THE SECOND NORTHERN MOUNTAINS POVERTY REDUCTION PROJECT (ADDITIONAL FINANCING)

Credit Number 5596 – VN
Central Project Coordination Office

AUDITED FINANCIAL STATEMENTS
For the year ended 31 December 2017

2018 -06- 29
# The Second Northern Mountains Poverty Reduction Project – Additional Financing

Credit Number 5596 - VN  
Central Project Coordination Office

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</tbody>
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REPORT OF THE CENTRAL PROJECT COORDINATION OFFICE


The Project

The Project is implemented under the Credit Number 5596 – VN dated 09 July 2015 between the Socialist Republic of Vietnam and the International Development Association ("IDA").

The Central Project Coordination Office

Members of the Central Project Coordination Office in the year and to the reporting date are:

Mr. Nguyen Thanh Duong Director
Mrs. Nguyen Thi Minh Nghia Deputy Director
Mrs. Tran Thu Thuy Accountant

Auditors

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

Responsibilities of the Central Project Coordination Office

The Central Project Coordination Office is responsible for preparing the Project financial statements, including Statement of Receipt, Disbursement and Fund balance, Statement of Designated Account, Statement of Withdrawals, which comply with the accounting policies described in the attached Notes to the Financial Statements. The Central Project Coordination Office assures that the accounting policies are appropriately selected and consistently applied.

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

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

On behalf of the Central Project Coordination Office

Nguyen Thi Minh Nghia
Deputy Director

Hanoi, 11 June 2018
INDEPENDENT AUDITORS’ REPORT ON THE FINANCIAL STATEMENTS

To: The Central Project Coordination Office of the Second Northern Mountains Poverty Reduction Project

Opinion

We have audited the accompanying financial statements of the Second Northern Mountains Poverty Reduction Project ("the Project") – Additional Financing implemented at the Central Project Coordination Office which comprise Statement of Receipt, Disbursement and Fund balance, Statement of Designated Account, Statement of Withdrawals for the year ended 31 December 2017, 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, including the balance of the Designated Account as at 31 December 2017, funds received and disbursement paid, movements of the Designated Account for the year then ended in accordance with the basis of the principal accounting policies described in the Notes to the Financial Statements and the provisions of the Credit Number 5596 - VN dated 09 July 2015.

- In addition, with respect to Statements of Expenditure, adequate supporting documents have been fully maintained to support to the replenishment requests submitted to the International Development Association. The expenditures are eligible and in right purposes of the Credit Number 5596 - VN dated 09 July 2015.

Basis of Opinion

We conducted our audit in accordance with the 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 Central Project Coordination Office in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Central Project Coordination Office for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.

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

We communicate with the Central Project Coordination Office 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.

AASC Limited

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

Hanoi, 11 June 2018

Nguyen Pham Hung
Auditor in-charge
CPA Registered No.: 2893-2015-002-1
# The Second Northern Mountains Poverty Reduction Project – Additional Financing

**Credit Number** 5596 - VN  
**Central Project Coordination Office**

## Financial Statements  
**Year ended 31 December 2017**

### STATEMENT OF RECEIPT, DISBURSEMENT AND FUND BALANCE

*For the year ended 31 December 2017*

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>Accumulated to 31/12/2016</th>
<th>Year ended 31/12/2017</th>
<th>Accumulated to 31/12/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>VND</td>
<td>VND</td>
<td>VND</td>
</tr>
</tbody>
</table>

#### I. Receipt

1. Receipts from the International Development Association  
   - 3  
   - 24,695,940,631  
   - 9,133,100,236  
   - 33,829,040,867

2. Receipts from the Vietnamese Government  
   - 2,609,546,956  
   - 1,752,115,826  
   - 4,361,662,782

3. Others - Bank interest  
   - 1,354,700  
   - 509,300  
   - 1,864,000

#### II. Disbursement

1. Capacity building and Communication  
   - 4,238,608,000  
   - 1,734,950,000  
   - 5,973,558,000

2. Project management  
   - 14,297,458,381  
   - 17,774,182,625  
   - 32,071,641,006

#### III. Surplus/(Deficit)

- 8,770,775,906  
- (8,623,407,263)  
- 147,368,643

Foreign exchange differences  
- 76,865,007  
- (17,487,756)  
- 59,377,251

#### IV. Fund balance at the end of the year/period

- 8,847,640,913  
- 206,745,894

Presented by:

Cash at bank  
- 8,847,640,913  
- 206,745,894
# The Second Northern Mountains Poverty Reduction Project
- Additional Financing
Credit Number 5596 - VN
Central Project Coordination Office

## Financial Statements
Year ended 31 December 2017

---

### STATEMENT OF DESIGNATED ACCOUNT

For the period: from 01/01/2017 to 31/12/2017  
Account holder: The Central Project Coordination Office  
of the Second Northern Mountains Poverty Reduction Project  
Account No: 1200208015985  
Serving bank: Viet Nam Bank for Agriculture and Rural Development – Operations Centre branch  
Address: No. 2 Lang Ha street, Ba Dinh district, Hanoi

### PART A: ACTIVITIES

<table>
<thead>
<tr>
<th>Note</th>
<th>USD</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td></td>
<td>382,624.03</td>
</tr>
</tbody>
</table>

Add:  
- Total amounts deposited by the IDA  
  402,548.29  
- Oversea bank charges refunded by the serving bank (i)  
  55.00  

402,603.29

Deduct: Total amounts withdrawn  
(785,044.62)

Closing balance  
182.70

### PART B: RECONCILIATION

1. Amount advanced by the IDA  
  500,000.00

2. Deduct: Amount recovered by the IDA  
  (198,985.16)

3. Present outstanding amount advanced to  
  301,014.84

4. Closing balance  
  182.70

5. Add:  
- Amounts claimed but not yet received (ii)  
  300,802.14  
- Oversea bank charges  
  30.00  

300,832.14

6. Total advances accounted for  
  301,014.84

(i) Oversea bank charge of USD 55 was charged per fund received from the IDA under Withdrawal Application No.04/CPO/NMPRP2/AF  
(ii) Claimed at Withdrawal Application No. 08/CPO/NMPRP2/AF dated 21/12/2017.

---
## STATEMENT OF WITHDRAWALS
*For the year ended 31 December 2017*

<table>
<thead>
<tr>
<th>Withdrawal applications</th>
<th>Categories</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Works, Goods, Consultant's services, Training and Incremental Operating costs</td>
<td>USD</td>
</tr>
<tr>
<td>No.</td>
<td>Date</td>
<td></td>
</tr>
<tr>
<td>05/CPO/NMPRP2/AF</td>
<td>23/01/2017</td>
<td>198,985.16</td>
</tr>
<tr>
<td>06/CPO/AF</td>
<td>24/07/2017</td>
<td>206,601.87</td>
</tr>
<tr>
<td>07/CPO/NMPRP2/AF</td>
<td>09/10/2017</td>
<td>195,961.42</td>
</tr>
<tr>
<td>08/CPO/NMPRP2/AF</td>
<td>21/12/2017</td>
<td>300,802.14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>902,350.59</strong></td>
</tr>
</tbody>
</table>
The Second Northern Mountains Poverty Reduction Project – Additional Financing
Credit Number 5596 - VN
Central Project Coordination Office

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. Background

The Second Northern Mountains Poverty Reduction Project – Additional Financing ("the Project") is implemented under the Credit Number 5596 – VN dated 09 July 2015 between the Socialist Republic of Vietnam and the International Development Association ("IDA"). The Agreement officially came into operation since 07/10/2015 and is expected to close on 30/06/2018.

The objective of the Project is to enhance the living standards of the Project's beneficiaries by improving: (i) their access to productive infrastructure; (ii) the productive and institutional capacities of local governments and communities; (iii) Commune integrated investment planning; (iv) Market linkages and business innovations.

The Project includes the following parts:

Part 1: District Economic Development

Provision of support for the implementation of District Socio-Economic Development Plans focusing on productive infrastructure for local employment and income generation, and diversification of the livelihoods of the rural poor; including:

- Provision of support for financing small and medium size investment projects including, but not limited to, intra-commune roads, small-scale irrigation schemes, drinking water supplies and rural markets; and
- Provision of support to improve supply side and market institutions for the poor including: (i) carrying out of research and analytical studies to identify market opportunities and create enabling environment; (ii) establishing partnerships with banks, nongovernmental organizations, private sector for providing dedicated linkage support to rural producers and microenterprises; and (iii) provision of Innovation Grants to promote innovative business ideas and unconventional approaches for business linkages for the rural poor.

Part 2: Commune Development Budget

Provision of Grants to finance Sub-Projects to support the implementation of the Commune Development Plans, including:

- Small scale communal infrastructure activities including, but not limited to, road repair, micro-irrigation systems, and markets;
- Livelihood support to the poor to assist them to form common interest groups, develop necessary skills and explore linkage with credit and markets;
- Support for women's social and economic development activities; and
- Operation and maintenance.

Part 3: Capacity Building and Communication

Strengthening human resource capacity of the Project stakeholders at Central, Province, District, Commune, and Village levels, including capacity building for:

- District and Commune staff to prepare socio-economic development plans and facilitate their process;
- Project staff and local cadre training on Project implementation and management;
- Training on job skills and knowledge for employment opportunities;
- Safeguarding assets of communes and households including understanding and mitigating natural disaster risks, and climate change adaptation;
- Information sharing and learning and communication; and
- Institutional development.
Part 4: Project Management

Provision of support for effective Project management, monitoring, and evaluation, including facilitation of implementation, coordination, and quality enhancement efforts, in addition to internal and external supervision and auditing.

The Project is implemented in 6 provinces, including Lao Cai, Yen Bai, Hoa Binh, Son La, Dien Bien and Lai Chau by the Ministry of Planning and Investment of Vietnam under a decentralized system consisting of 6 implementing Provincial Project Management Units ("PPMUs"). The Central Project Coordination Office ("CPO") is the working center between the donor and the concerned ministries and branches, commands and coordinates the project preparation and implementation, and implements other tasks.

The Project is managed by CPO of the Project under Department of Agriculture Economy, and its office is located at Floor 12, HAREC Building - No. 4A Lang Ha Street, Ba Dinh District, Hanoi.

2. Principal Accounting Policies

a. Basis of preparation of the Financial Statements

The annual accounting period commences from 1st January and ends at 31st December.

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

The Financial statements are prepared for funds received and disbursement at CPO.

The principal accounting policies are summarized as below:

b. Foreign currencies

Receipts from the IDA and disbursements in foreign currencies are converted into VND under exchange rates announced by the serving bank (mentioned at Note 2d) at transaction dates.

Before 2017, monetary items denominated in foreign currencies were not revalued annually at balance sheet date as the provisions on Circular No. 195/2012/TT-BTC dated 15 November 2012. However, to provide more reliable and relevant information of the Project’s financial position, such items are annually re-evaluated at actual exchange rates (buying exchange rate with assets / selling exchange rate with liabilities) of the serving bank at the balance sheet date on the Financial Statements of 2017. All exchange differences as a result of the revaluation are recorded and presented as "Foreign exchange differences" on Statement of Receipt, Disbursement and Fund balance (Note 7).

c. Receipt and Disbursement

Receipt:

- Receipts from the IDA are recorded when remittance is made into Designated Account or direct payment made to contractors/suppliers.
- Receipts from the Vietnamese Government (the Counterpart fund) are recorded when payments are made directly from the Vietnamese Government to contractors/ suppliers of the Project or funds are remitted to the CPO for settlement of the Project’s activities.

Disbursement:

Disbursements are recognized when payments are made by the Project to contractors/ suppliers or beneficiaries for relevant the Project activities under the Projects’ parts.
The Second Northern Mountains Poverty Reduction Project
– Additional Financing
Credit Number 5596 - VN
Central Project Coordination Office

Financial Statements
Year ended 31 December 2017

d. Designated account and its interest

Designated Account is the deposit account in USD opened at Viet Nam Bank for Agriculture and Rural Development – Operations Centre branch for the Project's activities. Payments made via Designated Account are for eligible expenditures of the Project in accordance with the provisions of the Credit Number 5596 - VN dated 09/07/2015.

Interest of the Designated Account is considered as receipts of the State Budget and initially recorded as Other receipts in Statement of Receipt, Disbursement and Fund balance and used to cover bank charges. At the end of the Project, outstanding interests will be returned to the Vietnamese Government. In case bank charges are not fully covered by the interests, it will be settled by the Vietnamese Government (According to Circular No.111/2016/TT-BTC dated 30 June 2016 which comes into force from 01 November 2016).

3. Receipts from the International Development Association


4. Disbursement

Disbursement by categories

<table>
<thead>
<tr>
<th>Year ended 31/12/2017</th>
<th>Accumulated to 31/12/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>Equivalent to VND</td>
</tr>
<tr>
<td>Designated Account</td>
<td></td>
</tr>
<tr>
<td>Advance</td>
<td>-</td>
</tr>
<tr>
<td>Replenishment</td>
<td>402,603.29</td>
</tr>
<tr>
<td></td>
<td>402,603.29</td>
</tr>
</tbody>
</table>

Credit Number 5596 - VN finances 100% of expenditures including taxes and duties.
The Second Northern Mountains Poverty Reduction Project
- Additional Financing
Credit Number 5596 - VN
Central Project Coordination Office

Financial Statements
Year ended 31 December 2017

Actual disbursement versus its plan by parts

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31/12/2017</th>
<th>Variances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Planned (*)</td>
</tr>
<tr>
<td>Capacity building and Communication</td>
<td>1,734,950,000</td>
<td>5,000,000,000</td>
</tr>
<tr>
<td>Project management</td>
<td>17,774,182,625</td>
<td>32,800,000,000</td>
</tr>
<tr>
<td></td>
<td>19,509,132,625</td>
<td>37,800,000,000</td>
</tr>
</tbody>
</table>

(*) According to the 2017 budget approval under Decision No. 182/QD-BKHDT dated 23/02/2017 by CPO.

Accumulated to 31/12/2017

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Planned</th>
<th>Variances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VND</td>
<td>VND</td>
<td>VND</td>
</tr>
<tr>
<td>Capacity building and Communication</td>
<td>5,973,558,000</td>
<td>9,000,000,000</td>
<td>(3,026,442,000)</td>
</tr>
<tr>
<td>Project management</td>
<td>32,071,641,006</td>
<td>50,300,000,000</td>
<td>(18,228,358,994)</td>
</tr>
<tr>
<td></td>
<td>38,045,199,006</td>
<td>59,300,000,000</td>
<td>(21,254,800,994)</td>
</tr>
</tbody>
</table>

5. Cash at bank

<table>
<thead>
<tr>
<th></th>
<th>31/12/2016</th>
<th>31/12/2017</th>
<th>(Represented)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VND</td>
<td>VND</td>
<td></td>
</tr>
<tr>
<td>Designated Account (USD)</td>
<td>4,142,723</td>
<td>8,697,044,202</td>
<td></td>
</tr>
<tr>
<td>Counterpart fund Account (VND)</td>
<td>202,603,171</td>
<td>150,596,711</td>
<td></td>
</tr>
<tr>
<td></td>
<td>206,745,894</td>
<td>8,847,640,913</td>
<td></td>
</tr>
</tbody>
</table>

6. Subsequent events

There have been no significant events occurring after the reporting date, which would require adjustments or disclosures to be made in the financial statements.
7. Corresponding figures

The corresponding figures are the financial statements for the period ended 31 December 2016 which were audited by AASC Limited, in which the following items have been represented due to change of the policy to revaluate the exchange rate difference at the end of the year (Note 2b):

Financial statements for the period from 09/07/2015 to 31/12/2016

<table>
<thead>
<tr>
<th>Items</th>
<th>Presented</th>
<th>Represented</th>
<th>Variances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange differences</td>
<td>-</td>
<td>76,865,007</td>
<td>76,865,007</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>8,770,775,906</td>
<td>8,847,640,913</td>
<td>76,865,007</td>
</tr>
</tbody>
</table>

8. Approval of the financial statements

The financial statements were approved by the Central Project Coordination Office for issuance on 11 June 2018.

Nguyen Thi Minh Nghia
Deputy Director

Hanoi, 11 June 2018
## RECONCILIATION OF THE IDA FUND
### For the year ended 31/12/2017

<table>
<thead>
<tr>
<th>No.</th>
<th>Date</th>
<th>Currency</th>
<th>Amount claimed (a)</th>
<th>Amount received (b)</th>
<th>Variances (b-a)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/CPO/NMPRP2/AF</td>
<td>23/01/2017</td>
<td>USD</td>
<td>198,985.16</td>
<td>-</td>
<td>(198,985.16)</td>
<td>(i)</td>
</tr>
<tr>
<td>06/CPO/AF</td>
<td>24/07/2017</td>
<td>USD</td>
<td>206,601.87</td>
<td>206,586.87</td>
<td>(15.00)</td>
<td>(ii)</td>
</tr>
<tr>
<td>07/CPO/NMPRP2/AF</td>
<td>09/10/2017</td>
<td>USD</td>
<td>195,961.42</td>
<td>195,961.42</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>08/CPO/NMPRP2/AF</td>
<td>21/12/2017</td>
<td>USD</td>
<td>300,802.14</td>
<td>-</td>
<td>(300,802.14)</td>
<td>(iii)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>902,350.59</td>
<td>402,548.29</td>
<td>(499,802.30)</td>
<td></td>
</tr>
</tbody>
</table>

(i) Amount recovered by the IDA  
(ii) Oversea bank charges  
(iii) Received on 11 January 2018
INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL SYSTEM

To: The Central Project Coordination Office
of the Second Northern Mountains Poverty Reduction Project

We have audited, in accordance with the International Standards on Auditing, the financial statements of the Second Northern Mountains Poverty Reduction Project ("the Project") – Additional Financing implemented at the Central Project Coordination Office for the year ended 31 December 2017 and issued the auditor's report thereon dated 11 June 2018 with an opinion on those financial statements.

In connection with our audit of the financial statements, we also examined the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as the internal control over financial reporting for the year ended 31 December 2017.

Responsibilities of the Central Project Coordination Office

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

Auditor’s Responsibility

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

Our examination was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Project has maintained an effective internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting.

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

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

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

In our opinion, the Project has maintained an effective internal control over misstatements that could have a direct and material financial effect on the Project financial statements for the year ended 31 December 2017.

AASC Limited

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

Nguyen Pham Hung
Auditor in-charge
CPA Registered No.: 2893-2015-002-1

Hanoi, 11 June 2018
INDEPENDENT AUDITORS’ REPORT ON THE COMPLIANCE

To: The Central Project Coordination Office
of the Second Northern Mountains Poverty Reduction Project

We have audited, in accordance with the International Standards on Auditing, the financial statements of the Second Northern Mountains Poverty Reduction Project – Additional Financing ("the Project") implemented at the Central Project Coordination Office for the year ended 31 December 2017 and issued the auditor’s report thereon dated on 11 June 2018 with an opinion on those financial statements.

In connection with the audit of the financial statements, we also performed procedures on the Project’s compliance with the Credit Number 5596 - VN dated 09/07/2015, law and regulations that have a direct and material effect on the Project’s financial statements for the year ended 31 December 2017 ("the Requirements").

Responsibilities of the Central Project Coordination Office

The Central Project Coordination Office is responsible for complying with the Requirements applicable to the Project.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Project’s compliance with the Requirements based on our procedures. We limited our tests of compliance to the Requirements, and we did not test compliance with all laws and regulations applicable to the Project.

We performed our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the Project has complied with the Requirements.

An assurance engagement to report on the compliance with the Requirements at the Project involves performing procedures to obtain evidence about whether the Project’s activities are free of material non-compliance with the Requirements, including obtaining an understanding of the internal control relevant to the Project’s compliance with the Requirements. The procedures selected depend on the auditors’ judgment, including the assessment of risks that the Project does not comply with the Requirements and whether such non-compliance could have a direct and material financial effect on the Project’s financial statements. Our procedures included testing the compliance with the Requirements we consider necessary to provide a reasonable assurance that the Requirements are complied by the Project.

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

In our opinion, the Project has complied with the Requirements that could have a direct and material financial effect on the Project's financial statements for the year ended 31 December 2017.

AASC Limited

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

Hanoi, 11 June 2018

Nguyen Pham Hung
Auditor in-charge
CPA Registered No.: 2893-2015-002-1