

**UNITED NATIONS DEVELOPMENT PROGRAMME VIETNAM
COUNTRY OFFICE**

AWARD ID 00049827

SUPPORT FOR PUBLIC FINANCIAL POLICY ANALYSIS

AUDIT REPORTS

FOR THE YEAR ENDED 31 DECEMBER 2010



United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

| TABLE OF CONTENTS | Pages |
|---|--------------|
| PART 1 AUDITED STATEMENT OF EXPENDITURE | 1 |
| Report of the independent auditors on the statement of expenditure (within the Combined Delivery Report) | 2 - 3 |
| Combined Delivery Report | 4 - 5 |
| Notes to the statement of expenditure | 6 - 9 |
| PART 2 AUDITED STATEMENT OF CASH POSITION | 10 |
| Report of the independent auditors on the statement of cash position | 11-12 |
| Statement of cash position | 13 |
| Notes to the statement of cash position | 14 |
| PART 3 AUDITED STATEMENT OF ASSETS AND EQUIPMENT | 15 |
| Report of the independent auditors on statement of assets and equipment | 16-17 |
| Statement of assets and equipment | 18-19 |
| Notes to the statement of assets and equipment | 20-21 |
| PART 4 SUMMARY OF AUDIT RESULTS | 22 |
| Audit data and observations on statement of expenditure (within the Combined Delivery Report) | 23 |
| Audit data and observations on statement of cash position | 24 |
| Audit data and observations on statement of assets and equipment | 25 |
| PART 5 MANAGEMENT LETTER | 26-53 |
| PART 6 STATUS OF THE PREVIOUS AUDITORS' RECOMMENDATIONS | 53-64 |

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00049827

SUPPORT FOR PUBLIC FINANCIAL POLICY ANALYSIS

**PART 1
AUDITED STATEMENT OF EXPENDITURE
(WITHIN THE COMBINED DELIVERY REPORT)
FOR THE YEAR ENDED
31 DECEMBER 2010**



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Report of the independent auditors on the statement of expenditure (within the Combined Delivery Report)

To the Country Director, UNDP, Hanoi, Vietnam and the National Project Director of Support for Public Financial Policy Analysis

We have audited the statement of expenditure within the accompanying Combined Delivery Report (“CDR”) of the UNDP Award ID 00049827 – Support for Public Financial Policy Analysis (“the Project”) implemented by Ministry of Finance (“the Implementing Partner”) for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory information set out on pages 4 to 9 (“the statement”). The Implementing Partner’s expenditure comprises:

- Payments made by the Implementing Partner and reported in the column titled “Govt Disb” of the CDR, with total expenditure for the year of USD298,509.11;
- Direct payments processed by the United Nations Development Programme (“UNDP”) Country Office (“CO”) at the request of the Implementing Partner included in the column titled “UNDP Disb” of the CDR, with total expenditure for the year of USD134,550.97; and
- Encumbrances entered into by the UNDP CO at the request of the Implementing Partner and reported in the column titled “Encumbrance” of the CDR, with total amount of USD0.

The statement has been prepared by the management of the Project using the basis of preparation and accounting policies described in Note 2 to the statement.

Management’s responsibility for the statement

Management is responsible for the preparation and fair presentation of this statement in accordance with the basis of accounting and the accounting policies described in Note 2 to the statement, and for such internal control as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the statement 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

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



Opinion

In our opinion, the statement of expenditure of the Project referred to in the first paragraph of this report, which reports the total expenditure audited by us amounting to USD433,060.08, presents fairly, in all material respects, the portion of expenditure of the Project implemented by Ministry of Finance for the year ended 31 December 2010 in accordance with the basis of accounting and the accounting policies described in Note 2 to the statement.

Basis of Accounting and restriction on use

Without modifying our opinion, we draw attention to Note 2 to the statement, which describes the basis of accounting and the accounting policies adopted by the Project. The statement is prepared for the information and use of the Project's management, the Implementing Partner and UNDP. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the information and use of the Project's management, the Implementing Partner and UNDP and should not be distributed to or used by any other parties.

Other matters

We draw attention to:

- The fact that we have not audited the columns titled "UN Agencies" and "Total Exp" in the accompanying Combined Delivery Report of the UNDP Award ID 00049827 – Support for Public Financial Policy Analysis for the year ended 31 December 2010 and, accordingly, we do not express an opinion on them.

KPMG Limited

Vietnam

Investment Certificate No: 011043000345

Audit Report No: 10-02-279-16-a



Nguyễn Thủy Dương

CPA No. 0893/KTV

Deputy General Director

Hanoi, 30 May 2011

Le Viet Hung

CPA No. 0296/KTV



| Award Id : 00049827 SUPPORT FOR PUBLIC FINANCIAL P | | Period : Jan-Dec (2010) | | | | |
|--|-------------------|---|-------------|-------------|-------------------|--|
| Project # : 00061137 SUPPORT FOR PUBLIC FINANCIAL P | | Impl. Partner : 03438 Ministry Of Finance | | | | |
| | | Location : UNDP HA NOI VIET NAM | | | | |
| | Govt Disb | UNDP Disb | UN Agencies | Encumbrance | Total Exp | |
| Activity : () | | | | | | |
| Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2)) | | | | | | |
| 76120 - Unrealized Loss | 0.00 | 4,747.65 | 0.00 | 0.00 | 4,747.65 | |
| 76130 - Unrealized Gain | 0.00 | - 132.81 | 0.00 | 0.00 | - 132.81 | |
| Total for Fund 04000 | 0.00 | 4,614.84 | 0.00 | 0.00 | 4,614.84 | |
| Fund : 30000 (Programme Cost Sharing) | | | | | | |
| 76120 - Unrealized Loss | 0.00 | 235.45 | 0.00 | 0.00 | 235.45 | |
| 76130 - Unrealized Gain | 0.00 | - 0.01 | 0.00 | 0.00 | - 0.01 | |
| Total for Fund 30000 | 0.00 | 235.44 | 0.00 | 0.00 | 235.44 | |
| Total for Activity | 0.00 | 4,850.28 | 0.00 | 0.00 | 4,850.28 | |
| Activity : 1 (Policy Advices MOF's leaders) | | | | | | |
| Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2)) | | | | | | |
| 71205 - Intl Consultants-Sht Term-Tech | 0.00 | 26,580.25 | 0.00 | 0.00 | 26,580.25 | |
| 71305 - Local Consult.-Sht Term-Tech | 104,153.48 | 0.00 | 0.00 | 0.00 | 104,153.48 | |
| 71310 - Local Consult.-Short Term-Supp | 12,137.39 | 0.00 | 0.00 | 0.00 | 12,137.39 | |
| 71405 - Service Contracts-Individuals | 12,938.55 | 0.00 | 0.00 | 0.00 | 12,938.55 | |
| 71605 - Travel Tickets-International | 40,540.22 | 2,476.63 | 0.00 | 0.00 | 43,016.85 | |
| 71610 - Travel Tickets-Local | 12,007.38 | 0.00 | 0.00 | 0.00 | 12,007.38 | |
| 71615 - Daily Subsistence Allow-Intl | 0.00 | 64,080.83 | 0.00 | 0.00 | 64,080.83 | |
| 71620 - Daily Subsistence Allow-Local | 15,396.51 | 0.00 | 0.00 | 0.00 | 15,396.51 | |
| 71635 - Travel - Other | 451.02 | 12,482.68 | 0.00 | 0.00 | 12,933.70 | |
| 72105 - Svc Co-Construction & Engineer | 0.00 | 1,764.70 | 0.00 | 0.00 | 1,764.70 | |
| 74525 - Sundry | 9,267.79 | 0.00 | 0.00 | 0.00 | 9,267.79 | |
| 75705 - Learning costs | 48,498.06 | 35,919.00 | 0.00 | 0.00 | 84,417.06 | |
| 75707 - Learning - subsistence allowan | 0.00 | - 13,000.00 | 0.00 | 0.00 | - 13,000.00 | |
| 76135 - Realized Gain | 0.00 | - 2,220.93 | 0.00 | 0.00 | - 2,220.93 | |
| Total for Fund 04000 | 255,390.40 | 128,083.16 | 0.00 | 0.00 | 383,473.56 | |
| Total for Activity 1 | 255,390.40 | 128,083.16 | 0.00 | 0.00 | 383,473.56 | |
| Activity : 2 (Policy Infrastructure) | | | | | | |
| Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2)) | | | | | | |
| 71610 - Travel Tickets-Local | 188.24 | 0.00 | 0.00 | 0.00 | 188.24 | |
| 72210 - Machinery and Equipment | 960.76 | 0.00 | 0.00 | 0.00 | 960.76 | |
| Total for Fund 04000 | 1,149.00 | 0.00 | 0.00 | 0.00 | 1,149.00 | |
| Total for Activity 2 | 1,149.00 | 0.00 | 0.00 | 0.00 | 1,149.00 | |
| Activity : 3 (Project Management & Operation) | | | | | | |
| Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2)) | | | | | | |
| 71405 - Service Contracts-Individuals | 44,843.94 | 0.00 | 0.00 | 0.00 | 44,843.94 | |
| 71620 - Daily Subsistence Allow-Local | 0.00 | 140.00 | 0.00 | 0.00 | 140.00 | |



Combined Delivery Report by Activity With Encumbrance



UN Development Programme
Report ID: ungl143b

Page 62 of 118
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| | |
|--|---|
| Award Id: 00049827 SUPPORT FOR PUBLIC FINANCIAL P | Period: Jan-Dec (2010) |
| Project #: 00061137 SUPPORT FOR PUBLIC FINANCIAL P | Imp. Partner: 03438 Ministry Of Finance |
| | Location: UNDP HA NOI VIETNAM |

| | Govt Disb | UNDP Disb | UN Agencies | Encumbrance | Total Exp |
|-------------------------------------|-------------------|-------------------|-------------|-------------|-------------------|
| 71635 - Travel - Other | 0.00 | 230.50 | 0.00 | 0.00 | 230.50 |
| 74110 - Audit Fees | 0.00 | 1,342.65 | 0.00 | 0.00 | 1,342.65 |
| 74510 - Bank Charges | 660.63 | 0.00 | 0.00 | 0.00 | 660.63 |
| 74525 - Sundry | - 3,534.86 | 0.00 | 0.00 | 0.00 | - 3,534.86 |
| 76135 - Realized Gain | 0.00 | - 95.62 | 0.00 | 0.00 | - 95.62 |
| Total for Fund 04000 | 41,969.71 | 1,617.53 | 0.00 | 0.00 | 43,587.24 |
| Total for Activity 3 | 41,969.71 | 1,617.53 | 0.00 | 0.00 | 43,587.24 |
| Total for Project : 00061137 | 298,509.11 | 134,550.97 | 0.00 | 0.00 | 433,060.08 |

| | | | | | |
|---------------------|-------------------|-------------------|-------------|-------------|-------------------|
| Award Total: | 298,509.11 | 134,550.97 | 0.00 | 0.00 | 433,060.08 |
|---------------------|-------------------|-------------------|-------------|-------------|-------------------|

Signed By :

[Handwritten signature]

Nguyễn Đức Chi
DNPĐ

Signed by :

[Handwritten signature]

UNDP D/Country Director (P)

Date :

25 Mar. 2011

United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

Notes to the statement of expenditure for the year ended 31 December 2010

These notes form an integral part of the accompanying statement of expenditure.

1 Background

Support for Public Financial Policy Analysis (“the Project”) set up in accordance with the Project Document signed between UNDP and Ministry of Finance on 31/3/2008. The Project commenced its operations as from 1/4/2008 for an estimated duration of 3 years. Ministry of Finance is the Implementing Partner responsible for the implementation of the Project.

The latest budgeted funds for the execution of the Project are:

| | | |
|-----|-----------------------|--------------|
| (a) | Government of Vietnam | USD100,000 |
| (b) | UNDP | USD3,500,000 |

The overall objective of the Project is to provide support to the Policy Advisory Group (PAG) established by the Ministry of Finance (MOF) as an independent policy advisory body to provide relevant policy advice and recommendations on emerging and important policy issues and to study strategic policy topics. The PAG is responsible for (i) providing high-quality and independent policy advice directly to the Minister of Finance and other senior leaders of the ministry (ii) establishing the basic infrastructure for policy analysis within the ministry, and to develop policy analysis and capacity within other departments and affiliated agencies of MOF.

The Project has the following 4 immediate objectives:

1. Support to the PAG in its efforts to provide timely policy advice and recommendations on urgent policy issues to the Minister and other senior leaders of MOF. Support to PAG studies of major strategic policy topics relating to the public finance system;
2. Contribute to the development of knowledge networking, data base, policy analysis and forecasting systems within MOF;
3. Support for public policy round table discussions to improve transparency and public participation; and
4. Support for training courses for MOF policy makers and policy makers from other relevant government agencies.

United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

**Notes to the statement of expenditure for the year ended 31 December 2010
(continued)**

2 Significant accounting policies

(a) Basis of preparation

The statement of expenditure (within the Combined Delivery Report) of the UNDP Award ID 00049827 – Support for Public Financial Policy Analysis (“the Project”), which is expressed in United States dollars (“USD”), has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting that is designed to meet the UNDP accounting requirements for Government implementation; it is not designed to produce a statement that is compatible with International Financial Reporting Standards. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred, except for:

- The treatment of advance payments to staff and co-implementing partners, which are initially recognised as receivables and only recognised as expenditure when they have been liquidated by invoices supporting the related expenditure; and
- The treatment of encumbrances, which are recognised when a legal commitment has been entered into by the UNDP Country Office (“UNDP CO”).

Payments are made by the Implementing Partner or by the UNDP CO.

The accompanying statement of expenditure was prepared for the purpose of complying with UNDP Award ID 00049827, between the UNDP CO and the Implementing Partner, and with UNDP accounting requirements and for the information and use of the Project’s management, the Implementing Partner and UNDP. As a result, the statement of expenditure may not be suitable for another purpose.

(b) Expenditure

Expenditure represents costs incurred in meeting the Project objectives in line with the approved budgets.

(c) Fixed assets and equipment

Fixed assets are those assets that have their original prices equivalent to USD1,000 per unit or more and their lifecycles are of 3 years long or more. In addition, the following assets, regardless of their lifecycles, are managed in the same way as fixed assets:

- Portable computers;
- Scanners;
- Printers;
- CD writers/recorders, outside hard disks or other devices for portable computers;
- CD/DVD/video players;
- Film cameras, camcorders, digital cameras;
- Mobile phones;
- Personal digital assistants (PDA).

United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

Notes to the statement of expenditure for the year ended 31 December 2010 (continued)

The purchase price and any directly attributable costs in acquiring fixed assets and equipment are recorded as expenses at the time the assets and equipment are acquired and payment is made.

For control purposes, the Project prepares a statement of assets and equipment.

(d) Foreign currencies

The Project executes transactions and maintains its accounting records primarily in Vietnam Dong (“VND”). Transactions in currencies other than USD are recorded at the UNDP’s rate of exchange for the month when the expenditure was made. Any exchange differences arising on the conversion of transactions denominated in currencies other than USD are included in the “UNDP Disb” column of the Combined Delivery Report.

(e) Corresponding figures

Corresponding figures are not required by the accounting practices prescribed by the UNDP.

3 Combined Delivery Report

The Combined Delivery Report (“CDR”) is the report that reflects the total expenditure and actual obligations of a Project during a period. This report is prepared by UNDP, using an in-house accounting software package called ATLAS. The CDR combines expenditure from the following disbursement sources for a calendar year:

(a) Implementing partner – either Government or NGO

These represent disbursements made by the implementing partner and are recorded in the column titled “Govt Disb” in the CDR.

(b) UNDP – country office, headquarters and other country offices

These represent disbursements made by UNDP from its own bank accounts. These UNDP disbursements are recorded in the column titled “UNDP Disb” in the CDR. These disbursements may be classified as either direct payments or UNDP support services.

- (i) **Direct Payments** – These are payments made by the UNDP on behalf of the implementing partner, which is responsible for the expenditure. The implementing partner is accountable for the disbursement and maintains all supporting documentation.
- (ii) **UNDP Support Services** – These are payments made by the UNDP for the provision of support services to the Project. The UNDP is fully responsible and accountable for this expenditure and, accordingly, maintains all supporting documentation for the disbursements.

United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

Notes to the statement of expenditure for the year ended 31 December 2010
(continued)

(c) UN agencies

These represent expenditures of another UN Agency when implementing part of the Project. These UN Agency expenditures are recorded in the column titled "UN Agencies" in the CDR.

(d) Encumbrances

These represent legal commitments to expenditure, entered into by the UNDP CO and not yet paid as at 31 December 2010. Responsibility for entering into commitments and for maintaining supporting documentation rests with the same agencies as identified in Note 3(b) above. These commitments are recorded in the column titled "Encumbrance" in the CDR.

4 UNDP disbursements

| Description | Code | UNDP direct payments USD |
|--|-------|--------------------------------|
| Local consult.-short term-support | 71205 | 26,580.25 |
| Daily subsistence allowance-local | 71605 | 2,476.63 |
| Travel - other | 71615 | 64,080.83 |
| Daily Subsistence Allow-Local | 71620 | 140.00 |
| Travel – Other | 71635 | 12,713.18 |
| Service Contract-Construction & Engineer | 72105 | 1,764.70 |
| Audit fees | 74110 | 1,342.65 |
| Learning costs | 75705 | 35,919.00 |
| Learning – subsistence allowance | 75707 | (13,000.00) |
| Unrealized loss | 76120 | 4,983.10 |
| Unrealized gain | 76130 | (132.81) |
| Realized gain | 76135 | (2,316.55) |
| Total disbursements | | 134,550.97 |

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00049827

SUPPORT FOR PUBLIC FINANCIAL POLICY ANALYSIS

**PART 2
AUDITED STATEMENT OF CASH POSITION
AS AT 31 DECEMBER 2010**



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Report of the independent auditors on statement of cash position

To the Country Director, UNDP, Hanoi, Vietnam and the National Project Director of Support for Public Financial Policy Analysis

We have audited the accompanying statement of cash position of the UNDP Award ID 00049827 – Support for Public Financial Policy Analysis (“the Project”) implemented by Ministry of Finance (“the Implementing Partner”) as at 31 December 2010, a summary of significant accounting policies and other explanatory information set out on pages 13 to 14 (“the statement”). The statement has been prepared by the management of the Project using the basis of preparation and accounting policies described in Note 1 to the statement.

Management’s responsibility for the statement

Management is responsible for the preparation and fair presentation of this statement in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement, and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement of cash position is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the statement 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

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



Opinion

In our opinion, the statement of cash position of the Project, which shows a total cash balance amounting to USD50,825, presents fairly, in all material respects, the cash balance of the Project as at 31 December 2010 in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 to the statement, which describes the basis of accounting and the accounting policies adopted by the Project. The statement is prepared for the information and use of the Project's management, the Implementing Partner and UNDP. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the information and use of the Project's management, the Implementing Partner and UNDP and should not be distributed to or used by any other parties.

KPMG Limited

Investment Certificate No: 011043000345
Audit Report No: 10-02-279-16-b
CÔNG TY TRÁCH NHIỆM HỮU HẠN
KPMG
KIỂM TOÁN TP. HÀ NỘI
Nguyễn Thủy Dương
CPA No. 0893/KTV
Deputy General Director

Hanoi, 30 May 2011

Le Viet Hung
CPA No. 0296/KTV

United Nations Development Programme
Award ID: 00049827
Support for Public Financial Policy Analysis
Statement of cash position as at 31 December 2010



31/12/2010
USD

| | |
|----------------------------|---------------|
| Cash on hand | 249 |
| Cash in banks | 50,576 |
| Total cash position | 50,825 |

Prepared by:

Nguyen Thuy Hang
Project Accountant

Certified by:

Khuat Tuan Anh
Project Manager

Approved by:

Nguyen Duc Chi
Project Management Unit Director

United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

Notes to the statement of cash position as at 31 December 2010

These notes form an integral part of the accompanying statement of cash position.

1 Significant accounting policies

(a) Basis of preparation

The statement of cash position of the UNDP Award ID 00049827 – Support for Public Financial Policy Analysis, which is expressed in United States dollars (“USD”), has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting that is designed to meet the UNDP accounting requirements for Government implementation; it is not designed to produce a statement that is compatible with International Financial Reporting Standards. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred, except for:

- The treatment of advance payments to staff and co-implementing partners, which are initially recognised as receivables and only recognised as expenditure when they have been liquidated by invoices supporting the related expenditure; and
- The treatment of encumbrances, which are recognised when a legal commitment has been entered into by the UNDP Country Office (“UNDP CO”).

Payments are made by the Implementing Partner or by the UNDP CO.

The accompanying statement of cash position was prepared for the purpose of complying with UNDP Award ID 00049827, between the UNDP CO and the Implementing Partner, and with UNDP accounting requirements and for the information and use of the Project’s management, the Implementing Partner and UNDP. As a result, the statement may not be suitable for another purpose.

(b) Foreign currencies

The statement of cash position is presented in USD. Cash balances in currencies other than USD are recorded at the UNDP’s rate of exchange at 31 December 2010.

(c) Corresponding figures

Corresponding figures are not required by the accounting practices prescribed by the UNDP.

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00049827

SUPPORT FOR PUBLIC FINANCIAL POLICY ANALYSIS

**PART 3
AUDITED STATEMENT OF ASSETS AND EQUIPMENT
AS AT 31 DECEMBER 2010**



KPMG Limited
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Report of the independent auditors on statement of assets and equipment

To the Country Director, UNDP, Hanoi, Vietnam and the National Project Director of Support for Public Financial Policy Analysis

We have audited the accompanying statement of assets and equipment of the UNDP Award ID 00049827 – Support for Public Financial Policy Analysis (“the Project”) implemented by Ministry of Finance (“the Implementing Partner”) as at 31 December 2010, a summary of significant accounting policies and other explanatory information set out on pages 18 to 21 (“the statement”). The statement has been prepared by the management of the Project using the basis of preparation and accounting policies described in Note 1 to the statement.

Management’s responsibility for the statement

Management is responsible for the preparation and fair presentation of this statement in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement, and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditors’ responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the statement 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

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



Opinion

In our opinion, the statement of assets and equipment of the Project, which shows a total balance of USD60,062, presents fairly, in all material respects, the assets and equipment balance of the Project as at 31 December 2010 in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 to the statement, which describes the basis of accounting and the accounting policies adopted by the Project. The statement is prepared for the information and use of the Project's management, the Implementing Partner and UNDP. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the information and use of the Project's management, the Implementing Partner and UNDP and should not be distributed to or used by any other parties.

KPMG Limited
Investment Certificate No: 011043000345
Audit Report No: 10-02-279-16-c
CÔNG TY
TRÁCH NHIỆM HỮU HẠN
KPMG
HỘI KIỂM TOÁN VIỆT NAM
HỘI KIỂM TOÁN TP. HÀ NỘI

Nguyen Thuy Duong
CPA No. 0893/KTV
Deputy General Director

Le Viet Hung
CPA No. 0296/KTV

Hanoi, 30 May 2011

CHƯƠNG TRÌNH PHÁT TRIỂN LIÊN HIỆP QUỐC

Mã dự án: 00049827

Tên dự án: Dự án Hỗ trợ phân tích chính sách tài chính

Báo cáo tài sản và thiết bị tại ngày 31 tháng 12 năm 2010



| STT | Mô tả | Mã tài sản | Nhà sản xuất | Ngày mua | Đơn giá (USD) | Địa điểm hiện tại | Tình trạng tài sản | Chú thích |
|-----|--|------------|------------------|------------|---------------|-------------------|--------------------|-----------|
| 1 | Máy fax 180 sheets in tray, 360x360dpi transmission: 6 seconds, 14,4 Kbps" | 38 | | 30/12/2003 | 1,181 | Văn phòng dự án | Tốt | |
| 2 | Máy chiếu LCD projector, 1200-1800 ANSI lumens, SVGA 800x600-1024x76, out put port for monitor, portable model | 62 | ANSI | 30/12/2003 | 2,178 | Văn phòng dự án | Tốt | |
| 3 | Xe dự án - Lanceruise Prado 2.7- 29NN-54613 | 74 | Lanceruise Prado | 1/5/2004 | 20,357 | Bộ Tài Chính | Tốt | |
| 4 | Máy tính DELL Optiplex 170L | 84 | Dell | 6/23/2006 | 1,370 | Văn phòng dự án | Tốt | |
| 5 | Máy tính DELL Optiplex 170L | 85 | Dell | 6/23/2006 | 1,370 | Văn phòng dự án | Tốt | |
| 6 | Máy tính DELL Optiplex 170L | 86 | Dell | 6/23/2006 | 1,370 | Văn phòng dự án | Tốt | |
| 7 | Máy tính DELL Optiplex 170L | 87 | Dell | 6/23/2006 | 1,370 | Văn phòng dự án | Tốt | |
| 8 | Máy tính DELL Optiplex 170L | 88 | Dell | 6/23/2006 | 1,370 | Văn phòng dự án | Tốt | |
| 9 | Máy in HP LaserJet Model 2420N | 94 | HP | 6/23/2006 | 890 | Văn phòng dự án | Tốt | |
| 10 | Máy in HP LaserJet Model 2420N | 95 | HP | 6/23/2006 | 890 | Văn phòng dự án | Tốt | |
| 11 | Máy photo Xerox 256" | 98 | | 7/3/2006 | 2,350 | Văn phòng dự án | Tốt | |
| 12 | Máy photo Option of Xerox 256 | 99 | | 7/3/2006 | 2,780 | Văn phòng dự án | Tốt | |
| 13 | MTXT Dell Latitude X1, 512MB DDR2 SDRAM, 60GB HDD, 12.1" XGA | 100 | Xerox | 7/3/2006 | 2,780 | Văn phòng dự án | Tốt | |
| 14 | MTXT Dell Latitude X1, 512MB DDR2 SDRAM, 60GB HDD, 12.1" XGA | 101 | Dell | 8/8/2006 | 2,205 | Lé Thị Bằng Tâm | Tốt | |
| 15 | MTXT Dell Latitude X1, 512MB DDR2 SDRAM, 60GB HDD, 12.1" XGA | 102 | Dell | 8/8/2006 | 2,205 | Nguyễn Ngọc Anh | Tốt | |
| 16 | Màn hình máy tính Optilex 745N/Mor 17 LCD | 103 | Dell | 8/8/2006 | 2,205 | Nguyễn Thị Bích | Tốt | |
| 17 | Màn hình máy tính Optilex 745N/Mor 17 LCD | 104 | Dell | 25/02/2008 | 869 | Văn phòng dự án | Tốt | |
| 18 | Màn hình máy tính Optilex 745N/Mor 17 LCD | 105 | Dell | 25/02/2008 | 869 | Văn phòng dự án | Tốt | |
| 19 | Màn hình máy tính Optilex 745N/Mor 17 LCD | 106 | Dell | 25/02/2008 | 869 | Văn phòng dự án | Tốt | |
| 20 | Màn hình máy tính Optilex 745N/Mor 17 LCD | 107 | Dell | 25/02/2008 | 869 | Văn phòng dự án | Tốt | |
| 21 | Màn hình máy tính Optilex 745N/Mor 17 LCD | 108 | Dell | 25/02/2008 | 869 | Văn phòng dự án | Tốt | |
| 22 | Màn hình máy tính Optilex 745N/Mor 17 LCD | 109 | Dell | 25/02/2008 | 869 | Văn phòng dự án | Tốt | |
| 23 | Màn hình máy tính Optilex 745N/Mor 17 LCD | 110 | Dell | 25/02/2008 | 869 | Văn phòng dự án | Tốt | |
| 24 | MTXT IBM LENOVO THINKPAD T61 Duo T7300*2.0/1024Mb/120GB/DVD/Xpro | 111 | Lenovo | 25/02/2008 | 1,785 | Văn phòng dự án | Tốt | |
| 25 | MTXT LENOVO 3000 - Y410 Duo T7300 | 112 | Lenovo | 25/02/2008 | 1,205 | Dương Thị Nhi | Tốt | |

CHƯƠNG TRÌNH PHÁT TRIỂN LIÊN HIỆP QUỐC

Mã dự án: 00049827

Tên dự án: Dự án Hỗ trợ phân tích chính sách tài chính

Báo cáo tài sản và thiết bị tại ngày 31 tháng 12 năm 2010



| STT | Mô tả | Mã tài sản | Nhà sản xuất | Ngày mua | Đơn giá (USD) | Địa điểm hiện tại | Tình trạng tài sản | Chú thích |
|--------------|---|------------|--------------|------------|---------------|-------------------|--------------------|-----------|
| 26 | MTXT LENOVO 3000 - Y410 Duo T7300 | 113 | Lenovo | 25/02/2008 | 1,205 | Trương Bá Tuấn | Tốt | |
| 27 | MTXT LENOVO 3000 - Y410 Duo T7300 | 114 | Lenovo | 25/02/2008 | 1,205 | Văn phòng dự án | Tốt | |
| 28 | MTXT LENOVO 3000 - Y410 Duo T7300 | 115 | Lenovo | 25/02/2008 | 1,205 | Trần Văn Sơn | Tốt | |
| 29 | MTXT C765 Intel® Cel 2.0GHz / DDRII 1.0GB | 116 | HP | 11/6/2008 | 577 | Thủy Hằng | Tốt | |
| 30 | MTXT C765 Intel® Cel 2.0GHz / DDRII 1.0GB | 117 | HP | 11/6/2008 | 577 | Văn phòng dự án | Tốt | |
| 31 | MTXT C765 Intel® Cel 2.0GHz / DDRII 1.0GB | 118 | HP | 11/6/2008 | 577 | Hương Giang | Tốt | |
| 32 | Máy scan EPSON Perfection V700 Photo | 119 | Epson | 31/12/2009 | 682 | Văn phòng dự án | Tốt | |
| TOTAL | | | | | 60,062 | | | |

Prepared by:

Project Accountant
Nguyễn Thủy Hằng

Certified by:

Project Management
Khuất Tuấn Anh

Approved by:

Project Director
Nguyễn Đức Chi

United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

Notes to the statement of assets and equipment as at 31 December 2010

These notes form an integral part of the accompanying statement of assets and equipment.

1. Significant accounting policies

(a) Basis of preparation

The statement of assets and equipment of the UNDP Award ID 00049827 – Support for Public Financial Policy Analysis (“the Project”), which is expressed in USD, has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting that is designed to meet the UNDP accounting requirements for Government implementation; it is not designed to produce a statement that is compatible with International Financial Reporting Standards. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred, except for:

- The treatment of advance payments to staff and co-implementing partners, which are initially recognised as receivables and only recognised as expenditure when they have been liquidated by invoices supporting the related expenditure; and
- The treatment of encumbrances, which are recognised when a legal commitment has been entered into by the UNDP Country Office (“UNDP CO”).

Payments are made by the Implementing Partner or by the UNDP CO.

The accompanying statement of assets and equipment was prepared for the purpose of complying with UNDP Award ID 00049827, between the UNDP CO and the Implementing Partner, and with UNDP accounting requirements and for the information and use of the Project’s management, the Implementing Partner and UNDP. As a result, the statement may not be suitable for another purpose.

(b) Fixed assets and equipment

Fixed assets are those assets that have their original prices equivalent to USD1,000 per unit or more and their lifecycles are of 3 years long or more. In addition, the following assets, regardless of their lifecycles, are managed in the same way as fixed assets:

- Portable computers;
- Scanners;
- Printers;
- CD writers/recorders, outside hard disks or other devices for portable computers;
- CD/DVD/video players;
- Film cameras, camcorders, digital cameras;
- Mobile phones;
- Personal digital assistants (PDA).

United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

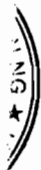
Notes to the statement of assets and equipment as at 31 December 2010 (continued)

The purchase price and any directly attributable costs in acquiring fixed assets and equipment are recorded as expenses at the time the assets and equipment are acquired and payment is made.

For control purposes, the Project prepares a statement of assets and equipment.

(c) Foreign currencies

The Project executes transactions and maintains its accounting records primarily in Vietnam Dong (“VND”). Transactions in currencies other than USD are recorded at the UNDP’s rate of exchange for the month when the expenditure was made.



**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00049827

SUPPORT FOR PUBLIC FINANCIAL POLICY ANALYSIS

PART 4

**SUMMARY OF AUDIT RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

Audit data and observations on statement of expenditure for the year ended 31 December 2010

| Award ID | Amount audited and certified (USD) | Audit opinion (unqualified, adverse, disclaimer) | Total effect of qualification of audit opinion (if qualified, adverse or disclaimer) (USD) | Total amount of net financial impact ("NFI") of qualification of audit opinion (if qualified, adverse or disclaimer) (USD) | Reason(s) for qualification of audit opinion and breakdown of NFI amount (USD) | Observations that had impact on qualification of audit opinion (list observation number(s) and page of audit report/ management letter |
|----------|------------------------------------|--|--|--|--|--|
| 00049827 | 433,060.08 | Unqualified | Nil | Nil | Not applicable | Not applicable |

KPMG Limited

Vietnam Investment Certificate No: 011043000345



Hanoi, 30 May 2011

United Nations Development Programme

Award ID: 00049827

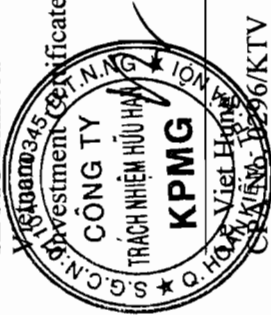
Support for Public Financial Policy Analysis

Audit data and observations on statement of cash position as at 31 December 2010

| Award ID | Value of cash position statement as at 31 December 2010 (USD) | Audit opinion (unqualified, qualified, adverse, disclaimer) | Total effect of qualification of audit opinion (if qualified, adverse or disclaimer) (USD) | Total amount of net financial impact ("NFI") of qualification of audit opinion (if qualified, adverse or disclaimer) (USD) | Reason(s) for qualification of audit opinion and breakdown of NFI amount (USD) | Observations that had impact on qualification of audit opinion (list observation number(s) and page of audit report/ management letter |
|----------|---|---|--|--|--|--|
| 00049828 | 50,825 | Unqualified | Nil | Nil | Not applicable | Not applicable |

KPMG Limited

Investment Certificate No: 011043000345



Hanoi, 30 May 2011

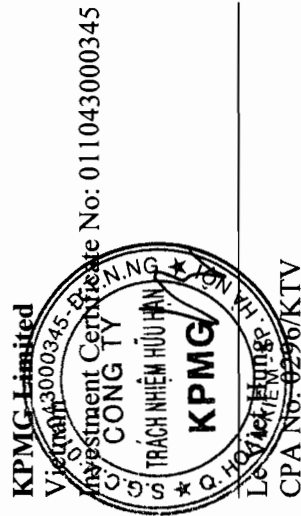
United Nations Development Programme

Award ID: 00049827

Support for Public Financial Policy Analysis

Audit data and observations on statement of assets and equipment as at 31 December 2010

| Award ID | Value of assets and equipment as at 31 December 2010 (cumulative from project start date) (USD) | Audit opinion (unqualified, qualified, adverse, disclaimer) | Total effect of qualification of audit opinion (if qualified, adverse or disclaimer) (USD) | Total amount of net financial impact ("NFI") of qualification of audit opinion (if qualified, adverse or disclaimer) (USD) | Reason(s) for qualification of audit opinion and breakdown of NFI amount (USD) | Observations that had impact on qualification of audit opinion (list observation number(s) and page of audit report/ management letter |
|----------|---|---|--|--|--|--|
| 00049827 | 60,062 | Unqualified | - | - | Not applicable | Not applicable |



Hanoi, 30 May 2011

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00049827

NSUPPORT FOR PUBLIC FINANCIAL POLICY ANALYSIS

PART 5

**MANAGEMENT LETTER
FOR THE YEAR ENDED 31 DECEMBER 2010**



KPMG Limited
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The Socialist Republic of Vietnam

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Mr. Nguyen Duc Chi
National Project Director
UNDP Award ID 00049827 – Support for Public Financial Policy Analysis
Ministry of Finance
Room 201, Project Building
No 4 Lane 1 Hang Chuoi

Date: 30 May 2011

Dear Mr. Nguyen Duc Chi,

Management Letter – Audit for the year ended 31 December 2010

We have audited in accordance with International Standards on Auditing the statements of expenditure, cash position and assets and equipment (“the statements”) of the UNDP Award ID 00049827 – Support for Public Financial Policy Analysis (“the Project”) for the year ended 31 December 2010, and have issued our reports thereon dated 30 May 2011. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the statements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Project’s preparation and fair presentation of the statements 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. Accordingly, we do not express an opinion on the effectiveness of the Project’s internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarised in the enclosed report.

Our audit procedures are designed primarily to enable us to form an opinion on the statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Project gained during our work to make comments and suggestions that we hope will be useful to you.

Our findings are grouped into the following categories.

High: Action that is considered imperative to ensure that UNDP is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).

Medium: Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).

Low: Action that is considered desirable and should result in enhanced control or better value for money.

Our findings covered the following audit area:

1. Human Resources;
2. Finance;
3. Procurement;
4. Asset Management;
5. Cash Management;
6. General Administration; and
7. Information System

Furthermore, our findings were also classified by possible causes as follows:

1. Lack of/or inadequate policies/procedures guidelines
2. Lack of/or inadequate guidance/supervision at the project level
3. Lack of/or inadequate guidance/monitoring at UNDP Country Office (“UNDP CO”) level
4. Lack of/or insufficient resources (specify: financial, human or, technical resources)
5. Inadequate planning
6. Inadequate training
7. Human error
8. Intentional overriding of internal controls
9. Inadequate management structure



We would be pleased to discuss these comments and recommendations with you at any time.

The Project's written responses to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of the Project's management, the Implementing Partner and UNDP and should not be distributed to or used by any other parties.



| Contents | Risk severity | Page |
|--|--------------------------|-------------|
| I. Executive summary | | 31-32 |
| II. Audit findings and recommendations | | |
| A. HUMAN RESOURCES | | |
| A.1 Withhold and pay compulsory social and health insurance | Medium | 33-35 |
| A.2 Comply with HPPMG requirements regarding Labour Contracts | Medium | 36 |
| B. FINANCE | | |
| B.1 Record project expenses in appropriate budget lines | Low | 37 |
| B.2 Update FACE and General Ledger promptly | Low | 38 |
| B.3 Record Value Added Tax (“VAT”) and Personal Income Tax (“PIT”) correctly | Low | 39 |
| B.4 Improve the preparation of the Annual Progress Report | Low | 40-42 |
| C. PROCUREMENT | | |
| No issue identified. | | 43 |
| D. ASSET MANAGEMENT | | |
| D.1 Insure assets adequately | Low | 44-45 |
| D.2 Tag code for non-expendable assets | Low | 46 |
| E. CASH MANAGEMENT | | |
| E.1 Reduce large petty cash payments | Low | 47-48 |
| E.2 Improve control over advance | Low | 49-50 |
| F. GENERAL ADMINISTRATION | | |
| F.1 Maintain a proper list of participants in trainings, workshops and conferences | Low | 51 |
| G. INFORMATION SYSTEM | | |
| No issue identified. | | 52 |

I. Executive summary

1. Project progress summary

| Output | Number of activities | | | | Budget | Actual expenditure | Disb. rate |
|---|----------------------|-------------|-------------|-------|---------|--------------------|------------|
| | Completed | In-progress | Not started | Total | USD | USD | % |
| Output 1: Regular policy advice to Minister and other senior leaders, analysis of major policy issues, building policy analysis and forecasting system for Ministry of Finance (“MoF”) | 60 | 5 | 24 | 89 | 528,400 | 383,473 | 73% |
| Output 2: Training course for MoF’s policy infrastructure makers | 1 | 1 | - | 2 | 6,000 | 1,149 | 19% |
| Output 3: Project management and support | 3 | - | - | 3 | 51,124 | 48,438 | 95% |

(source: extracted from the Project’s 2010 Annual Progress Report)

2. Summary of audit findings

| No. | Audit observations | Audit area | Cause | Risk severity |
|-----|--|------------------------|---|---------------|
| A.1 | Withhold and pay compulsory social and health insurance | Human resources | Inadequate guidelines at UNDP CO level/lack of supervision at the project level | Medium |
| A.2 | Comply with HPPMG requirements regarding Labour Contracts | Human resources | Inadequate supervision at the project level | Medium |
| B.1 | Record project expenses in the appropriate budget lines | Finance | Human error | Low |
| B.2 | Update FACE and General Ledger promptly | Finance | Human error /Inadequate supervision at the project level | Low |
| B.3 | Record Value Added Tax ("VAT") and Personal Income Tax ("PIT") correctly | Finance | Human error /Inadequate supervision at the project level | Low |
| B.4 | Improve the preparation of the Annual Progress Report | Finance | Inadequate supervision at the project level | Low |
| D.1 | Insure assets adequately | Asset management | Lack of guidance at the project and UNDP CO level | Low |
| D.2 | Tag code for non-expendable assets | Asset management | Human error | Low |
| E.1 | Reduce large petty cash payments | Cash management | Inadequate supervision at the project level | Low |
| E.2 | Improve control over advances | Cash management | Inadequate supervision at the project level | Low |
| F.1 | Maintain a proper list of participants in trainings, workshops and conferences | General administration | Inadequate supervision at the project level | Low |

II. Audit findings and recommendations

A. Human Resources

A.1 Withhold and pay compulsory social and health insurance

Audit area : Human Resources

Cause: Inadequate guidelines at UNDP CO level/ Lack of supervision at the project level

Risk severity: Medium

Observation

The Social Insurance Law and the Health Insurance Law of Vietnam stipulate that “persons subject to compulsory social insurance and health insurance are those who are working under contracts with indefinite term or full-time contracts with a duration of three months or longer”.

In practice, employers are required to withhold compulsory social insurance and health insurance and make payments to the relevant Social and Health Insurance Authorities. Employees generally cannot make these payments of compulsory social insurance and health insurance to the Social and Health Insurance Authorities.

The requirement that compulsory social and health insurance should be withheld by the Project before paying monthly salaries has been included in Annex III.5.3 of the “Harmonised Programme and Project Management Guidelines” (“HPPMG”).

However, the Project and its staff entered into Personnel Service Agreements (“PSAs”) using the template provided in Annex II.4.6 to the “Provision Guidelines on Project Management” for Nationally Executed Projects (“NEX Manual”), which states that:

“Health or medical insurance or social insurance are not provided under this contract. Remuneration is calculated to include the cost of such insurance. It is the responsibility of the subscriber to obtain his or her own health insurance coverage and to work with the Implementing Partner on social insurance”

This provision of the PSA does not provide clear guidance for the Project staff to comply with the Social Insurance Law and the Health Insurance Law. As a result, the Project does not withhold compulsory social insurance and health insurance before making monthly salary payments to its staff and the Project staff do not pay the compulsory social insurance and health insurance arising on their salaries.

Implication

The Project and its staff are not complying with the Social Insurance Law and the Health Insurance Law of Vietnam. The Project may be subject to penalties for this non-compliance.

The Project's staff are not entitled to enjoy the benefits of Social and Health Insurance Funds.

Recommendation

The Project should:

- Promptly revise all existing PSAs with its staff following the newly provided Labour Contract format provided in the HPPMG and ensure that the Labour Contracts clearly state the responsibility of the Project for withholding compulsory social and health insurance; and
- Promptly complete any necessary procedures to register the labour contracts of its staff with the relevant Social and Health Insurance Authorities and pay compulsory social and health insurance in accordance with the relevant laws and regulations.

If the Project does not have its own legal status, which is a requirement for registration with the Social and Health Insurance Authorities, Project management should discuss with the Implementing Partner how best to register Project staff with the Social and Health Insurance Authorities in order to make the required payments of the compulsory social and health insurance.

Project management's response

Before HPPMG was effective, NEX specified that the salary for the Project staff and Project consultant is the gross salary; employees have to deduct and pay Personal Income Tax, Health Insurance and Social Insurance on their own. Project Management discussed with local insurance department of Hai Ba Trung District on the regulations and procedures for staff members' insurance obligation. As regulated in NEX, contracts between the project and its staff are "Personal Service Agreement", rather than "Labour Contract", which stipulates that individuals must deduct and pay the above amounts by themselves. In addition, projects under MOF (Ministry of Finance) do not have their own seals, but use MOF's seals. Because the Project staff are not considered MOF staff, the local insurance department does not accept the payment of the social and health insurance for the staff by the Project. They have to pay voluntary insurance in their residential places.

After the enforcement of HPPMG, despite new policy on the compulsory health and social insurance, but no clear instruction was given for specific cases. For example, because MOF's projects do not have their own seals, they cannot pay these insurance amounts for the staff. Therefore, the implementation of the policy is very difficult.

Action : Revise current labour contracts to comply with the new template required by HPPMG. Because the Project does not have its legal identity (no own seal, but MOF seal), the Project will discuss with Implementing Partner and UNDP to support the registration of Project staff with local Social and Health Insurance Department.

Person in charge : National Project Director

Timing : Quarter 3/ 2011

UNDP Programme Officer's comment

The Project should use proper template of labour contracts. Project's explanation reveals objective causes to the non-compliance of new regulations.

A.2 Comply with HPPMG requirements regarding Labour Contracts

Audit area : Human resources

Cause : Inadequate supervision at the project level

Risk severity : Medium

Observation

Effective from 1 July 2010, in accordance with the agreement between the UNDP and the Government of Vietnam, the “Harmonised Programme and Project Management Guidelines” (“HPPMG”) is required to be applied on all National Implementation Modality (“NIM”) projects.

According to the HPPMG guidelines, the format of Labour Contracts (set out in Annex III.5.3) should be used, replacing the old Personnel Service Agreement (“PSA”) format provided in the former NEX Manual.

However, the Project is still using the old PSA format for contracts of existing staff renewed after 1 July 2010.

Implication

The provisions of the newly introduced Manual have not been properly complied with. Furthermore, as discussed at point A.1 above, the old PSA format does not comply with the stipulations of current laws and regulations relating to social and health insurance.

Recommendation

The Project should promptly revise all existing PSAs with its staff, following the new Labour Contract format provided in the HPPMG.

Project management's response

Action : Revise contracts with the existing staff to comply with the new Labour Contract template regulated in HPPMG.

Person in charge : Project Coordinator

Timing : Quarter 3/2011

UNDP Programme Officer's comment

Agree with auditors' comments. UNDP will closely monitor the revision of labour contracts as the above recommendation.

B. Finance

B.1 Record project expenses in the appropriate budget line

Audit area : Finance

Cause : Human error

Risk severity : Low

Observation

We noticed that some expenditures were recorded under wrong accounting codes regulated by UNDP. For example,

- The annual newspaper subscription expense amount of USD961 was recorded in Account 72210 – Machinery & Equipment instead of Account 74525 – Sundry expenses; and
- Payment for local consultants amounting to USD29,387 was recorded in Account 71405 – Service contracts – Individual instead of Account 71305 – Local consultant – Short term – Technical.

Implication

If expenditure is recorded in wrong budget lines, the Project management may face difficulties in monitoring the Project's disbursements and in analysing the variances between the planned activities and actual results. This may result in financial and operational decisions by the Project management being made on the basis of misleading data.

Recommendation

Project Management should consider the nature of payment and record expenditures in appropriate budget lines so that they can easily monitor and supervise the actual spending against original budget and workplan.

Project management's response

Action : Adjust and reclassify the expenditure to the appropriate accounts

Person in charge : Project Coordinator and Accountant

Timing : Early 2011.

UNDP Programme Officer's comment

Agree with auditors' comments.

B.2 Update FACE and General Ledger promptly

Audit area : Finance

Cause : Human errors/Inadequate supervision from at the project level

Risk severity : Low

Observation

We noted that there are several differences by activities between Project's general ledger ("GL") and FACE forms which were prepared by the Project to submit to UNDP quarterly and the Combined Delivery Report (CDR) for the year ended 31 December 2010.

Despite differences in account classifications between the FACE and the CDR for the year ended 31 December 2010, the total expenditure per each report is the same. It was mainly explained by the fact that after reconciling FACE and CDR, the Project Accountant identified some errors and sent a request to UNDP Officer to make correction in CDR. However, FACE and GL were not updated accordingly.

Implication

If GL and FACE are incorrect, there is a risk that Project Management and other related parties would make inappropriate decisions on the basis of inaccurate data.

Recommendation

The Project Accountant and UNDP should have a formal procedure to perform quarterly reconciliation whereby expenditure will be reconciled by activities and individual accounts between FACE and CDR. Quarterly reconciliation should be documented, reviewed and approved by the Project Director. Any reconciling items between CDR and FACE should be promptly updated in GL and informed to UNDP CO for adjustments in the subsequent quarter, if necessary.

Project management's response

The differences between the FACE and CDR annual reports have been noted. The main reason is the confusion as regards account codes between the Project and UNDP accountant. The CDR does not detail expenditure by each specific activity but only shows the total amount of each main account. This causes difficulty in reconciliation between FACE (more detailed) and CDR. In addition, CDR is the product of ATLAS accounting system, so subsequent adjustments are very complicated.

Action : The Project will collaborate with UNDP to set up an appropriate quarterly reconciliation.

Person in charge : Project Coordinator and Accountant

Timing : From the 3rd quarter, 2011.

UNDP Programme Officer's comment

Agree with the auditors' comments. Reasons for the differences (due to system or human errors) should be investigated to avoid next time.

B.3 Record Value Added Tax (“VAT”) and Personal Income Tax (“PIT”) properly

Audit area : Finance

Cause : Human errors/Inadequate supervision from at the project level

Risk severity : Low

Observation

We noted that VAT refund from local Tax authorities and PIT return of Ms. Dang Thi Hoai Thu amounting to USD5,400 was recorded in account “74525 –Sundry”; instead of crediting to relevant account codes where input VAT and PIT incurred.

Implication

This accounting treatment does not comply with HPPMG’s regulations, accordingly, VAT and PIT refund will be credited to the account which tax expenses incurred. This may lead to difficulty in monitoring the disbursement of the project and analyzing the differences between the budget and actual spending. Financial decisions made by the Project Management, hence, can be made on the basis of inaccurate data.

Recommendation

We recommend that the Project should comply with the accounting policies regulated by UNDP for recognition of tax refund.

Project management’s response

Action : To make adjustments for the tax refund to the relevant legitimate accounts
Person in charge : Project Accountant
Timing : 2011

UNDP Programme Officer’s comment

Agreed with the auditors’ comments

B.4 Improve the preparation of the Annual Progress Report

Audit area : Finance

Cause : Lack or supervision at the project level

Risk severity: Low

Observation

Our review of the Project's 2010 Annual Progress Report ("APR") revealed that, in general, the Project had prepared the Annual Progress Report in accordance with the requirements of the "Harmonised Programme and Project Management Guidelines" ("HPPMG"). However, some activities had been completed as at 31 December 2010 but had low disbursements; there were no detailed explanations in the APR for each activity. Examples include:

| Planned Activities and Actual Achievement | Degree of achievement | | | Disbursement vs. Planned Budget | | |
|---|-----------------------|-------------|-------------|---------------------------------|--------------------------|--------------------|
| | Fully Completed | In-progress | Not started | Budgeted amount (USD) | Actual expenditure (USD) | Disburse. Rate (%) |
| Requests from MoF's leaders to PAG are raised and answered satisfactorily | X | | | 14,000 | 6,473.15 | 47 |
| Tax policy | X | | | 43,500 | 13,593.20 | 32 |
| Social welfare policy | X | | | 106,500 | 23,637.27 | 23 |
| Securities market development and management policy | X | | | 86,500 | 16,769.01 | 20 |
| Strengthening the capability of the Ministry of Finance | X | | | 61,788 | 21,603.22 | 35 |

The Project management informed us that the reasons for the low disbursement rates and delays of these activities had been communicated to the Programme Officer on a timely basis.

Implication

Delays in some activities may affect the overall Project progress. There is a risk that Project objectives may not be achieved within the expected time frame, or that the quality of outputs may be impaired.

If reasons for low disbursements or delayed activities are not properly annotated, it may be difficult for the Project management to demonstrate to others (e.g. donors or implementing partners) that they are monitoring and controlling the Project's activities and progress.

Recommendation

Project management should make a formal comparison of actual disbursements with the approved budget every quarter. This comparison should include both a quantitative analysis and narrative explanations for any significant variance, particularly for all delayed activities.

If difficulties in meeting any objectives are foreseen, they should be considered and, if necessary, communicated to the Programme Officer without delay, and formally documented in the periodic progress reports to the UNDP CO.

Project management's response

Because the main activities of the Project "Support for Public Financial Policy Analysis" include independent consultancy and advisory as per the requirements of MOF leaders, flexibility is allowed in the implementation of activities. In 2010, Vietnam experienced an unstable economic development stage with high inflation, not to mention several big challenges in the post-crisis stage. The consultancy requirements of MOF, therefore, have had to change several times towards a more short term basis. Some activities were set at the beginning of the year but revised on a frequent basis due to change in urgency and priority.

The Project has also prudently and carefully implemented its plan. When the Project Management realised that an activity was not imperative or not quite important, the Project Management cancelled or delayed this activity to avoid wasting donor fund to ensure the quality of outputs and to meet the actual needs of the Ministry.

In addition, the Ministry's advisory activities are usually narrow and specialised in nature. Therefore, it is difficult to select relevant qualified consultants, particularly in light of the time constraint set out by the Ministry. Some consultancy requirements had to be advertised twice in the public press, but the number of qualified consultants applied was not significant.

The staffing issue of the Policy Advisory Group is another difficulty of the Project in 2010. The Ministry has assigned 3 members of the PAG to take over important positions in the Ministry; therefore, the implementation of activities is more difficult. The Group's remaining staff members have made significant efforts in carrying out the tasks assigned by the Ministry on a weekly and monthly basis, so their support for selecting consultants was limited.

The Project assesses that the communication between the Project and UNDP is appropriate and coherent. Most of the activities implemented by the Project have been discussed with UNDP, and the difficulties in implementation have also been discussed and unanimously resolved by both the Project and UNDP. The Project and UNDP evaluate the performance of the Project activities on quarterly basis, in which explanation was provided for the activities that need immediate action and the activities that can be postponed to save costs.

Action : The Project will discuss more frequently with UNDP and revise quarterly plans as appropriate.

Person in charge : Project Coordinator

Timing : In progress

UNDP Programme Officer's comment

The progress of the Project was frequently updated despite the fact that it is very difficult to avoid delay and both the Project and UNDP made best effort in solving the problems. The comments from the Project is completely correct.

C. Procurement

No issue identified.

D. Asset Management

D.1 Insure assets adequately

Audit area : Asset Management

Cause : Lack of guidance at the Project and UNDP CO level

Risk severity : Low

Observation

Chapter 6 – Procuring Project Equipment of the NEX Manual provided that:

“8. The PM ensures that all non-expendable equipment are entered in the Inventory of Non-expendable Equipment, as shown in Annex II.6.3 of this chapter ...

The NIP is responsible for buying insurance for all project equipment in the inventory list. Such insurance would be funded from national contributions, which should be budgeted in the formulation phase”

Part II, Chapter 8 – Project Financial Management of the HPPMG provides that:

“ When the ownership of assets has not been transferred to the Vietnamese side, the UNCO is responsible for buying insurance for the assets. The resultant cost for insurance is charged to the project budget”. (Section VI, Point 1.2.6).

Part II, Chapter 7 – Project Procurement of the HPPMG provides that:

“(d) After receiving the goods, the Project Director should work with the UNCO to carry out the procedures for transferring the ownership of property as presented in Section IV of this Chapter, record them in the inventory as well as manage and utilize them in accordance with the Government’s public property management regulations and regulations of the UN Agency. Once the ownership has been transferred to the Government, the PMU is responsible for buying insurance for all the procured goods and charging the resultant cost to the counterpart contributions committed during the project formulation stage. The responsibility for purchasing insurance as well as the related expenses must be explicitly stated in the Bidding Plan”. (Section II, Point 1, Step 8).

We note that except for the Landcruiser Prado 2.7 with plate number 29NN-54613, the Project’s assets, which cost a total of USD39,663, have not been insured.

Implication

The Project may suffer financial losses in the event of damage or loss of assets; such an event could also impair the Project’s ability to meet its objectives. Insurance could assist the Project in recovering quickly from a disaster.

Recommendation

- The Project should promptly budget for asset insurance expenditure for the approval of the National Project Director and UNDP Vietnam. Insurance should be obtained for all assets that have been procured by or transferred to the Project
- If it has difficulties in buying insurance for any assets, e.g. due to a limited number or value of assets, the Project should request UNDP CO whether it could buy such insurance, together with insurance for assets of other Projects. This might be easier to obtain and cheaper than each Project buying its own insurance.

Project management's response

In reality, this is the first time the Project is advised as regards the purchase of insurance for assets excluding cars and vehicles.

Action : The Project will collaborate with UNDP to purchase insurance for assets (except for cars)

Person in charge : Project Coordinator

Timing : Quarter 3/2011

UNDP Programme Officer's comment

We agreed with the recommendation. However, all the assets were purchased before HPPMG took effective. The purchase of insurance for old assets might not be accepted by insurance companies and considered as waste of time and money. From my personal view, this is not the fault of the Project. HPPMG should only be applied for new purchase of assets.

D.2 Tag code for non-expendable assets

Audit area : **Asset Management**

Cause : **Human error**

Risk severity : **Low**

Observation

During our audit field work, we noticed some assets such as HP Laser Jet Model 2420N, laptop Dell Oplitek and project Sony VPL-CS6 were not tagged identification code.

Implication

Labelling and recording assets at the time of purchase is a strong control. If the project fails to implement this control, it will increase the risk that assets may be used for improper purposes, lost or stolen without the awareness of the Project Management. Furthermore, when the assets are disposed or transferred to other places, it may be difficult to identify whether they belongs to the Project without proper tag code.

Recommendation

All non-expendable assets of the project should be tagged with individual identification codes and the codes should be updated in the asset register.

Project management's response

Action : The Project will tag all of its assets

Person in charge : Project Coordinator

Timing : Quarter 3/2011

UNDP Programme Officer's comment

Agreed with the auditors' comments

E. Cash Management

E.1 Reduce large petty cash payments

Audit area : **Cash management**

Cause : **Inadequate supervision at the project level**

Risk severity : **Low**

Observation

Chapter 8 – Financial Management (NEX) stipulates that:

“3. Petty cash should be used only for small incidental transactions. Payments made from the petty cash fund must not exceed the equivalent of US\$100 per individual payment. Payments of equivalent to \$100 or more must be made by cheque or bank transfer. Payments of advances, salaries, overtime, travels and allowances must not be made from petty cash.”

Section VII, Chapter 8 – Financial Management of HPPMG states that:

“1.1.2. A payment from the project bank account for the procurement of goods and services with the value equivalent to US\$ 100 or more must not be made in cash, but by cheque or by bank transfer. In case no banking services are available, in-cash payments must be approved by the competent authority.”

Section VII, Chapter 8 – Financial Management of HPPMG also states that:

“1.1.4. The PMU is allowed to maintain a petty cash fund with an amount equivalent to US\$ 500 in the local currency (VND) for miscellaneous payments. Payments from this fund must not exceed US\$ 50 per transaction. The petty cash fund can be replenished regularly with the funds that are withdrawn from the project bank account, as decided by the Project Director.”

We noted that during the year the Project has made some large payments in cash, for example:

| No | Description | Date | Voucher number | Amount in VND | USD equivalent |
|-----------|---|-------------|-----------------------|----------------------|-----------------------|
| 1 | Payment for travelling expense of conference at Vresort, Hoa Binh | 26/3/2010 | CP201003/01 | 3,600,000 | 189 |
| 2 | Travelling expenses for project office – August & September/2010 | 29/9/2010 | CP201009/12 | 1,720,469 | 88 |
| 3 | Expense for project office – October 2010 | 27/10/2010 | CP201010/17 | 1,898,975 | 97 |
| 4 | Expense for project office – October 2010 | 20/12/2010 | CP201011/19 | 1,545,000 | 79 |
| 5 | Payment for auction service in newspaper dated 10/12/2010 | 21/12/2010 | CP201011/20 | 1,320,000 | 68 |
| 6 | Reception expenses | 21/12/2010 | CP201011/21 | 1.933.000 | 99 |

Implication

Cash is one of the assets that is most susceptible to loss or misappropriation. Large payments in cash might increase the risk of loss for the Project.

Recommendation

The project should comply with the regulations stipulated in HPPMG on limit of cash payments, payments with amount greater than USD100 should be made by cheque or bank transfer. In some cases, if the payments greater than USD100 that cannot be made by cheque or bank transfer, the project should state the reason clearly in the payment request to obtain prior approval from the Project Management.

UNDP should also consider the cash limits stated in paragraphs 1.1.2 and 1.1.4 of Part VII, Chapter 8 of HPPMG as quoted above. These two provision may cause confusion for the project in selecting form of payments for amounts in the range of USD50 to USD100.

Project management's response

NEX allows payments in cash for sundry expenses with amount less than USD100. So there was only one case for "payment for travelling of conference in Vresort, Hoa Binh" that the payment is greater than the threshold.

The Project has tight control over cash. The Project only maintains low cash balance to avoid misappropriation and loss. Project Coordinator performs cash count on a monthly basis and also surprised cash counts as required.

Action : The Project will comply with new regulations of HPPMG as regards cash transactions

Person in charge : Project Coordinator

Timing : Quarter 3/2011

UNDP Programme Officer's comment

Agreed with the auditors' comments

E.2 Improve control over advances

Audit area : Cash management

Cause : Inadequate supervision at the project level

Risk severity : Low

Observation

Some examples on advances that were not settled after the activities completed, including:

| Voucher number | Destination | Date of completion | Date of advance clearance | Months overdue | Amount in VND | USD equivalent |
|-----------------------|--------------------------------|---------------------------|----------------------------------|-----------------------|----------------------|-----------------------|
| BP0510/21 | Da Nang | 6/6/2010 | 28/12/2010 | 7 | 35,900,000 | 1,983 |
| 20/8/2010 | Hai phong | 21/8/2010 | 12/1/2011 | 5 | 2,280,000 | 117 |
| 24/8/2010 | Khanh Hoa – Da Nang | 1/9/2010 | 12/1/2011 | 5 | 14,250,000 | 732 |
| 7/9/2010 | HCM City – Vung Tau – Dong Nai | 10/9/2010 | 6/1/2011 | 4 | 17,712,000 | 910 |

We noted that NEX Manual and HPPMG do not explicitly state the timeframe for advance clearance.

Implication

Long outstanding advances might make it difficult for Project Management to monitor Project activities and actual progress.

Without clear instruction on the maximum duration of advance clearance, Project Management will find it difficult in controlling advances.

Recommendation

The Project should coordinate with UNDP Vietnam in establishing an official guideline regarding the maximum duration within which advances must be cleared. This should clearly define timeline for advance clearance, such as one month after the completion of activities or a suitable time frame proposed by Project Management and agreed with UNDP taking into account Project activities.

Project management's response

For the Project - Support for Public Financial Policy Analysis, advance clearance is not as risky as that of other projects. Normally the Project only advances 75% of estimated expenditure for activities such as workshops and per diem for domestic survey. The Project usually work directly with the conference service provider, not through intermediaries; therefore, it is difficult for misappropriation to take place. Only after the completion of each activity, receipt of final reports, and evaluation, the Project finalizes remaining 25% of the total expenditure. For the independent consultants that were hired for writing reports, the Project only pays them after the completion of their tasks, with no advances. Therefore, the risk is low.

Action : The Project will clear advances in a more timely manner, and collaborates with UNDP to specify the regulations on timeframe of advance clearance.

Person in charge : Project Coordinator

Timing : The 2nd quarter, 2011

UNDP Programme Officer's comment

The Project and UNDP will follow the recommendation.

F. General Administration

F.1 Maintain a proper list of participants in trainings, workshops and conferences

Audit area : General Administration

Cause : Inadequate supervision at the project level

Risk severity : Low

Observation

According to NEX manual, training courses, seminars and conferences must have at least 30% female participants, and HPPMG also stipulates that the Projects must ensure adequate participation of women. However, we found that the list of participants in conferences, seminars do not have any information indicating the gender of the participants. For example:

| Voucher number | Description | Date |
|-----------------------|--|--------------|
| BP0310/26 | Conference " Casino business and games with prizes" on 11/1/2010 | 11/1/2010 |
| BP0410/27 | Training course "System to assess work performance" | 12-16/4/2010 |

This issue was mentioned following last year's audit.

Implication

If the Project failed to maintain sufficient information in the list of participants in training courses, conferences and workshops, it will lead to difficulties in summing up the number of female participants. Hence, the project might not be able to ensure the adequate number of female participants required by NEX.

Recommendation

Information relating to the gender of the participants in training courses, seminars, and conferences should be added to the list of participants. Also, the project should review the number of female participants to meet the regulations of UNDP.

Project management's response

Information relating to gender of participants in workshops, training, and conference will need to be included in the list of participants. In addition, after the completion of the activities, the Project should summarize number of female participants to meet the requirements of UNDP.

Action : The Project will collect full information of the participants on occasions of conferences and training courses, etc.

Person in charge : Project Coordinator

Timing : From the 2nd quarter, 2011

UNDP Programme Officer's comment

Agree with the auditors' comments

G. Information Technology

No issue identified.

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00049827

SUPPORT FOR PUBLIC FINANCIAL POLICY ANALYSIS

PART 6

**STATUS OF THE PREVIOUS AUDITORS' RECOMMENDATIONS
FOR THE YEAR ENDED 31 DECEMBER 2010**



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
Status of the previous auditors' recommendations
for the year ended 31 December 2010

| Obs No. | Award No. | | | 00049827 | | | Opinion type | | Qualified | | | | |
|---------|--|---|-----------------|---------------------|---------------|--|---|-------------------|--------------------|-------------------------------|----------------|-------------------|--------------------------------------|
| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| A | <p>Human resources</p> <p>Lack of purchase quotations and evaluations</p> <p><i>Observation</i></p> <p>We noted procurement of services such as expenses on hotel and conference were carried out by the Project's management without collection of at least 3 quotations and proper valuation to select the best vendor.</p> <p>Additionally, we noted 3 workshops were held at 5-star hotels while under EU cost norms, such conferences should be held at 3-star equivalent hotel</p> | <p>We recommend that Project's management collects at least 3 quotations for services and good purchased and have them evaluated the effectiveness and efficient use of Project's fund. In addition, the Project should comply with UNDP's cost norms in consideration of hotel selection for workshop or conference arrangement.</p> | Human resources | Resources/ Guidance | Medium | <p><i>Project response</i></p> <p>The workshops mentioned above were held at 5-star hotels (i.e Melia, Nikko va Hilton) were chaired by Vice Minister of Finance and with distinguished guests from many international and diplomatic organizations. Therefore, both Project and UNDP understood the rationale of selecting these venues</p> | <p>In the future, the Project will obtain documented quotations for this type of expenses and explain the rationale for service selection</p> | Quarter II 2010 | Project Management | Project Assistant | Completed | Quarter II 2010 | This problem has been solved in 2010 |



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
Status of the previous auditors' recommendations
for the year ended 31 December 2010

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|-----------|--|--|------------|----------------------|---------------|---|---|-------------------|--------------------|-------------------------------|----------------|-------------------|--------------------------------------|
| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| | <p><i>Implication</i></p> <p>The practices are non-compliance with UNDP guideline on procurement and may create concerns Alton the reasonableness of acquired services.</p> | | | | | <p><i>Programme Officer's response</i></p> <p>The Programme Officer has been informed of these exceptional cases in due course. While the use of more than 3-star hotel services can be accepted in those cases, there should still be, as a rule, at least 3 quotations for similar facilities as required by TORS of each particular activity.</p> | | | | | | | |
| B | Finance | | | | | | | | | | | | |
| B1 | <p>Use of UNDP fund to pay for the counterpart fund's expenditure</p> <p><i>Observation</i></p> <p>According to the Detail Project Outline, the Project's workshop facility expenses and administrative stationary expenses would be covered by the counterpart fund. However, we observed that the Project sometimes used the UNDP's fund to pay for these expenditures due to</p> | <p>Although we acknowledge that the Project obtained approval from the UNDP on the payments for such kind expenses, we still recommend the Project to by all means limit such temporary borrow of fund and to better plan its activities to ensure counterpart funds are available when needed</p> | Finance | Compliance /Guidance | Low | <p><i>Project Management's response</i></p> <p>Although stationary expenses were recorded as costs of Activity 3, it is in fact part of Activity 1 expenses – Financial policy advices pursuant to the urgent requirement of the MoF's leadership. These types of expenses should have been recorded as the costs of supporting for the PAG and funded by UNDPs' fund</p> | <p>In the future, the Project will separate this type of cost as an item for Activity 1</p> | Quarter II 2010 | Project Management | Project Accountant | Completed | Quarter II 2010 | This problem has been solved in 2010 |



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
Status of the previous auditors' recommendations
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| Obs No. | Award No. | | | Opinion type | | | Qualified | | | | | | |
|---------|---|-----------------|------------|--------------|---------------|---|-------------------|-------------------|-------------|-------------------------------|----------------|-------------------|------------------------------|
| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| | <p>unavailability of counterpart fund. Total amount of such expenses which has been paid by the UNDP fund was VND 124,857,392</p> <p><i>Implication</i></p> <p>Using the UNDP's fund to pay for expenses designated to counterpart fund is not in line with the Project's approved Detail Project Outline</p> | | | | | <p><i>Programme Officer's response</i></p> <p>Based on opinion of the Programme Officer, this is a mistake in registering the cost classification by the Project's accountant due to the unclear guidance on this matter. The Project should make the classification rules clearer for the future</p> | | | | | | | |



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
Status of the previous auditors' recommendations
for the year ended 31 December 2010

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|---------|---|--|------------|------------------------|---------------|--|---|-------------------|--------------------|-------------------------------|----------------|-------------------|------------------------------|
| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| B2 | <p>Account code</p> <p><i>Observation</i></p> <p>The Project applied ATLAS accounting code system to record its expenditures. However, we noticed that the Project incorrectly recorded travel insurance expenses under a wrong accounting code</p> <p><i>Implication</i></p> <p>Wrong reclassification of expenses will lead to wrong assessment of the Project's expenditures by activity and budget comparison.</p> | <p>The Project should ensure sufficient review and approval is obtained prior to posting expenditures to the accounting system to ensure that expenditures are properly classified</p> | Finance | Resources/ Guidance | Medium | <p><i>Project Management's response</i></p> <p>Agree with auditors' comments</p> <p><i>Programme Officer's response</i></p> <p>Agree with auditors' comments</p> | <p>The Project will use account 71635 - Travel Other for travel insurance</p> | Quarter II 2010 | Project Management | Project Accountant | Completed | Quarter II 2010 | Refer to B.1 |



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
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for the year ended 31 December 2010

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|---------|--|---|-----------------|-------------|---------------|--|--|-------------------|--------------------|-------------------------------|----------------|-------------------|---|
| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| D | Cash Management | | | | | | | | | | | | |
| D.1 | <p>Petty cash management</p> <p><i>Observation</i></p> <p>During our review on petty cash management, we noticed that the Project did not perform cash count on monthly basis as well as surprised cash count at least once every 6 months. In addition, some payments over USD 100 were made in cash</p> <p><i>Implication</i></p> <p>The above practices do not comply with the guidelines stated in Chapter 8 – Finance Management of NEX projects, Pattern D3- Cash on hand</p> | <p>We recommend that the Project should perform monthly cash count and cash count minutes should be prepared and approved by an independent person observing the cash count. Furthermore, in order to control cash more effectively, surprised cash count should also be performed at least twice a year.</p> <p>The Project should follow the UNDP guidelines to limit payments in petty cash at below USD 100</p> | Cash management | Compliance | High | <p><i>Project Management's response</i></p> <p>Agree with auditors' comments</p> <p><i>Programme Officer's response</i></p> <p>Agree with auditors' comments</p> | Although this is not a fundamentally wrong payment, the Project will follow the NEX guideline strictly in the future | Quarter II 2010 | Project Management | Project Accountant | Completed | Quarter II 2010 | <p>- The Project has complied with monthly cash count procedure.</p> <p>- Surprised cash count minute was performed twice a year</p> <p>- Some payments are over USD 50, not in compliance with HPPMG. Refer to E.1 for further details</p> |



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
Status of the previous auditors' recommendations
for the year ended 31 December 2010

| Obs No. | Award No. | | Opinion type | | | | | Qualified | | | | | |
|---------|---|---|--------------|-------------|---------------|--|--|-------------------|--------------------|-------------------------------|----------------|-------------------|--------------------------------------|
| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| D2 | <p>Bank reconciliation</p> <p><i>Observation</i></p> <p>We noted that the Project performed bank reconciliation procedures on a quarterly basis instead of monthly basis.</p> <p><i>Implication</i></p> <p>This practice did not follow the guidelines stated in Chapter 8 – Finance Management of NEX projects, Pattern D2- Cash at bank.</p> | <p>In order to enhance the Project's accounting and internal control system, we recommend the Project performs bank reconciliation on a monthly basis</p> | Cash at bank | Compliance | Medium | <p><i>Project Management's response</i></p> <p>Agree with auditors' comments</p> <p><i>Programme Officer's response</i></p> <p>Agree with auditors' comments</p> | The Project will follow NEX guideline strictly in the future | Quarter II 2010 | Project Management | Project Accountant | Completed | Quarter II 2010 | This problem has been solved in 2010 |



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
Status of the previous auditors' recommendations
for the year ended 31 December 2010

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|---------|---|--|------------------------|-------------|---------------|---|-------------------|-------------------|--------------------|-------------------------------|----------------|-------------------|---------------------------------------|
| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| E | <p>General Administration</p> <p>1 <i>Efficiency of study tour</i> <i>Observation</i></p> <p>In accordance with UNDP guideline – NEX II chapter 5, each study tour should be held for a group of 6 to 8 participants excluding an interpreter in order to ensure cost efficiency and effectiveness. However, we noted 2 study tours to Korea from 10 Mar 2009 to 19 Mar 2009 and to United Kingdom and Sweden from 26 Sep 2009 to 10 Oct 2009 consisted of 10 participants.</p> | <p>We recommend the Project follows the guidance as set out in NEX II chapter 5 in order to ensure the efficiency and effectiveness of this activity</p> | General Administration | Guidance | Low | <p><i>Project Management's response</i></p> <p>Both study tours consisted of 9 people, excluding the interpreter and were less than 2 weeks. The Project always keeps UNDP informed on both contents and logistic matters of the study tours for several weeks or even months ahead. Both side always co-agreed on the content and the rational of study tour, list of participants as well as meeting schedules, travel schedules and other related issues.</p> <p><i>Programme Officer's response</i></p> <p>Certain flexibility has been applied to these cases given the scrutiny by the PO of the participant list in order to ensure no irrelevant participants</p> | | Quarter II/2010 | Project Management | Project Management | Completed | Quarter II 2010 | There was no similar problem in 2010. |



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
Status of the previous auditors' recommendations
for the year ended 31 December 2010

| Obs No. | Award No. 00049827 | | | | Opinion type | | | Qualified | | | | | |
|---------|--|---|------------------------|-------------|---------------|---|-------------------|-------------------|--------------------|-------------------------------|----------------|-------------------|---------------------------------------|
| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| E.2 | <p><i>Implication</i></p> <p>This fact is not in line with UNDP guidance – NEX II chapter 5 and raises concerns on the cost effectiveness of these activities.</p> <p><i>Travelling expenses Observation</i></p> <p>In accordance with NEX guideline Chapter 5 – Pattern G.1 – International Training, the Project should only cover “economy class” air ticket for all participants/guests regardless of rank or position in their national organization. However, we noted one case that the Project paid for “business class” air ticket for a participant.</p> | <p>We recommend the Project comply with NEX guideline on cost norm in all cases</p> | General Administration | Compliance | Medium | <p><i>Project Management's response</i></p> <p>The Project has discussed with UNDP's PO and agreed that the implementing partner (the Project and MoF) would follow the Vietnamese regulations, which is Circular 91/2005/TT-BTC on 18th October 2005 regulating the expenditure levels for Vietnamese officials travelling abroad. The Project always kept UNDP informed on how it would proceed for all study tours.</p> | | Quarter II 2010 | Project Management | Project Management | Completed | Quarter II 2010 | There was no similar problem in 2010. |



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
Status of the previous auditors' recommendations
for the year ended 31 December 2010

| Obs No. | Award No. | | | 00049827 | | | Opinion type | | | Qualified | | | |
|---------|---|---|------------------------|---------------------|---------------|---|--|-------------------|--------------------|-------------------------------|----------------|-------------------|--------------------------------------|
| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| E.3 | <p><i>Implication</i></p> <p>This case did not comply with NEX guideline on cost norm.</p> <p>Maintain a proper list of participants in trainings, workshops and conferences</p> <p><i>Observation</i></p> <p>In accordance with UNDP's requirements, a list of participants at the Project's training workshops and conferences should be kept detailed by gender in order to achieve the overall target that the female participants should account for at least 30% of total participants. However, we noted that such procedure has not been performed by the Project.</p> | <p>We recommend that the Project to ensure that the list of participants is detailed by gender in order to facilitate the Project's analysis of gender ratio as requested by UNDP</p> | General Administration | Resources/ Guidance | Medium | <p><i>Project Management's response</i></p> <p>The Project agrees that a breakdown list of participants by gender will be prepared in addition to all indicators already used. The Project will follow NEX guideline strictly in the future</p> <p><i>Programme Officer's response</i></p> <p>Agree with auditors' comments</p> | Maintain information of list of participants | May 2010 | Project Management | Project Assistant | Completed | 1 May 2010 | Refer to F.1 for further information |



United Nations Development Programme
Award ID 00049827
Support for Public Financial Policy Analysis
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for the year ended 31 December 2010

| Obs No. | Award No. | | 00049827 | | Opinion type | | Qualified | | | | | | |
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| | Observations | Recommendations | Audit area | Audit cause | Risk severity | Project's comments | Action(s) planned | Target impl. date | Action unit | Person responsible for action | Updated status | Actual impl. date | Description of status update |
| | <p>Although we know that the Project has tried to maintain the required ratio however, we found some activities do not meet the requirement.</p> <p><i>Implication</i></p> <p>The UNDP's overall target that female participants should account for at least 30% of total participants might not be achieved.</p> | | | | | | | | | | | | |

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UNDP Country Office, Hanoi, Vietnam

Signature of UNDP Official:

A handwritten signature in cursive script, appearing to read "Lien".

Name and title: Le Thi Ngoc Lien, Programme Officer
Date

UNDP Award ID: 00049827

Signature of Project Official: 

Name and title : Nguyen Duc Chi, Director of Project Management Unit
Date: