



Grant Thornton

# Financial Statements and Independent Auditors' Report

Da Nang – Quang Ngai Expressway Development Project

(Component 1 and 2A funded by World Bank - Financing  
Agreements No. 4942-VN, No. 4941-VN and Loan  
Agreement No. 8049-VN)

For the period from 1 January 2018 to 28 February 2019

2019 -06- 2 8

Public Disclosure Authorized

M.S.A.

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# Part I

## Financial Statements

# Report of the Project Owner

Vietnam Expressway Corporation (hereinafter called “VEC” or “the Project Owner”) submits its report together with the audited financial statements of the Da Nang – Quang Ngai Expressway Development Project (Component 1 and 2A funded by World Bank - Financing Agreements No. 4942-VN, No. 4941-VN and Loan Agreement No. 8049-VN) (“the Project”) for the period from 1 January 2018 to 28 February 2019.

## Auditors

The financial statements for the period from 1 January 2018 to 28 February 2019 have been audited by Grant Thornton (Vietnam) Limited.

## The Project Owner

The members of the Board of Management of Vietnam Expressway Corporation managing the Project’s activities during the period and to the date of the report are:

Name	Position
Mr Tran Van Tam	General Director
Mr Nguyen The Cuong	Deputy General Director
Mr Nguyen Manh Hung	Deputy General Director
Mr Nguyen Quoc Binh	Deputy General Director
Mr Le Quang Hao	Deputy General Director
Mr Nguyen Van Nhi	Deputy General Director

## Statement of the Project Owner

The Project Owner is responsible for preparing Financial Statements for the period from 1 January 2018 to 28 February 2019 (“the period”) which give a true and fair view of:

- the financial position of the Project;
- the funds received and expended for the period;
- the activities of the designated account for the period and the balance of this account as at 28 February 2019; and
- the funds withdrawn for the year.

In preparing those Financial Statements, the Project Owner is required to:

- select suitable accounting policies and then apply them consistently in accordance with the Financial Agreements No.4942-VN, No.4941-VN between Socialist Republic of Vietnam and International Development Association (“IDA”), and Loan Agreement No.8049-VN between the Socialist Republic of Vietnam and the International Bank for Reconstruction and Development (IBRD) and the Project Administration Manual;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimise errors and frauds.

The Project Owner confirms that they have complied with the above requirements in preparing the Financial Statements.


The Project Owner is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Project and to ensure that the accounting records comply with the accounting system as described in the Project Implementation Manual. They are also responsible for safeguarding the assets of the Project and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Approval of the financial statements

We hereby approve the accompanying financial statements on pages 6 to 18 which give a true and fair view of the fund balance of the Da Nang-Quang Ngai Expressway Development Project (Component 1 and 2A funded by the World Bank-Financing Agreement No.4942- VN, 4941-VN and Loan Agreement No.8049- VN) as at 28 February 2019, the movement and balance of the designated account for the Credit fund as at 28 February 2019 and the funds received and disbursed during the period from 1 January 2018 to 28 February 2019, in accordance with the accounting policies as described in Note 2 to the financial statements and in the opinion of the Project Owner, the loan withdrawals have been adequately reconciled to the statements of expenditure during the period, and such statements of expenditures were adequately supported.

On behalf of the Project Owner, <sup>AK</sup>



  
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**Tran Van Tam**  
General Director  
Vietnam Expressway Corporation

Hanoi, Vietnam  
28 June 2019

# Independent Auditors' Report

on the financial statements of  
the Da Nang – Quang Ngai Expressway Development Project  
(Component 1 and 2A funded by World Bank –  
Financing Agreements No. 4942-VN, No. 4941-VN and  
Loan Agreement No. 8049-VN)

for the period from 1 January 2018 to 28 February 2019

Grant Thornton (Vietnam) Limited  
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No.16-11-237-2018-DNQN-1

To: Vietnam Expressway Corporation  
International Development Association  
International Bank for Reconstruction and Development

## Auditors' opinion

We have audited the accompanying financial statements of the Da Nang – Quang Ngai Expressway Development Project (Component 1 and 2A funded by World Bank - Financing Agreements No. 4942-VN, No. 4941-VN and Loan Agreement No. 8049-VN) ("the Project") for the period from 1 January 2018 to 28 February 2019, prepared on 28 June 2019, including the Statement of Fund balance as at 28 February 2019, the Summary of Sources and Uses of funds, the Statement of Designated account, the Statement of Loan withdrawals for the period from 1 January 2018 to 28 February 2019, and a summary of significant accounting policies and other explanatory notes as presented on pages 6 to 18.

In our opinion, in all material respects:

- The accompanying financial statements give a true and fair view of the funds received and expenditures of the Project for the period from 1 January 2018 to 28 February 2019 in conformity with the accounting policies described in Note 2 of the Notes to the financial statements;
- The accompanying statement of designated account give a true and fair view of the balance of the designated account as at 28 February 2019 and the Project's receipts and disbursements via this designated account for the period from 1 January 2018 to 28 February 2019 in conformity with the relevant covenants of the Components 1 and 2A funded by the World Bank under Financing Agreements No. 4942-VN, No. 4941-VN and Loan Agreement No. 8049-VN, the Project Implementation Manual and relevant regulations established by the World Bank; and
- Withdrawal Applications were adequately reconciled to the statements of expenditures ("SOEs") prepared by the Project Owner for the period from 1 January 2018 to 28 February 2019 and those SOEs were adequately supported by accounting vouchers.

## Basis for auditors' 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 in Vietnam, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## Other matter

As presented in Note 2 – Principal accounting policies – Basis of preparation of the financial statements, the accompanying financial statements are prepared for the Components 1 and 2A funded by the World Bank under Financing Agreements No. 4942-VN, No. 4941-VN and Loan Agreement No. 8049-VN. These financial statements together with our auditors' report do not cover the activities of other components funded by Japan International Cooperation Agency and implemented by other Project Management Units within the Ministry of Transport.

## Responsibility of the Project Owner for the financial statements

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

## Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements of the Project as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a 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 scepticism 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; and
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Project Owner.

We communicate with the Project Owner, 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.

### GRANT THORNTON (VIETNAM) LIMITED



Nguyễn Hồng Hà  
CPA Vietnam Practising Certificate  
No. 1710-2018-068-1  
Deputy General Director

Hanoi, Vietnam  
28 June 2019

Bui Tran Phuong Minh  
CPA Vietnam Practising Certificate  
No. 2595-2018-068-1  
Auditor

# Statement of Sources and Uses of funds

for the period from 1 January 2018 to 28 February 2019

	Note	Period from 1 January 2018 to 28 February 2019			Accumulated to 28 February 2019	
		USD	VND	USD	VND	
<b>Sources of funds</b>						
Credit fund - IDA	3	18,749,504.10	436,683,683,562	119,750,702,39	2,600,138,882,057	
Credit fund - IBRD	3	41,319,637.14	942,585,812,060	141,160,527,53	3,181,767,176,855	
Counterpart fund – Land Clearance	4	1,370,162.87	31,746,673,776	64,403,547,91	1,393,377,766,419	
Counterpart fund - VEC		(44,088.78)	(1,021,537,089)	2,580,475,09	55,211,059,292	
Other funds		143,083.01	3,315,233,295	655,677,77	22,251,670,615	
		61,538,298.34	1,413,309,865,604	328,550,930,69	7,252,746,555,238	
<b>Uses of funds</b>						
<b>Component 1</b>						
Constructions	5	68,015,605.39	1,575,921,576,830	212,787,936,26	4,856,028,162,704	
Consultants		3,740,723.82	86,672,571,014	17,872,180,33	403,718,258,915	
Relocation of power lines		164,053.32	3,801,115,500	3,260,360.34	74,184,035,719	
Land Clearance and Resettlement		1,340,895.57	31,068,550,289	57,129,133,14	1,240,387,919,389	
Bomb clearance		-	-	1,488,436.66	31,113,959,500	
Audit fee		19,385.07	449,152,000	105,882,65	2,333,774,150	
<b>Component 2(a)</b>						
Project Management		(24,122.06)	(558,908,138)	1,344,357,71	29,591,716,135	
Loan interest, commitment fee - IDA		749,504.10	17,103,683,562	4,381,129,94	98,463,167,410	
Loan interest, commitment fee - IBRD		1,125,041.66	25,673,450,681	3,903,450,82	86,490,033,703	
		75,131,086.87	1,740,131,191,738	302,272,867,85	6,822,311,027,625	
Foreign exchange difference		(1,225,768.43)		(7,700,785.01)		
<b>(Deficit)/Surplus</b>		<b>(14,818,556.96)</b>	<b>(326,821,326,134)</b>	<b>18,577,277.83</b>	<b>430,435,527,613</b>	

Hanoi, Vietnam  
28 June 2019



Tran Van Tam  
Project Director



Vu Quoc Khanh  
Deputy Director of Finance and  
Accounting department



# Statement of Fund balance

as at 28 February 2019

	Notes	28 February 2019		31 December 2017	
		USD	VND	USD	VND
Fund balance, beginning of the year		33,395,834.79	757,256,853,748	50,144,186.12	1,128,673,281,162
Deficit of uses of sources over receipts		(14,818,556.96)	(326,821,326,134)	(16,748,351.33)	(371,416,427,414)
<b>Fund balance, end of the year</b>		<b>18,577,277.83</b>	<b>430,435,527,614</b>	<b>33,395,834.79</b>	<b>757,256,853,748</b>
<b>Represented by:</b>					
<b>Assets</b>					
Cash (Foreign currency – USD)	6	2,635,561.42	61,065,958,101	3,811,934.22	86,441,908,300
Advances to land clearance implementing units	4	3,332,255.73	77,208,365,333	3,401,504.91	77,129,123,816
Advances to contractors	7	2,983,728.27	69,132,984,026	17,337,658.90	393,131,415,621
Value added taxes to be reclaimed		21,490,815.80	497,942,202,394	16,121,669.33	365,558,852,072
Other receivables		1,726.37	40,000,000	1,764.06	40,000,000
		<b>30,444,087.59</b>	<b>705,389,509,854</b>	<b>40,674,531.42</b>	<b>922,301,299,809</b>
<b>Liabilities</b>					
Payables to contractors	8	11,074,192.75	256,589,046,022	6,444,127.97	146,120,601,705
Payables to VEC – Project management fee		792,617.01	18,364,936,218	834,568.66	18,923,844,356
		<b>11,866,809.76</b>	<b>274,953,982,240</b>	<b>7,278,696.63</b>	<b>165,044,446,061</b>
		<b>18,577,277.83</b>	<b>430,435,527,614</b>	<b>33,395,834.79</b>	<b>757,256,853,748</b>

Hanoi, Vietnam  
 28 June 2019  
  
  
**Tran Van Tam**  
 Project Director

  
**Vu Quoc Khanh**  
 Deputy Director of Finance and  
 Accounting department

# Statement of Designated account

For the period: For the period from 1 January 2018 to 28 February 2019  
 Account number 011.0137.000230.2  
 Bank Maritime Commercial Joint Stock Bank  
 Address Building A, Sky Tower, No 88 Lang Ha, Dong Da, Ha Noi  
 Credit Agreement 4942-VN, 4941-VN and 8049-VN  
 Currency USD

Period from 1 January 2018  
 to 28 February 2019  
 USD

## Part A- Account activity

<b>Beginning balance as at 1 January 2018</b>	<b>3,811,934.22</b>
<i>Add:</i>	
Amounts replenished by World Bank to designated accounts	58,194,595.48
Interests from designated accounts (deducted by Bank charge) - net	(880.00)
<i>Less:</i>	
Amount withdrawn from Designated Account	(59,370,088.28)
<b>Ending balance as at 28 February 2019</b>	<b>2,635,561.42</b>

## Part B: Account reconciliation

Advances from World Bank as at 1 January 2018	18,000,000.00
<i>Add:</i>	
Additional advances during the period	18,000,000.00
<i>Less:</i>	
Amount recovered by World Bank	(18,000,000.00)
<b>Total advances to designated account as at 28 December 2019</b>	<b>18,000,000.00</b>

Balance of designated account as at 28 February 2019	2,635,561.42
<i>Add:</i>	
Amount paid but not yet claimed (Note 10)	9,917,880.23
Amount claimed but not yet disbursed by World Bank (Note 10)	5,446,948.16
<i>Less:</i>	
Interests from designated accounts (deducted by Bank charge)	(389.81)
<b>Total advances to designated account as at 28 February 2019</b>	<b>18,000,000.00</b>

Hanoi, Vietnam  
 28 June 2019



**Tran Van Tam**  
 Project Director



**Vu Quoc Khanh**  
 Deputy Director of Finance and  
 Accounting department

# Statement of Loan withdrawals

for the period from 1 January 2018 to 28 February 2019

For the period from 1 January 2018 to 28 February 2019

Withdrawal Application Number	Original Date	Currency	Advanced to Designated Accounts	Amount claimed			Total	Date	Amount replenished	Recovery of advance (*)
				Consulting and Training	Interest and commitment charge	Goods				
Financing Agreements No. 4942-VN and No. 4941-VN										
Cap-billing	19/04/2018	XDR	-	-	494,995.62	-	494,995.62	19/04/2018	494,995.62	-
IDA10	15/10/2018	USD	18,000,000.00	-	-	-	18,000,000.00	26/10/2018	18,000,000.00	-
			18,000,000.00	-	494,995.62	-				
<b>USD equivalent</b>			<b>18,000,000.00</b>	-	<b>749,504.10</b>	-	<b>18,749,504.10</b>		<b>18,749,504.10</b>	<b>18,749,504.10</b>
Loan Agreement No. 8049-VN										
SOE22	10/01/2018	USD	-	14,189,335.59	-	-	14,189,335.59	30/01/2018	14,189,335.59	-
SOE23	06/04/2018	USD	-	10,298,678.60	-	-	10,298,678.60	16/04/2018	10,298,678.60	-
CAP - BILLING	19/04/2018	USD	-	-	1,125,041.66	-	1,125,041.66	19/04/2018	1,125,041.66	-
SOE24	15/05/2018	USD	-	9,038,371.37	-	-	9,038,371.37	06/06/2018	9,038,371.37	-
SOE27	30/07/2018	USD	-	6,668,209.92	-	-	6,668,209.92	24/08/2018	6,668,209.92	-
SOE28	11/10/2018	USD	-	18,000,000.00	-	-	18,000,000.00	15/10/2018	18,000,000.00	-
			-	58,194,595.48	-	-	59,319,637.14		59,319,637.14	
<b>Total</b>		<b>USD</b>	<b>18,000,000.00</b>	<b>58,194,595.48</b>	-	-	<b>78,069,141.24</b>		<b>78,069,141.24</b>	<b>18,000,000.00</b>

(\*) Represented amounts recovered by IDA through withdrawal application No. 28 in order to reduce advance balance of Designated Account.

M.S.D.N.010157  
 Hanoi, Vietnam  
 28 June 2019  
 CÔNG TY TNHH ĐẦU TƯ PHÁT TRIỂN ĐƯỜNG CAO TỐC VIỆT NAM  
 CÔNG TY TRÁCH NHIỆM HỮU HẠN MỘT THÀNH VIÊN  
 Trần Văn Tam  
 Project Director



**Vu Quoc Khanh**  
 Deputy Director of Finance and Accounting department Chief  
 Accountant



# Notes to the financial statements

for the period from 1 January 2018 to 28 February 2019

## 1. The Project background

Da Nang – Quang Ngai Expressway Development Project operates under the following agreements:

- Loan Agreement No. VN10-P8 dated 15 June 2011 signed between the Socialist Republic of Vietnam and the Japan International Cooperation Agency (JICA);
- Financing Agreements No. 4942-VN and No. 4941-VN dated 12 January 2012 signed between the Socialist Republic of Vietnam and the International Development Association (IDA); and
- Loan Agreement No. 8049-VN dated 12 January 2012 signed between the Socialist Republic of Vietnam and the International Bank for Reconstruction and Development (IBRD).

The loans from IDA and IBRD are implemented through the World Bank ("WB").

In accordance with mutual agreement between donors, the construction from Da Nang province to Tam Ky city in Quang Nam province is funded by JICA and the construction from Tam Ky city to Quang Ngai province is funded by the World Bank.

The objectives of the Project are to construct an expressway that will enhance efficiency and safety for road users travelling between Da Nang city and Quang Ngai province and build institutional capacity for expressway development in the Ministry of Transport.

According to Decision No. 220/QD-BGTVT issued by the Ministry of Transport dated 22 January 2010, Vietnam Expressway Corporation (VEC) is the Project Owner for Component 1 and 2A of the Da Nang – Quang Ngai Expressway Development Project. According to the Decision No. 1903/QD-BGTVT dated 13 August 2012 and the Aide Memoire of the World Bank from 15 October 2012 to 13 November 2012, the Directorate for Roads of Vietnam is appointed as the Project Owner and Project Management Unit 1 (PMU1) is appointed as Agency of implementing and contract management for the Component 2B – "Building capacity and support for expressway network planning and management".

For the Component 1 and 2A, according to Decision No. 3470/QD-BGTVT dated 2 December 2010 issued by the Ministry of Transport on the coordination mechanism in implementing the Da Nang - Quang Ngai Expressway Development Project and Decision No. 3681/QD -BGTVT dated 29 December 2010 on sub-projects for land clearance and resettlement and appointing local authorities as sub-project managements, VEC is the Project Owner and the implementing units of the Project are as follows:

- Project Management Unit 1 ("PMU1") is a management consultant for the components funded by World Bank ("WB") under the management contract signed with the Project Owner;
- Provincial Implementing Units for Land Acquisition and Resettlement are as below:
  - Da Nang city: the People's Committee of Da Nang City authorised Da Nang Land clearance and compensation Agency Unit No. 2 to implement activities of sub-project.
  - Quang Nam Province: the People's Committee of Quang Nam Province authorize local agencies to implement the land acquisition and resettlement subprojects in Quang Nam province. Locally, District People's Committee authorised the local Land Development Centers in Dien Ban district; Que Son district; Duy Xuyen district; Thang Binh district; Phu Ninh district; Nui Thanh district; and Tam Ky city to be the implementing units.
  - Quang Ngai Province: the People's Committee of Quang Ngai Province authorize Quang Ngai Department of Transport and Quang Ngai Land clearance Sub-project Management Unit to be the implementing unit.



**The Project consists of two components as follows:**

*Component 1: Da Nang - Quang Ngai Expressway*

- a) Construction of a four-lane expressway from National Highway 1A, to the south of Da Nang province, to Quang Ngai province, including construction of a main carriageway, bridges, viaducts, and culverts, a tunnel, connection and service roads, and intersections, and related maintenance and rehabilitation of the local road network, in two parts: (i) from Da Nang province to Tam Ky city in Quang Nam province; and (ii) from Tam Ky city to Quang Ngai province.
- b) Construction of a two-lane highway, including bridges, from the southern end of such expressway to National Highway 1A, in Quang Ngai province.
- c) Compensation, resettlement, and rehabilitation, including livelihood restoration, of Project Affected Persons.
- d) Establishment of an integrated traffic management and toll collection facilities system, and design, installation, and commissioning of an intelligent transport system for the operation, management, and maintenance of such expressway.

*Component 2: Project Implementation Support and Institutional Strengthening*

- a) Provision of technical assistance to the Vietnam Expressway Corporation (VEC) in relation to (i) Project implementation, including: (A) construction supervision; (B) integrated review and monitoring; (C) financial auditing; and (D) implementation of the Governance, Transparency, and Anti-Corruption Plan; and (ii) capacity building for financial management.
- b) Capacity building of: (i) and provision of policy support to the Ministry of Transport in relation to: (A) expressway planning and network management, including establishment and operationalization of an expressway planning and network management entity; and (B) operationalization of said Ministry's public-private partnerships cell; and (ii) the Inspectorate Department in relation to its mandate of governance and anti-corruption.

The Project commenced on the effective date of the Agreements and is expected to be completed by 31 October 2018.

Under the Financing Agreements, total fund committed for the project is USD1,403.61 million, in which fund committed by the International Development Association is USD143.01 million and by the International Bank of Reconstruction and Development is USD470.49 million.

The financing ratios by each donor are as follows:

Category	JICA	IDA & IBRD	Counterpart fund
	%	%	%
<b>Component 1: Da Nang – Quang Ngai Expressway</b>			
(1) Civil Works: Da Nang - Tam Ky	99.7%		0.3%
(2) Civil Works: Tam Ky - Quang Ngai		100%	
(3) ITS and O&M Equipment	99.7%		0.3%
(4) Land Acquisition and Resettlement			100%
<b>Component 2: Project Implementation Support and Institutional Strengthening</b>			
<b>Component 2(a): Project Implementation Support for VEC</b>			
(1) Construction Supervision: Da Nang - Tam Ky	100%		
(2) Construction Supervision: Tam Ky - Quang Ngai		100%	
(3) Integrated Project Review and Monitoring Services		100%	
(4) Financial Audit		100%	
(5) Financial Capacity Building for VEC		100%	
(6) Training, Workshops, and Implementation of GTAP		100%	
(7) Project Management			100%
<b>Component 2(b): Institutional Strengthening for MoT</b>		100%	

## **2. Principle accounting policies**

### **2.1 Basis of preparation of the financial statements**

The financial statements are prepared for the Project operations of Components 1 and 2A funded by the World Bank under Financing Agreements No. 4942-VN, No. 4941-VN and Loan Agreement No. 8049-VN, implemented by VEC, the Provincial Implementing Units including Project Management Unit 1, Land Development Center in Tam Ky city, Land Development Center in Nui Thanh district and Sub-project Management Unit for Land clearance and resettlement in Quang Ngai (hereinafter called "the Implementing Units"). Therefore they only present income, expenditures, fund balance, loan withdrawals, the designated accounts for these components.

The financial statements do not cover the components funded by Japan International Cooperation Agency and implemented by other Project Management units of the Ministry of Transport.

### **2.2 Basis of accounting**

The financial statements are prepared in accordance with the World Bank's financial reporting requirements, the requirements of the above mentioned Agreements and the following accounting principles.

The financial statements are prepared under the historical cost convention and on a modified cash basis of accounting. Accordingly, receipts are recognised when received rather than when the right to receive them arises, and expenditures are recognised when incurred.

### **2.3 Reporting currencies**

The accounting records of the Project are maintained in Vietnamese Dong ("VND"). The financial statements are prepared in Vietnamese Dong except for the statement of designated account and the statement of loan withdrawals, which are prepared in the original currency of United States Dollars ("USD") and Special Drawing Rights ("XDR") as required by the World Bank.

USD equivalents of the amounts on these statements are also presented for information and reconciliation purpose using the buying exchange rate of Maritime bank at 28 February 2019 of 1USD = 23,170 VND (2017: 1USD =22,675VND). Exchange differences are presented in the Summary of sources and uses of funds.

### **2.4 Accounting period**

The Project's accounting period is from 1 January to 31 December. The current accounting period is from 1 January 2018 to 28 February 2019 as set out in the Term of Reference of the Contract No. 03/HDTV-VEC/2017 dated 10 February 2017.

### **2.5 Compensation for land clearance and other related costs**

Compensation for land clearance and other related costs is recognised as expenses when the payments are approved by the provincial State Treasury and paid to the impacted persons.

### **2.6 General administration expenses**

Project administration expenses are recognised based on the allocation among projects implemented by VEC as approved by the Board of Members of VEC.

### **2.7 Front-end fee of IBRD loan**

Front-end fee of 0.25% of funds received from IBRD which is USD470.49 million is recorded after the signing date of the Loan Agreement at the receipt of the Bank' Notice.

### **2.8 Commitment charge of IDA loan**

Maximum commitment charge of IDA loan is equal to 0.5% per year on the undrawn fund balance and is recognised annually at the receipt of the Bank's Notice.

## 2.9 Service charge of IDA loan

Service charge is calculated based on the rate of 0.75% on the drawn amounts and is recognised annually at the receipt of the Bank's Notice.

## 2.10 Interest

Interest of IBRD loan is calculated based on the loan balance and the reference rate plus a margin determined by the Loan Agreement. Interest of IDA loan is calculated based on the drawdown balance at the rate of 3.2% per year and is recognised at the receipt of the Bank's Notice.

## 3. IDA/IBRD fund

	Period from 1 January 2018 to 28 February 2019		Accumulated to 28 February 2019	
	USD	VND	USD	VND
<b>IDA fund</b>				
Advanced to designated account	18,000,000.00	419,580,000,000	-	-
Disbursements received	-	-	115,369,572.45	2,501,675,714,647
Loan interests	749,504.10	17,103,683,562	4,381,129.94	98,463,167,410
	<b>18,749,504.10</b>	<b>436,683,683,562</b>	<b>119,750,702.39</b>	<b>2,600,138,882,057</b>
<b>IBRD fund</b>				
Advanced to designated account	-	-	18,000,000.00	400,860,000,000
Disbursements received	40,194,595.48	916,912,361,379	119,257,076.71	2,694,417,143,152
Loan interests	1,125,041.66	25,673,450,681	3,903,450.82	86,490,033,703
	<b>41,319,637.14</b>	<b>942,585,812,060</b>	<b>141,160,527.53</b>	<b>3,181,767,176,855</b>
	<b>60,069,141.24</b>	<b>1,379,269,495,622</b>	<b>260,911,229.92</b>	<b>5,781,906,058,912</b>

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#### 4. Counterpart fund

Details of the counterpart fund provided for the period from 1 January 2018 to 28 February 2019 are as follows:

	For the period from 1 January 2018 to 28 December 2019					
	Balance of advances	Advances	Payment	Balance of	Advances	Payment
	as at 1 January 2018	during the year	during the year	advances as at	accumulated to	accumulated to 28
	VND	VND	VND	28 February 2019	28 February 2019	February 2019
	VND	VND	VND	VND	VND	VND
<b>Counterpart fund – VEC</b>	-	-	-	-	<b>78,057,757,079</b>	<b>78,057,757,079</b>
<b>Counterpart fund – Provincial Implementing Units</b>						
Land Fund Development Center in Nui Thanh	11,772,079,402	13,161,758,800	11,528,155,941	13,405,682,261	300,319,925,101	196,574,248,798
Land Fund Development Center in Tam Ky city	33,611,464,192	-	-	33,611,464,192	93,460,788,000	52,849,323,808
Subproject Management Unit for Land clearance and resettlement in Quang Ngai	9,392,770,363	15,868,484,304	17,550,180,780	7,711,073,887	851,025,179,304	893,157,410,417
Land Fund Development Center in Quang Nam	326,617,558	170,572,352	471,183,315	26,006,595	43,858,299,655	25,741,500,405
Ky Ha Chu Lai Quang Nam Development and Investment One Member Company Limited	22,026,192,301	2,545,858,320	2,117,912,223	22,454,138,398	104,713,574,359	72,065,435,961
	<b>77,129,123,816</b>	<b>31,746,673,776</b>	<b>31,667,432,259</b>	<b>77,208,365,333</b>	<b>1,393,377,766,419</b>	<b>1,240,387,919,389</b>
	<b>77,129,123,816</b>	<b>31,746,673,776</b>	<b>31,667,432,259</b>	<b>77,208,365,333</b>	<b>1,471,435,523,498</b>	<b>1,318,445,676,468</b>



## 5. Expenditure by activities and by sources of fund for the period from 1 January 2018 to 28 February 2019

Category	For the period from 1 January 2018 to 28 February 2019				Accumulated to 28 February 2019			
	IDA	IBRD	Counterpart fund	Total	IDA	IBRD	Counterpart fund	Total
	VND	VND	VND	VND	VND	VND	VND	VND
<b>Component 1</b>	<b>- 1,660,319,342,053</b>	<b>37,593,623,580</b>	<b>1,697,912,965,633</b>	<b>796,115,948,739</b>	<b>4,457,439,577,819</b>	<b>1,354,210,583,819</b>	<b>6,607,766,110,377</b>	
Constructions	- 1,575,921,576,830	-	1,575,921,576,830	682,680,966,169	4,173,347,196,535	-	4,856,028,162,704	
Consultants	- 83,948,613,223	2,723,957,791	86,672,571,014	111,950,360,420	283,643,229,284	8,124,669,211	403,718,258,915	
Relocation of power lines	-	-	3,801,115,500	3,801,115,500	-	-	74,184,035,719	
Land Clearance and Resettlement	-	-	31,068,550,289	31,068,550,289	-	-	1,240,387,919,389	
Bomb clearance	-	-	-	-	-	-	31,113,959,500	
Audit fee	-	449,152,000	-	449,152,000	1,484,622,150	449,152,000	2,333,774,150	
<b>Component 2(a)</b>	<b>17,103,683,562</b>	<b>25,673,450,681</b>	<b>(558,908,138)</b>	<b>42,218,226,105</b>	<b>98,463,167,410</b>	<b>86,490,033,703</b>	<b>214,544,917,248</b>	
Project Management	-	-	(558,908,138)	(558,908,138)	-	-	29,591,716,135	
Front-end fees, commitment and service charges	17,103,683,562	25,673,450,681	-	42,777,134,243	98,463,167,410	86,490,033,703	184,953,201,113	
	<b>17,103,683,562</b>	<b>1,685,992,792,734</b>	<b>37,034,715,442</b>	<b>1,740,131,191,738</b>	<b>894,579,116,149</b>	<b>4,543,929,611,522</b>	<b>6,822,311,027,625</b>	

Category	For the period from 1 January 2018 to 28 February 2019				Accumulated to 28 February 2019			
	IDA	IBRD	Counterpart fund	Total	IDA	IBRD	Counterpart fund	Total
	USD	USD	USD	USD	USD	USD	USD	USD
<b>Component 1</b>	<b>-</b>	<b>71,658,150.28</b>	<b>1,622,512.89</b>	<b>73,280,663.17</b>	<b>35,560,918.74</b>	<b>194,831,268.66</b>	<b>62,251,741.98</b>	<b>292,643,929.38</b>
Constructions	-	68,015,605.39	-	68,015,605.39	30,396,720.15	182,391,216.11	-	212,787,936.26
Consultants	-	3,623,159.82	117,564.00	3,740,723.82	5,095,298.90	12,420,667.48	356,213.95	17,872,180.33
Relocation of power lines	-	-	164,053.32	164,053.32	-	-	3,260,360.34	3,260,360.34
Land Clearance and Resettlement	-	-	1,340,895.57	1,340,895.57	-	-	57,129,133.14	57,129,133.14
Bomb clearance	-	-	-	-	-	-	1,488,436.66	1,488,436.66
Audit fee	-	19,385.07	-	19,385.07	68,899.69	19,385.07	17,597.89	105,882.65
<b>Component 2(a)</b>	<b>749,504.10</b>	<b>1,125,041.66</b>	<b>(24,122.06)</b>	<b>1,850,423.70</b>	<b>4,381,129.94</b>	<b>4,198,172.73</b>	<b>1,049,635.80</b>	<b>9,628,938.47</b>
Project Management	-	-	(24,122.06)	(24,122.06)	-	294,721.91	1,049,635.80	1,344,357.71
Front-end fees, commitment and service charges	749,504.10	1,125,041.66	-	1,874,545.76	4,381,129.94	3,903,450.82	-	8,284,580.76
	<b>749,504.10</b>	<b>72,783,191.94</b>	<b>1,598,390.83</b>	<b>75,131,086.87</b>	<b>39,942,048.68</b>	<b>199,029,441.39</b>	<b>63,301,377.78</b>	<b>302,272,867.85</b>

## 6. Cash at bank

	28 February 2019		31 December 2017	
	USD	Equivalent VND	USD	Equivalent VND
Designated account	2,635,561.42	61,065,958,101	3,811,934.22	86,441,908,300
	<b>2,635,561.42</b>	<b>61,065,958,101</b>	<b>3,811,934.22</b>	<b>86,441,908,300</b>

## 7. Advances to contractors

	28 February 2019			31 December 2017		
	USD	VND	VND Equivalent	USD	VND	VND Equivalent
LOTTE E&C	-	-	-	10,331.79	1,170,332,487	1,350,793,480
POSCO Engineering and Construction Co Ltd	-	-	-	388,926.05	22,147,677,418	30,361,894,318
Shandong Luqiao Group Co Ltd	-	-	-	2,053,941.68	72,838,823,156	114,357,226,629
Jiangsu Provincial Transportation Engineering Construction Corporation 1 – Ministry of Construction Joint venture between Viet Vuong JSC and Vietnam Construction Import and Export	-	-	-	-	104,602,542,306	104,602,542,306
Construction Import and Export	-	-	-	-	116,385,293,738	116,385,293,738
PricewaterhouseCoopers Vietnam Company	-	64,672,006,259	64,672,006,259	-	20,866,508,099	20,866,508,099
Electronic Construction No 4 Co Ltd	-	-	-	-	1,605,738,612	1,605,738,612
Design Survey and Construction Joint Stock Company	-	169,876,084	169,876,084	-	169,876,084	169,876,084
Da Nang Acceptance Council	-	505,226,642	505,226,642	-	505,226,642	505,226,642
Yen Lac Co Ltd	-	250,000,000	250,000,000	-	250,000,000	250,000,000
National Power Transmission No 2 Corporation	-	1,291,437,840	1,291,437,840	-	1,291,437,840	1,291,437,840
Investment Consulting and Construction Verification JSC	-	-	-	-	294,545,945	294,545,945
Technical World Co., Ltd	-	-	-	-	504,536,355	504,536,355
Song Da No 11 JSC	-	-	-	-	561,358,372	561,358,372
UHY Auditing and Consulting Company Limited	-	24,437,201	24,437,201	-	24,437,201	24,437,201
AASC Auditing Firm Company Limited	-	1,221,000,000	1,221,000,000	-	-	-
	-	999,000,000	999,000,000	-	-	-
	-	<b>69,132,984,026</b>	<b>69,132,984,026</b>	<b>2,453,199.52</b>	<b>343,218,334,255</b>	<b>393,131,415,621</b>

## 8. Payables to contractors

	28 February 2019			31 December 2017		
	USD	VND	VND Equivalent	USD	VND	VND Equivalent
DOHWA Engineering	-	482,196,558	482,196,558	75,748.55	(309,024,717)	1,413,876,053
LOTTE E&C	369,727.93	42,213,422,017	50,632,472,677	215,214.11	21,205,286,128	26,100,331,060
POSCO Engineering and Construction Co Ltd	532,770.63	34,090,030,283	46,482,275,137	510,010.17	30,701,492,792	42,301,674,107
Shandong Luqiao Group Co Ltd	-	66,986,540,275	66,986,540,275	183,626.26	14,138,792,428	18,315,371,714
Jiangsu Provincial Transportation Engineering Construction Corporation 1 – Ministry of Construction	-	50,163,806,320	50,163,806,320	-	27,117,748,539	27,117,748,539
Joint venture between Viet Vuong JSC and Vietnam Construction Import and Export	-	34,953,643,478	34,953,643,478	-	8,960,729,995	8,960,729,995
PricewaterhouseCoopers Vietnam Company	-	-	-	-	10,381,386,024	10,381,386,024
PMU1	-	131,702,472	131,702,472	-	4,817,215,838	4,817,215,838
Huu Nghi Nam Lao Co Ltd	-	555,942,800	555,942,800	-	131,702,472	131,702,472
Company of Economic Cooperation- Military Region 4	-	555,942,800	555,942,800	-	555,942,800	555,942,800
319 One Member Company Limited	-	1,638,950,700	1,638,950,700	-	1,638,950,700	1,638,950,700
Mine action and Environment Centre- 5 Area	-	448,378,000	448,378,000	-	448,378,000	448,378,000
Song Da No 11 JSC	-	526,462,300	526,462,300	-	526,462,300	526,462,300
Electronic Construction No 4 Co Ltd	-	465,243,100	465,243,100	-	465,243,100	465,243,100
Power Engineering Consulting No 1 JSC	-	1,150,274,772	1,150,274,772	-	227,855,767	227,855,767
Geophysical JSC	-	9,561,150	9,561,150	-	9,561,150	9,561,150
Power Construction Joint Stock Company No. 1	-	393,783,665	393,783,665	-	1,272,538,695	1,272,538,695
Power Engineering Joint Stock Company	-	614,624,747	614,624,747	-	614,624,747	614,624,747
Vietnam Joint Stock Construction Electricity Corporation	-	294,951,630	294,951,630	-	294,951,630	294,951,630
Song Da 11- Thang Long JSC	-	230,550,969	230,550,969	-	230,550,969	230,550,969
Consulting on traffic safety TV3	-	295,506,045	295,506,045	-	295,506,045	295,506,045
Investment Consulting and Construction Verification JSC	-	21,181,248	21,181,248	-	-	-
	-	110,997,979	110,997,979	-	-	-
	<b>902,498.56</b>	<b>235,777,750,508</b>	<b>256,589,046,022</b>	<b>984,599.09</b>	<b>123,725,895,402</b>	<b>146,120,601,705</b>

## 9. Interest of designated account

		28 February 2019
	USD	Equivalent VND
Opening balance	1,269.81	23,266,269
Bank charge during the year	(880.00)	(20,119,000)
<b>Closing balance</b>	<b>389.81</b>	<b>3,147,269</b>

## 10. Amount withdrawn but not yet claimed

		28 February 2019
		USD
SOE 30 for expenditures from 3 October 2018 to 30 November 2018		5,446,948.16
Amount paid but not yet claimed		9,917,880.23
		<b>15,364,828.39</b>

## 11. Approval for issuance of the financial statements

The financial statements were authorised and approved by Vietnam Expressway Corporation to issue.

Hanoi, Vietnam  
 28 June 2019



**Tran Van Tam**  
 Project Director

**Vu Quoc Khanh**  
 Deputy Director of Finance and  
 Accounting department



# Part II

## Auditors' Report on the Internal Control



Grant Thornton

# Independent Auditors' Report

on the Internal Control over financial reporting  
the Da Nang – Quang Ngai Expressway Development Project  
(Component 1 and 2A funded by World Bank –  
Financing Agreements No. 4942-VN, No. 4941-VN and  
Loan Agreement No.8049-VN)  
for the period from 1 January 2018 to 28 February 2019

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No. 16-11-237-2018-DNQN-2

To: Vietnam Expressway Corporation  
International Development Association  
International Bank for Reconstruction and Development

## Opinion

We have audited the accompanying financial statements of the Da Nang – Quang Ngai Expressway Development Project (Component 1 and 2A funded by World Bank - Financing Agreements No. 4942-VN, No. 4941-VN and Loan Agreement No. 8049-VN) ("the Project") for the period from 1 January 2018 to 28 February 2019, prepared on 28 June 2019, including the Statement of Fund balance as at 28 February 2019, the Summary of Sources and Uses of funds, the Statement of Designated account, the Statement of Loan withdrawals for the period from 1 January 2018 to 28 February 2019, and a summary of significant accounting policies and other explanatory notes, and have issued our report thereon dated 28 June 2019. We conducted our audit in accordance with International Standards on Auditing. As part of the audit of Financial Statements per the Terms of reference, we are required to examine and express opinion on the design and operation of 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.

In our opinion, except for the matter as described in the section "*Basis for qualified auditors' opinion*", in all material respects, the Project's internal controls over compliance with requirements that could have a direct and material financial effect on the financial statements as well as over financial reporting were suitably designed throughout the period from 1 January 2018 to 28 February 2019 and the controls tested, which were those necessary to provide reasonable assurance that the control objectives were achieved, operated effectively throughout the period from 1 January 2018 to 28 February 2019.

This report is intended for the information of the Project Owner of the Project and the World Bank.

## Basis of qualified opinion

In accordance with the cooperation mechanism between the Project Owner ("Vietnam Expressway Corporation") and land clearance units, land clearance units act as sub-project management units for land clearance under Danang – Quang Ngai Expressway Development Project. This cooperation mechanism does not clearly state the responsibility of the land clearance units to provide the Project Owner with provincial state treasury's reconciliation documents as a basis to recognise the actual land clearance costs incurred by the land clearance units. As a result, the figures of advances and actual payments relating to land clearance and resettlement activities were not recognised and reported on a timely basis. For the purpose of financial audit, we have performed necessary reconciliation and proposed adjustments to ensure that the receipts and disbursements in relation to land clearance activities are fully reflected in the audited financial statements.

## The Project Owner's responsibility

The Project Owner is responsible for designing and maintaining 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 assertions as to the effectiveness of such internal control.

## Auditors' responsibility

Our responsibility is to express an opinion on the Project's Financial Statements and on the design and operation of controls over financial reporting, based on our procedures. We conducted our engagement in accordance with the International Standards on Assurance Engagement 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. 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's Financial Statements are fairly presented and the controls are suitably designed and operating effectively.

An assurance engagement to report on the description, design and operating effectiveness of controls at a project involves performing procedures to obtain evidence about the disclosures in the project's description of its system and design and operating effectiveness of controls. The procedures selected depend on the auditor's judgment, including the assessment of risks that the Project's Financial Statements is not fairly presented, and that controls are not suitably designed or operating effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the control objectives were achieved.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### GRANT THORNTON (VIETNAM) LIMITED



**Nguyen Hong Ha**  
CPA Vietnam Practising Certificate  
No: 1710-2018-068-1  
Deputy General Director

Hanoi, Vietnam  
28 June 2019

**Bui Tran Phuong Minh**  
CPA Vietnam Practising Certificate  
No: 2595-2018-068-1  
Auditor

# Part III

## Auditors' Report on the Compliance



# Independent Auditors' Report

on the Compliance  
the Da Nang – Quang Ngai Expressway Development Project  
(Component 1 and 2A funded by World Bank –  
Financing Agreements No. 4942-VN, No. 4941-VN and  
Loan Agreement No.8049-VN)  
for the period from 1 January 2018 to 28 February 2019

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No. 16-11-237-2018-DNQN-3

To: Vietnam Expressway Corporation  
International Development Association  
International Bank for Reconstruction and Development

## Opinion

We have audited the accompanying financial statements of the Da Nang – Quang Ngai Expressway Development Project (Component 1 and 2A funded by World Bank - Financing Agreements No. 4942-VN, No. 4941-VN and Loan Agreement No. 8049-VN) ("the Project") for the period from 1 January 2018 to 28 February 2019, prepared on 28 June 2019, including the Statement of Fund balance as at 28 February 2019, the Summary of Sources and Uses of funds, the Statement of Designated account, the Statement of Loan withdrawals for the period from 1 January 2018 to 28 February 2019, and a summary of significant accounting policies and other explanatory notes, and have issued our report thereon dated 28 June 2019. We conducted our audit in accordance with International Standards on Auditing. As part of the audit of Financial Statements per the Terms of reference, we are required to examine and express opinion on the Project's compliance with Applicable Laws, Regulations and the Procurement Procedures and other Provisions of the Financing Agreements and other Guidance from World Bank.

In our opinion, the Project was, in all material respects, in compliance with Applicable Laws, Regulations and the Procurement Procedures and other Provisions of the funding agreements, Financing Agreements No. 4942-VN, No. 4941-VN and Loan Agreement No. 8049-VN, and other Guidances from the World Bank that could have a direct and material financial effect on the Project's Financial Statements for the period from 1 January 2018 to 28 February 2019.

This report is intended for the information of the Project Owner of the Project and the World Bank.

## The Project Owner's responsibility

The Project Owner is responsible for complying with Applicable Laws, Regulations and the Procurement Procedures and other Provisions of the Financing Agreements and other Guidances from World Bank.

## Auditors' responsibility

Our responsibility is to express an opinion on the Project's compliance with the requirements, based on our procedures. We conducted our engagement in accordance with the International Standards on Assurance Engagement 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. That standards 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 regulatory and contractual requirements at a project involves performing procedures to obtain evidence about whether the project's activities are free of material non-compliance with the requirements. The procedures selected depend on the auditor's 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 effect on the Project's Financial Statements. Our procedures included testing the compliance with the requirements that we consider necessary to provide reasonable assurance that the requirements are complied by the Project.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

**GRANT THORNTON (VIETNAM) LIMITED**



**Nguyen Hong Ha**  
CPA Vietnam Practising Certificate  
No: 1710-2018-068-1  
Deputy General Director

Hanoi, Vietnam  
28 June 2019

**Bui Tran Phuong Minh**  
CPA Vietnam Practising Certificate  
No: 2595-2018-068-1  
Auditor