

Audited Project Financial Statements

Project Number: 50098-002

Loan Number: 3762

Period covered: 4 June 2019 to 31 December 2020

Viet Nam: Northern Mountain Provinces Transport Connectivity Project

Prepared by Ministry of Transport

For the Asian Development Bank

Date received by ADB: 29 June 2021

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**NORTHERN MOUNTAIN PROVINCES
TRANSPORT CONNECTIVITY PROJECT**

Loan Agreement Number 3762-VIE (COL)

AUDITED FINANCIAL STATEMENTS
Period from 04/06/2019 to 31/12/2020



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REPORT OF THE PROJECT MANAGEMENT UNIT

Northern Mountain Provinces Transport Connectivity Project Management Unit ("the Project Management Unit") presents this report and the Financial Statements of Northern Mountain Provinces Transport Connectivity Project ("the Project") for the period from 04/06/2019 to 31/12/2020.

The Project

Northern Mountain Provinces Transport Connectivity Project is implemented under the Loan Agreement Number 3762-VIE (COL) dated 05 March 2019 ("the Agreement") between the Vietnamese Government 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. Le Thang	Director
Mr. Le Minh Nam	Deputy Director
Mrs. Dang Thi Thu Huong	Chief Accountant

Auditors

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

Responsibilities of the Project Management Unit

The Project Management Unit is responsible for preparing the project financial statements, including Balance Sheet, Statement of Funds Receipts and Disbursements, Statement of Funds and Expenditures, Statement of Budget versus Actual Expenditures, which comply with the accounting policies described in the attached Notes to the Financial Statements. The Project Management Unit assures that the accounting policies are appropriately selected and consistently applied.

The Project Management Unit assures that the accounting records were fully maintained to prepare the financial statements in accordance with the applied accounting policies and to disclose, with reasonable accuracy at any time, the financial position of the Project.

The Project Management Unit is 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 ("the Requirements").

In addition, the Project Management Unit is also responsible for complying with the Requirements applicable to the Project, retailed: The funds have been used in accordance with the conditions of the Loan Agreement Number 3762-VIE (COL) dated 05 March 2019.

On behalf of the Project Management Unit



Hanoi, 29 June 2021

No.: 290621.001/BCTC.FIS2

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

**To: Project Management Unit 2
Northern Mountain Provinces Transport Connectivity Project**

Opinion

We have audited the accompanying Financial statements of the Northern Mountain Provinces Transport Connectivity Project ("the Project") which comprise Balance Sheet as at 31 December 2020, Statement of Funds Receipts and Disbursements, Statement of Funds and Expenditures, Statement of Budget versus Actual Expenditures, and Notes to the Financial Statements for the period from 04/06/2019 to 31/12/2020, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Project, including funds received and expenditures incurred, in accordance with the basis of the principal accounting policies described in the Notes to the Financial Statements for the period from 04/06/2019 to 31/12/2020 and the provisions of the Loan Agreement Number 3762-VIE (COL) dated 05 March 2019.

Emphasis of Matter

We would like to draw readers' attention that in the period from 04/06/2019 to 31/12/2020, the PMU has not yet made any withdrawal to the advance account, thus this account and Statements of Withdrawals are not presented in the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Project Management Unit in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Project Management Unit regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit (if any).



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

Nguyen Pham Hung
Auditor in-charge
CPA Registered No.:
2893-2020-002-1

Hanoi, 29 June 2021

BALANCE SHEET

As at 31 December 2020

	<u>Note</u>	<u>31/12/2020</u> VND
ASSETS		
Current assets		11,241,228,311
Advances to contractors	03	11,241,228,311
Non-current assets		4,413,681,000
Project Implementation Expenditures	05	4,413,681,000
TOTAL ASSETS		<u>15,654,909,311</u>
RESOURCES		
Current liabilities		326,501,700
Payables to contractors	04	326,501,700
Funds		15,328,407,611
Project Implementation Funds		15,328,407,611
- Counterpart funds		15,328,407,611
TOTAL RESOURCES		<u>15,654,909,311</u>

STATEMENT OF FUNDS RECEIPTS AND DISBURSEMENTS
For the period from 04/06/2019 to 31/12/2020

	<u>Note</u>	Incurring and accumulated to 31/12/2020 VND
I. RECEIPTS		
1 Counterpart funds		15,328,407,611
		<u>15,328,407,611</u>
II. DISBURSEMENTS		
1 Operational cost		3,000,000,000
2 Other expenses		12,328,407,611
	06	<u>15,328,407,611</u>
III. FOREIGN EXCHANGE RATE DIFFERENCES		-
IV. FUND BALANCES		<u>-</u>

STATEMENT OF FUNDS AND EXPENDITURES

For the period from 04/06/2019 to 31/12/2020

	<u>Note</u>	Incurring and Accumulated to 31/12/2020 VND
I. RECEIPTS		
1 Counterpart funds		15,328,407,611
		<u>15,328,407,611</u>
II. EXPENDITURES		
1 Operational cost		3,000,000,000
2 Other expenses		1,413,681,000
	05	<u>4,413,681,000</u>
III. FOREIGN EXCHANGE RATE DIFFERENCES		-
IV. SURPLUS		<u>10,914,726,611</u>
<i>Represented by:</i>		
Advances to contractors		11,241,228,311
Payable to contractors		(326,501,700)
		<u>10,914,726,611</u>

STATEMENT OF BUDGET VERSUS ACTUAL DISBURSEMENTS
For the period from 04/06/2019 to 31/12/2020

Categories	Budget Disbursements (*)			Actual Expenditures			Variance			Total	Rate	Note
	Loan Number 3762-VIE (COL) VND	The Aus4Transport Program VND	Counterpart funds VND	Total VND	Loan Number 3762- VIE (COL) VND	The Aus4Transport Program VND	Counterpart funds VND	Total VND	Loan Number 3762-VIE (COL) VND			
Operational cost	-	-	3,000,000,000	3,000,000,000	-	-	3,000,000,000	3,000,000,000	-	-	-	100%
Other expenses	-	-	12,800,000,000	12,800,000,000	-	-	12,328,407,611	12,328,407,611	-	(471,592,389)	(471,592,389)	95.32%
	-	-	15,800,000,000	15,800,000,000	-	-	15,328,407,611	15,328,407,611	-	(471,592,389)	(471,592,389)	97.02%

(*) The Budget disbursements was prepared on the Decisions allocating budget No. 2541/QD-BGTVT dated 31/12/2019, and its amendments of the Ministry of Transport, the Project Management Unit's estimate and the Project's status.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 04/06/2019 to 31/12/2020

1. Background

The Northern Mountain Provinces Transport Connectivity Project ("the Project") implemented under the Loan Agreement Number 3762-VIE (COL) dated 05 March 2019 between the Vietnamese Government and the Asian Development Bank ("ADB").

The objective of the Project is to improve road connectivity to Greater Mekong Subregion corridors in the northwestern provinces.

The Project shall comprise:

- Improving the geometry of the project roads to national highways Class III – IV Mountainous roads, except for those under Hoang Lien – Van Ban Nature Reserve, which will remain national highway Class V Mountainous roads;
- Introducing sound slope protection measures in areas of land and rock slides;
- Raising/ Reconstructing of highway embankments and bridges along road sections prone to dangerous flooding;
- Increasing cross drainage capacity; and
- Installing cost – effective road safety devices and pavement markings.

Total budget of the ADB Loan is USD 188,360,000 and the Loan has a principal repayment period of 20 years, the grant fund of the Australian Government is USD 4,481,000 and counterpart funds of the Vietnamese Government is USD 43,563,000.

The Project is further financed by the Aus4Transport Program ("Program") – the Transport Technical Assistance Program funded by grants from the Australian Government. The objective of the Program is the contribution to economic growth and poverty reduction in Vietnam by improving the quality of transport infrastructure.

The Project officially came into operation on 04 June 2019 and is expected to be closed on 30 June 2025.

The Project is managed by Northern Mountain Provinces Transport Connectivity Project Management Unit, and its office is located at No. 18 Pham Hung, Mai Dich Ward, Cau Giay District, Hanoi City. In addition, the local land acquisition is managed separately by following sub-projects:

<i>Sub-project in Lai Chau province</i>	<i>Sub-project in Yen Bai province</i>	<i>Sub-project in Lao Cai province</i>
Lai Chau City Lan Uyen District Tam Duong District Tan Uyen District	Van Chan District Van Yen District	Van Ban District

2. Principal Accounting Policies

a. Basis of accounting

The annual accounting period commenced from 1st January to 31st December.
The first accounting period from 04 June 2019 to 31 December 2020.

The financial statements are prepared under the requirements of the Asian Development Bank and in accordance with Vietnamese Accounting Standards and Circular No. 79/2019/TT-BTC

dated 14/11/2019. Statement of Funds and Expenditures and Balance Sheet are prepared on the accrual basis. Statement of Funds Receipts and Disbursements is prepared on the cash basis.

These financial statements are presented in Vietnam Dong (VND).

Other financial statements are prepared in accordance with the principal accounting policies are summarized as below:

b. Funds and Expenditures

Funds:

- ▶ Counterpart funds are recognized when payments are made directly from State Budget to contractors/suppliers of the Project or funds are withdrawn to the PMU for settlement of the Project's activities.

Expenditures (including tax) are recorded when they are actually occurred.

3. Advances to contractors

	31/12/2020 VND
Transport Engineering Consultant Company No.4	1,275,000,000
Viet Xanh Consultant and Development JSC	1,018,000,000
VEC Consultant	217,776,505
Institute of Construction Economics	205,090,495
VNC Construction JSC	720,160,000
Defense Economic Technical Industry Corporation	3,128,493,984
Lung Lo Construction Corporation	1,559,833,095
Truong Son Construction Corporation	3,116,874,232
	11,241,228,311

4. Payable to contractors

	31/12/2020 VND
Transport Engineering Consultants Company No.4	120,797,700
VNC Construction JSC	205,704,000
	326,501,700

5. Project Implementation Expenditures

Categories	Accumulated to 31/12/2020			
	Loan	The	Counterpart fund	Total
	Number 3762- VIE (COL)	Aus4Transport Program		
	VND	VND	VND	VND
Operational cost	-	-	3,000,000,000	3,000,000,000
Other expenses (Note 6.a.)	-	-	1,413,681,000	1,413,681,000
	-	-	4,413,681,000	4,413,681,000

6. Disbursements

a. Disbursements by categories

Categories	Accumulated to 31/12/2020			
	Loan Number 3762-VIE (COL)	The Aus4Transport Program	Counterpart fund	Total
	VND	VND	VND	VND
Operational cost	-	-	3,000,000,000	3,000,000,000
Other expenses (*)	-	-	12,328,407,611	12,328,407,611
	-	-	15,328,407,611	15,328,407,611

(*) Including fee for investment project appraisal, fee for appraisal of basic design, expense of setting up piles for land acquisition, clearing mines and explosives, construction insurance fee, ...

Eligible project disbursements (excluding tax) are funded as follows:

	Funded rate	
	Loan Number 3762-VIE (COL)	The Aus4Transport Program
Civil Works	100%	
Consulting Services	100%	100%
Unallocated ADB funds	100%	
Provision expenses		100%

b. Reconciliation between Project Implementation Expenditures on Statement of Balance Sheet and Disbursement on Statement of Funds Receipts and Disbursements as at 31/12/2020

	VND
Project implementation expenditures	4,413,681,000
Add: Receivables from Advances to contractors	11,241,228,311
Deduct: Payables to contractors	(326,501,700)
Disbursements accumulated to closing	15,328,407,611

7. 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.

8. Approval of the Financial Statements

The financial statements were approved by Project Management Unit for issuance on 29 June 2021.


Le Minh Nam
Deputy Director

Hanoi, 29 June 2021


Dang Thi Thu Huong
Chief Accountant

No.: 290621.001/BCTC.FIS2

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

**To: Project Management Unit 2
Northern Mountain Provinces Transport Connectivity Project**

We have audited, in accordance with the International Standards on Auditing, the financial statements of the Northern Mountain Provinces Transport Connectivity Project ("the Project") for the period from 04/06/2019 to 31/12/2020 and issued the auditors' report thereon dated on 29 June 2021 expressing an opinion on those financial statements.

In connection with the audit of the financial statements, we also performed procedures on the Project's fund usage, the Project's fund advance accounts and Statements of Expenditure of the Loan Agreement Number 3762-VIE (COL) dated 05 March 2019, law and regulations that have a direct and material effect on the Project's financial statements for the period from 04/06/2019 to 31/12/2020. ("the Requirements").

Responsibilities of the Project Management Unit

The Project Management Unit is responsible for complying with the Requirements applicable to the 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 the Project.

We performed our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). That standard requires that we comply with 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.

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 non-compliance 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 auditors' judgment, including the assessment of risks that the Project does not comply with the Requirements and whether such non-compliance could have a direct and material financial effect on the Project's financial statements. Our procedures included testing the compliance with the Requirements we consider necessary to provide a 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.

Auditors' opinion

In our opinion, in all material aspects, the funds have been used in accordance with the conditions of the Loan Agreement Number 3762-VIE (COL) dated 05 March 2019.



Do Manh Cuong
Deputy General Director
CPA Registered No.:
0744-2018-002-1

Hanoi, 29 June 2021

Nguyen Pham Hung
Auditor in-charge
CPA Registered No.:
2893-2020-002-1

**NORTHERN MOUNTAIN PROVINCES
TRANSPORT CONNECTIVITY PROJECT**

Loan Agreement Number 3762 – VIE (COL)

MANAGEMENT LETTER

For the period from 04/06/2019 to 31/12/2020

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1. Project implementation progress

Observation

The Northern Mountain Provinces Transport Connectivity Project is planned to be implemented from 04/06/2019 to 30/06/2025 and its progress to date is as follows:

Bidding progress:

The Project has been implementing 07/14 bidding packages as approved in Decision No. 268/QĐ-BGTVT dated 26/02/2020 regarding approval of contractor selection plan and Decision No. 1881/QĐ-BGTVT dated 01/10/2020;

Project disbursement progress

As of 31/12/2020, the Project has not yet disbursed ODA, as far as we know, the reason is due to the influence of the SARS-CoV-2 pandemic. Up to now, the Project is in process to demining and prepare for land acquisition.

Recommendation

The Project Management Unit ("PMU") should closely monitor the Project progress to timely detect and resolve any cause of the delay, and at the same time, it is necessary to accelerate the Project implementation when the impact of the covid pandemic is over.

The PMU's response

Agree with the opinion of the auditor.

