

**Project “Capacity Building for the
Ratification and Implementation of the
Nagoya Protocol on Access and Benefit
Sharing in Vietnam”**

Funded by the Global Environment Facility (GEF) through the United Nations Development Programme (UNDP)

Agreed-upon procedures on the Internal Control System and expenditure for the fund provided by GEF through UNDP and implemented by the Vietnam Environment Administration (Nature and Biodiversity Conservation Agency – BCA), Ministry of Natural Resources and Environment

Report of Factual Findings

For the period from 1 July 2020 to 30 April 2021

Report No: HN-AU/2021/UNDP.00091409

REPORT OF FACTUAL FINDINGS

To the United Nations Development Programme Representative in Vietnam and Director of the Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam"

We have performed the procedures which have been agreed with you and enumerated on pages 4 to 13 in Section 2 with respect to the internal controls of the implementing partner and expenditures related to the Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam" ("the Project") for the period from 1 July 2020 to 30 April 2021, funded by the Global Environment Facility ("GEF") through the United Nations Development Programme Vietnam Country Office ("UNDP") and implemented by the Vietnam Environment Administration (Nature and Biodiversity Conservation Agency – BCA), Ministry of Natural Resources and Environment ("the Implementing Partner" or "IP").

Objectives

The objective of this engagement is to carry out certain procedures to which we have agreed and to report to you on factual findings obtained from the procedures performed.

Standards and Ethics

Our engagement was undertaken in accordance with:

- International Standard on Related Services ('ISRS') 4400 *Engagements to perform agreed upon procedures regarding Financial Information* as promulgated by the International Federation of Accountants ("IFAC"); and
- the *Code of Ethics for Professional Accountants* issued by the IFAC.

Procedures performed

As requested, we have only performed the procedures set out on pages 4 to 13 of Section 2 and reported the results to you.

These procedures have been determined solely by UNDP and performed to assist the Implementing Partner in assessing the internal control of the financial management system in evaluating whether the expenditure of the Project incurred for the period from 1 July 2020 to 30 April 2021 were:

- implemented in conformity with the approved budget;
- for the approved purpose;
- in compliance with the relevant regulations and rules, policies and procedures; and
- supported by properly approved vouchers and other supporting documents.

The sufficiency of the procedures in achieving the above-mentioned purpose or any other purpose is solely the responsibility of UNDP. In other words, we are not responsible for making any representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.



Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the functioning of the internal controls and the expenditure of the Project incurred for the period from 1 July 2020 to 30 April 2021.

Had we performed additional procedures or had we performed an audit or review of the financial statements of the Project in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Use of this Report

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of the implementing partner, taken as a whole.



Phạm Phương Anh
Audit Partner
Audit Practicing Registration Certificate
No. 1102-2018-177-1

Hanoi, Vietnam
9 June 2021

1. Background information

The Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam" is funded by the Global Environment Facility (GEF) Trust Fund via UNDP Vietnam with the expected total ODA grant of \$2,000,000. The Project is supervised by the United Nations Development Programme Vietnam Country Office and implemented by Vietnam Environment Administration (Nature and Biodiversity Conservation Agency – BCA), Ministry of Natural Resources and Environment.

The project's goal is to contribute to the conservation and sustainable use of globally significant biodiversity in Viet Nam by strengthening the capacity building for the ratification and implementation of the Nagoya Protocol on Access to genetic resources and Benefit Sharing ("ABS").

The Project consists of four (04) project components:

Component I: Creating an enabling national policy, legal and institutional framework for ABS;

Component II: Developing administrative measures for implementation of national ABS legal framework;

Component III: Increasing awareness and capacity of all relevant stakeholders for implementation of national ABS framework; and

Component IV: Demonstrating private-public-community partnerships on access and benefit sharing.

The Project was initially scheduled to be implemented from January 2016 to December 2019. In accordance with Decision No. 1595/QĐ-BTNMT dated 25 June 2019 and Decision No. 2167/QĐ-BTNMT dated 2 October 2020, the Project was extended until June 2021.



2. Detailed procedures performed and findings

2.1 Obtained documentation describing the Implementing Partner's financial management internal controls

Detailed work performed

We obtained documentation describing the IP's financial management internal controls and checked on whether the documentation includes controls related to the following areas of financial management:

(a) Payment management

Authorization of expenditures, including Funding Authorization and Certification of Expenditure ("FACE") forms and requests for direct payment. These include:

- Expenditures authorized in accordance with United Nations Harmonised Programme and Project Management Guidelines ("HPPMG"), revisions to HPPMG, and Implementing Partner ("IP") policies and procedures if applicable;
- Expenditures included in activity detailed in the approved work plan; and
- Expenditures supported by documentation consistent with HPPMG, revisions to HPPMG, the Harmonized Approach to Cash Transfers ("HACT") framework and IP policies and procedures.

Expenditures made in accordance with applicable policies and procedures, which include:

- Expenditures made within the approved budget;
- Expenditures made following a clearly transparent segregation of duties (individuals involved in the payment process); and
- Recognition of expenditures is in accordance with UNDP accounting methodology.

(b) Budget estimation and revision:

- Budget estimation is made based on approved DPO/project document and work-plans;
- Budget estimation is prepared based on policies, standards and cost norms applied to UN/UNDP supported projects; and
- Budget revisions are made based on provided conditions and in line with the prescribed procedures.

(c) Financial reporting and management in line with UN/UNDP CO's requirements:

- Completed FACE form for request of cash transfers are duly submitted and in accordance with HPPMG, revisions to HPPMG, and UNDP CO's NIM advance requirements;
- Quarterly reconciliations are carried out between FACE and CDR;
- A monitoring system of cash transfers (NIM advances) is set up to manage cash received and expended; and
- FACE form for quarterly reporting of expenditure is properly prepared and duly submitted in accordance with HPPMG, revisions to HPPMG, and UNDP CO's NIM advance requirements.

Other finance related issues:

- Value Added Tax ("VAT") is recorded properly for VAT claim actions;
- VAT claim/refund actions carried out in accordance with VAT claim/refund workflow released by UNDP in 2014;
- Personal Income Tax ("PIT") amounts properly calculated and paid as regulated by the law; and
- Financial delivery rate against the work-plans duly monitored for corrective actions as/if required.

- (d) Adequacy of the accounting operations and reporting systems.
- The IP has an accounting manual or guidelines;
 - The IP applies accounting procedures and maintains accounting books and records in accordance with the Accounting Law;
 - The accounting methodology complies with applicable standards of the Government and UNDP;
 - Duties are segregated between the components of the accounting and management departments. Specifically, roles and responsibilities of individuals involved in project financial management must be clearly defined;
 - The IP maintains a separate official accounting record/sub-ledger to record transactions against cash transfers by the agency;
 - The IP prepares and documents a monthly bank reconciliation for the separate bank account receiving the agency's funds; and
 - Cash use is properly monitored and managed in accordance with HPPMG and revisions to HPPMG.
- (e) Maintenance and security of accounting records:
- IP facilities have security procedures to protect against theft, damage or loss of data; and
 - The IP has a document retention policy that conforms to agency requirements.
- (f) Procurement/contracting of supplies and services:
- Bidding Plans are prepared, submitted and amended in accordance with the Bidding Law;
 - Competitive bids are obtained for expenditures described in the work plan and in accordance with HPPMG, revisions to HPPMG, and the Bidding Law;
 - Relevant bidding methods are applied in accordance with HPPMG, revisions to HPPMG, and the Bidding Law;
 - Vendors consistently implement the IP's rules and procedures and agreements with the agency;
 - Procurement of supplies and services is consistent with the IP's rules and procedures and its agreements with the agency, including requirements for competitive procurement;
 - Supplies and services agree with those required by the work plan; and
 - Contracting methods appropriately applied in accordance with the Bidding Law and contracts are regularly managed in accordance with HPPMG and revisions to HPPMG.
- (g) Asset management:
- Inventory of fixed assets is maintained (format B04-DA in the Accounting Handbook);
 - Assets are insured and managed in accordance with HPPMG and revisions to HPPMG; and
 - Safe-guarding assets. IP facilities have security procedures to protect against theft, damage or loss of data.

Findings

No significant issues noted on documentation describing the Implementing Partner's financial management internal controls.

We noted that closely based on Harmonized Programme and Project Management Guidelines ("HPPMG"), revisions to HPPMG and Harmonized Framework for Cash Transfers to Implementing Partners ("HACT"), the Project Management set up financial management internal controls with aim to properly use all funding resources from GEF, UNDP and Vietnam Government in order to achieve projects' target and objectives.

2.2 Selected a sample of control instances during the period under review for the attestation engagement

Detailed work performed

We selected samples, amounting to 58% of control instances during the period under review for the attestation engagement, for each control. Selections were made randomly. For each control selected we performed the following procedures:

- (a) Obtained relevant supporting documentation to check that the control occurred as described; and
- (b) Checked that the actual date of control implementation was within 14 business days of the occurrence.

The procedures on samples of control instances were performed at the Project Management Office.

Detailed procedures on samples of control instances are as follows:

2.2.1 Payment management

a) Authorization of expenditures, including FACE forms and requests for direct payment

These include:

- Expenditures authorized in accordance with HPPMG, revisions to HPPMG, and IP policies and procedures if applicable;
- Expenditures included in activity detailed in the approved work plan; and
- Expenditures supported by documentation consistent with HPPMG, revisions to HPPMG, HACT framework, and IP policies and procedures.

Findings

No significant issues noted on controls over authorization of expenditures, including FACE forms and requests for direct payment.

b) Expenditures made in accordance with applicable policies and procedures, which include:

- Expenditures made within the approved budget;
- Expenditures made following a clearly transparent segregation of duties (individuals involved in the payment process); and
- Recognition of expenditures is in accordance with UNDP accounting methodology.

Findings

No significant issues were noted on control over expenditures made in accordance with applicable policies and procedures.

2.2.2 Budget estimation and revision

- Budget estimation is made based on approved DPO/project document and work-plans;
- Budget estimation is prepared based on policies, standards and cost norms applied to UN/UNDP supported projects; and
- Budget revisions are made based on provided conditions and in line with the prescribed procedures.

Findings

No significant issues were noted on controls over budget estimation and revision.

2.2.3 Financial reporting and management in line with UN/UNDP Country Office ("CO")'s requirements

- Completed FACE form for request of cash transfers are duly submitted and in accordance with HPPMG, revisions to HPPMG, and UNDP CO's National Implementation Modality (NIM) advance requirements;
- Quarterly reconciliations are carried out between FACE and CDR;
- A monitoring system of cash transfers (NIM advances) is set up to manage cash received and expended; and
- FACE form for quarterly reporting of expenditure is properly prepared and duly submitted in accordance with HPPMG, revisions to HPPMG, and UNDP CO's NIM advance requirements.

Other finance related issues:

- VAT recorded properly for VAT claim actions;
- VAT claim/refund actions carried out in accordance with VAT claim/refund workflow released by UNDP in 2014;
- PIT amounts properly calculated and paid as regulated by the law; and
- Financial delivery rate against the work-plans duly monitored for corrective actions as/if required.

Findings

No significant issues were noted on controls over financial reporting and management in line with UN/UNDP Country Office ("CO")'s requirements.

2.2.4 Adequacy of the accounting and financial operations and reporting systems

- The IP has an accounting manual or guidelines;
- The IP applies accounting procedures and maintains accounting books and records in accordance with the Accounting Law;
- The accounting methodology complies with applicable standards of the Government and UNDP;
- Duties are segregated between the components of the accounting and management departments. Specifically, roles and responsibilities of individuals involved in project financial management must be clearly defined;
- The IP maintains a separate official accounting record/sub-ledger to record transactions against cash transfers by the agency;
- The IP prepares and documents a monthly bank reconciliation for the separate bank account receiving the agency's funds; and
- Cash use is properly monitored and managed in accordance with HPPMG and revisions to HPPMG.

Findings

No significant issues were noted on controls over adequacy of the accounting and financial operations and reporting systems.

2.2.5 Maintenance and security of accounting records

- IP facilities have security procedures to protect against theft, damage or loss of data; and
- The IP has a document retention policy that conforms with agency requirements.

Findings

No significant issues were noted on controls over maintenance and security of accounting records.

2.2.6 Procurement/contracting of supplies and services

- Bidding Plans are prepared, submitted and amended in accordance with the Bidding Law;
- Competitive bids are obtained for expenditures described in the work plan and in accordance with HPPMG, revisions to HPPMG, and the Bidding Law;
- Relevant bidding methods are applied in accordance with HPPMG, revisions to HPPMG, and the Bidding Law;
- Vendors consistently implement the IP's rules and procedures and agreements with the agency;
- Procurement of supplies and services is consistent with the IP's rules and procedures and its agreements with the agency, including requirements for competitive procurement;
- Supplies and services agree with those required by the work plan; and
- Contracting methods appropriately applied in accordance with the Bidding Law and contracts are regularly managed in accordance with HPPMG and revisions to HPPMG.

Findings

Our factual finding on controls over Procurement/contracting of supplies and services is as follows:

Description	Factual findings
Quotation in procurement process	<p>During the audit, we note that there are some time problems in the bidding package "Building and editing the List of Endemic Species of Vietnam". The time for approving contractor selection results is 14 days, of which, the date of submission for approval of contractor selection results is 17/3/2021 and the date on the Decision approving contractor selection results is 1/4/2021.</p> <p>This time is longer than the maximum time as prescribed in Article 12 of the Law on Bidding 2013:</p> <p><i>"k) The maximum time for approving or commenting on the contractor selection results is 10 days from the date of receipt of the request for approval of the contractor selection results from the bid solicitor or the report appraisal in case of request for appraisal;"</i></p>

For details of recommendations, refer to Point 2 – Management Letter.

2.2.7 Asset management

- Inventory of fixed assets is maintained (format B04-DA in the Accounting Handbook);
- Assets are insured and managed in accordance with HPPMG, revisions to HPPMG; and
- Safe-guarding assets. IP facilities have security procedures to protect against theft, damage or loss of data.

Findings

No significant issues were noted on controls over asset management.

2.3 Obtained a listing of all project-related expenditures during the period under review for the attestation engagement and performed checking procedures

Detailed work performed

- a) We randomly selected a sample of expenditures amounting to 58% of total expenditures during period under review. We provided a detailed listing of expenditures selected as samples.
- b) For each sample selection we performed the following procedures:
 - Verified that documentation exists to support the expenditure in accordance with the Implementing Partner's rules and procedures and agreements with the agency, including a transparent selection process for procurement of goods and services;
 - Verified that activity was in accordance with the work plan;
 - Verified that expenditures have been properly reviewed and approved in accordance with the Implementing Partner's rules and procedures and agreements with the agency;
 - Verified that expenditures were properly reflected on the certified FACE form submitted to the agency;
 - Traced the sample transactions into the Implementing Partner's accounting records and bank statement;
 - Verified that supporting documents were stamped 'PAID from UNDP/GEF'Sgrant', indicating which agency funded the transaction;
 - Verified that submission of the FACE form was consistent with the periodicity-of-disbursement requirement in the HACT framework (two weeks); and
 - Compared the price paid for goods or services against agreed standard rates (if readily available).

Findings

Description	Factual findings
Stamp "Paid from UNDP/GEF's grant"	<p>Under the UNDP guidelines, all supporting documents for project expenditures must be stamped "Paid from UNDP/GEF's grant". At the date of the audit, we found that some of the supporting documents including invitation letter, acceptance minute, air ticket were not stamped with "Paid from UNDP/GEF's grant"</p> <p>For details of recommendations, refer to Point 1 – Management Letter.</p>
Lack of the signature of meeting participants	<p>The list of delegates "Technical meeting to comment on draft financial mechanism report to use benefits from ABS contracts for biodiversity conservation" lacked the signature of expert Nguyen Thi Phuong Anh, in fact, this person had participated and was a presenter in this meeting.</p> <p>For details of recommendations, refer to Point 3 – Management Letter.</p>
Inconsistence of information	<p>Labour contract - appendix No. 05/PLHDLD-ABS of Mr. Le Anh Dung – Project assistant concurrently interpreter is misspelled with monthly income of VND16,657,000/month due to typographical error. The correct amount according to the details of the appendix No. 05/PLHDLD-ABS and the salary table is VND16,657,600/month.</p> <p>For details of recommendations, refer to Point 3 – Management Letter.</p>
Lack of stamp of a member of the joint venture party	<p>Some documents including handover - acceptance minutes and minutes of supplementing contract adjustment were not stamped by a member of the joint venture party.</p> <p>For details of recommendations, refer to Point 3 – Management Letter</p>

Appendix 1: List of expenditure transactions for which the agreed-upon procedures have been performed in May 2021

Activity ID	Description	Reviewed amount (VND)	Date of finalization in FACE form
5.1.2	L.A. Dung/Salary 07-2020/ Payable to employees	16,657,600	29/07/2020
5.1.3	N.T. Huyen/Salary 07-2020/ Payable to employees	13,920,000	29/07/2020
3.1.2.1	PIT deduction	1,852,000	19/08/2020
4.4.1.1	Car rental payment for Dak Nong business trip from July 5-9, 2020 on management of access to genetic resources and benefit sharing	9,090,909	15/09/2020
4.2.3.3	Pay the fee to design the herbal bath logo design Red Dao Ta Phin	15,000,000	15/09/2020
4.1.2.1.1	PIT deduction	5,004,000	15/09/2020
4.4.1.1	Payment of business trip expenses to Dak Nong from July 5-9, 2020 on management of access to genetic resources and benefit sharing	17,408,048	15/09/2020
4.2.2.1	Payment of script development fees and training instructions for actors participating in the performance of World Environment Day 2020	13,500,000	15/09/2020
5.1.2	L.A. Dung/Salary 09-2020/ Payable to employees	16,657,600	15/09/2020
5.1.3	N.T. Huyen/Salary 09-2020/ Payable to employees	13,920,000	15/09/2020
4.4.3.8	PIT deduction	2,841,900	24/09/2020
3.1.2.1	PIT deduction	1,852,000	24/09/2020
3.1.2.3	Payment of travel expenses for delegates to a training workshop on access to genetic resources and benefit sharing in Hue City, Thua Thien Hue province	28,800,000	28/09/2020
5.2	Payment of delivery fee for the third quarter of 2020 of ABS Project Office	3,168,600	28/09/2020
5.2	Payment for stationery in the third quarter of 2020 of ABS Project Office	2,543,000	28/09/2020
4.4.1.1	Paying for air tickets for the trip to Ho Chi Minh from August 23-26, 2020 on management of access to genetic resources and benefit sharing.	18,181,818	28/09/2020
2.2.3.2	Payment of document translation fees to carry out the project's activities according to the Acceptance Minute No. 05	22,500,000	28/09/2020
2.2.3.2	PIT deduction	2,500,000	28/09/2020
1.1.4.2	PIT deduction	810,000	28/09/2020
3.3.3.4	Paying for the cost of translating the document 'Seminar on international experience for strategic objectives on ABS in the period after 2020'	21,825,000	28/09/2020
3.2.3.3	3rd payment - 40% of the bidding package Support for the enhancement of wild genetic resources (expanding investigation, collecting and updating data on genetic resources and traditional knowledge...	747,454,476	30/09/2020
3.1.2.3	Payment according to the Minutes of acceptance of the 3rd phase of the training contract for the class in Ho Chi Minh from August 24-29, 2020	183,714,545	30/09/2020

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Activity ID	Description	Reviewed amount (VND)	Date of finalization in FACE form
3.1.2.3	Payment according to the Minutes of acceptance of the 4th phase of the training contract for the class in Buon Me Thuot City, Dak Lak province from September 16-18, 2020	97,204,545	30/09/2020
3.1.2.3	Payment according to the Minutes of acceptance of the 5th phase of the training contract for the class in Hue city, T.T. Hue province from September 22-24, 2020	145,457,055	30/09/2020
4.2.1.4	3rd payment for survey and assessment of genetic resources of some endangered and rare species...	235,002,500	01/10/2020
2.1.1.1	PIT deduction	2,841,900	20/10/2020
3.3.1.1	Payment according to the acceptance minutes of the second phase of the contract to organize a photo contest on biodiversity.	303,040,909	20/10/2020
5.1.2	L.A. Dung/Salary 11-2020/ Payable to employees	16,657,600	24/11/2020
5.1.3	N.T. Huyen/Salary 11-2020/ Payable to employees	13,920,000	24/11/2020
4.4.1.1	Payment of business trip expenses to An Giang on biodiversity conservation from October 27-30, 2020	18,315,536	11/12/2020
4.4.2.1	Second payment of contract consulting fee "Develop a report summarizing lessons learned from best practices on access to genetic resources and benefit sharing within the project framework"	85,536,000	24/12/2020
4.4.2.1	Second payment of contract consulting fee "Develop a report summarizing lessons learned from best practices on access to genetic resources and benefit sharing within the project framework"	111,739,500	24/12/2020
4.4.1.1	Paying for air tickets for a business trip to Thua Thien Hue on biodiversity conservation from October 5-8, 2020	17,954,545	24/12/2020
3.1.2.3	Payment of expenses for organizing "Workshop on reviewing, revising and finalizing the draft Law on Environmental Protection (amended) October 15-16, 2020 in Ha Long (meeting room, equipment, shuttle bus)	61,818,182	28/12/2020
1.2.1.1	2nd payment of contract consulting fee "Building guidance on financial mechanism to reinvest income from access to genetic resources and benefit sharing (ABS) activities into biodiversity conservation"	163,548,000	28/12/2020
4.2.1.4	4th payment for survey and assessment of genetic resources of some endangered and rare species...	161,895,119	28/12/2020
1.1.4.2	Payment for lunch and refreshments in the middle of the technical meeting to comment on the draft report on the financial mechanism to use the benefits of the ABS contract for biodiversity conservation on 2/11 2020	11,136,364	28/12/2020
4.1.3.1	Payment of the 5th consulting fee Contract to support product research and development at the demonstration site	297,409,091	31/12/2020
4.3.1.1	4th Payment Contract "Implement conservation measures to protect related biological genetic	182,572,273	31/12/2020

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Activity ID	Description	Reviewed amount (VND)	Date of finalization in FACE form
	resources at the demonstration site"		
4.4.2.3	4th payment of printing costs under the Printing Contract No. 31122019/HDDV-ABS-AAP-VA signed on December 31, 2019	58,452,273	31/12/2020
4.4.3.7	Field trip to check pilot model on conservation on October 13, 2020 in Ta Phin / Car rental cost / Huu Nghi Transport Cooperative	5,000,000	03/03/2021
1.1.4.2	PIT deduction	1,080,000	26/03/2021
4.4.1.1	Payment of expenses for organizing a workshop to share experiences on the implementation of ABS in practice and in a pilot model" in Hanoi on January 14, 2021	68,293,818	26/03/2021
4.4.1.1	Payment of translation fees at the same time for the Workshop on sharing experiences on ABS implementation in practice and in a pilot model" in Hanoi on January 14, 2021	6,210,000	26/03/2021
5.1.2	L.A. Dung/Salary 3-2021/ Payable to employees	16,657,600	26/03/2021
5.1.3	N.T. Huyen/Salary 3-2021/ Payable to employees	13,920,000	26/03/2021
4.4.2.3	Final payment for "Printing Project's documents, products"	52,997,727	26/03/2021
Total		3,307,862,033	
Amounts in FACE forms submitted to UNDP for the period from 1 July 2020 to 30 April 2021		5,678,068,110	
Percentage of reviewed expenditures		58%	

