

RENOVATION OF GENERAL EDUCATION PROJECT
Financing Agreement No. 5691-VN

AUDITED FINANCIAL STATEMENTS
For the period from 30 September 2015 to 31 December 2016

2018 -06- 2 8

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REPORT OF THE PROJECT MANAGEMENT UNIT

The Project Management Unit of The Renovation of General Education Project ("the Project") presents this report and the Financial Statements of the Project for the period from 30 September 2015 to 31 December 2016.

The Project

The Project is funded by the International Development Association (IDA) under the Financing Agreement No. 5691-VN ("the Agreement") dated 08 April 2016 between the Government of the Socialist Republic of Vietnam and the World Bank.

The Project Management Unit

Members of the Project Management Unit ("the PMU") in the period and to the reporting date are:

Mr. Doan Van Ninh	Director	Appointed on 19/10/2015
Mrs. Tran Thi Kim Thuy	Chief Accountant	Appointed on 19/10/2015
		Dismissed on 01/02/2018
Mrs. Le Thi Ninh Ha	Accountant in charge	Appointed on 01/02/2018

Auditors

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

Responsibilities of the Project Management Unit

The Project Management Unit is responsible for preparing the project financial statements, including Statement of Funds and Expenditures, Statement of Funds balance, Statement of Designated Account and Statement of Withdrawals and Reconciliation of Funds, which comply with the accounting policies described in the attached Notes to the Financial Statements. The Project Management Unit assures that the accounting policies are appropriately selected and consistently applied.

The Project Management Unit 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 Project Management Unit 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 Project Management Unit



Hanoi, 20 June 2018

No.: 200618.001/BCTC.FIS2

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

**To: The Project Management Unit of
The Renovation of General Education Project**

Opinion

We have audited the financial statements of The Renovation of General Education Project ("the Project") which comprise Statement of Funds balance as at 31 December 2016, Statement of Funds and Expenditures, Statement of Designated Account, Statement of Withdrawals and Reconciliation of Funds for the period from 30 September 2015 to 31 December 2016, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion:

- ▶ The 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 2016, funds received and expenditures incurred, movements of the Designated Account for the period 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 Financing Agreement No. 5691-VN dated 08 April 2016;
- ▶ In addition, with respect to Statements of Expenditure, adequate supporting documents have been fully maintained to support to the replenishment requests submitted to the World Bank. The expenditures are eligible and in right purposes of the Financing Agreement No. 5691-VN dated 08 April 2016.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Project Management Unit 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 Project Management Unit for the Financial Statements

The Project Management Unit 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, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless 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 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.



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

Hanoi, 20 June 2018

Doan Thi Thuy
Auditor in-charge
CPA Registered No.:
0937-2018-002-1

STATEMENT OF FUNDS AND EXPENDITURES

For the period from 30 September 2015 to 31 December 2016

	Note	Incurred and accumulated to 31/12/2016 VND
I. Funds		
1. Funds received from the World Bank	03	4,813,004,000
2. Counterpart funds		7,851,882,000
3. Other funds - Exchange rate difference		137,818,385
		<u>12,802,704,385</u>
II. Expenditures		
1. Goods		3,690,530,000
2. Training and Workshops		1,145,667,400
3. Domestic consultants' services		581,036,042
4. Incremental operating costs		3,242,435,958
	04	<u>8,659,669,400</u>
III. Surplus		<u>4,143,034,985</u>

STATEMENT OF FUNDS BALANCE
As at 31 December 2016

	<u>Note</u>	<u>31/12/2016</u> VND
Surplus		
Surplus as at beginning		-
Surplus in the period		4,143,034,985
Surplus as at closing		<u>4,143,034,985</u>
<u>Represented by:</u>		
Current assets		5,025,022,385
Cash on hand		106,000,000
Cash at bank	05	4,919,022,385
Current liabilities		881,987,400
Payables to employees		16,200,000
Payables to suppliers	06	624,659,400
Other payables	07	241,128,000
Surplus		<u>4,143,034,985</u>

STATEMENT OF DESIGNATED ACCOUNT

For the period: from 30/09/2015 to 31/12/2016
 Account No.: 177010000029090
 Bank: Vietnam joint stock commercial bank for Industry and Trade –
 Nam Thang Long Branch
 Address: 117A Hoang Quoc Viet street, Cau Giay District, Hanoi
 Agreement No.: IDA 5691-VN

PART A: ACTIVITIES	Note	USD
Opening balance		-
Add: amounts deposited by the World Bank		218,000.00
Deduct: amounts withdrawn		(2,111.74)
Closing balance		215,888.26
PART B: RECONCILIATION		
1. Amount advanced by the World Bank		218,000.00
2. Add: Amount supplemented by the World Bank		-
3. Present outstanding amount advanced to		218,000.00
4. Closing balance		215,888.26
5. Add: Amounts withdrawn and not yet claimed	(1)	2,111.74
6. Total advances accounted for		218,000.00

(1) Amounts withdrawn and claimed on Withdrawal Applications No. 3/RGEP dated 29/06/2017

STATEMENT OF WITHDRAWALS AND RECONCILIATION OF FUNDS

Financing Agreement No. 5691-VN

For the period from 30 September 2015 to 31 December 2016

Withdrawal applications			Amount received		Variances (b-a)	
No.	Date	Currency	Amount claimed (a)	Date		Amount (b)
Designated Account						
<i>Advance</i>			218,000.00		218,000.00	-
1/RGEP	16/12/2016	USD	218,000.00	19/12/2016	218,000.00	-
Total			218,000.00		218,000.00	-



NOTES TO THE FINANCIAL STATEMENTS

For the period from 30 September 2015 to 31 December 2016

1. Background

The Renovation of General Education Project (RGEP) is funded by the International Development Association (IDA) under the Financing Agreement No. 5691-VN dated 08 April 2016 between the Government of the Socialist Republic of Vietnam and the World Bank. Total original IDA loan is SDR 55,400,000 (equivalent to USD 77 million) and the total amount of counterpart fund is USD 3,000,000.

The main objective of the Financing Agreement No. 5691-VN is to raise student learning outcomes by: (i) revising and implementing the curriculum following a competency-based approach; and (ii) improving the effectiveness of the instruction by creating disseminating textbooks aligned with the revised curriculum.

The Project consists of the following components:

Part 1: Curriculum Development.

- (a) Providing support for the establishment of, and carrying out of activities by, a core technical committee for curriculum revision and subject-specific technical committees;
- (b) Providing support for training of teachers on the revised curriculum, which includes: (i) curriculum piloting; (ii) the delivery of face-to-face and online training to teachers and Curriculum Champions; (iii) development of guidance materials for publishers of textbooks and other pedagogical materials.

Part 2: Development and Dissemination of Aligned Textbooks.

- (a) Providing support for the development and appraisal of textbooks in alignment with the new learning outcomes standards, which include the translation of selected textbooks into selected ethnic minority languages;
- (b) Providing support for the dissemination of textbooks to disadvantaged schools.

Part 3: Learning Assessment and Analysis for Continuous Improvement of Curriculum and Policy.

- (a) Providing support for establishment of the National Center for Sustainable Development (NCSDE) of General Education Quality and the National Center on Foreign Language Testing (NCFLT);
- (b) Providing support for NCSDE's research programs and capacity building related to the revised curriculum and learning outcome standards;
- (c) Providing support for the development and administration of diagnostic examination for the measurement of learning outcomes at each educational sub level, including elementary, secondary and upper secondary levels, consistent with existing regulations on national periodical assessment of student learning outcomes in general education by the Ministry of Education and Training, and associated capacity building;
- (d) Providing support for the development and implementation of consultation and outreach campaigns.

Part 4: Project Management.

- (a) Providing support for Project management activities;
- (b) Providing for the development and implementation and monitoring of Project monitoring and evaluation.

The Financing Agreement No. 5691-VN officially came into operation since 08 August 2016 and is expected to close on 31 December 2020. No withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 1,800,000 may be made for payments made prior to this date but on or after 30 September 2015, for eligible expenditures.

The Project is managed by the Project Management Unit of The Renovation of General Education Project and its office is located at No. 35, Dai Co Viet Street, Hanoi.

2. Principal Accounting Policies

a. Basis of accounting

Annual accounting period commences from 1st January and ends at 31st December.
The first accounting period from 30 September 2015 to 31 December 2016.

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

The principal accounting policies are summarized as below:

b. Foreign currencies

Funds received from World Bank in foreign currency is translated into VND using the exchange rates announced by the Ministry of Finance at the date of receiving the funds or at the date of direct payment made to contractors/suppliers.

Other transactions in foreign currencies are translated into VND using actual exchange rates at transaction dates announced by the Vietnam joint stock commercial bank for Industry and Trade.

Monetary assets and liabilities denominated in foreign currencies are revalued at actual exchange rates announced by the Vietnam joint stock commercial bank for Industry and Trade at the reporting date. All differences on foreign exchange are recorded into exchange rate differences account and presented as other funds on Statement of Funds and Expenditures.

c. Funds and Expenditures

Funds:

- Funds received from the World Bank are recognized when remittance made into the Designated Account or direct payment made to contractors/suppliers;
- Counterpart funds are recognized when payments are made directly from the State Treasury to contractors/suppliers of the project or funds are withdrawn to the PMU for settlement of project's activities including any payments under current year plant until the next 31/1.
- Other funds: are recorded when they are actually occurred.

Expenditures are recorded when they are actually occurred.

d. Designated account

Designated Account is the deposit account in USD opened at the Vietnam joint stock commercial Bank for Industry and Trade – Nam Thang Long 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 Financing Agreement No. 5691-VN dated 08 April 2016. There is no interest with this account under prevailing rule.



3. Funds received from the World Bank

	Incurred and accumulated to 31/12/2016	
	USD	Equivalent to VND
Designated account		
Advance	218,000.00	4,813,004,000
	<u>218,000.00</u>	<u>4,813,004,000</u>

4. Expenditures

	Incurred and accumulated to 31/12/2016
	VND
<i>Expenditures covered by:</i>	
The World Bank	807,787,400
The counterpart funds	7,851,882,000
	<u>8,659,669,400</u>

The Financing Agreement No. 5691-VN dated 08/04/2016 finances 100% (inclusive of taxes) of eligible expenditures including goods, works, non-consulting services, consulting services, training and workshops, incremental operating costs. Incremental operational costs are financed by the World Bank, including auditing, evaluation and project monitoring.

The counterpart funds are used to cover the Project's incremental operating costs (office equipment costs, project management costs) and part of the cost of the workshop, to develop a program (under the Component 1.1) and compile a set of textbooks (under the Component 2.1).

Expenditures by the components

Components	Incurred and accumulated to 31/12/2016		Total VND
	World Bank VND	Counterpart fund VND	
Part 1: Curriculum Development	807,787,400	-	807,787,400
1.1 Developing Program (Overall Program and Subjects)	807,787,400	-	807,787,400
Part 2: Developing and Dissemination of Aligned Textbooks.	-	-	-
Part 3: Learning Assessment and Analysis for Continuous Improvement of Curriculum and Policy	-	-	-
Part 4: Project Management	-	7,851,882,000	7,851,882,000
4.1 Project management activities	-	7,851,882,000	7,851,882,000
	<u>807,787,400</u>	<u>7,851,882,000</u>	<u>8,659,669,400</u>

Expenditures by the categories

Categories	Incurred and accumulated to 31/12/2016		Total VND
	World Bank VND	Counterpart fund VND	
Goods	-	3,690,530,000	3,906,530,000
Training and Workshops	759,787,400	385,880,000	1,145,667,400
Domestic consultants' services	48,000,000	533,036,042	581,036,042
Incremental operating costs	-	3,242,435,958	3,242,435,958
	<u>807,787,400</u>	<u>7,851,882,000</u>	<u>8,659,669,400</u>

5. Cash at bank

	31/12/2016
	VND
The Designated Account (USD)	4,902,822,385
The Current Account (VND)	16,200,000
	<u>4,919,022,385</u>

6. Payables to suppliers

	31/12/2016
	VND
Nam Hue Trade and Service Investment Co., Ltd	71,581,400
Viet An Tourism Investment and Trading Co., Ltd	148,748,000
Educational conference center	404,330,000
	<u>624,659,400</u>

7. Other payables

	31/12/2016
	VND
Bid security	106,900,000
Trading Software JSC	9,000,000
Thai Duong Equipment & Supplies Co., Ltd	45,000,000
Thien Ngan Media and Digital Content JSC	9,000,000
Vu Nguyen Software and Trading Co., Ltd	9,000,000
International Student Center	25,000,000
Nam Hue Trade and Service Investment Co., Ltd	9,900,000
Sale of bidding documents	9,000,000
Payables to Pham Thi Phuong Thanh for workshop	125,228,000
	<u>241,128,000</u>

8. 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.

9. Approval of the Financial Statements

The financial statements were approved by Project Management Unit for issuance on 20 June 2018.



Doan Van Ninh
 Director

Hanoi, 20 June 2018

Le Thi Ninh Ha
 Accountant in Charge

No.: 200618.001/BCTC.FIS2

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL SYSTEM

**To: The Project Management Unit of
The Renovation of General Education Project**

We have audited, in accordance with International Standards on Auditing, the financial statements of The Renovation of General Education Project ("the Project") for the period from 30 September 2015 to 31 December 2016 and issued the auditors' report thereon dated 20 June 2018 expressing 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 period from 30 September 2015 to 31 December 2016.

Responsibilities of the Project Management Unit

The Project Management Unit 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 period from 30 September 2015 to 31 December 2016.



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

Hanoi, 20 June 2018

Doan Thi Thuy
Auditor in-charge
CPA Registered No.:
0937-2018-002-1



No.: 200618.001/BCTC.FIS2

INDEPENDENT AUDITORS' REPORT ON THE COMPLIANCE

**To: Project Management Unit of
The Renovation of General Education Project**

We have audited, in accordance with the International Standards on Auditing, the financial statements of The Renovation of General Education Project ("the Project") for the period from 30 September 2015 to 31 December 2016 and issued the auditors' report thereon dated on 20 June 2018 expressing 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 Financing Agreement No. 5691-VN dated 08 April 2016, law and regulations that have a direct and material effect on the Project's financial statements for the period from 30 September 2015 to 31 December 2016 ("the Requirements").

Responsibilities of the Project Management Unit

The Project Management Unit 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 period from 30 September 2015 to 31 December 2016.



Đo Mạnh Cường
Deputy General Director
CPA Registered No.:
0744-2018-002-1

Hanoi, 20 June 2018

Doan Thi Thuy
Auditor in-charge
CPA Registered No.:
0937-2018-002-1