0086	USD	310,507.60	-	-	-	-	310,507.60	310,507.60	310,507.60	03/02/2020	-	
Q0091	USD	-	283,836.06	-	95,951.87	1,510.68	381,298.61	-	-	13/03/2020	381,298.61	(ii)
Q0095	USD	-	-	-	44,122.58	-	44,122.58	-	-	22/05/2020	44,122.58	(ii)

The accompanying notes are an integral part of these financial statements



STATEMENT OF WITHDRAWALS (Continued)

For the period from 01 January 2019 to 31 May 2020

Withdrawal applications		Amount claimed for disbursement/liquidation of advance						Amount disbursed			Difference	Notes
No.	Currency	Advance	Construction	Equipment	Consulting services	Project management expenses	Total	Amount	USD equivalent	Date		
Ha Tinh												
HT031	USD	-	257,551.69	-	-	-	257,551.69	-	-	29/01/2019	257,551.69	(ii)
HT033	USD	-	66,445.71	-	-	-	66,445.71	-	-	08/07/2019	66,445.71	(ii)
HT035	USD	-	95,560.43	-	-	-	95,560.43	-	-	19/05/2020	95,560.43	(ii)
HT036	USD	4,000,000.00	-	-	-	-	4,000,000.00	4,000,000.00	4,000,000.00	16/01/2020	-	
HT037	USD	-	2,783,584.02	-	-	-	2,783,584.02				2,783,584.02	(ii)
HT038	USD	-	431,038.72	-	-	-	431,038.72				431,038.72	(ii)
HT039	USD	-	6,805.68	-	-	-	6,805.68				6,805.68	(ii)
Buon Ma Thuot												
BM029	USD	-	1,434,381.12	-	-	-	1,434,381.12	-	-	31/01/2019	1,434,381.12	(ii)
BM036	USD	-	32,183.35	-	-	-	32,183.35	-	-	28/11/2019	32,183.35	(ii)
BM037	USD	744,338.41	-	-	-	-	744,338.41	744,338.41	744,338.41	22/01/2020	-	-
BM038	USD	-	775,773.94	-	-	-	775,773.94	-	-	13/05/2020	775,773.94	(ii)
Reimbursement												
Tam Ky												
Q0084	VND	-	50,000,000,000	-	-	-	50,000,000,000	50,000,000,000	2,152,945.79	03/03/2020	-	
Q0090	VND	-	26,000,000,000	-	-	-	26,000,000,000	26,000,000,000	1,117,558.00	11/05/2020	-	
Capitalised	USD	996,546.21	-	-	-	-	996,546.21	996,546.21	996,546.21		-	
	USD	6,051,392.22	7,970,777.24	-	1,014,477.13	9,787.29	15,046,433.88	8,737,688.03	17,478,768.07		6,308,745.85	
	VND	-	240,115,208,842	-	-	-	240,115,208,842	202,677,115,142	-		37,438,093,700	

(i) Amounts has been disbursed after 31 May 2020.
(ii) Amounts accepted for liquidation of advance.

PHAN THI HA
Deputy Director

NGUYEN THANH CHAU
Chief Accountant

LE DAC THUA
Preparer

Quang Nam, 21 January 2021

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION

Secondary Cities Development Project in Quang Nam, Ha Tinh and Dak Lak Provinces (the "Project") operates under Loan Agreement No.3044-VIE(SF) dated 08 November 2013 signed between the Government of Socialist Republic of Vietnam and Asian Development Bank ("ADB") which came to effect on 28 February 2014.

The Project's objective is improved urban and climate resilience in Buon Ma Thuot in the central highland region and coastal cities of Ha Tinh and Tam Ky resulting in improved environmental quality and increased coverage of urban infrastructure and climate change adaptation in the three cities.

The Project consists of 3 subprojects in Tam Ky, Buon Ma Thuot and Ha Tinh and comprises the following outputs: (i) new and improved urban infrastructure; (ii) improving community awareness through information, education and communication, along with associated livelihood opportunities; and (iii) improving competencies in integrated urban development, environmental planning, climate adaptation, and project management.

The financial management system of the Project is managed and implemented in each province. In each province, the Provincial People's Committees is the executing agency and the Project owners are Quang Nam Projects Construction Investment Management Authority, The Construction and Investment Projects Management Unit of Buon Ma Thuot City (previously known as the Project Management Unit for Urban Environment Improvement in the Central Vietnam - Ha Tinh City) and The Construction and Investment Projects Management Unit of Buon Ma Thuot City (previously known as Project Management Unit of Buon Ma Thuot City. Quang Nam Projects Construction Investment Management Authority) is selected to act as the lead coordinator who is responsible for coordinating and monitoring overall Project implementation and for providing guidance and assistance to other Provincial People's Committees.

Total fund of the Project comprises ADB fund and counterpart fund with the respective amounts of USD 102,398,007 and USD 43,218,000.

According to Loan Agreement No. 3044-VIE(SF), the Secondary Cities Development Project in Quang Nam, Ha Tinh and Dak Lak Provinces commenced on the effective date of the Loan Agreement (28 February 2014) and was scheduled to complete on 31 March 2019, and the loan closing date was scheduled to be on 31 July 2019 which has been extended to 31 January 2020. The winding-up period ends on 31 May 2020. Counterpart funds shall remain until all obligations of the Project are fulfilled.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying financial statements, prepared under the historical cost convention, are expressed in Vietnam Dong (VND), except for the statements of Advance Accounts and sub-account and statement of withdrawals which are expressed in original currencies. These financial statements are prepared on the going basis of accounting, in accordance with Circular No.195/2012/TT-BTC dated 15 November 2012 of the Ministry of Finance on the accounting guidance applied to the investor, requirements of the Asian Development Bank and the accounting policies set out in Note 3 of the Notes to the financial statements.

The Project's financial statements are prepared on the basis of aggregation of figures of three Subprojects in Tam Ky City, Ha Tinh City and Buon Ma Thuot City, reported by the three Subproject implementing units which are Quang Nam Projects Construction Investment Management Authority, the Project Management Unit for Investment and Construction - Ha Tinh City and the Construction and Investment Projects Management Unit of Buon Ma Thuot City.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

Financial year

The financial year of the Project begins on 01 January and ends on 31 December. These financial statements were prepared for the last operating period of the Project begins on 01 January 2019 and ends on 31 May 2020 (end of winding-up period).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Project Management Unit in the preparation of these financial statements, are as follows:

Foreign currency translation

Transactions arising in foreign currencies are translated into Vietnam Dong (VND) at the exchange rates ruling by Bank for Commercial and Industrial of Vietnam on the transaction date, except for ADB's fund, which is translated into VND at the central exchange rate ruling by the State Bank of Vietnam in the transaction month.

Closing balances of cash and liabilities denominated in foreign currencies are retranslated at the rates ruling by Bank for Commercial and Industrial of Vietnam on the balance sheet date and at the central exchange rate ruling by the State Bank of Vietnam in period-end month, respectively.

Realised foreign exchange differences and unrealised foreign exchange differences from retranslating the balances of monetary items denominated in foreign currencies are recorded in the "Foreign exchange differences" item in the balance sheet.

Foreign exchange differences are neither receipts nor disbursements. However, foreign exchange differences are presented in a separate item on the statement of receipts, disbursements and fund balances for the purpose of reconciliation with opening and closing balances of assets and liabilities in the Balance sheet.

Recognition for funds and expenditures

Funds are recognized when money is received to the Project's accounts or when direct payments are made by ADB or the State Treasury to the Project's contractors, except for the counterpart surplus fund at Subproject in Tam Ky City, the counterpart surplus carried forward from previous years which is recognized on the cash basis and upon having the Decision approving the surplus counterpart fund carry forwards of the Subproject.

Expenditures are recognized when incurred.

Capitalization of expenses

ADB announced capitalization of the Project's expenses on a semiannual basis. As required by ADB, from 2017 onwards, the capitalized expenses are presented in the "Project implementing expenditures" and "ADB fund" items in the financial statements of the Project as a whole.

Fixed assets and depreciation/amortisation

Fixed assets are recognised at cost less accumulated depreciation/amortisation. Fixed assets are depreciated or amortized using the straight-line method at the appropriate rate in accordance with Circular No. 45/2018/TT-BTC dated 07 May 2018. The value of fixed assets is wholly recorded in the Project implementing expenditures upon asset purchase. Depreciation/amortisation is charged to funds for fixed assets acquisition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

4. ADVANCE ACCOUNTS

Advance Accounts are deposit accounts in United States Dollar (USD) opened at Branches of Vietnam Joint Stock Commercial Bank for Industry and Trade located in Project provinces for implementing the Project's activities. Payments out of the Advance Accounts are for expenditures in accordance with the relevant covenants of Loan Agreement No. 3044-VIE(SF) and relevant regulations established by the ADB.

5. CASH

	31/5/2020 VND	31/12/2018 VND
Subproject in Tam Ky City	889,789,276	1,694,547,822
Subproject in Ha Tinh City	23,300,261,216	7,712,912,046
Subproject in Buon Ma Thuot City	557,053,047	34,656,266,046
	24,747,103,539	44,063,725,914

6. OTHER RECEIVABLES

	31/5/2020 VND	31/12/2018 VND
Other receivables not related to expenditures	4,825,831,443	12,248,074,051
Subproject in Tam Ky City (i)	1,419,309,346	5,036,745,945
Subproject in Ha Tinh City (ii)	126,727,097	81,105,106
Subproject in Buon Ma Thuot City (i)	3,279,795,000	7,130,223,000
	4,825,831,443	12,248,074,051

(i) Other receivables represent the advance amount of counterpart fund received by Tam Ky Land Development Center and Buon Ma Thuot Land Development Center under the plan for site clearance and resettlement support but not yet settled with Tam Ky State Treasury and Buon Ma Thuot State Treasury.

(ii) Other receivables balance represents the amount of USD 6,478.23 bank charges paid by advance account which was settled by the Counterpart fund on 14 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

7. PROJECT IMPLEMENTING EXPENDITURES

Reconciliation between the Project implementing expenditures presented in the Balance sheet with the Disbursements presented in the Statements of receipts, disbursements and fund balance:

	31/5/2020 VND	From 01/01/2019 to 31/5/2020 VND	31/12/2018 VND
Balance sheet			
Project implementing expenditures [1]	2,480,981,039,564	402,859,891,454	2,078,121,148,110
Statement of Receipts, Disbursements and Fund Balance			
Disbursements [2]	2,426,687,498,725	491,666,229,440	1,935,021,269,285
Difference [3]=[1] - [2]	54,293,540,839	(88,806,337,986)	143,099,878,825
Represented by [4] = [6]+[7]-[5]	54,293,540,839	(88,806,337,986)	143,099,878,825
<i>Balance sheet</i>			
Prepayments to suppliers [5]	-	(29,410,568,422)	29,410,568,422
Payables to suppliers [6]	53,968,079,162	(118,216,906,408)	172,184,985,570
Contribution in kind (See Statement of Receipts, Disbursements and Fund Balance [7])	325,461,677	-	325,461,677

The "Project implementing expenditures" and "Counterpart Fund" and "Other Fund" items in the balance sheet as at 31 May 2020 included expenditures incurred before 28 February 2014 (the effective date of the Loan Agreement) which were financed by the counterpart fund and other funds with the amount of VND 22,622,857,042, VND 22,297,395,365 and VND 325,461,677, respectively (31 December 2018: VND 22,622,857,042, VND 22,297,395,365 and VND 325,461,677).

8. PAYABLES TO SUPPLIERS

	31/5/2020 VND	31/12/2018 VND
Subproject in Tam Ky City	33,270,904,698	48,082,896,629
Subproject in Ha Tinh City	3,567,335,990	37,731,253,135
Subproject in Buon Ma Thuot City	17,129,838,474	86,370,835,806
	53,968,079,162	172,184,985,570

9. OTHER CURRENT PAYABLES

	31/5/2020 VND	31/12/2018 VND
Subproject in Buon Ma Thuot City (i)	303,829,452	506,193,774
Subproject in Tam Ky City	14,169,120	628,668
Subproject in Ha Tinh City	3,308,661	-
	321,307,233	506,822,442

(i) Mainly represents the amount the Subproject in Buon Ma Thuot borrowed interest-free from the cash fund of the Construction and Investment Projects Management Unit and Dakurenco to pay for the Subproject management expenses.

QUANG NAM PROVINCIAL PEOPLE'S COMMITTEE
QUANG NAM PROJECTS CONSTRUCTION INVESTMENT
MANAGEMENT AUTHORITY
Secondary Cities Development Project in Quang Nam, Ha Tinh
and Dak Lak Provinces
Loan Agreement No. 3044-VIE(SF)

FINANCIAL STATEMENTS
For the period from
01/01/2019 to 31/5/2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

10. ADB FUND

Currency	From 01/01/2019 to 31/5/2020			Accumulated to 31/5/2020		
	Original	USD Equivalent	VND Equivalent	Original	USD Equivalent	VND Equivalent
Subproject in Tam Ky City						
USD	2,996,803.41	2,996,803.41	58,107,973.142	14,742,963.52	14,742,963.52	331,264,259.211
VND	154,823,430,542	6,670,778.26	154,823,430,542	307,496,402,570	13,492,286.72	307,496,402,570
Subproject in Ha Tinh City						
USD	4,000,000.00	4,000,000.00	92,420,000,000	6,928,610.93	6,928,610.93	158,615,795.835
VND	18,940,014,600	822,047.34	18,940,014,600	315,842,687,200	14,132,227.65	315,842,687,200
Subproject in Buon Ma Thuot City						
USD	744,338.41	744,338.41	17,249,836,192	2,572,177.95	2,572,177.95	59,374,586,723
VND	28,913,670,000	1,248,254.44	28,913,670,000	334,997,530,000	14,851,776.86	334,997,530,000
Capitalization						
USD	996,546.21	996,546.21	23,125,851,349	1,992,845.67	1,992,845.67	45,664,610,687
		17,478,768.07	403,580,775,825		68,712,889.30	1,553,255,872,226

11. COUNTERPART FUND

	31/5/2020 VND	31/12/2018 VND
Subproject in Tam Ky City (i)	392,801,000,000	400,882,217,373
Subproject in Ha Tinh City	228,679,151,004	202,732,669,204
Subproject in Buon Ma Thuot City	279,602,514,514	236,531,882,514
	901,082,665,518	840,146,769,091

(i) Closing balance of counterpart fund is less than its opening balance due to ADB's reimbursement under Withdrawal Application No.Q0090 for works which had been paid for by the counterpart fund in the previous years.

12. EVENTS AFTER REPORTING DATE

On 27 November 2020, the Subproject in Ha Tinh returned the entire balance of USD 822,067.45 of advance account to ADB.

On 23 October 2020, the Subproject in Tam Ky has returned to ADB with the amount of USD 2,355.29, details are as follows:

	USD
Total amount returned to ADB on 23 October 2020	2,355.29
In which:	
- Balance of advance account as at 31 May 2020	1,942.50
- Amount refundable to ADB under WA No.Q0091	268.88
- Intermediary bank charges	150.00
- Foreign exchange differences arising under WA No. Q0002	(6.09)

13. COMPARATIVE FIGURES

Comparative figures are the figures of the Project's audited financial statements for the year ended 31 December 2018.



Phan Thi Ha
Deputy Director

Quang Nam, 21 January 2021

Nguyen Thanh Chau
Chief Accountant

Le Duc Thua
Preparer