Public Disclosure Authorized

North East and Red River Delta Regions Health System Support Project

(Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA))

Financial statements

31 December 2016

North East and Red River Delta Regions Health System Support Project

Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA)

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North East and Red River Delta Regions Health System Support Project

Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA)

REPORT OF THE PROJECT MANAGEMENT

The management of North East and Red River Delta Regions Health System Support Project (the "Project") presents this report and its financial statements as at 31 December 2016 and for the year then ended.

THE PROJECT MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Project management is responsible for the financial statements as at 31 December 2016 and for the year then ended which gives a true and fair view of:

- the assets, liabilities and fund balance as at 31 December 2016;
- the receipt, expenditure and fund balance for the year ended 31 December 2016;
- the statement of cash flows of the Project for the year ended 31 December 2016;
- the balances of the designated account as at 31 December 2016 and the movements of this account for the year then ended; and
- the statements of expenditures (SOEs) for the year ended 31 December 2016.

In preparing these financial statements, the Project management is required to:

- select suitable accounting policies and then apply them consistently in accordance with the International Public Sector Accounting Standards ("IPSAS"); the Financing Agreement No. IDA 5259 – VN ("Financing Agreement") between the Government of the Socialist Republic of Vietnam and the International Development Association ("IDA"); the Project Operation Manual ("POM");
- state whether applicable accounting policies have been followed, subject to any material departures disclosed and explained in the financial statements; and
- design and implement an effective internal control to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

The Project management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy, the Project's assets, liabilities and fund balance; its receipt and expenditure and its cash flows for the reporting period and accounting books compliance with applicable accounting policies. 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 Project management confirms that they have complied with the above requirements in preparing the financial statements.

North East and Red River Delta Regions Health System Support Project

Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA)

REPORT OF THE PROJECT MANAGEMENT (continued)

STATEMENT BY THE PROJECT MANAGEMENT

The Project management does hereby state that, in its opinion:

- the accompanying financial statements give a true and fair view of the fund balance of the Project as at 31 December 2016, its receipt and expenditure and its cash flows for the year then ended, the balance of designated account as at 31 December 2016 and its movements for the year then ended and the statement of expenditures for the year ended 31 December 2016 in accordance with IPSAS, Financing Agreement and POM;
- the funds provided by IDA and the Government of Vietnam are utilised for the purposes defined in the Financing Agreement;
- the Project complies with the Financing Agreement, POM, and other applicable law and regulations; and
- the Project designs and implements an effective internal control to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, as well as to ensure compliance with the Financing Agreement, POM, law and regulations applicable to the Project.

For and on behalf of the Project management:

BỘ Y TẾ
BAN QUẢN LÝ DỰ ÁN HỖ TRỢ Y TẾ CÁC TỈNH ĐÔNG BẮC BỘ VÀ ĐỒNG BẰNG SÔNG HỒNG

Mr Pham Le Tuan
Project Director

Hanoi, Vietnam

15 June 2017

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To: The Central Project Management Unit of North East and Red River Delta Regions Health System Support Project

Opinion

We have audited the financial statements of North East and Red River Delta Regions Health System Support Project ("the Project"), as set out on pages 5 to 25, which comprise the balance sheet as at 31 December 2016, the statement of receipt, expenditure and fund balance as at 31 December 2016 and for the year then ended, the statement of cash flows, the statement of designated account and the statement of expenditures for the year ended 31 December 2016, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Project are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements and the Project Operation Manual ("POM").

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Accounting Policies

We draw attention to Note 3 to the financial statements, which describes the accounting policies. Our opinion is not modified in respect of this matter.

Responsibilities of the Central Project Management Unit to the Financial Statements

The Central Project Management Unit is responsible for the preparation of these financial statements in accordance with the accounting policies as described in Note 3 to the financial statements and POM, and for such internal control as the Project management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

M.S.N: 0300811802-001-C.T.T.N.H.H
CÔNG TY TNHH ERNST & YOUNG VIỆT NAM CHI NHÁNH HÀ NỘI
Q. HOÀN KIẾM - T.P HÀ NỘI

Ernst & Young Vietnam Ltd.

Ernst & Young Vietnam Limited

Hanoi, Vietnam

15 June 2017

North East and Red River Delta Regions Health System Support Project

Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA)

BALANCE SHEET
as at 31 December 2016

Currency: VND

	Notes	*Ending balance*	*Beginning balance (restated)*
ASSETS			
Cash	4	76,627,107,518	99,871,434,212
Advances to suppliers	5.1	73,981,200,215	7,435,038,000
Advances to Project implementation partners	5.2	12,166,174,895	9,739,868,239
Advances to Project's staffs	5.3	502,654,400	-
Other receivables	6	434,951,104	12,649,131
		163,712,088,132	**117,058,989,582**
LIABILITIES AND FUND BALANCE			
Payables to suppliers	7.1	105,088,800,127	22,375,652,677
Payables to Project implementation partners	7.2	11,660,592,615	527,427,743
Payables to Project's staffs	7.3	318,536,424	127,495,095
Other payables	8	374,704,041	284,969,886
Fund balance		46,269,454,925	93,743,444,181
		163,712,088,132	**117,058,989,582**

Ms Dang Thi Phuong Nga
Chief Accountant

BAN QUẢN LÝ DỰ ÁN HỖ TRỢ Y TẾ CÁC TỈNH ĐÔNG BẮC BỘ VÀ ĐỒNG BẰNG SÔNG HỒNG

Mr Pham Le Tuan
Project Director

Hanoi, Vietnam

15 June 2017

North East and Red River Delta Regions Health System Support Project

Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA)

STATEMENT OF RECEIPT, EXPENDITURE AND FUND BALANCE
as at 31 December 2016 and for the year then ended

Currency: VND

	Notes	*For the year ended 31 December 2016*	*For the period from 17 October 2013 to 31 December 2016*
RECEIPT			
Contribution from the International Development Association	9	654,726,529,610	913,791,018,098
Contribution from the Government of Vietnam	10	24,889,857,629	46,310,937,273
Bank interests	11	43,699,432	173,095,135
Other receipts	12	74,897,721	258,936,051
TOTAL RECEIPT		**679,734,984,392**	**960,533,986,557**
EXPENDITURE	**13**		
Component I: Strengthening the capacity of lower level hospitals to deliver quality services		665,318,374,154	772,603,326,593
Component II: Reducing the financial barriers to access health services for the economically vulnerable people		54,899,655,849	105,967,628,020
Component III: Project management, monitoring and evaluation		20,287,824,478	54,862,228,401
TOTAL EXPENDITURE		**740,505,854,481**	**933,433,183,014**
SURPLUS OF RECEIPT OVER EXPENDITURE		**(60,770,870,089)**	**27,100,803,543**
Foreign exchange differences		13,296,880,833	19,168,651,382
FUND BALANCE AT THE BEGINNING OF THE YEAR/PERIOD		**93,743,444,181**	**-**
FUND BALANCE AT THE END OF THE YEAR/PERIOD		**46,269,454,925**	**46,269,454,925**

BAN QUẢN LÝ DỰ ÁN HỖ TRỢ Y TẾ CÁC TỈNH ĐÔNG BẮC BỘ VÀ ĐỒNG BẰNG SÔNG HỒNG

Ms Dang Thi Phuong Nga
Chief Accountant

Mr Pham Le Tuan
Project Director

Hanoi, Vietnam

15 June 2017

North East and Red River Delta Regions Health System Support Project

Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA)

STATEMENT OF CASH FLOWS
as at 31 December 2016 and for the year then ended

Currency: VND

	Notes	*For the year ended 31 December 2016*	*For the period from 17 October 2013 to 31 December 2015*
Surplus of receipt over expenditure during the year/period		**(60,770,870,089)**	**87,871,673,632**
Increase in advances		(69,475,123,271)	(17,174,906,239)
Increase in other receivables		(422,301,973)	(12,649,131)
Increase in payables		94,127,087,806	23,315,545,401
Net cash flows from operating activities of the Project		**(36,541,207,527)**	**93,999,663,663**
Net cash flows from investing activities of the Project		-	-
Net cash flows from financing activities of the Project		-	-
Net increase in cash		**(36,541,207,527)**	**93,999,663,663**
Cash at beginning of the year/period		**99,871,434,212**	-
Foreign exchange differences		13,296,880,833	5,871,770,549
Cash at end of the year/period	**4**	**76,627,107,518**	**99,871,434,212**

Ms Dang Thi Phuong Nga
Chief Accountant

BAN QUẢN LÝ DỰ ÁN HỖ TRỢ Y TẾ CÁC TỈNH ĐÔNG BẮC BỘ VÀ ĐỒNG BẰNG SÔNG HỒNG

Mr Pham Le Tuan
Project Director

Hanoi, Vietnam

15 June 2017

North East and Red River Delta Regions Health System Support Project

Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA)

STATEMENT OF DESIGNATED ACCOUNT
as at 31 December 2016 and for the year then ended

RECONCILIATION OF DESIGNATED ACCOUNT

Currency: USD

	As at 31 December 2016
Advance withdrawal	**15,000,000**
Balance of designated account as at 31 December 2016	**2,503,529**
Increase:	
Amount withdrawn and not yet claimed as at 31 December 2016	12,496,471
Total advance to designated account as at 31 December 2016	**15,000,000**

Ms Dang Thi Phuong Nga
Chief Accountant

BAN QUẢN LÝ DỰ ÁN HỖ TRỢ Y TẾ CÁC TỈNH ĐÔNG BẮC BỘ VÀ ĐỒNG BẰNG SÔNG HỒNG

Mr Pham Le Tuan
Project Director

Hanoi, Vietnam

15 June 2017

North East and Red River Delta Regions Health System Support Project

Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA)

STATEMENT OF DESIGNATED ACCOUNT (continued)
as at 31 December 2016 and for the year then ended

BALANCE AND MOVEMENTS OF DESIGNATED ACCOUNT

	Notes	*USD*	*VND Equivalent*
Balance as at 1 January 2016		**3,435,510**	**77,195,920,261**
Increase:			
Amount deposited by the International Development Association	9	29,846,474	654,726,529,610
Foreign exchange differences		-	13,295,213,128
Decrease:			
Amount withdrawn		30,778,455	689,741,950,371
Balance as at 31 December 2016	**4**	**2,503,529**	**55,475,712,628**
Balance as at 31 December 2016 as per bank statement	**4**	**2,503,529**	**55,475,712,628**

Ms Dang Thi Phuong Nga
Chief Accountant

BAN QUẢN LÝ DỰ ÁN HỖ TRỢ Y TẾ CÁC TỈNH ĐÔNG BẮC VÀ ĐỒNG BẰNG SÔNG HỒNG

Mr Pham Le Tuan
Project Director

Hanoi, Vietnam

15 June 2017

North East and Red River Delta Regions Health System Support Project

Under the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association (IDA)

STATEMENT OF EXPENDITURES
for the year ended 31 December 2016

	Advance withdrawal		Component I: Strengthening the capacity of lower level hospitals to deliver quality services		Component II: Reducing the financial barriers to access health services by the economically vulnerable people		Component III: Project management monitoring and evaluation		Total	
Application No.	USD	VND Equivalent	USD	VND Equivalent	USD	VND Equivalent	USD	VND Equivalent	USD	VND Equivalent
Withdrawal Application No. 10	-	-	1,368,870	29,776,048,800	762,474	16,583,663,620	117,970	2,564,660,555	2,249,314	48,924,372,975
Withdrawal Application No. 11	-	-	356,646	7,855,109,000	301,072	6,642,383,700	44,663	977,430,684	702,381	15,474,923,384
Withdrawal Application No. 12	-	-	1,528,886	33,985,734,769	-	-	271,314	6,038,503,220	1,800,200	40,024,237,989
Withdrawal Application No. 13	4,800,000	105,057,600,000	-	-	-	-	-	-	4,800,000	105,057,600,000
Withdrawal Application No. 14	-	-	1,490,640	33,259,244,222	449,447	10,022,959,550	30,145	670,700,910	1,970,232	43,952,904,682
Withdrawal Application No. 15	-	-	1,789,900	39,906,392,450	106,382	2,333,770,300	16,986	372,458,100	1,913,268	42,612,620,850
Withdrawal Application No. 16	-	-	1,882,588	41,982,409,000	57,929	1,293,589,566	12,946	289,189,280	1,953,463	43,565,187,846
Withdrawal Application No. 17	-	-	2,225,004	49,556,221,840	23,557	525,090,000	35,825	799,223,245	2,284,386	50,880,535,085
Withdrawal Application No. 18	-	-	2,733,710	60,939,384,140	270,034	6,028,175,118	64,233	1,434,820,683	3,067,977	68,402,379,941
Withdrawal Application No. 19	-	-	2,778,559	61,924,161,870	448,577	9,993,656,250	38,940	867,908,500	3,266,076	72,785,726,620
Withdrawal Application No. 20	-	-	3,500,900	78,000,096,600	338,983	7,499,233,864	30,813	686,207,600	3,870,696	86,185,538,064
Withdrawal Application No. 21	-	-	1,755,723	39,125,876,238	64,172	1,429,953,897	148,586	3,312,062,423	1,968,481	43,867,892,558
Total	**4,800,000**	**105,057,600,000**	**21,411,426**	**476,310,678,929**	**2,822,627**	**62,352,475,865**	**812,421**	**18,013,165,200**	**29,846,474**	**661,733,919,994**

Ms Dang Thi Phuong Nga
Chief Accountant

BAN QUẢN LÝ DỰ ÁN HỖ TRỢ Y TẾ CÁC TỈNH ĐÔNG BẮC BỘ VÀ ĐỒNG BẰNG SÔNG HỒNG

Mr Pham Le Tuan
Project Director

Hanoi, Vietnam

15 June 2017

1. PROJECT BACKGROUND

On 1 August 2013, the Government of the Socialist Republic of Vietnam and the International Development Association ("IDA") signed the Financing Agreement ("Financing Agreement") for North East and Red River Delta Regions Health System Support Project ("the Project") with total credit facility of US$135 million and being effective since 17 October 2013. Fundings from the Vietnamese Government is approximately VND 105.18 billion; equivalent to USD 5 million; in which funding from the central government is approximately VND 40 billion, and those from local government is approximately VND 65.18 billion.

The Project aims to assist the implementation of the national health strategy to promote access to necessary health services in provinces under the Project, which complies to the national strategies and policies on developing the health system, especially the elimination of overcrowding and the universal health coverage policy, by enhancing the capacity in delivering qualified health services and managing at provincial and district level, and by promoting access to these services, with priority to disadvantaged groups in the North East and Red River Delta Regions through:

(i) Improve technical capacity and managing capacity in health services delivery system at provincial and district level to promote the quality of health services in five specialized departments: oncology, cardiology, obstetrics, pediatrics, and trauma;

(ii) Expand the scope of health coverage for the near-poor; and

(iii) Enhance the managing capacity, leadership, and technical transfer in health sector in provinces under the Project as well as the participating central hospitals.

The Project will be implemented in 13 provinces in the Red River Delta and North East Regions, including Lang Son, Bac Giang, Thai Nguyen, Yen Bai, Tuyen Quang, Phu Tho, Hung Yen, Hai Duong, Thai Binh, Nam Dinh, Ha Nam, Ninh Binh, Hoa Binh and Thai Nguyen Central General Hospital ("BVDK TW").

The Project is implemented by the Ministry of Health of the Socialist Republic of Vietnam under a decentralized system consisting of 13 implementing Provincial Project Management Units ("PPMU"), Thai Nguyen Central General Hospital ("BVDK TW") and Central Project Management Unit in Hanoi ("CPMU").

The project consists of 3 following components:

(i) Component 1 – Strengthening the capacity of lower level hospitals to deliver quality services, including 2 sub-components:

- sub-component 1A: Provincial sub-projects for the development of medical services and quality improvement; and
- sub-component 1B: National policy and central level technical support for reducing hospital overcrowding and quality.

(ii) Component 2 – Reducing the financial barriers to access health services by the economically vulnerable people: includes 3 sub-components:

- sub-component 2A: Direct subsidies to support the purchase of health insurance by the near-poor;
- sub-component 2B: Coverage of catastrophic health care expenditure at lower level hospitals; and
- sub-component 2C: Support information, education and communication activities about health insurance.

(iii) Component 3 - Project Management, monitoring and evaluation.

2. BASIS OF PREPARATION

The Project's financial statements, except for the statement of designated account, are expressed in Vietnam dong ("VND"). The statement of designated account is expressed in United States dollars ("USD").

The Project's financial statements are prepared in accordance with the International Public Sector Accounting Standards Board ("IPSAS"); the Financing Agreement No. IDA 5259 – VN between the Government of the Socialist Republic of Vietnam and the International Development Association ("IDA"); and the Project Operation Manual ("POM").

The Project's financial statements include financial statements of CPMU, 13 PPMU and Thai Nguyen Central General Hospital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies adopted in the preparation of the financial statements are set out below.

Contribution from International Development Association ("IDA")

Contributions from IDA are recognized when funds are transferred to the Project's designated account which is managed by the CPMU, rather than when being committed or budgeted.

Contribution from the Vietnamese Government

Contributions from the Vietnamese Government are recognized when cash is deposited in the Project's accounts at the CPMU, 13 PPMU and Thai Nguyen Central General Hospital or is disbursed through the Project's accounts at the CPMU, 13 PPMU and Thai Nguyen Central General Hospital, rather than when being committed or budgeted.

Other income

Other incomes include:

- Bank interests, which are recognised when cash is actually received after being net off with bank charges incurred during the period; and
- The proceeds from sale of biding documents which are recorded when actually received, after being net off with bidding costs incurred.

Expenditures

Except for advance to Project staffs and other receivables, expenditures are recognized as follows:

- For the Project's expenditures financed by IDA, expenditures are recorded upon the approval of the Project management based on the accompanying documents.
- For the Project's expenditures financed by the Government of Vietnam, expenditures are recorded when following criteria are satisfied:
  - activities and the certificate of work completion or equivalent documents are completed by the end of reporting year;
  - supporting documents are approved by the Project management during the year or within January of the following year; and
  - supporting documents are approved and paid by the State Treasury during the year or within January of the following year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign exchange differences

Receipts in foreign currencies by CPMU are converted into VND using the monthly exchange rate declared by the Ministry of Finance in the month of the receipts. Expenditures in foreign currencies are converted into VND using the exchange rate ruling at the date of transaction at the buying exchange rate quoted by Lien Viet Post Joint Stock Commercial Bank. Monetary items which are denominated in foreign currencies, are translated into VND at the exchange rate quoted by State Bank at the reporting date.

Foreign exchange differences are presented separately in the statement of receipt, expenditure and fund balance for the reporting year.

Advances to implementing partners and project staffs

Advances to implementing partners and project staffs to implement the Project's activities are carried as part of the fund balance until subsequent liquidation or clearance at approval of the Project management.

Payables

Payables are recognized as follows:

- For the Project's activities financed by IDA, payables are recorded upon the approval of the Project management based on accompanying documents.
- For the Project's activities financed by the Government of Vietnam, payables are recorded when following criteria are satisfied:
  - activities and the certificate of work completion or equivalent documents are completed by the end of reporting year;
  - supporting documents are approved by the Project management during the year or within January of the following year; and
  - supporting documents are approved and paid by the State Treasury within January of the following year.

Personal income tax awaiting for payment to the tax authority and contribution based on salary awaiting for payment to insurance department in the reporting date are presented as payables in the balance sheet.

Fixed asset and machinery expenses

Fixed asset and machinery expenses are charged as the Project's expenses upon finalization and approval of the Project management. List of assets are maintained for management and monitoring purpose.

4. CASH

Currency: VND

	CPMU	*Ha Nam PPMU*	*Yen Bai PPMU*	*Phu Tho PPMU*	*Tuyen Quang PPMU*	*Thai Binh PPMU*	*Ninh Binh PPMU*	*Hung Yen PPMU*
Cash in banks	**55,524,791,580**	**1,568,888,704**	**887,767,478**	**2,191,880,922**	**282,257,487**	**3,167,908,842**	**1,314,796,932**	**1,792,675,766**
Designated accounts	55,475,712,628	-	-	-	-	-	-	-
Bank accounts at provinces	-	1,564,326,080	882,688,499	1,803,197,555	279,704,271	3,124,616,000	1,268,791,864	1,719,614,745
Interest bank accounts	2,672,819	4,562,624	5,078,979	60,590,394	1,962,454	18,354,864	11,132,847	8,064,121
Sales of bidding document accounts	46,250,627	-	-	328,092,973	590,762	24,937,978	20,501,272	64,996,900
Other accounts	155,506	-	-	-	-	-	14,370,949	-
Cash on hand	**61,302,785**	**15,787,010**	**6,300,000**	**3,581,000**	**29,318,757**	**12,277,000**	**19,242,000**	-
TOTAL	**55,586,094,365**	**1,584,675,714**	**894,067,478**	**2,195,461,922**	**311,576,244**	**3,180,185,842**	**1,334,038,932**	**1,792,675,766**

	Hoa Binh PPMU	*Nam Dinh PPMU*	*Hai Duong PPMU*	*Thai Nguyen PPMU*	*BVDK TW Thai Nguyen*	*Bac Giang PPMU*	*Lang Son PPMU*	*Total*
Cash in banks	**42,486,817**	**193,618,853**	**1,996,652,007**	**405,234,290**	**3,237,018,507**	**2,293,297,845**	**1,498,035,302**	**76,397,311,332**
Designated accounts	-	-	-	-	-	-	-	55,475,712,628
Bank accounts at provinces	38,124,640	186,456,110	1,968,086,301	133,140,620	2,682,891,509	2,281,825,996	1,471,812,690	19,405,276,880
Interest bank accounts	4,362,177	6,567,797	28,098,574	1,530,359	1,021,998	11,471,849	8,427,418	173,899,274
Sales of bidding document accounts	-	-	467,132	270,563,311	553,105,000	-	17,795,194	1,327,301,149
Other accounts	-	594,946	-	-	-	-	-	15,121,401
Cash on hand	**57,086,100**	**5,200,000**	**1,126,000**	**4,701,590**	**7,485,944**	-	**6,388,000**	**229,796,186**
TOTAL	**99,572,917**	**198,818,853**	**1,997,778,007**	**409,935,880**	**3,244,504,451**	**2,293,297,845**	**1,504,423,302**	**76,627,107,518**

5. ADVANCES

5.1 Advances to suppliers

Currency: VND

	Ending balance	*Beginning balance*
CPMU	64,063,016,315	3,633,038,000
Yen Bai PPMU	1,048,000,000	740,000,000
Phu Tho PPMU	1,555,469,200	-
Tuyen Quang PPMU	381,582,000	-
Thai Binh PPMU	64,386,000	-
Ninh Binh PPMU	-	1,958,000,000
Hoa Binh PPMU	4,702,857,000	1,104,000,000
Nam Dinh PPMU	2,165,889,700	-
TOTAL	**73,981,200,215**	**7,435,038,000**

5.2 Advances to Project's implementation partners

Currency: VND

	Ending balance	*Beginning balance*
CPMU	11,527,296,453	6,399,807,655
Ha Nam PPMU	-	78,023,150
Yen Bai PPMU	-	445,000,000
Phu Tho PPMU	-	70,000,000
Tuyen Quang PPMU	78,414,928	250,000,000
Thai Binh PPMU	-	296,548,000
Ninh Binh PPMU	-	160,000,000
Hung Yen PPMU	100,623,514	117,000,000
Hoa Binh PPMU	-	542,841,500
Nam Dinh PPMU	184,500,000	52,000,000
Hai Duong PPMU	-	414,517,900
Thai Nguyen PPMU	-	245,377,534
Bac Giang PPMU	-	96,936,000
Lang Son PPMU	275,340,000	571,816,500
TOTAL	**12,166,174,895**	**9,739,868,239**

5. ADVANCES (continue)

5.3 Advances to Project's staffs

Currency: VND

	Ending balance	*Beginning balance*
CPMU	44,000,000	-
Ha Nam PPMU	32,068,000	-
Yen Bai PPMU	86,488,400	-
Phu Tho PPMU	128,078,000	-
Ninh Binh PPMU	160,000,000	-
Nam Dinh PPMU	52,000,000	-
TOTAL	**502,654,400**	**-**

6. OTHER RECEIVABLES

Currency: VND

	Ending balance	*Beginning balance*
CPMU	-	12,649,131
Ha Nam PPMU	80,000,000	-
Hoa Binh PPMU	35,410,000	-
Thai Nguyen PPMU	140,000,000	-
BVDK TW Thai Nguyen	40,742,100	-
Bac Giang PPMU	138,799,004	-
TOTAL	**434,951,104**	**12,649,131**

7. PAYABLES

7.1 Payables to suppliers

Currency: VND

	Ending balance	*Beginning balance*
CPMU	27,935,165,998	1,351,810,500
Ha Nam PPMU	15,606,787,000	-
Yen Bai PPMU	10,170,285,000	-
Phu Tho PPMU	6,428,387,700	34,185,000
Tuyen Quang PPMU	13,789,520,800	90,710,000
Thai Binh PPMU	-	2,958,237,600
Ninh Binh PPMU	5,928,515,000	250,960,000
Hung Yen PPMU	1,135,446,800	291,667,100
Hoa Binh PPMU	227,866,000	-
Nam Dinh PPMU	299,912,600	1,747,310,620
Hai Duong PPMU	5,540,109,857	2,006,182,857
Thai Nguyen PPMU	4,286,710,000	-
BVDK TW Thai Nguyen	12,245,176,100	13,644,589,000
Lang Son PPMU	1,494,917,272	-
TOTAL	**105,088,800,127**	**22,375,652,677**

7.2 Payables to Project's implementation partners

Currency: VND

	Ending balance	*Beginning balance*
CPMU	-	211,240,743
Ha Nam PPMU	660,441,600	-
Yen Bai PPMU	957,434,200	-
Tuyen Quang PPMU	461,531,000	-
Thai Binh PPMU	1,035,646,500	-
Ninh Binh PPMU	1,932,570,200	-
Hai Duong PPMU	2,507,451,300	316,187,000
Thai Nguyen PPMU	161,725,000	-
Lang Son PPMU	3,943,792,815	-
TOTAL	**11,660,592,615**	**527,427,743**

7. PAYABLES (continued)

7.3 *Payables to Project's staffs*

Currency: VND

	Ending balance	*Beginning balance*
CPMU	194	195
Ninh Binh PPMU	32,607,790	-
BVDK TW Thai Nguyen	285,928,440	127,494,900
TOTAL	**318,536,424**	**127,495,095**

8. OTHER PAYABLES

Currency: VND

	Ending balance	*Beginning balance*
CPMU	12,975,494	71,331,386
Ha Nam PPMU	-	11,000,000
Yen Bai PPMU	2,702,800	12,617,500
Phu Tho PPMU	10,000,000	15,520,000
Tuyen Quang PPMU	4,188,682	124,086,000
Ninh Binh PPMU	163,788,885	30,260,000
Nam Dinh PPMU	594,946	-
Hai Duong PPMU	52,070,000	7,372,000
Thai Nguyen PPMU	58,257,894	12,783,000
Lang Son PPMU	70,125,340	-
TOTAL	**374,704,041**	**284,969,886**

9. CONTRIBUTION FROM INTERNATIONAL DEVELOPMENT ASSOCIATION ("IDA")

9.1 Contribution from IDA according to Project reports

	USD	*Equivalent VND*
Accumulated to 31 December 2015	**12,002,501**	**259,064,488,488**
Increase:		
Withdrawal Application No. 10	2,249,314	49,237,476,674
Withdrawal Application No. 11	702,381	15,384,240,968
Withdrawal Application No. 12	1,800,200	39,377,568,894
Withdrawal Application No. 13	4,800,000	105,057,600,000
Withdrawal Application No. 14	1,970,232	43,122,475,907
Withdrawal Application No. 15	1,913,268	41,875,698,029
Withdrawal Application No. 16	1,953,463	42,755,437,021
Withdrawal Application No. 17	2,284,386	50,117,139,847
Withdrawal Application No. 18	3,067,977	67,308,356,179
Withdrawal Application No. 19	3,266,076	71,863,479,249
Withdrawal Application No. 20	3,870,696	85,166,934,869
Withdrawal Application No. 21	1,968,481	43,460,121,973
Total	**29,846,474**	**654,726,529,610**
Accumulated to 31 December 2016	**41,848,975**	**913,791,018,098**

9.2 Reconciliation of contribution from IDA

	USD	*Equivalent VND*
Contribution from IDA in designated account	29,846,474	654,726,529,610
Plus:		
Foreign exchange differences	-	7,007,390,384
Total amounts contributed by IDA as per Statement of Expenditures	**29,846,474**	**661,733,919,994**

10. CONTRIBUTION FROM THE VIETNAMESE GOVERNMENT

Currency: VND

	For the year ended 31 December 2016	*Cumulative for the period from 17 October 2013 to 31 December 2016*
CPMU	12,775,398,711	18,775,046,711
Ha Nam PPMU	1,008,986,000	2,122,986,000
Yen Bai PPMU	1,959,999,800	2,318,999,800
Phu Tho PPMU	839,532,000	1,923,367,000
Tuyen Quang PPMU	426,165,640	922,161,968
Thai Binh PPMU	1,460,388,100	3,135,443,100
Ninh Binh PPMU	645,791,766	1,718,574,798
Hung Yen PPMU	1,463,882,800	2,511,842,400
Hoa Binh PPMU	970,896,243	1,976,855,537
Nam Dinh PPMU	931,000,000	1,331,000,000
Hai Duong PPMU	764,781,747	2,262,376,573
Bac Giang PPMU	612,105,300	1,366,749,600
Lang Son PPMU	488,855,910	1,237,330,910
Thai Nguyen PPMU	542,073,612	1,474,113,976
BVDK TW Thai Nguyen	-	3,234,088,900
TOTAL	**24,889,857,629**	**46,310,937,273**

11. BANK INTERESTS

Currency: VND

	For the year ended 31 December 2016	*Cumulative for the period from 17 October 2013 to 31 December 2016*
CPMU	(6,786,686)	(102,347)
Ha Nam PPMU	2,283,844	4,562,624
Yen Bai PPMU	89,872	5,078,978
Phu Tho PPMU	19,645,795	50,861,867
Tuyen Quang PPMU	983,595	2,057,091
Thai Binh PPMU	8,090,671	18,383,842
Ninh Binh PPMU	1,516,230	9,989,485
Hung Yen PPMU	(658,898)	11,498,221
Hoa Binh PPMU	2,119,746	4,362,177
Nam Dinh PPMU	1,831,100	6,567,797
Hai Duong PPMU	2,342,497	29,322,223
Bac Giang PPMU	4,333,506	11,471,849
Lang Son PPMU	6,699,773	8,431,297
Thai Nguyen PPMU	1,506,044	3,237,670
BVDK TW Thai Nguyen	(297,657)	7,372,361
TOTAL	**43,699,432**	**173,095,135**

11. BANK INTERESTS (continued)

This is the interest income earned from the Project's bank accounts, after netting off with bank charges incurred during the period.

12. OTHER INCOME

Currency: VND

	For the year ended 31 December 2016	*Cumulative for the period from 17 October 2013 to 31 December 2016*
CPMU	53,837,885	135,319,635
Ha Nam PPMU	(6,081,000)	8,919,000
Yen Bai PPMU	(10,700,000)	6,300,000
Thai Binh PPMU	10,909,000	24,909,000
Ninh Binh PPMU	23,026,836	61,026,836
Hung Yen PPMU	(12,000,000)	-
Hoa Binh PPMU	-	20,000
Nam Dinh PPMU	5,200,000	5,200,000
Hai Duong PPMU	(1,200,000)	(621,216)
Bac Giang PPMU	(9,653,000)	-
Lang Son PPMU	11,000,000	17,800,000
BVDK TW Thai Nguyen	10,558,000	62,796
TOTAL	**74,897,721**	**258,936,051**

13. EXPENDITURES

13.1. Expenditures by categories and sources of funds

Currency: VND

	For the year ended 31 December 2016			*Cumulative for the period from 17 October 2013 to 31 December 2016*		
	Financed by IDA	*Counterpart fund by the Government of Vietnam*	*Total*	*Financed by IDA*	*Counterpart fund by the Government of Vietnam*	*Total*
Component I: Strengthening the capacity of lower level hospitals to deliver quality services	648,473,594,143	16,844,780,011	665,318,374,154	746,743,563,085	25,859,763,508	772,603,326,593
Component II: Reducing the financial barriers to access health services by the economically vulnerable people	54,899,655,849	-	54,899,655,849	105,967,628,020	-	105,967,628,020
Component III: Project management, monitoring and evaluation	12,240,766,860	8,047,057,618	20,287,824,478	34,409,074,636	20,453,153,765	54,862,228,401
TOTAL	**715,614,016,852**	**24,891,837,629**	**740,505,854,481**	**887,120,265,741**	**46,312,917,273**	**933,433,183,014**

13. EXPENDITURES (continued)

13.2. Actual expenditures and budget comparison by categories for reporting year/ period

Currency: VND

Code	Activities	For the year ended 31 December 2016				Project disbursement progress			
				Over/(Under) budget			Approved budget (*)		
		Expenditures	Budget approved by the Ministry of Health	Variance	%	Accumulated expenditures for the period from 17 October 2013 to 31 December 2016	VND Equivalence	USD	Progress (%)
I.	**Component I: Strengthening the capacity of tower level hospitals to deliver quality services**	**665,318,374,154**	**762,132,591,049**	**(96,814,216,895)**	**-13%**	**772,603,326,593**	**2,238,230,400,000**	**106,400,000**	**35%**
I.A	Improving tower level medical services and quality	652,046,153,843	705,891,797,187	(53,845,643,324)	-8%	754,808,219,438	2,027,870,400,000	96,400,000	37%
I.A.1	Supporting medical equipment and repairing small size infrastructure for technical transfer ("CGKT")	592,494,512,909	645,492,044,780	(52,997,531,871)	-8%	668,229,585,263	1,743,884,400,000	82,900,000	38%
I.A.2	Supporting in hospital management capacity enhancement	29,135,058,050	29,166,984,940	(31,926,890)	0%	31,057,578,890	94,662,000,000	4,500,000	33%
I.A.3	Supporting in training for technical transfer	30,416,582,884	31,232,767,447	(816,184,563)	-3%	55,521,055,285	169,324,000,000	9,000,000	29%
I.B.	National policy and central level technical support for reducing hospital overcrowding and quality improvement	13,272,220,311	56,240,793,882	(42,968,573,571)	-76%	17,795,107,155	210,360,000,000	10,000,000	8%
I.B.1	Policy and technical support	2,916,821,600	5,622,536,044	(2,705,714,444)	-48%	5,329,696,944	29,345,220,000	1,395,000	18%
I.B.2	Support equipment for national hospital	10,355,398,711	50,618,257,838	(40,262,859,127)	-80%	12,465,410,211	181,014,780,000	8,605,000	7%
II.	**Component II: Reducing the financial barriers to access health services by the economically vulnerable people**	**54,899,655,849**	**55,077,168,227**	**(177,512,378)**	**0%**	**105,967,628,020**	**549,039,600,000**	**26,100,000**	**19%**
II.A	Direct subsidies to support the purchase of health insurance by the near-poor	36,199,443,820	36,262,963,864	(63,520,044)	0%	70,157,135,895	435,445,200,000	20,700,000	16%
II.B	Coverage of catastrophic health care expenditure in central and provincial hospital	551,142,969	551,142,969	-	0%	715,975,435	37,864,800,000	1,800,000	2%
II.C	Supporting in information, education and communication activities about health insurance	18,149,069,060	18,243,061,394	(93,992,334)	-1%	35,094,516,690	75,729,600,000	3,600,000	46%
III	**Component III: Project management monitoring and evaluation**	**20,287,824,478**	**55,487,047,140**	**(35,199,222,662)**	**-63%**	**54,862,228,401**	**157,770,000,000**	**7,500,000**	**35%**
III.1	Consultant selection	5,131,266,653	5,570,480,648	(439,213,995)	-8%	13,641,417,244	27,451,980,000	1,305,000	50%
III.2	Organizing conference, workshop, training, monitoring planning	2,145,600,350	2,167,467,827	(21,867,477)	-1%	7,549,924,890	27,501,204,240	1,307,340	27%
III.3	Survey, research	-	-	-	0%	-	4,733,100,000	225,000	0%
III.4	Office equipment and vehicle purchase	2,597,290,000	2,845,197,926	(247,907,926)	-9%	7,237,924,740	14,483,286,000	688,500	50%
III.5	Project operation expenses	10,413,667,475	44,903,900,739	(34,490,233,264)	-77%	26,432,961,527	83,600,429,760	3,974,160	32%
	TOTAL	**740,505,854,481**	**872,696,806,416**	**(132,190,951,935)**	**-15%**	**933,433,183,014**	**2,945,040,000,000**	**140,000,000**	**32%**

(*) The approved budget is the total fund of the Project (USD 140,000,000) converted into VND using the exchange rate of the Ministry of Finance at the date of signing the Agreement (1USD = VND21,036).

13. EXPENDITURES (continued)

13.3. Actual expenditure and budget comparison by PPMU for the reporting year/period

Currency: VND

	For the year ended 31 December 2016				*Budget approved by Ministry of Health*	*Over/(Under)*
	Component I	*Component II*	*Component III*	*Total*		
CPMU	176,373,797,007	1,803,962,720	9,922,764,847	188,100,524,574	274,536,749,565	(86,436,224,991)
Ha Nam PPMU	44,400,539,600	3,785,529,842	467,198,990	48,653,268,432	41,669,158,432	6,984,110,000
Yen Bai PPMU	33,741,624,300	1,521,314,800	1,145,130,800	36,408,069,900	41,807,889,300	(5,399,819,400)
Phu Tho PPMU	27,490,040,400	9,957,476,233	793,980,000	38,241,496,633	44,220,041,433	(5,978,544,800)
Tuyen Quang PPMU	28,210,143,000	2,055,138,680	524,528,715	30,789,810,395	33,068,971,395	(2,279,161,000)
Thai Binh PPMU	57,937,624,500	1,497,666,900	1,320,144,100	60,755,435,500	68,222,385,500	(7,466,950,000)
Ninh Binh PPMU	49,372,177,200	1,402,995,000	690,144,330	51,465,316,530	56,541,609,530	(5,076,293,000)
Hung Yen PPMU	29,548,153,750	6,131,974,386	907,102,000	36,587,230,136	40,130,692,936	(3,543,462,800)
Hoa Binh PPMU	48,685,653,200	1,870,674,120	386,500,243	50,942,827,563	56,558,748,269	(5,615,920,706)
Nam Dinh PPMU	17,389,222,300	1,444,648,090	874,230,400	19,708,100,790	23,465,875,490	(3,757,774,700)
Hai Duong PPMU	31,273,671,015	7,753,760,140	912,650,747	39,940,081,902	42,832,241,902	(2,892,160,000)
Bac Giang PPMU	28,977,192,600	10,027,282,196	515,070,700	39,519,545,496	40,518,100,896	(998,555,400)
Lang Son PPMU	14,533,926,832	3,515,898,990	899,318,110	18,949,143,932	21,829,411,570	(2,880,267,638)
Thai Nguyen PPMU	37,425,305,000	2,131,333,752	778,932,098	40,335,570,850	40,786,928,350	(451,357,500)
BVDK TW Thai Nguyen	39,959,303,450	-	150,128,398	40,109,431,848	46,508,001,848	(6,398,570,000)
TOTAL	**665,318,374,154**	**54,899,655,849**	**20,287,824,478**	**740,505,854,481**	**872,696,806,416**	**(132,190,951,935)**

13. EXPENDITURES (continued)

13.3. Actual expenditure and budget comparison by PPMU for the reporting year/period (continued)

Currency: VND

Unit	*For the period from 17 October 2013 to 31 December 2016*				*Approved budget (Exchange rate 1USD=VND21,036) (*)*		*Progress (%)*
	Component I	*Component II*	*Component III*	*Total*	*VND equivalence*	*USD*	
CPMU	199,325,320,752	2,837,786,720	30,060,532,354	232,223,639,826	369,790,350,444	17,578,929	63%
Ha Nam PPMU	47,249,594,000	7,133,205,942	1,651,498,990	56,034,298,932	177,833,535,170	8,453,771	32%
Yen Bai PPMU	35,889,612,700	3,259,696,600	2,060,789,600	41,210,098,900	183,296,615,924	8,713,473	22%
Phu Tho PPMU	31,901,151,760	24,613,572,768	1,999,537,640	58,514,262,168	197,126,673,120	9,370,920	30%
Tuyen Quang PPMU	30,486,381,201	3,220,452,810	1,759,564,248	35,466,398,259	181,750,158,592	8,639,958	20%
Thai Binh PPMU	65,243,436,500	2,957,240,900	2,968,311,100	71,168,988,500	203,552,268,676	9,676,377	35%
Ninh Binh PPMU	55,080,237,200	2,671,910,000	1,889,920,912	59,642,068,112	194,091,272,982	9,226,625	31%
Hung Yen PPMU	33,000,751,750	10,390,839,686	2,218,794,000	45,610,385,436	186,351,752,038	8,858,707	24%
Hoa Binh PPMU	51,433,218,200	4,027,550,930	1,389,201,537	56,849,970,667	185,100,665,388	8,799,233	31%
Nam Dinh PPMU	25,043,151,300	2,698,415,240	1,241,202,040	28,982,768,580	205,201,228,126	9,754,765	14%
Hai Duong PPMU	40,119,113,798	15,510,364,720	2,142,958,547	57,772,437,065	203,330,046,475	9,665,813	28%
Bac Giang PPMU	31,459,603,700	18,608,548,996	1,207,407,000	51,275,559,696	200,418,241,252	9,527,393	26%
Lang Son PPMU	16,696,981,832	4,404,997,990	1,840,990,410	22,942,970,232	182,898,564,318	8,694,551	13%
Thai Nguyen PPMU	43,340,359,550	3,633,044,718	1,842,123,875	48,815,528,143	180,705,510,832	8,590,298	27%
BVDK TW Thai Nguyen	66,334,412,350	-	589,396,148	66,923,808,498	93,593,116,663	4,449,188	72%
TỔNG CỘNG	**772,603,326,593**	**105,967,628,020**	**54,862,228,401**	**933,433,183,014**	**2,945,040,000,000**	**140,000,000**	

(*) The approved budget is the total fund of the Project (USD 140,000,000) converted into VND using the exchange rate of the Ministry of Finance at the date of signing the Agreement.

Ms Dang Thi Phuong Nga
Chief Accountant

QUẢN LÝ DỰ ÁN HỖ TRỢ Y TẾ CÁC TỈNH ĐÔNG BẮC BỘ VÀ ĐỒNG BẰNG

Mr Pham Le Tuan
Project Director

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15 June 2017

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INDEPENDENT ASSURANCE REPORT ON COMPLIANCE

To: The Central Project Management Unit of the North East and Red River Delta Regions Health System Support Project

We have examined the compliance of the management of North East and Red River Delta Regions Health System Support Project ("the Project") including the Central Project Management Unit ("CPMU"), Ha Nam Provincial Project Management Unit ("Ha Nam PPMU"), Yen Bai Provincial Project Management Unit ("Yen Bai PPMU"), Phu Tho Provincial Project Management Unit ("Phu Tho PPMU"), Tuyen Quang Provincial Project Management Unit ("Tuyen Quang PPMU"), Thai Binh Provincial Project Management Unit ("Thai Binh PPMU"), Ninh Binh Provincial Project Management Unit ("Ninh Binh PPMU"), Hung Yen Provincial Project Management Unit ("Hung Yen PPMU"), Hoa Binh Provincial Project Management Unit ("Hoa Binh PPMU"), Nam Dinh Provincial Project Management Unit ("Nam Dinh PPMU"), Hai Duong Provincial Project Management Unit ("Hai Duong PPMU"), Thai Nguyen Provincial Project Management Unit ("Thai Nguyen PPMU"), Bac Giang Provincial Project Management Unit ("Bac Giang PPMU"), Lang Son Provincial Project Management Unit ("Lang Son PPMU"), and Thai Nguyen Hospital Project Management Unit (collectively referred to as "the fourteen PPMUs") with the applicable laws, regulations, procurement procedures and other provisions of the Financing Agreement between the Government of the Socialist Republic of Vietnam and the International Development Association ("IDA") ("the Financing Agreement") during the year ended 31 December 2016. The Project management is responsible for the compliance with the Financing Agreement, the Project Operation Manual ("POM") and other laws and regulations applicable to the Project (collectively referred to as "the Project's regulations").

Auditors' responsibility

Our responsibility is to express an opinion, based on our examination, on the compliance of the CPMU and the fourteen PPMUs with the Project's regulations that could have a direct and material financial effect to the financial statements of the Project for the year ended 31 December 2016. We conducted our examination in accordance with the principles of International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000") insofar this standard could be usefully applied in this examination and in its specific compliance context. This standard requires that we comply with ethical requirements and that we plan and perform the examination to obtain reasonable assurance about whether the CPMU and the fourteen PPMUs comply with the Project's regulations that could have a direct and material financial effect to the financial statements.

Our examination included obtaining a sufficient understanding of the Project and the Project's regulations; assessing the risk on non-compliance exists that could have a direct and material financial effect to the financial statements of the Project; testing and evaluating, on a sample basis, the compliance of the Project's management with the Project's regulations based on the assessed risk; and performing such other procedures as we considered necessary in the circumstances.

We considered the following criteria in evaluating the compliance of the CPMU and the fourteen PPMUs with the Project's regulations:

- the CPMU and the fourteen PPMUs' awareness of the Project's regulations;
- the implementation of the Project's regulations by the CPMU and the fourteen PPMUs;
- the significance to the financial statements where the CPMU and the fourteen PPMUs fail to comply with one requirement or several requirements in the Project's regulations, if any; and
- that a weakness or a deficiency existed where the CPMU and the fourteen PPMUs fail to comply with one or several requirements in the Project's regulations that could have a direct and material financial effect to the financial statements.

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We believe that our examination provides a reasonable basis for our opinion.

Opinion

In our opinion, the CPMU and the fourteen PPMUs comply, in all material respects, with the Project's regulations that could have a direct and material financial effect to the financial statements of the Project for the year ended 31 December 2016 based on the evaluating criteria above.

Other matters

We draw attention to Appendix 1 – Management letter, in which we discussed certain departures from the Project's regulations which have no direct and material financial effect to the financial statements of the Project but may put the Project's objectives at risk.

This examination involved a historic evaluation of the compliance of the CPMU and the fourteen PPMUs with the Project's regulations at a specific point of time. Thus, this examination does not provide assurance for future periods due to the risk of changes in the Project's regulations, or that the degree of compliance with the Project's regulations may deteriorate.

Ernst & Young Vietnam Ltd.

Hanoi, Vietnam

15 June 2017

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INDEPENDENT ASSURANCE REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL

To: The Central Project Management Unit of the North East and Red River Delta Regions Health System Support Project

We have audited the design and operating effectiveness of the internal control of the North East and Red River Delta Regions Health System Support Project ("the Project") as operated by the management of the Central Project Management Unit ("CPMU"), Ha Nam Provincial Project Management Unit ("Ha Nam PPMU"), Yen Bai Provincial Project Management Unit ("Yen Bai PPMU"), Phu Tho Provincial Project Management Unit ("Phu Tho PPMU"), Tuyen Quang Provincial Project Management Unit ("Tuyen Quang PPMU"), Thai Binh Provincial Project Management Unit ("Thai Binh PPMU"), Ninh Binh Provincial Project Management Unit ("Ninh Binh PPMU"), Hung Yen Provincial Project Management Unit ("Hung Yen PPMU"), Hoa Binh Provincial Project Management Unit ("Hoa Binh PPMU"), Nam Dinh Provincial Project Management Unit ("Nam Dinh PPMU"), Hai Duong Provincial Project Management Unit ("Hai Duong PPMU"), Thai Nguyen Provincial Project Management Unit ("Thai Nguyen PPMU"), Bac Giang Provincial Project Management Unit ("Bac Giang PPMU"), Lang Son Provincial Project Management Unit ("Lang Son PPMU"), and Thai Nguyen Hospital Project Management Unit (collectively referred to as "the fourteen PPMUs") which existed for the year ended 31 December 2016. The internal control was set up for the purpose of managing risks to the achievement of the Project's objectives, including the reasonable prevention and detection of errors, irregularities and fraud. The internal control is the responsibility of the CPMU and the fourteen PPMUs.

Auditors' responsibility

Our responsibility is to express an opinion, based on our audit, on the effectiveness of the internal control that could have a direct and material financial effect to the financial statements of the Project for the year ended 31 December 2016. We conducted our audit in accordance with the principles of International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000") insofar this standard could be usefully applied in this audit and in its specific compliance context. This standard requires that we comply with ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the internal control for the Project is adequately designed for the purpose of the Project and was operating effectively during the period covered by the audit.

Our audit included obtaining a sufficient understanding of the Project and the internal control for the Project; assessing the risk that a material weakness exists that could have a direct and material financial effect to the financial statements of the Project; testing and evaluating, on a sample basis, the design and operating effectiveness of internal control based on the assessed risk; and performing such other procedures as we considered necessary in the circumstances.

We considered the following criteria in evaluating the effectiveness of the internal control:

- the requirement for design and implementation of the internal control in the Project Operation Manual ("POM");
- the appropriateness of the internal control for the Project's activities and objectives;
- the implementation of the internal control by the CPMU and the fourteen PPMUs to achieve its objective of prevention and detection of errors, irregularities and fraud that could have a direct and material financial effect to the financial statements of the Project;
- the significance to the financial statements where one control or several controls did not operate as designed, if any; and

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- that a weakness or a deficiency existed where a control or several controls did not reasonably prevent or detect risks that could have an adverse impact on the objectives of those internal controls which are to provide reasonable assurance that the financial statements are prepared, in all material respects, in accordance with the adopted accounting policies and POM, that the funds are utilised for the purposes defined in the Financing Agreement between the Government of the Socialist Republic of Vietnam and the International Development Association ("the Financing Agreement") and that the Project complies with the Financing Agreement, POM and other applicable laws and regulations.

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the Project's internal control at the CPMU and the fourteen PPMUs which existed for the year ended 31 December 2016, in all material respects, was adequately designed for the purpose of the Project and operated in an effective manner, based on the evaluating criteria above.

Other matters

We draw attention to Appendix 1 – Management letter, in which we discussed certain findings from the internal control which have no direct and material financial effect to the financial statements of the Project but may put system objectives at risk.

This audit involved a historic evaluation of internal control at a specific point of time. Thus, this audit does not provide assurance for future periods due to the risk that internal control may become inappropriate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

CÔNG TY TNHH ERNST & YOUNG VIỆT NAM HÀ NỘI

Ernst & Young Vietnam Ltd.

Hanoi, Vietnam

15 June 2017