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ADDITIONAL FINANCING OF VIET NAM MEDIUM CITIES DEVELOPMENT PROJECT
PHU LY CITY SUB-PROJECT

Financing Agreement No.6070-VN and Financing Agreement No.6071-VN

AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 01 JANUARY 2021 TO 31 DECEMBER 2021

May 2022

TABLE OF CONTENTS

CONTENT	PAGE(S)
PART I FINANCIAL STATEMENTS	**1**
STATEMENT OF THE PROJECT MANAGEMENT UNIT	2
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	3
BALANCE SHEET	6
STATEMENT OF PROJECT IMPLEMENTING EXPENDITURES	7
STATEMENT OF FUNDS AND EXPENDITURES	8
STATEMENT OF SOURSES AND USES OF FUNDS	9
STATEMENT OF DESIGNATED ACCOUNT	10
STATEMENT OF WITHDRAWAL	11
NOTES TO THE FINANCIAL STATEMENTS	12
PART II INDEPENDENT AUDITOR'S ASSURANCE REPORT ON COMPLIANCE	**18**
PART III INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE INTERNAL CONTROL	**22**
PART IV MANAGEMENT LETTER	**25**

PART I

FINANCIAL STATEMENTS

STATEMENT OF THE PROJECT MANAGEMENT UNIT

The Project Management Unit of Phu Ly Urban Development, Ha Nam Province (hereinafter referred to as the "PMU") submits its report together with the audited financial statements of Additional Financing of Vietnam Medium Cities Development Project - Phu Ly City Sub-project (hereinafter referred to as "the Project") for the period from 01 January 2021 to 31 December 2021.

Project Management Unit

Members of the Project Management Unit who held office during the period and to the date of this report include:

Mr. Nguyen Ha Anh Tuan	Director
Ms. Pham Thi Quynh Chi	Vice Director
Mr. Nguyen Hong Thanh	Vice Director
Ms. Lai Thuy Hoa	Chief Accountant

Responsibilities of the Project Management Unit

The PMU is responsible for preparing Financial Statements which give a true and fair view of balance of assets, liabilities and funds as at 31 December 2021 as well as the funds received and disbursements made for the period from 01 January 2021 to 31 December 2021 in accordance with the accounting policies as stated in Note 2 and Note 3 of the Notes to the Financial Statements and provisions of the Financing Agreement No.6070-VN and Financing Agreement No.6071-VN. In preparing those financial statements, the PMU is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basic unless it is inappropriate to the presume that the Project will continue in operation; and
- Design and maintain an effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as over financial reporting for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds; and take responsibility for its assertions as to the effectiveness of such internal control.

The PMU 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 financial statements comply with the accounting systems as described in Notes to the Financial Statements as well as laws and other provisions applicable to the Project. 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.

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

For and on behalf of the Project Management Unit,

Nguyen Ha Anh Tuan
Director
Phu Ly City, 20 May 2022

No: 332/2022/UHY - BCKT

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To: **The Project Management Unit**
Additional Financing of Vietnam Medium Cities Development Project
Phu Ly City Sub-project

Opinion

We have audited the financial statements of Additional Financing of Vietnam Medium Cities Development Project - Phu Ly City Sub-project (the Project), which comprise the Balance Sheet as at 31 December 2021, the Statement of Project Implementing Expenditures, the Statement of Funds and Expenditures, and the Statement of Sources and Use of Funds, the Statement of Designated account, and the Statement of withdrawal for the period from 01 January 2021 to 31 December 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Project as at 31 December 2021, and of its receipts, disbursements, expenditures and fund withdrawals of the Project for the period from 01 January 2021 to 31 December 2021, in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the Financial Statements.

Emphasis of matter

We draw reader's attention to Note 2 and Note 3 of the financial statements, which describes the accounting convention and the summary of the significant accounting policies adapted in accordance with the requirements of the World Bank.

Our opinion is not modified in respect of this matter.

Basis for Opinion

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

Responsibilities of the Project Management Unit and those charged with governance for the Financial Statements

The Project Management Unit is responsible for the preparation and presentation, of the financial statements in accordance with the accounting convention and the accounting policies set out in Note 2 and Note 3 of the Notes to the financial statements and for such internal control as the Management determines is necessary to enable the preparation and presentation of the financial statements that are free from material misstatement, whether due to frauds of errors.

Responsibilities of the Project Management Unit and those charged with governance for the Financial Statements (cont'd)

In preparing the financial statements, the 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 the management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities

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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude on the appropriateness of management's use of the going concern basic 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

UHY AUDITING AND CONSULTING COMPANY LIMITED

Nguyen Thi Thu Ha
Auditor
Auditor's Practicing Certificate
No.2277-2018-112-1

Dao Xuan Dzung
Chairman
Auditor's Practicing Certificate
No. 0284-2018-112-1

Hanoi, 20 May 2022

AASC AUDITING FIRM COMPANY LIMITED

Nguyen Pham Hung
Auditor
Auditor's Practicing Certificate
No. 2893 -2020-002-1

Do Manh Cuong
Deputy General Director
Auditor's Practicing Certificate
No. 0744-2018-002-1

BALANCE SHEET
As at 31 December 2021

		Note	31/12/2021 VND	01/01/2021 VND
ASSETS				
I.	**Current assets**		**75,637,941,983**	**30,537,252,416**
	Cash		**48,261,767,610**	**25,764,785,982**
	Cash in bank	6	48,261,767,610	25,764,785,982
	Receivables		**27,376,174,373**	**4,772,466,434**
	Advanced payment to suppliers	7	27,376,174,373	4,772,466,434
II.	**Project's expenditures**		**246,105,666,430**	**95,655,114,768**
	Project implementing expenditures		246,105,666,430	95,655,114,768
TOTAL ASSETS			**321,743,608,413**	**126,192,367,184**
I.	**Liabilities**		**51,040,156,646**	**20,942,128,890**
	Payables to suppliers	8	51,031,775,020	20,931,822,800
	Other payables		8,381,626	10,306,090
II.	**Funds**		**270,703,451,767**	**105,250,238,294**
	Funds for Project's implementation		**271,590,547,890**	**105,552,027,310**
	IDA funds	9	232,386,747,890	83,939,027,310
	Counter-part funds	10	39,203,800,000	21,613,000,000
	Other funds		**(887,096,123)**	**(301,789,016)**
	Foreign exchange difference		(906,729,123)	(321,789,016)
	Receipts from Sale of bidding documents		19,633,000	20,000,000
TOTAL RESOURCES			**321,743,608,413**	**126,192,367,184**

OFF BALANCE SHEET ITEMS	31/12/2021 USD	01/01/2021 USD
Designated Account	2,021,438.83	451,370.62

Nguyen Ha Anh Tuan	**Lai Thuy Hoa**	**Lai Thuy Hoa**
Director	**Chief Accountant**	**Preparer**

Phu Ly City, 20 May 2022

STATEMENT OF PROJECT IMPLEMENTING EXPENDITURES

For the period from 01 January 2021 to 31 December 2021

No.	Contents	Period from 01/01/2021 to 31/12/2021 VND	Accumulated to 31/12/2021 VND
1	Urban Basic Infrastructure Upgrading and Service Improvement	33,755,361,500	80,490,176,600
2	Urban Environment Sanitation	86,394,034,000	126,066,885,000
3	Urban Roads and Bridges	-	-
4	Project Management Support and Technical Assistance	12,204,084,054	15,025,555,554
5	Land Acquisition, Resettlement and Ohers expense	15,687,880,382	17,620,362,050
6	Profiect Management expenses	2,408,619,620	6,882,134,320
7	Other expenses	572,106	20,552,906
		150,450,551,662	**246,105,666,430**

BAN QUẢN LÝ DỰ ÁN PHÁT TRIỂN ĐÔ THỊ PHỦ LÝ TỈNH HÀ NAM

Nguyen Ha Anh Tuan	**Lai Thuy Hoa**	**Lai Thuy Hoa**
Director	**Chief Accountant**	**Preparer**

Phu Ly City, 20 May 2022

STATEMENT OF FUNDS AND EXPENDITURES (*)

For the period from 01 January 2021 to 31 December 2021

Contents	Year 2021				Accumulated to 31/12/2021			
	IDA funds VND	Counterpart funds VND	Other funds VND	Total VND	IDA funds VND	Counterpart funds VND	Other funds VND	Total VND
I. FUNDS	**147,862,780,473**	**17,590,800,000**	**(367,000)**	**165,453,213,473**	**231,480,018,767**	**39,203,800,000**	**19,633,000**	**270,703,451,767**
- IDA funds	148,447,720,580	-	-	148,447,720,580	232,386,747,890	-	-	232,386,747,890
- Counterpart funds (*)	-	17,590,800,000	-	17,590,800,000	-	39,203,800,000	-	39,203,800,000
- Foreign exchange difference	(584,940,107)	-	-	(584,940,107)	(906,729,123)	-	-	(906,729,123)
- Sale of bidding documents		-	(367,000)	(367,000)	-	-	19,633,000	19,633,000
II. EXPENDITURES	**132,354,051,660**	**18,096,500,002**	**-**	**150,450,551,662**	**221,583,537,060**	**24,502,496,370**	**19,633,000**	**246,105,666,430**
- Urban Basic Infrastructure Upgrading and Service Improvement	33,755,361,500	-	-	33,755,361,500	80,490,176,600	-	-	80,490,176,600
- Urban Environment Sanitation	86,394,034,000	-	-	86,394,034,000	126,066,885,000	-	-	126,066,885,000
- Urban Roads and Bridges	-	-	-	-	-	-	-	-
- Project Management Support and Technical Assistance	12,204,084,054	-	-	12,204,084,054	15,025,555,554	-	-	15,025,555,554
- Land Acquisition, Resettlement and Oher Expenses	-	15,687,880,382	-	15,687,880,382	-	17,620,362,050	-	17,620,362,050
- Project Management expenses (*)	-	2,408,619,620	-	2,408,619,620	-	6,882,134,320	-	6,882,134,320
- Other expenses	572,106	-	-	572,106	919,906	-	19,633,000	20,552,906
III. SURPLUS/(DEFICIT)	**15,508,728,813**	**(505,700,002)**	**(367,000)**	**15,002,661,811**	**9,896,481,707**	**14,701,303,630**	**-**	**24,597,785,337**
Represented by:								
Cash								48,261,767,610
Receivables								27,376,174,373
Liabilities								(51,040,156,646)
								24,597,785,337

(*) Accumulated figures includes VND 947,000,000 of funds and expenditures from counterpart funds, transferred from the original project to the additional project.

BAN QUẢN LÝ DỰ ÁN PHÁT TRIỂN ĐÔ THỊ THỊ XÃ PHỦ LÝ TỈNH HÀ NAM

Nguyen Ha Anh Tuan
Director

Lai Thuy Hoa
Chief Accountant

Lai Thuy Hoa
Preparer

Phu Ly City, 20 May 2022

STATEMENT OF SOURCES AND USES OF FUNDS (*)

For the period from 01 January 2021 to 31 December 2021

	Year 2021				Accumulated to 31/12/2021			
	IDA funds VND	Counterpart funds VND	Other funds VND	Total VND	IDA funds VND	Counterpart funds VND	Other funds VND	Total VND
I. RECEIPTS	**148,447,720,580**	**17,590,800,000**	**(367,000)**	**166,038,153,580**	**232,386,747,890**	**39,203,800,000**	**19,633,000**	**271,610,180,890**
- IDA funds	148,447,720,580	-	-	148,447,720,580	232,386,747,890	-	-	232,386,747,890
- Counterpart funds (*)	-	17,590,800,000	-	17,590,800,000	-	39,203,800,000	-	39,203,800,000
- Sale of bidding documents	-	-	(367,000)	(367,000)	-	-	19,633,000	19,633,000
II. DISBURSEMENTS	**112,458,715,006**	**30,495,592,375**	**-**	**142,954,307,381**	**185,694,429,040**	**36,736,003,743**	**19,633,000**	**222,450,065,783**
- Urban Basic Infrastructure Upgrading and Service Improvement	25,186,930,400	-	-	25,186,930,400	61,275,132,200	-	-	61,275,132,200
- Urban Environment Sanitation	80,143,333,000	-	-	80,143,333,000	113,442,815,000	-	-	113,442,815,000
- Urban Roads and Bridges	-	-	-	-	-	-	-	-
- Project Management Support and Technical Assistance	7,127,879,500	-	-	7,127,879,500	10,975,561,934	-	-	10,975,561,934
- Land Acquisition, Resettlement and Oher Consultation Expenses	-	28,086,972,755	-	28,086,972,755	-	29,853,869,423	-	29,853,869,423
- Profiect Management expenses (*)	-	2,408,619,620	-	2,408,619,620	-	6,882,134,320	-	6,882,134,320
- Others expense	572,106	-	-	572,106	919,906	-	19,633,000	20,552,906
Excess/(Deficits) of Receipts over Disbursements (I - II)	**35,989,005,574**	**(12,904,792,375)**	**(367,000)**	**23,083,846,199**	**46,692,318,850**	**2,467,796,257**	**-**	**49,160,115,107**
III. Foreign exchange differences	**(584,940,107)**	**-**	**-**	**(584,940,107)**	**(906,729,123)**	**-**	**-**	**(906,729,123)**
III. OPENING BALANCE	**10,381,524,260**	**15,372,588,632**	**367,000**	**25,754,479,892**	**-**	**-**	**-**	
IV. ENDING BALANCE	**45,785,589,727**	**2,467,796,257**	**-**	**48,253,385,984**	**45,785,589,727**	**2,467,796,257**	**-**	**48,253,385,984**
Represented by:								
Cash								48,261,767,610
Other payables not related to expenditures								(8,381,626)
								48,253,385,984

(*) Accumulated figures includes VND 947,000,000 of funds and expenditures from counterpart funds, transferred from the original project to the additional project.

BAN QUẢN LÝ DỰ ÁN PHÁT TRIỂN ĐÔ THỊ TỈNH

Nguyen Ha Anh Tuan
Director
Phu Ly City, 20 May 2022

Lai Thuy Hoa
Chief Accountant

Lai Thuy Hoa
Preparer

STATEMENT OF DESIGNATED ACCOUNT
For the period from 01 January 2021 to 31 December 2021

Account No.: 1014712914
Depositary Bank: Saigon - Ha Noi Commercial Joint Stock Bank - Ha Nam Branch
Financing Agreement: 6070-VN and 6071-VN
Currency: USD

	Year 2021 USD	From 15/12/2017 to 31/12/2020 USD
PART A: ACCOUNT ACTIVITIES		
Opening balance of designated account	**451,370.62**	-
Add		
Total amount advanced by the World Bank to the Designated Account in the year	6,494,401.00	3,620,245.00
Deduct		
Total amount withdrawn	4,924,307.79	3,168,859.38
Bank charges	25.00	15.00
Ending balance of designated account	**2,021,438.83**	**451,370.62**
PART B: RECONCILIATION		
Opening balance of advances by the World Bank	**1,705,820.20**	-
Add		
Total amount advanced by the World Bank to the Designated Account in the year	6,494,401.00	3,620,245.00
Deduct		
Total amount applied for advance clearance and approved by the World Bank	6,107,647.17	1,914,424.80
Oustanding advance from the World Bank to the Designated Account at the year end	**2,092,574.03**	**1,705,820.20**
Ending balance of advance account	**2,021,438.83**	**451,370.62**
Add		
Amount withdrawn but not yet claimed	71,095.20	8,307.86
Amount claimed in but not yet approved by the World Bank	-	1,246,126.72
Overseas bank charges	40.00	15.00
Total advance accounted for at the year end	**2,092,574.03**	**1,705,820.20**

Nguyen Ha Anh Tuan	Lai Thuy Hoa	Lai Thuy Hoa
Director	Chief Accountant	Preparer

Phu Ly City, 20 May 2022

STATEMENT OF WITHDRAWAL

For the period from 01 January 2021 to 31 December 2021

Withdrawal Applications			Amount claimed for disbursement (Advance) (a)	Amount claimed for advance clearance				Amount received			Difference	
No.	Date	Currency		Urban Basic Infrastructure Upgrading and Service Improvement	Urban Environment Sanitation	Urban Roads and Bridges	Project Management Support and Technical Assistance	Total (b)	Date	Amount disbursed (c)	Amount approved for advance clearance (d)	(a-c) (b-d)	
Accumulated to 31/12/2020		USD	4,050,680.00	1,561,341.09	1,440,896.53	-	158,313.90	3,160,551.52		3,620,245.00	1,914,424.80	1,676,561.72	(*)
Increases during the year		USD	6,063,966.00	1,046,291.19	3,511,442.88	-	303,786.38	4,861,520.45		6,494,401.00	6,107,647.17	(1,676,561.72)	
Advance account			*6,063,966.00*	*1,046,291.19*	*3,511,442.88*	-	*303,786.38*	*4,861,520.45*		*6,494,401.00*	*6,107,647.17*	*(1,676,561.72)*	
05/DAPL-IDA	29/12/2020	USD	-	-	-	-	-	-	08/01/2021	430,435.00	1,246,126.72	(1,676,561.72)	(*)
07/DAPL-IDA	16/04/2021	USD	1,173,046.00	415,798.11	148,372.27	-	-	564,170.38	11/05/2021	1,173,046.00	564,170.38	-	
08/DAPL-SUF	16/04/2021	USD	1,932,634.00	-	-	-	116,917.25	116,917.25	04/05/2021	1,932,634.00	116,917.25	-	
08/DAPL	04/10/2021	USD	-	-	226,759.10	-	166,420.89	393,179.99	21/10/2021	-	393,179.99	-	
09/DAPL-SUF	14/10/2021	USD	2,109,286.00	356,666.83	1,765,118.61	-	-	2,121,785.44	20/10/2021	2,109,286.00	2,121,785.44	-	
10/DAPL-SUF	21/12/2021	USD	849,000.00	273,826.25	1,371,192.90	-	20,448.24	1,665,467.39	23/12/2021	849,000.00	1,665,467.39	-	
Accumulated to 31/12/2021			10,114,646.00	2,607,632.28	4,952,339.41	-	462,100.28	8,022,071.97		10,114,646.00	8,022,071.97	-	

(*) Difference is due to the Withdrawal applications for advance clearance No.05/DAPL-IDA from the Financing Agreement No. Cr.6070-Vn that was dated 29 December 2020 with amount claimed for advance is USD 430,435 and amount claimed for advance clearance is USD 1,246,126.72 but accepted by World Bank on 08 January 2021.

Nguyen Ha Anh Tuan
Director

Lai Thuy Hoa
Chief Accountant

Lai Thuy Hoa
Preparer

Phu Ly City, 20 May 2022

NOTES TO THE FINANCIAL STATEMENTS
(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

1. PROJECT BACKGROUND

1.1 The Medium Cities Development Project

The Medium Cities Development Project (hereinafter referred to as the "Original project") operates under Credit Agreement No. 5013-VN dated 12 January 2012 signed between the Socialist Republic of Vietnam and the International Development Association ("IDA").

The objective of the Medium Cities Development Project is to increase access to improve urban infrastructure service in Lao Cai City, Phu Ly City and Vinh City in a sustainable and efficient manner.

The Medium Cities Development includes 03 Parts: (i) Part A: Support to Lao Cai City; (ii) Part B: Support to Phu Ly City; (iii) Part C: Support to Vinh City.

The Medium Cities Development Project – Part B: Support to Phu Ly City includes the following components:

Urban Basic Infrastructure Upgrading and Service Improvement: Improvement of urban infrastructure and service conditions in existing or newly developed urban areas including construction and rehabilitation of basic infrastructure systems such as water supply and sanitation, drainage, power supply, lighting, roads, schools.

Urban Environment Sanitation: Construction and rehabilitation of primary and secondary infrastructure for drainage, wastewater collection and treatment, and flood mitigation, including construction and rehabilitation of selected small lakes.

Urban road and Bridges: Construction of urban roads and bridges.

Project Management Support and Technical Assistance: Provision of support for (a) project management and supervision; (b) independent social, environment and financial account monitoring; (c) urban planning, asset management, safeguards, and internal audit capacity building; (d) equipment and facilities including the acquisition of one car; (e) training and capacity building; and (f) management and administration.

The total fund of the Project is USD 68.7 million, including:

IDA funds	:	USD 57.5 million
Counterpart funds	:	USD 11.2 million

The Project has been implemented since 12 January 2012 (the date of the Credit Agreement) and completed on 31 December 2019 (Disbursement Deadline Date of the Project according to the Announcement dated 26 June 2019 of the World Bank).

1.2 Additional Financing of Vietnam Medium Cities Development Project

The total cost of the Âdditional Financing of Vietnam Medium Cities Development Project (the "Project") is US$ 325,15 million, of which the total investment for the Parent Project is US$ 258,9 million and for the Additional Financing stage is US$ 53,0 million. This amount includes investments and costs related to land acquisition and resettlement, and all taxes. The Bank will finance 74% of the investments, while the Cities will finance the remaining 26% which is principally for land acquisition, resettlement, and PMU operational costs. The total financing from the Bank will be US$238.5 million, on IDA/IDA-SUF Terms.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

1. PROJECT BACKGROUND (CONT'D)

1.3 Additional Financing of Vietnam Medium Cities Development Project - Phu Ly City Sub-project

The total fund of the Project (according to Decision No. 351/QD-TTg dated March 21, 2017 of the Prime Minister) is USD 32.91 million, including:

IDA funds	:	USD 26 million
Counterpart funds	:	USD 6.91 million

The Project has been implemented since 15 December 2017 (the date of the Financing Agreement). Additional Financing project duration: 03 years, from 31/12/2017 to 31/12/2020. The project has been extended to 30 June 2022 according to Decision No. 2235/QD-CTN dated 17 December 2020 of the President on extending the loan closing date of the Financing Agreements No. 6070 - VN and SUF Financing Agreement No. 6071 - VN for Vietnam Medium Cities Development Project.

The Sub-project includes the following components:

Component 1: Urban Basic Infrastructure Upgrading and Service Improvement (USD 7.7 million)

a. Investment items using IDA fund: USD 6.5 million:

- Construction of Phu Van kindergarten in Phu Van Commune, Phu Ly City: for 500 pupils; Construction of a kindergarten to meet the design criteria of national standard school according to Decision No. 36/2008 / QD-BGDDT dated 16/07/2008 in compliance to National Kindergarten Standards. The construction activities includes: classrooms and functional rooms; Areas for outdoor activities of children within kindergarten age range: Bio-landscape garden, sand playground, water-splash tank; green vegetable garden etc.

- Upgrading Tran Quoc Toan Primary School, Hai Ba Trung Ward: Construction of a kindergarten to meet the design criteria of National Kindergarten Standards according to Decision No. 32/2005/QĐ-BGDĐT dated 24/10/2005. The construction activities includes: classrooms and functional rooms; Areas for outdoor activities of children within kindergarten age range: Bio-landscape garden, sand playground, water-splash tank; greens and vegetable garden etc.

b. Investment items using IDA SUF fund: USD 19.5 million

- Upgrading infrastructure for the 03 low -incomes residential area, including: (1) Upgrading infrastructure for the residential area in the North Quang Trung Ward; (2) Upgrading infrastructure in Duong Am Community, Lam Ha Ward; and (3) Upgrading infrastructure in Quynh Chan Community, Lam Ha Ward.

- Investments includes: (i) Upgrading existing internal roads; (ii) Installation of combined drainage-sewer pipelines; (iii) water supply pipeline expansion network connecting to the existing main supply; and (iv) Power supply for lighting system at some main roads.

Component 2: Urban Water Supply and Environmental Sanitation (USD 9.2 million)

a. Investment items using IDA fund: USD 6.5 million:

- Upgrading Lam Ha 1 regulation lake, Lam Ha Ward: Investments includes: Lake embankment improvement, Tree planting, lighting system ; Construction of path walk; Installation of interceptor sewers and wastewater separation wells or combine sewer overflow (CSO) around the lake to collect and transport wastewater to wastewater treatment plant.

- Upgrading Drainage and Technical Infrastructure System for Bien Hoa Road: Installing the surface water and wastewater drainage system; Re-surfacing of road and intersections; Rehabilitation of lighting power system; Upgrading sidewalk and greenery system.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

1. PROJECT BACKGROUND (CONT'D)

1.3 Additional Financing of Vietnam Medium Cities Development Project - Phu Ly City Sub-project (Cont'd)

b. Investment items using IDA SUF: USD 19.5 million

- Construction of Chau Giang River Southern Embankment from Liem Chinh Bridge to Cau Gie-Ninh Binh Expressway: construction of embankment segment at the North riverside to prevent inland flood, facilitate the inspection and management of dikes in the storm and flooding season. Construction of Chau Giang River southern embankment from Liem Chinh Bridge to Cau Gie-Ninh Binh Expressway with total length of 3.300 km and construction of the prevention/ dike road of 1.8 km long and 13.5 m wide.

Component 3: Urban Roads and Bridges (USD 6.5 million)

Investment items using IDA SUF fund: USD 19.5 million

- Upgrading Tran Hung Dao Road from Liem Chinh Bridge to Cau Gie-Ninh Binh Expressway: Upgrading the route with alignment and cross-sectional size constructed based on the current existing road. Investments include: Rehabilitation with expansion of the existing road; drainage/lighting system; facilities for pedestrians; lighting system and greenery system.

  Alignment is followed the old DT 491 Road, in compliance with the city master planning.

Component 4: Project Management and Technical Assistance (USD 1,2 million)

Including: (i) IBRD/IDA SUF source supports all activities of construction supervision, procurement, contracts management; Independent environmental and social safeguard monitoring, independent auditing etc. (ii) CF fund: costs of review/examination and evaluation; PMU staff salaries, office and other expenses related to PMU's management of the project.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention, except for the Statement of Designated Account and statement of Withdrawals which are expressed in original currencies. These financial statement are prepared in accordance which the accounting policies set out in Note 3 and the requirement of the World Bank.

The accompanying financial statements exclude figures in the Project preparation period.

Financial year

The Project's financial year begins on 01 January and ends on 31 December.

These financial statements were prepared for the period from 01 January 2021 to 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation

Transactions arising in foreign currencies are translated into Vietnam Dong (VND) at exchange rates ruling on the transaction date. The balances of monetary items denominated in foreign currencies at the balance sheet date are retranslated at the exchange rates on the same date.

Foreign exchange differences are not cash flows. However, the effect of changes in foreign exchange rates is reported separately in the Statement of Sources and Uses of Funds in order to reconcile with balances of assets and liabilities in the Balance Sheet.

Recognition of funds and expenditures
Funds and expenditures are recognized when incurred, except for compensation expenditures for households which are recognized based on actual payment to beneficiaries and under State Treasury verification.

4. DESIGNATED ACCOUNT

Designated Account is a deposit account in United State Dollar opened at Saigon - Ha Noi Commercial Joint Stock Bank - Ha Nam Branch for the implementation of the Project activities. Payments out of Designated Account are for expenditures in accordance with the relevant covenants of Financing Agreement No.6070-VN and Financing Agreement No.6071-VN and relevant regulations set by the World Bank.

5. STATEMENT OF SOURCES AND USES OF FUNDS

Statement of Sourses and Uses of Funds is prepared based on actual cash flows; specifically:

Cash inflow is the actual cash flow received from the World bank (WB), counterpart fund and other funds.

Cash-outflow is the actual cash outflow from the Project management unit for the project's cost items of this year and the amount paid to the supplier during the current year and those brought forward.

Closing balance is based on the opening balance of cash flow plus cash inflows and minus cash outflow for the year. This balance is reconciled with the balance sheet items as at the end of the fiscal year.

Accumulated figures are presented for the period from the commencement date of the Project to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

6. CASH

	31/12/2021		01/01/2021	
	USD	Equivalent to VND	USD	Equivalent to VND
Account in VND	-	2,476,177,883	-	15,383,261,722
+ Cash in treasury	-	*2,467,796,257*	-	*15,372,955,632*
+ BIDV	-	*7,375,720*	-	*9,302,343*
+ SHB	-	*1,005,906*	-	*1,003,747*
Account in USD	2,021,438.83	45,785,589,727	451,370.62	10,381,524,260
+ Designate Account	*2,021,438.83*	*45,785,589,727*	*451,370.62*	*10,381,524,260*
	2,021,438.83	**48,261,767,610**	**451,370.62**	**25,764,785,982**

7. ADVANCED PAYMENT TO SUPPLIERS

	31/12/2021 VND	01/01/2021 VND
Urban Development Investment Corporation - Joint Stock Company	3,031,332,000	-
Hai Son Development Investment JSC	12,111,335,000	-
Phu Ly City Land Fund Development Center	12,233,507,373	-
CEEN - Construction and Environmental Engineering JSC	-	199,567,600
Joint Venture Hiep Thanh Company Ltd and Thanh Dat Development Investment JSC	-	1,249,326,000
EXP International Services INC	-	3,323,572,834
	27,376,174,373	**4,772,466,434**

8. PAYABLES TO SUPPLIERS

	31/12/2021 VND	01/01/2021 VND
Urban Development Investment Corporation - Joint Stock Company	20,742,934,000	6,373,369,000
CEEN - Construction and Environmental Engineering JSC	112,089,400	142,441,000
Vietnam Construction and Environment JSC	920,799,500	2,354,488,500
Joint Venture Hiep Thanh Company Ltd and Thanh Dat Development Investment JSC	7,808,796,400	11,895,939,300
Hai Son Development Investment JSC	18,430,051,000	
EXP INTERNATIONAL SERVICES INC	3,017,104,720	
Huy Hoang Measuring Design Survey JSC	-	165,585,000
	51,031,775,020	**20,931,822,800**

9. IDA FUND

	Accumulated to 31/12/2021		Accumulated to 31/12/2020	
	USD	VND equivalent	USD	VND equivalent
Designated Account	10,114,646.00	232,386,747,890	3,620,245.00	83,939,027,310
	10,114,646.00	**232,386,747,890**	**3,620,245.00**	**83,939,027,310**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
(These notes are an integral part of and should be read in conjunction with the accompanying financial statements)

10. COUNTERPART FUND

	Accumulated to 31/12/2021 VND	Accumulated to 31/12/2020 VND
The Counterpart funds transferred from the Original project to the Additional Financing	947,000,000	947,000,000
Budget for the Additional Financing	38,256,800,000	20,666,000,000
	39,203,800,000	**21,613,000,000**

11. COMPARATIVE FIGURES

The comparative figures are from audited financial statements for the period from 15 December 2017 to 31 December 2020.

Nguyen Ha Anh Tuan	**Lai Thuy Hoa**	**Lai Thuy Hoa**
Director	**Chief Accountant**	**Preparer**

Phu Ly City, 20 May 2022

PART II

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON COMPLIANCE

STATEMENT OF THE PROJECT MANAGEMENT UNIT ON COMPLIANCE

The Project Management Unit is responsible for complying with Financing Agreement No. 6070-VN and Financing Agreement No. 6071-VN, laws and regulation applicable to the Project.

The Project Management Unit confirms the following:

- An effective internal control has been designed and maintained over compliance with Financing Agreement No. 6070-VN and Financing Agreement No. 6071-VN, laws and regulations applicable to the Project;
- The Project has complied with Financing Agreement No. 6070-VN and Financing Agreement No. 6071-VN, laws and regulations that could have a direct and material financial effect on the Project's financial statements for the period from 01 January 2021 to 31 December 2021;
- The Project's receipts and disbursements via the designated account for the period from 01 January 2021 to 31 December 2021 are in accordance with the relevant covenants of Financing Agreement No. 6070-VN and Financing Agreement No. 6071-VN and prevailing relevant regulations established by the World Bank;
- The withdrawal applications were adequately reconciled to the statements of expenditure (SOEs) prepared by the Project Management Unit for the period from 01 January 2021 to 31 December 2021 and those SOEs were adequately supported;
- The proceeds of the loan were used only for the purposes of the Project;
- The Project Management Unit has complied with the financial covenants of the Credit Agreement.

For and on behalf of the Project Management Unit,

Nguyen Ha Anh Tuan
Director
Phu Ly City, 20 May 2022

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON COMPLIANCE

To: **The Project Management Unit**
Additional Financing of Vietnam Medium Cities Development Project
Phu Ly City Sub-project

Report on compliance

We have audited, in accordance with International Standards on Auditing, the financial statements of Additional Financing of Vietnam Medium Cities Development Project - Phu Ly City Sub-project (hereinafter referred to as the "Project") for the period from 01 January 2021 to 31 December 2021 and issued the independent auditor's thereon dated 20 May 2022 expressing an unqualified 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 Financing Agreement No. 6070-VN and Financing Agreement No. 6071-VN, laws and regulations that could have a direct and material financial effect on the Project's Financial statements for the period from 01 January 2021 to 31 December 2021 (hereinafter referred to as "Requirements").

Responsibilities of the Project Management Unit

The Project Management Unit is responsible for complying with the Financing Agreement No. 6070-VN and Financing Agreement No. 6071-VN, laws and regulations applicable to the Project.

Our Independence and Quality Control

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

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

Auditor's Responsibilities

Our responsibility is to express an opinion on Project's compliance based on the evidence we have obtained. 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 conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits and Reviews of Historical Financial Information ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether, in all material respects, the Project has complied with the requirements.

A reasonable assurance engagement in accordance with ISAE 3000 to report on the Project's compliance with the requirements involves performing procedures to obtain evidence about whether the Project's activities are free of material noncompliance with the requirements, including obtaining an understanding of the internal control relevant to the Project's compliance with the requirements. The procedures selected depends on the auditor's judgement, including the assessment of risks that the Project does not comply with the requirements and whether such noncompliance could have a direct and material financial effect on the Project's financial statements. Our procedures included testing the compliance with the requirements that we consider necessary to provide reasonable assurance that the requirements are compiled by the Project.

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

Head Office: 5th Floor, B2 Tower, Roman Plaza, To Huu Street, Dai Mo Ward, Nam Tu Liem District, Hanoi, Vietnam.
Phone: 84 24 5678 3999
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Opinion

In our opinion:

- The Project has complied, in all material respects, with Financing Agreement No. 6070-VN and Financing Agreement No. 6071-VN, laws and regulations that could have a direct and material financial effect on the Project's financial statements for the period from 01 January 2021 to 31 December 2021;

- The Project's receipts and disbursements via the designated account for the period from 01 January 2021 to 31 December 2021 are in accordance with the relevant covenants of Financing Agreement No. 6070-VN and Financing Agreement No. 6071-VN and prevailing relevant regulations established by the World Bank;

- The withdrawal applications were adequately reconciled to the statements of expenditure (SOEs) prepared by the Project Management Unit for the period from 01 January 2021 to 31 December 2021 and those SOEs were adequately supported;

- The proceeds of the loan were used only for the purposes of the Project;

- The Project Management Unit has complied with the financial covenants of the Credit Agreement.

Other matter

Our audit works include assessing the PMU's compliance in the past at a specific point in time. Therefore, our examination does not give an assurance for the future periods because of the risk that the Project's requirements may change or the degree of compliance with the requirements may deteriorate.

UHY AUDITING AND CONSULTING COMPANY LIMITED

Nguyen Thi Thu Ha
Auditor
Auditor's Practicing Certificate
No.2277-2018-112-1

Dao Xuan Dzung
Chairman
Auditor's Practicing Certificate
No. 0284-2018-112-1

AASC AUDITING FIRM COMPANY LIMITED

Nguyen Pham Hung
Auditor
Auditor's Practicing Certificate
No. 2893 -2020-002-1

Do Manh Cuong
Deputy General Director
Auditor's Practicing Certificate
No. 0744-2018-002-1

Hanoi, 20 May 2022

PART III

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE INTERNAL CONTROL

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE INTERNAL CONTROL

To: The Project Management Unit
Additional Financing of Vietnam Medium Cities Development Project
Phu Ly City Sub-project

Report on internal control

We have audited, in accordance with International Standards on Auditing, the financial statements of Additional Financing of Vietnam Medium Cities Development Project - Phu Ly City Sub-project (hereinafter referred to as the "Project") for the period from 01 January 2021 to 31 December 2021 and issued the independent auditor's thereon dated 20 May 2022 expressing an unqualified opinion on those financial statements.

In connection with our audit of the Project's 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 of internal control over financial reporting, and issue the Independent Auditor's assurance report on internal control.

Responsibilities of Project Management Unit

As stated in the Statement of the Project Management Unit on page 2, the Project Management Unite 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 minimize errors and frauds; and takes responsibility for its assertions as to the effectiveness of such internal control.

Our Independence and Quality Control

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

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

Auditors' Responsibility

Our responsibility is to express an opinion on 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 internal control over financial reporting based on our examination. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits and Reviews of Historical Financial Information ("ISAE 3000"), issued by the International Auditing and Assurance Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether, in all material respects, the management has maintained effective internal control over compliance with the 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 of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as of internal control over financial reporting, testing and evaluating the design and operating effectiveness of the internal control, and performing such other procedures as we considered necessary in the circumstances to obtain sufficient appropriate evidence on which to base our opinion. Because of inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of control, material misstatements due to error or fraud may occur and not to be detected. Also, projections of any evaluation of the effectiveness of 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 our audit provides a reasonable basis for our opinion.

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Phone: 84 24 5678 3999
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Opinion

In our opinion, the Project Management Unit has maintained, in all material respects, effective internal control over compliance with requirements that could have a direct and material financial effects on the Project's financial statements preparation as well as the internal control system over the Project's financial statements preparation for the period from 01 January 2021 to 31 December 2021.

UHY AUDITING AND CONSULTING COMPANY LIMITED

Nguyen Thi Thu Ha
Auditor
Auditor's Practicing Certificate
No.2277-2018-112-1

Dao Xuan Dzung
Chairman
Auditor's Practicing Certificate
No. 0284-2018-112-1

AASC AUDITING FIRM COMPANY LIMITED

Nguyen Pham Hung
Auditor
Auditor's Practicing Certificate
No. 2893 -2020-002-1

Do Manh Cuong
Deputy General Director
Auditor's Practicing Certificate
No. 0744-2018-002-1

Hanoi, 20 May 2022