STATE AUDIT OFFICE

AUDIT REPORT
“RESULT-BASED SCALING-UP RURAL SANITATION AND CLEAN WATER” PROGRAM IN 2018

Hanoi, June 2019
STATE AUDIT OFFICE OF VIETNAM

No: 209/KTNN-TH

Re: Audit report on “Result-based scaling-up rural sanitation and clean water” program in 2018

SOCIALIST REPUBLIC OF VIET NAM

Independence - Freedom - Happiness

Hanoi, June 18, 2019

To: Ministry of Agriculture and Rural Development

Implementing Decision No. 390/QĐ-KTNN dated March 4, 2019 of Auditor General on auditing Rural sanitation and clean water based on the result of 08 provinces in Red River Delta in 2018, “Result-based scaling-up rural sanitation and clean water” program in 2018, Specialized Audit Department No V has conducted auditing “Result-based scaling-up rural sanitation and clean water” program in 2018 from June 3, 2019 to May 4, 2019; until now, the report has been done.

State Audit Office would like to send the Audit Report with this official letter.

Recipients:
- As mentioned above;
- Chairman of Finance-Budget Committee of the National Assembly;
- Minister of Finance;
- Auditor General;
- Deputy Auditor General Doan Xuan Tien;
- Specialized Audit Department No V;
- Department of Legal Affairs;
- Department of Audit Policy and Quality Control;
- Department of General Affairs;
- Department of Administration (Secretariat-General unit)
- Kept at: Administration Dept, Audit team

pp. AUDITOR GENERAL
DEPUTY AUDITOR GENERAL

Doan Xuan Tien
AUDIT REPORT

“RESULT-BASED SCALING-UP RURAL SANITATION AND CLEAN WATER” PROGRAM IN 2018

Implementing Decision No. 390/QĐ-KTNN dated March 4, 2019 of Auditor General on auditing Rural sanitation and clean water based on the result of 08 provinces in Red River Delta in 2018, “Result-based scaling-up rural sanitation and clean water” program in 2018, Specialized Audit Department No V has conducted auditing “Scaling-up rural sanitation and clean water based on the result” program in 2018 from June 3, 2019 to May 4, 2019.

1. Audit contents

Investment fund and investment costs for Program implementation; fund management, usage and settlement of Program; defining investment demand, appropriateness of the scope and scale of Program beneficiary; the compliance with the law, construction investment management, finance and accounting regime and other relevant laws.

2. Audit scope and limitation

2.1 Scope of audit

- Audit period: 2018 and the previous and the following periods that concern.
- Audited entities:
  + Ministry of Agriculture and Rural Development: Coordinating Committee of Rural Water Supply Program (Directorate of Water Resources); National Center for Rural Water Supply and Environmental Sanitation;
  + 18/21 provinces implemented the programs. Not audit 3 provinces: Lam Dong, Kon Tum, Tuyen Quang.

(List of audited entities at the appendix 01/BCKT-CTMT).

- The ratio of completion, payment acceptance value which is audited accounted for 92.4% completion, payment acceptance value in 2018 according to the report (454,603/491,916 million dong).

2.2 Limitation of audit

- Not test the construction quality, devices; not reconcile with the suppliers of supplies, devices, services; not measure the length of water distribution pipelines, submerged volume.
- For the financial statement made in the form of Program: Sponsors allow the output of Program to include constructions funded by State budget and other sponsors – except for private
investment fund; simultaneously the construction determination and checking are included in 
the output implemented by independent consulting units, so for the targets determined by the 
output (receivables from sponsors, funds that form of fixed assets, advanced revenue issued 
capital from World bank) and created from Program excluded funds, Audit team just records 
from the entities’ reports; entities take responsibility for the accuracy, reliability of the 
documents, data provided for the Audit team.

3. Audit basis

- State Audit law; State Budget law; Construction law; Procurement law, other relevant 
laws and legal documents.
- State audit standards system, Audit process, organization and operations regulation of 
the State audit team;
- Financing Agreement for Credit 5739-VN dated March 10, 2016 between Socialist 

Audit report is made under the basis of audit evidence, records and audit reports at audited 
provinces and entities and relevant documents.

SECTION 1

PROGRAM IMPLEMENTATION OVERVIEW

1. Summary of program content and objectives

1.1 Overview

Program is approved and adjusted, supplemented under Decision No 3606/QĐ-BNN-
HTQT dated September 4, 2015, Decision No 3102/QĐ-BNN-HTQT dated 21/7/2016 of 
Ministry of Agriculture and Rural Development.

* Program objectives: Attaining the water supply connection number: about 255,000 
active connections (with the number of beneficiaries from water supply of 1,045,000); the 
minimum number of communes that entirely meet the sanitation requirement is 680; the number 
of household hygienic latrines newly built or renovated is 400,000; the number of clean water 
constructions and hygienic latrines in schools and medical posts newly built and renovated is 
about 2,650; increasing the hygienic water coverage in target areas; capacity building at 
provinces, communes and hamlets, villages level to build strong institutions and provide the 
necessary resources to design, implement, manage and most importantly, to maintain the 
sanitation and water supply constructions.

* Program content: (i) – Component 1- Rural water supply, including: sub-component 
1 – Water supply for residential communities; sub-component 2 – Water supply and sanitation 
for schools; (ii) Component 2 – Rural sanitation; (iii) Component 3: Capacity building, 
communication, monitoring and evaluation of Program, including: sub-component 1 – Capacity 
building, behavior change communication; sub-component 2 – management, verification, 
monitoring and evaluation of Program (including environmental and social issues); sub-
component 3 – Checking the results.
Program fund: 225,500,000 USD, in which: Loan from World Bank: 200,000,000 USD, Counterpart fund: 25,500,000 USD.

Under the Agreement and Program Finance mechanism, counterpart fund from other legal sources is distributed by each province as specific conditions. For Component 1, World Bank loan covers 90% the cost of local centralized water supply constructions, in which 80% from Central budget targeted supporting the provincial budget, 10% from Provincial People’s Committee borrowing from the Government.

Total fund (estimates allocated) for audited entities (18 provinces and 02 units of Ministry of Agriculture and Rural Development) in 2018: 723,477 million dong, in which: World Bank loan: 673,367 million dong; counterpart fund from Central budget: 2,126 million dong; counterpart fund from provincial-level budget: 45,787 million dong; other funds: 2,196 million dong.

Implementation scope: Program is implemented at 21 provinces, including: Cao Bang, Bac Kan, Lang Son, Ha Giang, Tuyen Quang, Thai Nguyen, Son La, Dien Bien, Lai Chau, Lao Cai, Yen Bai, Phu Tho, Hoa Binh, Bac Giang, Gia Lai, Kon Tum, Dak Lak, Dak Nong, Lam Dong, Ninh Thuan and Binh Thuan.


SECTION 2
AUDIT FINDING
A. AUDITING FINANCIAL REPORT OF PROGRAM

I. FUND AND FUND SETTLEMENT IN 2018

Unit: dong

<table>
<thead>
<tr>
<th>No</th>
<th>Items</th>
<th>Reporting amount</th>
<th>Auditing amount</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Budget brought forward from last year</td>
<td>27,852,643,550</td>
<td>27,852,643,550</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Estimates allocated in the year (Decision on allocation by competent agencies)</td>
<td>723,477,185,800</td>
<td>723,477,185,800</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Total budget available for use in the year</td>
<td>751,329,829,350</td>
<td>751,329,829,350</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Expenditures proposed to settlement in the year</td>
<td>376,736,397,115</td>
<td>375,969,478,399</td>
<td>196,518,716</td>
</tr>
<tr>
<td>5</td>
<td>Decrease in the year</td>
<td>93,050,172,907</td>
<td>93,246,691,623</td>
<td>196,518,716</td>
</tr>
<tr>
<td>6</td>
<td>Budget carried forward to next year</td>
<td>281,543,259,328</td>
<td>282,113,659,328</td>
<td>570,400,000</td>
</tr>
</tbody>
</table>

(The details of items at Appendix 07/BCKT-CTMT and the reason of differences at Appendix 07b/BCKT-CTMT).
II. FINANCIAL REPORT 2018 (details at appendixes 02, 03, 03a, 04, 05/BCKT-TKT-CTMT)

3. Investment costs in 2018

<table>
<thead>
<tr>
<th>No</th>
<th>Construction name</th>
<th>Reporting amount</th>
<th>Audited value</th>
<th>Auditing amount</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4 = 3-2</td>
</tr>
<tr>
<td>I</td>
<td>Auditing settlement value approved</td>
<td>7,571,605,532</td>
<td>4,197,870,532</td>
<td>3,973,053,162</td>
<td>-224,817,370</td>
</tr>
<tr>
<td>II</td>
<td>Auditing A-B settlement value</td>
<td>484,344,861,800</td>
<td>450,405,806,590</td>
<td>442,145,456,816</td>
<td>-8,260,349,774</td>
</tr>
<tr>
<td>Sum</td>
<td></td>
<td>491,916,467,332</td>
<td>454,603,677,122</td>
<td>446,118,509,978</td>
<td>-8,485,167,144</td>
</tr>
</tbody>
</table>

Reason for difference:

+ Error in quantity: 479,143,794 dong;
+ Error in Price: 264,281,051 dong;
+ Not eligible for settlement: 7,636,431,543 dong;
+ Other errors: 105,310,756 dong.

(Details at Appendix 06, 08a/BCKT-CTMT)

IV. THE TRUTH AND FAIRNESS OF THE PROGRAM FINANCIAL STATEMENT

Under audit scope and limitation, after adjusting the data to the audit result, Financial report of “Result-based scaling-up rural sanitation and clean water” program in 2018 at audited provinces, entities truthfully and fairly reflected fund, investment costs with the following data:

- Expenses requested to be settled: Auditing amount: 376,736,397,115 dong; Difference: decreasing by 766,918,716 dong.
- Implementation investment cost: Auditing amount: 446,118,509,978 dong; Difference: decreasing by 8,485,167,144 dong.