

**Project "Capacity Building for the Ratification
and Implementation of the Nagoya Protocol on
Access and Benefit Sharing in Vietnam"
(Project ID: 91409)**

Report of factual findings

Period from 1 October 2017 to 31 March 2018

Mr. Nguyen Van Tai
Project Director
Vietnam Environment Administration (VEA)
Ministry of Natural Resources and Environment (MONRE)
Detech Building, No.8 Ton That Thuyet, My Dinh, Hanoi, Vietnam

Hanoi, 17 August 2018

To: Mr. Nguyen Van Tai

**Re: Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam"
Report of Factual Findings for the period from 1 October 2017 to 31 March 2018**

We have performed the procedures agreed with you and enumerated below with respect to the programme disbursements related to the Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam" (Project ID: 91409) for the period from 1 October 2017 to 31 March 2018, set forth in the accompanying management letter. Our engagement was undertaken in accordance with International Standard on Related Services ("ISRS") 4400 applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of accounting records that support cash transfers from (agency) and are summarized as follows:

1. Compare documentation obtained describing the Implementing partner (IP)'s financial management internal controls against the most recent micro assessment from the corresponding programme cycle. Document any changes or inconsistencies.
2. Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified.
3. Obtain a listing of all programme related expenditures during the period from 1 October 2017 to 31 March 2018 for the agreed-upon procedures engagement and perform the following:
 - Randomly select a sample of expenditures amounting to a 20% percentage of total expenditures. Provide a detailed listing of expenditures selected as samples.
 - For each sample selection perform the following procedures:
 - ✓ Verify that documentation exists to support the expenditure in accordance with the applicable rules and procedures and agreements with UNDP.
 - ✓ Verify that the activity related to the expenditure is in accordance with the work plan.
 - ✓ Verify that the expenditure has been reviewed and approved in accordance with the applicable rules and procedures and agreements with UNDP.
 - ✓ Verify that the expenditure was reflected on a certified FACE form submitted to UNDP.
 - ✓ Verify that the expenditure was reflected in the IP's accounting records (official book of accounts) and bank statement.
 - ✓ Verify that supporting documents are stamped "PAID".
 - ✓ Verify that the FACE form was submitted consistent with the periodicity-of disbursement requirement (10 days).
 - ✓ Verify the price paid for goods or services against United Nations agreed standard rates (i.e. the applicable UN-EU Guidelines for Financing of local Costs in Development Co-operation with Vietnam).

4. Obtain statements and reconciliations of the separate bank account for the UNDP funded projects and perform the following procedures:

- Verify that the activity per the bank statements agrees with that reflected in the accounting records. Document any variances noted; and
- Confirm that bank reconciliation was completed and the balance has been reconciled to the accounting records. Document any variances noted.

We report our findings below:

- (a) With respect to item 1 we noted that there were no significant issues to report.
- (b) With respect to item 2 we noted that there were no significant issues to report.
- (c) With respect to item 3 we noted that there were no significant issues to report.
- (d) With respect to item 4 we noted that there were no significant issues to report.

Because these procedures do 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 programme disbursements for the period from 1 October 2017 to 31 March 2018.

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

Our report is solely for the purpose set forth in the first paragraph of this report and for your information. It 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 statement of the implementing partner, taken as a whole.

Yours sincerely,



Nguyen Viet Nga
Deputy General Director

**Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol
on Access and Benefit Sharing in Vietnam"
(Project ID: 91409)**

Annex: Spot Check Work Plan

Period from 1 October 2017 to 31 March 2018

Programme title:	Vietnam Environment Administration (VEA) Ministry of Natural Resources and Environment (MONRE)
Project title:	Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam" (Project ID: 91409)
Name of IP:	Vietnam Environment Administration (VEA) Ministry of Natural Resources and Environment (MONRE)
Location of IP/programme:	Detch Building, No.8 Ton That Thuyet, My Dinh, Ha Noi, Vietnam
IP contact person and position:	Ms. Hoang Thi Thanh Nhan – Project Deputy Director; Tel: +84 902 282 326; Email: hoangnhan.bca@gmail.com
Start/end date of spot check	From 4 July 2018 to 4 July 2018
Dates covered by FACE form selected for testing	For the period from 1 October 2017 to 31 March 2018
Date of last spot check	Not applicable. This is the first time we performed a spot check for the Project.
Member(s) of the spot check team	<ul style="list-style-type: none"> • Ms. Nguyen Viet Nga – Deputy General Director • Ms. Nguyen Thu Phuong – Manager • Ms. Nguyen Thi Lam – Senior • Ms. Bui Thi Tuyet – Assistant • Mr. Dinh Viet Hoang – Assistant
IP staff whom the spot check team met and worked with during the spot check	<ul style="list-style-type: none"> • Ms. Hoang Thi Thanh Nhan – Project Deputy Director • Mr. Nguyen Dang Thu Cuc – Project Coordinator • Ms. Nguyen Thu Huyen – Project Accountant

Internal Controls: Complete the following table covering specific procedures regarding internal controls

	Procedure	Findings
1	Compare documentation obtained describing the IP's financial management internal controls against the most recent micro assessment from the corresponding programme cycle. Document any changes or inconsistencies identified	We reviewed the micro assessment report conducted by another auditor and noted that there was no significant issues relating to IP's financial management internal controls documentation.
2	Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment from the current programme cycle. Document any changes identified.	<p>We interviewed IP management, reviewed the micro assessment document conducted by another auditor and found two points as follows:</p> <ul style="list-style-type: none"> • One payment documents without overlapping stamps; • A delayed advance clearance. <p>These findings had been improved at the time of our review.</p>

Samples of expenditures:

Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam"
(Project ID: 91409)

Annex: Spot Check Work Plan (continued)

Period from 1 October 2017 to 31 March 2018

No.	Sample expenditure description and voucher number	Sample expenditure amount reported (VND) (*)	Documentation exists to support expenditure in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N)	Activity is related to expenditure in accordance with work plan? (Y/N)	Expenditure has been reviewed and approved in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N)	Expenditure was reflected on a certified FACE form submitted to the agency and in IP's accounting records and bank statement? (Y/N)	Supporting documents are stamped "PAID", indicating which agency funded the transaction? (Y/N)	FACE form was submitted owned consistent with the periodicity of disbursement requirement in the HACT framework (within two weeks) (Y/N)	Price paid for goods or services against United Nations agreed standard rates (if readily available)	Findings
1	Expenditures for workshop on dissemination of decrees in Da Nang on 22 August 2017	80,820,909	Y	Y	Y	Y	Y	Y	N/A	N
2	Salary of Nguyen Thi Minh Tham in November 2017	22,400,550	Y	Y	Y	Y	Y	Y	N/A	N
3	Payment of per diem for working mission in Lao Cai province from 27 to 29 November 2017	1,989,000	Y	Y	Y	Y	Y	Y	N/A	N
4	Payment for consultancy fee for construction of the report "Study on the case of access to microbial genetic resources" and presentation of the results at the consultation workshop on 30 November 2017	15,480,000	Y	Y	Y	Y	Y	Y	N/A	N
5	Payment for the workshop "Assessment on capacity building and awareness raising on access to genetic resources and benefit sharing from the use of genetic resources" from 12 to 14 December 2017 in Ninh Binh City	81,222,727	Y	Y	Y	Y	Y	Y	N/A	N

No.	Sample expenditure description and voucher number	Sample expenditure amount reported (VND) (*)	Documentation exists to support expenditure in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N)	Activity is related to expenditure in accordance with work plan? (Y/N)	Expenditure has been reviewed and approved in accordance with IP's applicable rules and procedures and agreements with the agency? (Y/N)	Expenditure was reflected on a certified FACE form submitted to the agency and in IP's accounting records and bank statement? (Y/N)	Supporting documents are stamped "PAID", indicating which agency funded the transaction? (Y/N)	FACE form was submitted consistent with the periodicity of disbursement requirement in the HACT framework (within two weeks) (Y/N)	Price paid for goods or services against United Nations agreed standard rates (if readily available)	Findings
11	Payment of expenses for organization of content consultation workshops National focal agencies and national competent agencies in implementing Decree No. 59/ND-CP in Hanoi on 27 February 2018	39,218,182	Y	Y	Y	Y	Y	Y	N/A	N
12	Third Payment (60%) for Consultancy Contract "Needs Assessment and Capacity Building Program, Awareness Raising Implementation of the Nagoya Protocol and Issues on Access to Genetic Resources and Benefit Sharing helpful"	113,400,000	Y	Y	Y	Y	Y	Y	N/A	N
13	Payment consultant fee for Maria Julia Olivia IC. 170707	363,648,000	Y	Y	Y	Y	Y	Y	N/A	N
14	Payment consultant fee for Maria Julia Olivia IC. 170707	363,440,000	Y	Y	Y	Y	Y	Y	N/A	N
15	Payment consultant fee for Jorge Cabrera Medaglia	225,175,500	Y	Y	Y	Y	Y	Y	N/A	N

Total sample expenditures:	2,813,961,062	
Total expenditures in IP	4,553,902,914	
Total direct payment by UNDP	1,149,904,366	
Total expenditures during period under spot check:	5,703,807,280	
Percentage coverage:	49%	

Note:

(*): We randomly selected sample expenditure.

**Project "Capacity Building for the Ratification
and Implementation of the Nagoya Protocol on
Access and Benefit Sharing in Vietnam"
(Project ID: 91409)**

Management Letter

Period from 1 October 2017 to 31 March 2018



Mr. Nguyen Van Tai
 Project Director
 Vietnam Environment Administration (VEA)
 Ministry of Natural Resources and Environment (MONRE)
 Detech Building, No.8 Ton That Thuyet, My Dinh
 Hanoi, Vietnam

Hanoi, 17 August 2018

To: Mr. Nguyen Van Tai

**Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam"
 Management Letter for the period from 1 October 2017 to 31 March 2018**

Besides the procedures agreed with you with respect to the programme disbursements 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 October 2017 to 31 March 2018, which was to enable us to form a report in accordance with International Standard on Related Services ("ISRS") 4400 as to the Statement for the period from 1 October 2017 to 31 March 2018, we also performed a review of internal control and systems in accordance with the terms of reference for our engagement.

Following the completion of the engagement and the examination of the Project's management for the period from 1 October 2017 to 31 March 2018, we set out in the attached report certain matters.

The following ratings have been defined so that management can put in context the opinions given in internal audit reports.

A. Ratings for overall performance of internal control system

The harmonized rating system being applied by the internal audit services of UNICEF, UNFPA, WFP, UNDP and UNOPS effective 1 January 2010 is based on the following principles:

- There are three categories: (a) satisfactory, (b) partially satisfactory, and (c) unsatisfactory.
- The elements of the rating system will take into account the audited office's internal control system and risk management practices and their impact on the achievement of office objectives.

The descriptions of the ratings are as follows:

Standard rating	Description
Satisfactory	Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the IP's objectives.
Partially satisfactory	Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect achievement of the IP's objectives.
Unsatisfactory	Internal controls, governance and risk management processes were either not established or not functioning well. The issues identified were such that the IP's overall objectives could be seriously compromised.

B. Rating for priorities of audit recommendations, possible causes and functional areas

The observations are categorized according to the priority of the audit recommendations and the possible causes of the issues. The categorized observation provides a basis by which the NEXIA STT Co., Ltd. country office management is to address the issues.

The following categories of priorities are used:

Rating	Description
High	Action that is considered imperative to ensure that the agency 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.

The following categories of possible causes are used:

- **Compliance:** Failure to comply with prescribed agency regulations, rules and procedures.
- **Guidelines:** Absence of written procedures to guide staff in the performance of their functions.
- **Guidance:** Inadequate or lack of supervision by supervisors.
- **Human error:** Mistakes committed by staff entrusted to perform assigned functions.
- **Resources:** Lack of or inadequate resources (funds, skills, staff, etc.) to carry out an activity or function.

The following categories of functional areas are used:

- General policy;
- Project/programme activities;
- Finance;
- Human resources;
- Procurement;
- Information technology; and
- General administration

This letter has been prepared for the private use of the Donor and Project Management of the Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam". Its contents should not be disclosed to other parties without our consent.

We would like to take this opportunity to record our appreciation of the assistance and co-operation of the Project's staff, particularly those in the finance department, throughout the course of the engagement.

Yours sincerely,



Nguyen Viet Nga
Deputy General Director

Summary of Findings

1. Introduction.....	6
2. Audit Objectives, Scope and Operational Overview	7
3. Detailed Assessment.....	9
A. Overall Project Management.....	9
B. Financial operations, controls and cash/fund management	10
C. Contracting for procurement of goods and services.....	11
D. Staffing and management of human resources	12
E. Asset/property management, ICT and general issues	13
F. Other observations – without audit recommendations	14

1. Introduction

Background

NEXIA STT Co., Ltd. conducted an engagement in accordance with Institute of Internal Auditors' International Professional Practices Framework (IPPF) regarding the Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam" bearing the Project ID number: 91409 on 4 July 2018.

The purpose of the engagement was to carry out procedures of an advisory nature. The engagement covered the period from 1 October 2017 to 31 March 2018.

Overall Assessment

Based on the weighted rating of individual areas per agency guidance, the overall level of internal control with respect to the Project's operations is considered to be **Satisfactory**. It should be noted that we consider the level of internal control in all areas to be **Satisfactory**.

Highlights

This letter does not contain any recommendations.

Findings observed

The details of the observation are contained in the subsequent Audit Subjects A to F of the report.

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

Management letter

Period from 1 October 2017 to 31 March 2018

2. Audit Objectives, Scope and Operational Overview

Objectives

A management letter is meant to communicate observations, findings and recommendations related to deficiencies in internal control identified and findings by the third-party service provider during the engagement performed in accordance with Institute of Internal Auditors' International Professional Practices Framework (IPPF).

Scope

During the engagement, relevant samples of documents and transactions for the period covered by the engagement were reviewed. Discussions were held with the Project's staff and personnel throughout the engagement.

Standards

The engagement has been conducted as per the Institute of Internal Auditors' International Professional Practices Framework (IPPF).

Operational Overview

The Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam" was funded by the United Nations Development Programme ("UNDP") and implemented by Vietnam Environment Administration (VEA), under the Agreement No. 674/QĐ-BTNMT dated 31 March 2016.

The objectives of the Project are to contribute to the conservation and sustainable use of globally significant biodiversity in Vietnam, via the strengthen national capacities on access and benefit sharing of genetic resources to facilitate the implementation of the Nagoya Protocol on Access and Benefit Sharing.

Total budget of the Project for the period from 1 January 2016 to 1 January 2019, in which ODA fund was USD2,000,000 (equivalent to VND43,722,000,000) and the counterpart fund of the Vietnamese agencies was USD10,546,369.

Project's expenditures for the period from 1 October 2017 to 31 March 2018 under review included expenses incurred in VEA of VND4,553,902,914; total direct payment expenses by UNDP was USD50,599.29, equivalent to VND1,149,904,366.

As at 31 March 2018, the Project had 10 employees.

Office Management

The management of Project "Capacity Building for the Ratification and Implementation of the Nagoya Protocol on Access and Benefit Sharing in Vietnam" at the time of the engagement consisted of:

- Mr. Nguyen Van Tai – Project Director
- Mr. Pham Anh Cuong – Project Deputy Director
- Ms. Hoang Thi Thanh Nhan – Project Deputy Director
- Ms. Ngo Thi Thu Hien – Project Chief Accountant

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

Management letter

Period from 1 October 2017 to 31 March 2018

3. Detailed Assessment

The details of the observation are contained in the subsequent **Audit Subjects A to F** of this report.

A. Overall Project Management

We checked samples of controls over the overall Project management and noted the followings:

- The Project Management followed the Vietnamese Government Regulations in monitoring and utilizing ODA funds and regulations of VEA and UNDP;
- The Project prepared financial reports as regulations of UNDP and reports were approved by the Project Deputy Director;
- The Project maintained sufficient supporting documents and vouchers approved by the Project Director;
- The Project had a document retention policy that conformed to UNDP's requirements;
- The segregation of duties within the Project structure was adequate; and
- Project's activities were carried out in accordance with work plans and the Project document.

No significant issues on controls over the overall Project Management were identified from our procedures.

B. Financial operations, controls and cash/fund management

We checked samples of controls over the financial operations, controls and cash/fund management and noted the followings:

- The Project applied accounting procedures and maintains accounting books and records in compliance with the Vietnamese Government Regulations, Vietnamese Accounting Standards and UNDP's regulations;
- Duties were segregated between the accounting department and management. Specially, roles and responsibilities of individuals involving in the project's financial management were clearly defined;
- Project's expenditures were paid according to approved budgets within the cost-norm approved by the Donor;
- The Project maintained a separate accounting sub-ledgers to record all transactions and cash transfers by UNDP;
- The Project did not maintain petty cash; and
- All payments in excess of 20 million VND were paid by bank transfer, which were in compliance with the Vietnamese Government Regulations.

No significant issues on controls over the financial operations, controls and cash/fund management were identified from our procedures.

**Project "Capacity Building for the Ratification and Implementation
of the Nagoya Protocol on Access and Benefit Sharing in Vietnam"
Management letter
Period from 1 October 2017 to 31 March 2018**

C. Contracting for procurement of goods and services

We checked samples of controls over the contracting for procurement of goods and services and noted the followings:

- All procurements of goods and services were approved by Project Director with sufficient supporting documents;
- Procurements of goods and services were consistent with the IP's rules and procedures as well as comply with UNDP's agreement;
- Contracting methods were properly applied in accordance with HPPMG. In general, these methods complied with Procurement Laws and Vietnamese Government regulations. There were some differences in procurement thresholds. The thresholds of HPPMG were lower than Procurement Laws; and
- Procurements of goods and services were carried out in accordance with approved Budget and cost norm.

No significant issues on controls over the contracting for procurement of goods and services were identified from our procedures.

D. Staffing and management of human resources

We checked samples of controls over the staffing and management of human resources and noted the followings:

- VEA had a decision to appoint staff and assign specific tasks, accordingly staff allowance were monthly paid;
- Allowance to Project staff was paid from the counterpart fund; and
- PIT incurred in Project was finalized by VEA and paid to the State Budget.

No significant issues on controls over the staffing and management of human resources were identified from our procedures.

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E. Asset/property management, ICT and general issues

We checked samples of controls over the asset/property management, ICT and general issues and noted the followings:

- Assets/property had security procedures to protect against theft, damage or loss of data;
- Assets were insured and managed in accordance with the regulations of UNDP and the VEA;
- All assets were fully tagged and their status are updated to fixed assets register in a timely manner;
- Assets physical check were annually performed and documented in writing; and
- All assets transferred to staff were documented in handover minutes.

No significant issues on controls over the asset/property management, ICT and general issues were identified from our procedures.

F. Other observations – without audit recommendations

No significant issues were identified.