

**VIETNAM SCALING UP URBAN UPGRADING PROJECT
BEN TRE CITY SUB-PROJECT**

Credit Number 6055 - VN and Credit Number 6056 - VN

AUDIT FINANCIAL STATEMENTS

For the period from 29 June 2018 to 31 December 2020



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REPORT OF THE PROJECT MANAGEMENT UNIT

The Ben Tre city Management Unit of Constructive Investment Project ("Project Management Unit") presents this report and the Financial Statements of the Vietnam Scaling Up Urban Upgrading Project – Ben Tre City Sub-project ("The Project") for the period from 29 June 2018 to 31 December 2020.

The Project

The Project is implemented under the Credit Number 6055 - VN and Credit Number 6056 - VN dated 29 June 2018 between the Government of the Socialist Republic of Vietnam and the International Development Association ("IDA").

Project Management Unit

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

Mr. Le Xuan Truong Giang	Acting Director	Appointed on 28/01/2021
Mr. Huynh Van Hai	Deputy Director	
Mr. Huynh Phuoc Hai	Deputy Director	
Mrs. Nguyen Thi Cham	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 Statement of Funds and Disbursement, Statement of Funds balance, Statement of Designated Account and Statement of Withdrawals and Reconciliation of Funds, which comply with the accounting policies described in the attached Notes to the Financial Statements. The Project Management Unit assures that the accounting policies are appropriately selected and consistently applied.

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

The Project Management Unit is also responsible for maintaining an effective internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and comply with relevant laws, regulations and other provisions of the funding agreement that could have a direct and material financial effect on the Project financial statements.

On behalf of the Project Management Unit



Le Xuan Truong Giang
Acting Director

Ben Tre, 09 August 2021



No: 090821.008/BCTC.FIS2

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To: **The Ben Tre city Management Unit of Constructive Investment Project
Vietnam Scaling Up Urban Upgrading Project
Ben Tre City Sub-project**

Opinion

We have audited the accompanying financial statements of the Vietnam Scaling Up Urban Upgrading Project – Ben Tre City Sub-project, which comprise Statement of Funds balance as at 31 December 2020, Statement of Funds and Disbursements, Statement of Designated Account, Statement of Withdrawals and Reconciliation of Funds, and Notes to the Financial Statements for the period from 29 June 2018 to 31 December 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 the balance of the Designated Account as at 31 December 2020, funds received and disbursements paid, movements of the Designated Account for the period then ended in accordance with the basis of the principal accounting policies described in the Notes to the Financial Statements and the provisions of the Credit Number 6055 - VN and Credit Number 6056 - VN;
- ▶ In addition, with respect to Statements of Expenditure, adequate supporting documents have been fully maintained to support to the replenishment requests submitted to the World Bank. The disbursement are eligible and in right purposes of the Credit Number 6055 - VN and Credit Number 6056 - VN.

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

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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.



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

Hanoi, 09 August 2021

Nguyen Anh Ngoc
Auditor in-charge
CPA Registered No.:
1437-2018-002-1

STATEMENT OF FUNDS AND DISBURSEMENT
 For the period from 29 June 2018 to 31 December 2020

	<u>Note</u>	<u>Accumulated to 31/12/2020</u> VND
I. FUNDS		
1. Funds from the World Bank	3	27,260,858,880
2. Funds from the Vietnamese Government		133,567,461,000
		<u>160,828,319,880</u>
II. DISBURSEMENTS		
1. Works		25,653,345,000
2. Consulting services		24,394,000,000
3. Incremental operating costs		322,560
4. Compensation and site clearance costs		109,173,461,000
	4	<u>159,221,128,560</u>
III. FOREIGN EXCHANGE RATE DIFFERENCE		(10,697,577)
IV. SURPLUS		<u>1,596,493,743</u>

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STATEMENT OF FUNDS BALANCE

As at 31 December 2020

	<u>Note</u>	<u>31/12/2020</u> VND
Surplus		
Surplus in the period		1,596,493,743
Surplus as at closing		<u>1,596,493,743</u>
<u>Represented by:</u>		
Current assets		1,596,493,743
Cash at Bank	5	1,596,490,443
Other receivables		3,300
Net worth		<u>1,596,493,743</u>

STATEMENT OF DESIGNATED ACCOUNT

For the period: From 29 June 2018 to 31 December 2020
 Account number: 129000054110
 Bank: Vietnam Joint Stock Commercial Bank for Industry and Trade – Ben Tre Branch
 Address: No. 02 Dong Khoi Boulevard, Ward 2, Ben Tre City, Ben Tre Province
 Credit No: 6055 - VN and 6056 - VN

	<u>Note</u>	<u>USD</u>	<u>USD</u>
PART A: ACTIVITIES			
Opening balance			-
Add: Total amounts deposited by the World Bank			1,183,183.00
Deduct: Total amounts withdrawn			(1,113,891.00)
Closing balance			<u><u>69,292.00</u></u>
PART B: RECONCILIATION			
1. Amount advanced by the World Bank			1,183,197.00
2. Present outstanding amount advanced to			<u><u>1,183,197.00</u></u>
3. Closing balance			69,292.00
4. Add:			
Amounts withdrawn and claimed	(i)	1,113,891.00	
Overseas bank charges		<u>14.00</u>	
			1,113,905.00
5. Total advances accounted for			<u><u>1,183,197.00</u></u>

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STATEMENT OF WITHDRAWALS AND RECONCILIATION OF FUND
 Credit Number 6055 - VN and Credit Number 6056 - VN
 Period from 29 June 2018 to 31 December 2020

No.	Withdrawal applications		Amount claimed		Amount received		Variances (b)-(a)	Note
	Date	Currency	Advance	Total (a)	Date	Amount (b)		
Designated account								
Credit No. 6055-VN 01 - IDA - BENTRE	25/11/2020	USD.	591,874.00	591,874.00	14/12/2020	591,867.00	(7.00)	[1]
			591,874.00	591,874.00		591,867.00	(7.00)	
Credit No. 6056-VN 01 - IDASUF - BENTRE	25/11/2020	USD	591,323.00	591,323.00	14/12/2020	591,316.00	(7.00)	[1]
			591,323.00	591,323.00		591,316.00	(7.00)	
			<u>1,183,197.00</u>	<u>1,183,197.00</u>		<u>1,183,183.00</u>	<u>(14.00)</u>	

[1] Overseas bank charges

NOTES TO THE FINANCIAL STATEMENTS

Period from 29 June 2018 to 31 December 2020

1. Background

Vietnam Scaling Up Urban Upgrading Project – Ben Tre City Sub-project (“the Project”) is implemented under the Credit Number 6055 - VN and Credit Number 6056 - VN dated 29 June 2018 between the Government of the Socialist Republic of Vietnam and the International Development Association (“IDA”).

Total budget of the the Credit Number 6055 - VN and Credit Number 6056 - VN are respectively SDR 103,200,000 and USD 100,000,000 for 7 sub-projects. In which, the credit amounts allocated to Ben Tre City Sub-project are SDR 14,742,857 and USD 15,000,000 respectively.

The main objective of the Project is to improve access to basic infrastructure in low-income areas, strengthen connectivity of key infrastructure networks, and at the same time enhance the capacity of urban areas, on integrated urban planning to respond to climate change in the Participating Cities.

The Project includes the following components:

- ▶ Component 1: Tertiary Infrastructure upgrading in low-income areas;
- ▶ Component 2: Priority primary and secondary Infrastructure;
- ▶ Component 3: Resettlement sites;
- ▶ Component 4: Project Management support.

The Project officially came into operation since 24 December 2018 and is expected to close on 31 December 2023.

The Project is managed by The Ben Tre city Management Unit of Constructive Investment Project and its office is located at No. 7A, Dong Khoi Avenue, Ward 4, Ben Tre City, Ben Tre Province.

2. Principal Accounting Policies

a. Basis of accounting

The annual accounting period commenced from 1st January to 31st December.
The first accounting period commenced from 29 June 2018 to 31 December 2020.

The financial statements are prepared under cash basis. Accordingly, receipts are recognized by the Project when received, rather than the right to receive, and disbursements are recognized when being paid, rather than the obligation to pay.

The financial statements are prepared in accordance with the requirements of the World Bank and presented in Vietnam Dong (VND), except for the Statement of Designated Account and Statement of Withdrawals and Reconciliation of Funds, which are prepared in United State Dollar (USD).

The principal accounting policies are summarized as below:

b. Foreign currencies

Funds received from the World Bank in foreign currencies are translated into VND using actual exchange rates announced by the Vietnam Joint Stock Commercial Bank for Industry and Trade – Ben Tre Branch at dates of funds received or at dates of direct payments made to contractors/suppliers.

Transactions in foreign currencies are translated to VND under actual exchange rates of the serving bank on their transaction dates. All exchange differences from these transactions are recorded as “Exchange rate differences” account and presented as “Exchange rate differences” on the Statement of Funds and Disbursement.

c. Funds and Disbursement

Funds:

- ▶ Funds received from the World Bank are recorded when remittance made into Designated Account or direct payment made to contractors/suppliers;
- ▶ Counterpart funds of the Vietnamese Government are recorded when payments are made directly from the Vietnamese Government to contractors/suppliers of the Project or funds are remitted for settlement of the Project's activities.

Disbursements:

- ▶ Disbursements are recognized when payments are made by the Project to contractors/ suppliers.

d. Designated account

Designated Account is the deposit account in USD opened at Vietnam Joint Stock Commercial Bank for Industry and Trade – Ben Tre Branch for the Project's activities. Payments made via the Designated Account are for eligible expenditures of the Project in accordance with the provisions of the Credit Number 6055 - VN and Credit Number 6056 - VN.

There is no interest with this account under prevailing rule.

3. Funds received from the World Bank

	Accumulated to 31/12/2020	
	USD	Equivalent to VND
Designated account - Advances		
Credit No. 6055-VN	591,874.00	13,636,776,960
Credit No. 6056-VN	591,323.00	13,624,081,920
	1,183,197.00	27,260,858,880

4. Disbursements

Disbursements by categories and funds

	Accumulated to 31/12/2020			
	Credit No. 6055 - VN	Credit No. 6056 - VN	Counterpart fund (*)	Total
	VND	VND	VND	VND
Work	12,653,345,000	13,000,000,000	-	25,653,345,000
Consultants' services	-	-	24,394,000,000	24,394,000,000
Incremental operating costs	-	-	322,560	322,560
Compensation and site clearance costs	-	-	109,173,461,000	109,173,461,000
	12,653,345,000	13,000,000,000	133,567,783,560	159,221,128,560

(*) Including VND 5,000,000,000 of consulting and initial drawing design activities financed by the Counterpart fund arising before the effective date of the Agreement.

Disbursements by components and funds

	Accumulated to 31/12/2020			
	Credit No. 6055 - VN	Credit No. 6056 - VN	Counterpart fund	Total
	VND	VND	VND	VND
Component 1: Tertiary Infrastructure upgrading in Low Income Areas	9,753,345,000	-	-	9,753,345,000
Component 2: Priority primary and Secondary Infrastructure	-	15,900,000,000	109,173,461,000	125,073,461,000
Component 3: Resettlement sites	-	-	-	-
Component 4: Project management Support	-	-	19,394,322,560	19,394,322,560
Investment preparation	-	-	5,000,000,000	5,000,000,000
	9,753,345,000	15,900,000,000	133,567,783,560	159,221,128,560

The Project's 100% eligible disbursements (including tax) in the categories of Goods, works, non-consulting services and consultants' services are financed as the Credit No. 6055 - VN and the Credit No. 6056 - VN.

5. Cash at bank

	31/12/2020
	VND
Designated Account (USD)	1,596,487,680
Current accounts (VND)	2,763
	1,596,490,443

6. 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.

7. Approval of the Financial Statements

The financial statements were approved by Project Management Unit for issuance on 09 August 2021



Le Xuan Truong Giang
Acting Director


Nguyen Thi Cham
Chief Accountant

Ben Tre, 09 August 2021



No.: 090821.008/BCTC.FIS2

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL SYSTEM

**To: The Ben Tre city Management Unit of Constructive Investment Project
Vietnam Scaling Up Urban Upgrading Project
Ben Tre City Sub-project**

We have audited, in accordance with the International Standards on Auditing, the financial statements of the Vietnam Scaling Up Urban Upgrading Project – Ben Tre City sub-project (“the Project”) for the period from 29 June 2018 to 31 December 2020 and issued the auditors report thereon dated on 09 August 2021 expressing an opinion on those financial statements.

In connection with our audit of the financial statements, we also examined the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as the internal control over financial reporting for the period from 29 June 2018 to 31 December 2020.

Responsibilities of the Project Management Unit

The Project Management Unit is responsible for maintaining an effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as the internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the effectiveness of internal control based on our examination.

Our examination was conducted 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 maintained an effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting.

Our examination included obtaining an understanding, testing, and evaluating the design and operating effectiveness of the internal control, and performing other procedures as we considered necessary in the circumstances to obtain sufficient appropriate evidence to provide a basis for our opinion.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not to be prevented or detected on a regular basis. In addition, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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, the Project has maintained an effective internal control over misstatements that could have a direct and material financial effect on the Project financial statements for the period from 29 June 2018 to 31 December 2020.

AASC Limited



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

Hanoi, 09 August 2021

Nguyen Anh Ngoc
Auditor in-charge
CPA Registered No.:
1437-2018-002-1

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INDEPENDENT AUDITORS' REPORT ON THE COMPLIANCE

**To: The Ben Tre city Management Unit of Constructive Investment Project
Vietnam Scaling Up Urban Upgrading Project
Ben Tre City Sub-project**

We have audited, in accordance with International Standards on Auditing, the financial statements of the Vietnam Scaling Up Urban Upgrading Project – Ben Tre City Sub-project (“the Project”) for the period from 29 June 2018 to 31 December 2020 and issued the auditors report thereon dated 09 August 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 compliance with the Credit Number 6055 - VN and the Credit Number 6056 - VN, law and regulations that have a direct and material effect on the Project’s financial statements for the period from 29 June 2018 to 31 December 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, the Project has complied with the Requirements that could have a direct and material financial effect on the Project's financial statements for the period from 29 June 2018 to 31 December 2020.

AASC Limited



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

Hanoi, 09 August 2021



Nguyen Anh Ngoc
Auditor in-charge
CPA Registered No.:
1437-2018-002-1