

**United Nations Development
Programme in Vietnam (“UNDP”)**

Micro Assessment Report

Under the Programme Cycle of One Plan
2017 – 2021

Ministry of Science and Technology

United Nations Development Programme in Vietnam ("UNDP")

Dear Sis/Madams

Re: Micro assessment of the Financial Management Capacity of the Ministry of Science and Technology

In accordance with the Appendix No. 6 dated 30 July 2018 to our engagement contract No. C. 2017-09-02 dated 12 September 2017, we are pleased to enclose our report that sets out the issues noted in connection with the micro assessment of the Financial Management Capacity of the Ministry of Science and Technology.

Due to its specific nature, our report may not be used for any other purpose other than to assist the United Nations Development Programme (UNDP) in Vietnam in its micro assessment of the financial management capacity of the Ministry of Science and Technology ("MOST"), and as such is limited for your internal use only. The terms of reference for this engagement have been established between UNDP and us. We will not accept responsibility to any other party to whom the report may be shown or who may acquire a copy of the report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

This report includes information not available to the public. Accordingly, this report is strictly confidential, and no part thereof may be reproduced or used by any party other than UNDP in Vietnam for their intended use.

Our work in connection with this assignment is of a different nature to that of an audit. Our report to you is based on inquiries of and discussions with management, a review of accounts and other documents made available to us by the MOST, and analytical procedures applied to data provided. We have not, except to such extent as you requested and we agreed to undertake, sought to verify the accuracy of the data or the information and explanations provided by management.

Yours sincerely,

**NEXIA STT Co., Ltd.**

Nguyen Viet Nga

Deputy General Director

Audit Practising Registration Certificate

No. 2041-2018-225-1

Report No.: UNDP MA/MOST-2019

Hanoi, 2 May 2019

GLOSSARY OF TERMS

UNDP	United Nations Development Programme
MOST	Ministry of Science and Technology Department of Science and Technology for Economic Technical Branches
DOST	
DPF	Department of Planning and Finance
MOF	Ministry of Finance
MPI	Ministry of Planning and Investment
ODA	Official Development Assistance
HACT	Harmonized Approach to Cash Transfers
RP	Responsible party
IP/NIP	Implementing partner/National Implementing partner
PMU	Project Management Unit
NPD	National Project Director
DNPD	Deputy National Project Director
PM	Project Manager
AWP	Annual Work plan
VND	Vietnam Dong

Table of contents

1. Background, Scope and Methodology	5
1.1. Background.....	5
1.2. Scope.....	5
1.3. Methodology	5
2. Summary of Risk Assessment Results.....	7
3. Detailed Internal Control Findings and Recommendations.....	21
Annex 1: IP and Programme Information	24
Annex 2: Implementing Partner Organizational Chart.....	25
Annex 3: List of Persons Met	26
Annex 4: Micro Assessment Questionnaire.....	27

1. Background, Scope and Methodology

1.1. Background

The micro assessment is part of the requirements under the Harmonized Approach to Cash Transfers (HACT) Framework. The HACT framework represents a common operational framework for UN agencies' transfer of cash to government and non governmental implementing partners.

The micro assessment assesses the IP's control framework. It results in a risk rating (low, moderate, significant or high). The overall risk rating is used by the UN agencies, along with other available information (e.g. history of engagement with the agency and previous assurance results), to determine the type and frequency of assurance activities as per each agency's guideline and can be taken into consideration when selecting the appropriate cash transfer modality for an IP.

1.2. Scope

The micro assessment provides an overall assessment of the Implementing Partner's programme, financial and operations management policies, procedures, systems and internal controls. It includes:

- A review of the IP legal status, governance structures and financial viability; programme management, organizational structure and staffing, accounting policies and procedures, fixed assets and inventory, financial reporting and monitoring, and procurement; and
- A focus on compliance with policies, procedures, regulations and institutional arrangements that are issued both by the Government and the Implementing Partner.

It takes into account results of any previous micro assessments conducted of the Implementing Partner.

1.3. Methodology

We performed the micro assessment on 25 January 2019 at the Ministry of Science and Technology Office, No. 113, Tran Duy Hung street, Cau Giay district, Hanoi.

Through discussion with the MOST, observation and walk-through tests of transactions, we have assessed the Implementing Partner's and the related internal control system with emphasis on:

- The effectiveness of the systems in providing the Implementing Partner's management with accurate and timely information for management of funds and assets in accordance with work plans and agreements with the UNDP; and
- The general effectiveness of the internal control system in protecting the assets and resources of the Implementing Partner.

Results of interviews and checks over the practical processes conducted at the RP/IP have been used as the basis for providing answers as Yes/No/Not applicable and detailed explanations for each question in the Micro assessment Questionnaire. Type of key question/additional question and four levels of points will be assigned to each question that correlate with four levels of risk. Details of point calculation are as details:

Risk level	Type of question	
	Key question	Additional question
H – High	8 points	4 points
S – Significant	6 points	3 points
M – Moderate	4 points	2 points
L – Low	1 point	1 point

Questions that are not applicable to the RP/IP (marked as "Not applicable – N/A") are not assigned a risk rating and are removed from the total number of questions for the calculation. Average number of points of a subject matter section (rounded to two decimal digits) is calculated for subject area by having total points of the subject area divided by total number of questions in the subject area.

Risk rating of each subject area is determined by comparing the average number of points of the subject area and the corresponding risk level thresholds.

We discussed the results of the micro assessment with applicable UNDP's personnel and the IP prior to finalization of the report. The list of persons met and interviewed during the micro assessment is set out in Annex 3 to the report.

2. Summary of Risk Assessment Results

The table below summarizes the results and main internal control gaps found during application of the micro assessment questionnaire (in Annex 4). Detailed findings and recommendations are set out in section 3 below.

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
<p>1. Implementing partner</p>	<p>Low</p>	<p>The Ministry of Science and Technology (MOST), formerly the State Science Committee, was established under Decree No. 016-SL dated 4th March 1959 of the President of the Democratic Republic of Vietnam. The MOST was a governmental agencies which performed functions of State management on science and technology, including scientific research, technology development and innovation activities; development of science and technology potentials; intellectual property; standards, metrology and quality control; atomic energy, radiation and nuclear safety; and State management on public services in fields under the Ministry's management as stipulated by law. Functions, tasks, powers and organizational structure of the MOST was defined in Decree No. 95/2017/ND-CP dated 16th August 2017.</p> <p>The Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" was funded by Global Environment Facility (GEF) through UNDP and owned by the Department of Science and Technology for Economic Technical Branches (DOST) under Decision No. 2950/QD-KHCN dated 27th October 2014 by the Minister of Science and Technology approving the Project Documents. The DOST was an agency under the Ministry of Science and Technology to advise and assist the Minister in performing its State management functions on the following areas of scientific research and technological development, including electronics, chemicals, consumer and food industry, energy, petroleum, trade, materials, mining and mineral processing, supporting industries, environmental industry, construction, delivery communication, irrigation, architecture, urban-rural planning, cultivation, plant protection, animal husbandry, veterinary, forestry, fisheries, preservation and processing of agriculture - forestry - fisheries, technology biology, genetic fund, medicine, and other fields as assigned by the Minister. Organizational and Operational Regulations of the DOST were issued along with Decision No. 1101/QD-BKHCN dated 27th April 2018.</p> <p>The Project Management Unit of the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" was established under Decision No. 3172/QD-KHCN dated 18th November 2014 of the Minister of Science and Technology with responsibilities of implementing the Project according to objectives, timeline, quality and resources stated in Decision No. 1686/QD-TTg dated 19th September 2014 of the Prime Minister approving the Project list, and Decision No. 2950/QD-BKHCN</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>dated 27th October 2014 of the Minister of MOST approving project documents. The PMU was allowed to use its own seal and open separate bank accounts at the State Treasury or commercial banks, and rent office for project implementation. Organizational and Operational Regulations of the PMU were issued along with Decision No. 3174/QD-KHCN dated 18th November 2014 of the Minister of the MOST. The PMU Office was located at the MOST. Operational budget for the PMU was allocated from project's funding sources.</p> <p>The DOST – the Project owner – prepared ODA project implementation reports on a quarterly and annual basis in accordance with current regulations. Such reports were sent to the Department of International Cooperation under MOST for consolidation before being submitted to the MPI.</p> <p>The NFB PMU – the implementing partner for the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP prepared semi-annual, annual or other ad-hoc reports on project progress, disbursements, and receipt progress of funding sources and sent those reports to the ICD under the MOST and to the MPI as requested. Besides, the PMU prepared financial/activity reports (FACE reports) on a quarterly basis in compliance with the Harmonized Project and Programme Management Guidelines (HPPMG) of the Donor. Accordingly, such quarterly reports were prepared in forms regulated by the Donor and submitted within the first 15 days of the following quarter.</p> <p>At the fiscal year end, the PMU prepared annual financial statements according to regulated forms for reporting on implementation and fund receipt progress of the Project. The annual financial statements after being approved by the PMU would be submitted to the DPF – MOST for appraisal and settlement.</p> <p>On a monthly basis, brief meetings amongst the Minister and heads of relevant departments/units were held to report on results of work implemented in the month and propose work-plans for the next month. Meeting minutes were prepared and signed by the Chief of the Ministry Office under the authorization of the Minister for every brief meeting. Minutes were afterward issued and kept by the Ministry Office.</p> <p>The PMU held meetings on a weekly basis to update and report on the activity progress and propose timely solutions to issues (if any). Weekly reports were consolidated by the Project Manager and subsequently sent to all project staff via email for their information and further action in the next month. Monthly, the Project Manager summarized results of all activities implemented in the month and work plans for the next month to report to the</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>Project Director and the DOST. On a quarterly basis, the PMU held a meeting to review project implementation progress and propose solutions to any issues occurred. Such meeting was documented in writing.</p> <p>The MOST and the DOST performed their functions of Project monitoring and evaluating according to specific plans/regulations of each Project and each Donor. Evaluation and Monitoring activities were presented in Progress Implementation Reports and periodic monitoring reports of Projects and through quarterly brief meetings of the PMU.</p> <p>For each project, the MOST established 1 Project steering committee (PSC) and 1 PMU to manage projects' activities and outputs. Each PSC had at least one Ministerial Leader playing a role of the Director of PSC and each PMU had at least one Director assigned from the DOST – the project owner – and other professional staff to carry out monitoring function over its projects. The PSC operated under regulations issued by the MOST. The PSC held annual meetings to provide guidance on implementation of the project's activities, including preparation of annual work plans and budgets, and annual implementation reports of the Project. PSC meetings were also documented in writing.</p> <p>For the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP, its co-implementing partner (CIP) was the Ministry of Construction. The DOST – MOST (the Project owner) signed a responsibility contract with the CIP and directly made payments to suppliers/consultants for technical service contracts which were implemented by the CIP basing on work results and disbursement progress as stated in these contracts. The CIP was responsible for preparing annual work plans, quarterly work plans, progress reports and financial reports and sent to the PMU for consolidation and approval within deadlines. The CIP's original supporting documents were kept at the Project office.</p> <p>In addition, the project had the participation of other units including National Science and Technology Development Fund, Vietnam Environmental Protection Fund, Vietnam Building Materials Association, Hai Duong Construction Department, Mechanical Joint Stock Company, Thanh Phuc production of construction materials Company, DmC Group, Duc Thanh Investment & Technology Joint Stock Company, Viglacera Corporation, and other enterprises in Vietnam. Such enterprises participated in the implementation of project's activities through commitments to contribute their counterpart funds to the Project. Annually, the PMU sent requests to these enterprises to synthesize all data from co-financing funding sources of the non-</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>fired brick project into the consolidated reports of the whole Project. These enterprises prepared reports according to regulated forms and sent reports to the PMU for consolidation.</p> <p>Annually, functional units under the MOST prepared budget plans and submitted to the Department of Planning and Finance for consolidation and appraisal. The approved budget plans of the MOST were submitted to the MOF for appraisals before being sent to the Government for approvals. Based on the appraisal results of the Ministry of Finance, the annual funds were allocated to functional units under the MOST and its investment projects in accordance with regulations of laws.</p> <p>Funds from Donors were directly transferred to the Project's bank accounts in accordance with quarterly work plans and budgets which were fully approved by the Project Director and the Donor.</p> <p>The MOST and the DOST strictly followed provisions of Vietnamese law on anti-fraud and corruption as well as complied with the anti-fraud and corruption plans of the Ministry and the Government.</p> <p>At the end of each fiscal year, a plan for inspection and settlement of complaints and denunciations and anti-corruption for the subsequent year was made by the MOST. The plan afterwards was assigned to units under the MOST and the Ministry Inspectorate to facilitate and follow. In addition, annually, units under the MOST were responsible for preparing reports on their implementation of anti-fraud and corruption plans and submitted to the Ministry Office for consolidation before reporting to the Minister.</p> <p>The PMU did not issue any separate anti-fraud and corruption policy but followed provisions of Vietnamese laws on anti-fraud and corruption as well as complied with anti-fraud and corruption plans of the MOST. Besides, in order to comply with anti-fraud and corruption policies in the project implementation process, the PMU maintained the cross-checking mechanism and clear task allocation system. Moreover, supporting documents were separately stored and marked by the Project, avoiding mistakes and fraud. On an annual basis, the PMU was subject to reviews and inspections by the Department of Planning and Finance under the MOST as well as by independent and State auditors.</p>
2. Programme Management	Low	<p>The formulation of program and overall plan for implementation of programs, projects using ODA funds, preferential credit and counterpart funds were in compliance with Decree No. 16/2016/ND-CP, dated 16th March 2016 of the Government - Articles 45, 46 and 47 regulating the management and use of official development assistance (ODA) and preferential loans of</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>foreign donors, and with other forms regulated in Project documents of the Donor.</p> <p>For the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP, the Project management mechanism was in accordance with the Harmonised Programme and Project Management Guidelines (HPPMG) between Vietnam and United Nations and Circular No. 225/TT-BTC, dated 31st December 2010 by the Ministry of Finance prescribing the State financial management regimes for foreign non-refundable grants belonging to the State Budget. Accordingly, the IP was adequately provided with development checklist, work planning templates, work planning schedule, quarterly and annual reporting forms, and monitoring report forms to develop programmes and plans. Normally, the Project Manager worked out AWP based on overall work plans as agreed in Project documents and comments from UN Agencies' Project Officers.</p> <p>Annual budgets were set up simultaneously with the progress of preparing AWP. The PMU prepared the draft of annual work plans and budgets and submitted to the Project Steering Committee for review and approval. The draft AWP and budgets were revised accordingly and sent to the Project owner and UNDP for approvals. The PMU based on the approved AWP to prepare quarterly and monthly work plans, getting approvals from the project owner and UNDP, and simultaneously updating implementation progress of the approved AWP.</p> <p>The MOST conducted review meetings on a quarterly and annual basis and minutes in writing were prepared accordingly.</p> <p>For ODA funded projects, monitoring activities and site visits would be conducted by the Donor's representatives and the Investor within the timeframe specified in the Project documents. Monitoring and site visit reports were prepared after monitoring and site visit activities were completed.</p> <p>The MOST and the DOST carried out monitoring activities through evaluation meetings and reports on the project implementation. On a quarterly basis, the PMU held a meeting to update project implementation and propose solutions for issues arising in the quarter (if any). Moreover, the PMU prepared quarterly progress reports and sent to the MOST – the responsible party – and the DOST – the project owner – for consolidation before submitting to the MPI and MOF as regulated. Site visit minutes were also prepared by project staff, who was delegated to supervise activities of CIPs. Such minutes were afterward sent to the Project Director for review. Evaluation and finalization meetings were held on semi-annual basis, annual</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>basis, and at the end of projects.</p> <p>The collection, monitoring and evaluation of data and results were carried out on a project-by-project basis. The Department of International Cooperation under the MOST was responsible for systematically collecting, monitoring, and evaluating achievements of ODA projects. This was reflected in quarterly project implementation reports. Such reports were consolidated by the ICD – MOST before being submitted to the MPI.</p> <p>For the project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP, project implementation reports were prepared on a quarterly, semi-annual and annual basis to synthesize, monitor and evaluate project results. In addition, the Project's outputs were carefully checked and reviewed by the PMU before payments were made. All outputs of the Project's activities implemented within the framework of programs/projects were collected and consolidated by the PMU and then sent to the DOST for being uploaded in the database for management requirements.</p> <p>The MOST assigned the Department of Planning and Finance (DPF) to provide guidance to relevant units on corrective actions and time frame required as regard to recommendations raised by independent evaluation units (independent auditors, State Auditors, and Inspectors of the MOST and of the MOF). The DPF under MOST was responsible for monitoring the implementation of these recommendations and reporting results to the MOST, Donors and independent evaluation units.</p> <p>The Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP was audited by independent auditors for periods from 1/1/2015 to 30/9/2016, from 1/10/2016 to 30/9/2017, and from 1/10/2017 to 30/9/2018. We collected these audit reports and management letters and found that corrective actions were mostly carried out to address independent auditors' findings, except for the recommendation relating to property insurance. We were informed that the value of project's assets was small, therefore, the PMU could not find out any appropriate insurance supplier.</p>
<p>3. Organizational structure and Staffing</p>	<p>Low</p>	<p>Recruitment and personnel practices of the MOST complied with current regulations. The number of civil servants and employees of functional units under the MOST was determined on the basis of job positions approved by the Minister of the MOST. The Organizational and Staffing Department of the MOST was responsible for recruitments of officials according to provisions of law on the basis of the approved employees' norm.</p> <p>For each project, the MOST established 1 PSC and 1 PMU to</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>manage the project's activities and outputs. Each PSC had at least one Ministerial Leader being the Director of PSC and each PMU had at least one Director and one specialist were assigned from the DOST to work part time for the project at the PMU's management position (Project Director). Concurrent staffs were entitled to salaries and allowances from counterpart funds as regulated in approved project documents and current regulations. The Project Director was allowed to recruit full-time contracted staff for some positions in the PMU including Project manager, project accountant, administrative staff cum translator and other supported staff.</p> <p>For contracted staff of the Project, recruitments were carried out according to regulations of each Donor with specific terms of reference. In general, recruitment policies of the MOST and its Projects embraced transparency and competitiveness.</p> <p>The Ministry Office had an accounting division, which was responsible for managing all regular expenditures using State budget of the MOST Office. The Ministry Office had 1 Chief and 3 Deputy Chief of Office. All leaders and specialists of the Ministry Office had appropriate university degrees. All staff had bachelor degrees in economics or higher.</p> <p>In addition, the Department of Planning and Finance (DPF) under the MOST had a function of monitoring, synthesizing and preparing reports, assessing the implementation of long-term plans, annual plans and preparing monthly, quarterly and annual reports of the MOST. The DPF was run by one Director and 3 deputy directors and specialists. They all had appropriate background and their experience was suitable with functions and duties assigned by the MOST.</p> <p>For the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP, accounting works were implemented by 1 project accountant with supports of the Project Manager and administrative staff recruited by the PMU. Through our interviews, we were informed that the current project accountant – Mr. Nguyen Hoang Tu – was recently recruited in August 2018 to replace Ms. Nguyen Thi Minh Nguyet resigning from June 2018. However, the project's accounting works were supervised and supported by the Project Manager and finance officers from UNDP; therefore, such replacement did not negatively affect the project implementation. Through our interviews, we noted that a current project accountant and project manager had good knowledge, skills and experience in disbursement procedures and processes of projects funded by UN agencies. Besides, their workloads were assessed to be reasonable.</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>The MOST maintained training resources and prepared annual staff training plans. Annually, the MOST's staff would be updated with changes in regulations of the State under general training programmes of Ministries (MOST, MOF).</p> <p>For Projects staff, trainings would be carried out within project frameworks. Training courses for project accountant/finance/programme were conducted by Donors. In 2018, staffs from projects funded by UNDP were provided with a training course on project financial management.</p> <p>The MOST operated its supervision based on the Government's regulations and self-developed regulations, such as the Organization and Operation Regulations and the Internal Regulations. These regulations were widely publicized to officers, civil servants and employees. Officers and civil servants could participate in making democratic and public comments on the elaboration of these regulations. Such regulations were updated annually with new regulations issued by the Government.</p> <p>The PMU operated based on its Organization and Operation Regulations. These regulations were widely publicized to the project's staff before implementation. The PMU also complied with periodic reporting requirements from internal functional parties in the MOST. Moreover, the PMU complied with regulations on financial management, reporting regime and monitoring framework stated in HPPMG of the Donor.</p>
<p>4. Accounting policies and procedures</p>	<p>Low</p>	<p>The accounting system of the MOST was in compliance with Circular No. 107/2017/TT-BTC, dated 10th October 2017 of the Ministry of Finance, replacing Decision No. 19/2006/QD-BTC, dated 30th March 2006 and Circular No. 185/2010/TT-BTC, dated 15th November 2010 of the MOF. The MOST Office used MISA accounting software to record accounting transactions. This software allowed for proper recording of financial transactions, including allocation of expenditures in accordance with the respective components (if any), disbursement categories and sources of funds.</p> <p>The PMU of the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP used Anna accounting software to record all accounting transactions. Through our review, we noted that this software allowed for proper recording of financial transactions, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds. The Project's accounting system complied with the HPPMG of the Donor.</p> <p>All accounting documents and vouchers were stored in hardcopies at the DPF, the Ministry Office and PMUs' offices. The</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>storage of vouchers and accounting documents was in compliance with provisions of the current Accounting Law of the Government of Vietnam.</p> <p>Accounting work was supported by software; hence, detailed ledgers were automatically compiled into the general ledger. Therefore, the MOST Office and the PMU did not perform reconciliation between the general ledger and subsidiary ledgers as required. The PMU only performed bank reconciliation at the time of quarterly report preparation.</p> <p>AWPs and budgets for activities were in sufficient detail to provide a meaningful tool for monitoring subsequent performance. Based on annual budgets and AWP, Projects prepared detailed quarterly budgets and work plans for each activity.</p> <p>For payments of the Ministry Office from the Stage budget, the Division of Accounting and Administration prepared final settlement reports to compare actual disbursements with allocated budget and make reconciliation with the provincial State Treasury on a quarterly/annual basis. Normally, disbursements were made depending on the annual allocated budget approved by the MOST.</p> <p>At the Project level, budget comparison was performed on a quarterly basis. All disbursements were based on budgets approved by the Donors. Any over – utilization or inappropriate utilization of budget was officially authorized by Donors and the Project Director before payments were made.</p> <p>At the time of our assessment, we noted that documents and invoices of the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP were stamped "PAID" and fully reviewed and approved with Project code and activity code.</p> <p>All salary expenses were approved by the Chief of the Ministry Office under the authorization of the Minister based on the salary budget allocated from the MOST's annual budget. The MOST's salary expenses were based on the wage coefficient of the State, therefore, salary expenses changed only when such rate increased. Any change in salary expenses must be approved by the Chief of Ministry Office before salary payments were made.</p> <p>For the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP, Salaries to the Project's staff (except for a Project Director concurrently working for the Project) were paid from the Donor's funds based on norms approved by the Donor. Salaries of the Project's staff were</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>agreed in labour contracts and clearly shown in monthly payrolls according to approved norms. Payrolls were prepared by a Project Accountant, reviewed by a Project Manager and approved by a Project Director. Any change in salary (if any) must be approved by the Project Director and the Donor.</p> <p>The Organizational and Staffing Department maintained a staff structure which detailed job description for each position correlating with budgeted time allowed for each activity/responsibility. Moreover, the Ministry Office kept track of civil servants' timesheets which were consolidated from timesheets recorded by the implementing units as the basis for salary payments.</p> <p>The Project Accountant prepared payrolls based on timesheets of project officers. Timesheet reports were prepared by the project's secretariat, checked by the Project Manager and approved by the Project Director. Payrolls were approved by the Project Director before payments were made to employees.</p> <p>The Ministry Office and specialized units under the MOST complied with current regulations of the State on expenditures regarding perdiems, travelling allowances and consultant fees. In addition, the Ministry Office had internal regulations to control travelling expenses and staff perdiems.</p> <p>The PMU complied with cost norms as specified in the HPPMG. The Project Accountant based on the HPPMG to pay perdiems, travelling allowances and consultant fees. At the time of our assessment, we noted that expenditures were properly reviewed and approved and complied with Donor's regulations. Expenditures for perdiems, travelling allowance were supported by receipt notes, list of recipients, invoices, and travel request forms. Consultant fees were paid upon completing contracts and receiving consultant's outputs.</p> <p>The PMU applied accounting policies and procedures as regulated in the HPPMG of the Donor and in compliance with Circular No. 225/2010/TT-BTC, dated 31st December 2010 of the Ministry of Finance regulating the State financial management regime applicable to foreign non-refundable grants belonging to the State Budget. Due to the small scale of the project, all project's activities were managed by the PMU under regulations of UNDP and the Vietnamese Government. The Project did not have any activities managed and implemented by local partners; therefore, no separate project implementation guidelines were prepared and issued.</p> <p>Bank reconciliation was prepared on a monthly basis. Treasury reconciliation was quarterly performed. Such reconciliations were</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>made in writing. We reviewed monthly bank reconciliation minutes and noted that such minutes were prepared and fully approved.</p> <p>The PMU did not maintain cash on hand.</p> <p>Bank accounts were not controlled with appropriate remote access, such as via the online banking system. The PMU only collected bank statements on a monthly basis. The absence of an appropriate remote access control might lead to a risk that the IP could not detect and resolve issues (if any) in a timely manner.</p> <p>The MOST did not have any internal audit division. However, through our interviews, we understand that the Department of Planning and Finance under the MOST acted as an internal auditor since it had a function of reviewing and inspecting financial activities of other units under the MOST. In addition, the MOST's Inspectorate was an organization under the MOST to assist the Minister to implement provisions of laws on the inspection, settlement of complaints, denunciations and prevention anti-corruption; conducted administrative inspection for agencies, organizations, units and individuals.</p>
<p>5. Fixed assets and Inventory</p>	<p>Low</p>	<p>Assets at the MOST were monitored by the Ministry Office through accounting books and accurately numbered and adequately labelled. In addition, the MOST also issued regulations on asset management and disseminated them to MOST's staff for their compliance.</p> <p>The PMU maintained assets registers to monitor and update current status of assets and to conduct physical assets counts once a year. Project's assets were labelled and numbered according to regulations of Donors.</p> <p>The MOST Office performed physical count of fixed assets at the end of each year. Physical count minutes were prepared with sufficient signatures of authorized persons.</p> <p>Fixed assets were counted on an annual basis, usually at the year end. We obtained and reviewed the minute of Physical Asset Count as at 31 December 2018 and found that the minute was adequately approved by authorized persons. However, we noted that the minute did not update the current user of one asset. Specifically, according to physical asset count minute as at 31/12/2018, Dell Vostro 3800ST laptop was being managed by Ms. Nguyen Thi Minh Nguyet – Project Accountant. However, in fact, Ms. Nguyen Thi Minh Nguyet resigned from June 2018 and such laptop was handed over to Mr. Nguyen Hoang Tung – the new project accountant.</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>Except for the MOST's cars, where insurance was required, other assets of the MOST and its UNDP project were not insured since insurance for such assets was optional and assets' value were small.</p>
<p>6. Financial Reporting and Monitoring</p>	<p>Low</p>	<p>The MOST followed the reporting regime in accordance with current regulations of the Government. All regular disbursements of the MOST were recorded and monitored by the Ministry Office. Such financial statements represented consolidated disbursements of the Ministry from counterpart funds and all disbursements of other projects implemented by the Ministry. Annual financial statements were appraised by the Ministry of Finance.</p> <p>In addition, DOST – the Project owner prepared ODA project implementation reports on a quarterly and annual basis in accordance with current regulations. Such reports were sent to the Department of International Cooperation under MOST for consolidation before being submitted to the MPI.</p> <p>Projects funded by ODA funds and counterpart funds followed two (2) reporting systems. One system complied with donors' requirements and another complied with the Government's requirements. The NFB PMU – the implementing partner for the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP prepared semi-annual, annual or other ad-hoc reports on project progress, disbursement and receipt progress of funding sources and sent to the ICD under the MOST and to the MPI as requested. Besides, the PMU prepared financial/activity reports (FACE reports) on a quarterly basis in compliance with the Harmonized Project and Programme Management Guidelines (HPPMG) of the Donor. Accordingly, such quarterly reports were prepared in forms regulated by the Donor and submitted within the first 15 days of the following quarter. At the fiscal year ended, the PMU prepared annual financial statements according to forms stipulated in Circular No. 107/2017/TT-BTC, dated 10th October 2017 of the Ministry of Finance, replacing Decision No. 19/2006/QĐ-BTC, dated 30th March 2006 and Circular No. 185/2010/TT-BTC, dated 15th November 2010 of the MOF for reporting on implementation and fund receipt progress of the Project. The annual financial statements after being approved by the PMU would be submitted to the DPF – MOST for appraisal and settlement.</p> <p>The Department of Planning and Finance under the MOST carried out annual budget settlement for the specialized units under the MOST. In addition, every 5 years depending on its annual audit plan, the specialized units under MOST were audited by the State Audit. The Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP and</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>audited by independent auditors on an annual basis upon the Donor's request. Specifically, Mazars Vietnam Co., Ltd. provided audit services of the Project for the period from 1/1/2015 to 30/9/2016 and Nexia STT Co., Ltd. performed audit for the period from 1/10/2016 to 30/9/2017 and from 1/10/2017 to 30/9/2018.</p> <p>We collected and reviewed auditors' report and management letters of the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP and noted that all recommendations raised by the auditors were implemented by the IP, except for issue relating to insurance of assets. We were informed that the value of the project's assets was insignificant; therefore, the PMU did not look for appropriate suppliers to provide insurance of assets.</p> <p>The Ministry Office and specialized units under the MOST applied MISA accounting software. The PMU currently used Anna accounting software to record projects' financial transactions. FACE reports would be then prepared on a quarterly basis in forms as regulated by the Donor based on data extracted from Anna accounting software. The accounting software used by the Ministry Office and specialized units under the MOST and the PMU could easily produce financial reports meeting requirements of the Investor and Donors.</p> <p>Accounting software and computers of staff had their own login and passwords. Financial data was regularly backed up on the computers and transferred to portable hard drives at the end of each month.</p>
7. Procurement	Low	<p>The MOST Office complied with procurement policies and procedures of the Government (Law on Procurements No. 43/2013/QH13, dated 26th November 2013 and detailed procurement regulations).</p> <p>Projects complied with Donors' policies and procurement procedures, Law on Procurement and Procurement regulations of the Government. For the Project funded by UNDP, the procurement process complied with provisions of the HPPMG, Project Documents and other current regulations on Bidding of the Government.</p> <p>The MOST Office consolidated and prepared annual procurement plans and submitted to the MOF for approvals on procurement activities of the MOST. In addition, the MOST Office also consolidated annual procurement reports from other specialized units under the MOST to grasp their procurement implementation progresses and subsequently report to the Ministerial Leaders. The PMU prepared annual procurement reports and sent to DPF –</p>

Tested subject area	Risk assessment	Brief justification for rating (main internal control gaps)
		<p>MOST for review and consolidation under regulations of the State management.</p> <p>Through our assessment, we noted that the MOST had a specialized procurement department, the Administration Division under the MOST Office. The Administration Division was responsible for summarizing and reporting annual procurement activities to the Ministerial Leaders. The Project did not have any structured procurement unit/staff because there were not many procurement activities and almost of procurement activities were implemented through competitive quotation method. However, all project staff was equipped sufficient knowledge of procurement regulations with appropriate bidding certificates. Procurement activities of the Project must be reviewed by the Project Director and complied with current regulations. In additions, for significant procurements made through open competitive bidding method, the PMU get advice from experts of the MOST and UNDP, and established procurement specialist team with professional staffs who had sufficient expertise and experience to carry out the bidding process. Up to now, all project's procurement activities were annually audited by independent auditors and the DPF, and complied with current regulations.</p> <p>Procurement procedures and templates of contracts including references to ethical procurement principles and exclusion and ineligibility criteria were clearly included in Bid Invitations and Contracts.</p> <p>Procedures to assist in identifying, monitoring and dealing with potential conflicts of interest with suppliers might be reflected in the signed contracts with suppliers. In fact, there has never been any conflict of interest between the MOST/PMU and suppliers. Should this occur, the Ministry Office and the PMU would comply with provisions of Laws on Procurement.</p> <p>The IP kept track of neither past performance of suppliers nor database of trusted suppliers because procurement activities did not regularly occur. All procurement activities were carried out in accordance with provisions of Laws on Procurement.</p> <p>The Administration Division under the MOST Office was responsible for contract management. The PMU assigned a Project Accountant and Administrative staff to maintain contract tracking sheets with contract number information, contract name, supplier name, contract date, contract value, completed workload and the value of the property paid.</p>
Overall Risk Assessment	Low	

3. Detailed Internal Control Findings and Recommendations

No.	Description of Finding	Recommendation and IP Management Response
1.	<p>Periodic reconciliation between general ledger and subsidiary ledgers:</p> <p>Accounting work was supported by software; hence, detailed ledgers were automatically compiled into the general ledger. Therefore, the MOST Office and the PMU did not perform reconciliation between the general ledger and subsidiary ledgers as required. The PMU only performed bank reconciliation at the time of quarterly report preparation.</p>	<p>The IP and PMU should ensure that reconciliation between the general ledger and subsidiary ledgers is performed on a monthly basis and kept in writing with acknowledgement of authorized persons. In case of differences, the IP should investigate and resolve in a timely manner.</p> <p>Responses from IP:</p> <p>Due to the small scale of the Project, the limited number of transactions, the Project did not perform reconciliation between the general ledger and subsidiary ledgers. All expenditures were checked and controlled through quarterly and annual reports which were prepared in forms regulated by UNDP.</p> <p>This recommendation is necessary to minimize risks. Therefore, the Project will improve and perform reconciliation between the general ledger and subsidiary ledgers on a quarterly basis.</p>
2.	<p>Remote access controls over bank accounts:</p> <p>Bank accounts were not controlled with appropriate remote access, such as via the online banking system. The PMU only collected bank statements on a monthly basis.</p>	<p>The absence of an appropriate remote access control might lead to a risk that the IP could not detect and resolve issues (if any) in a timely manner.</p> <p>The PMU should control receipt/payment transactions through bank accounts by using SMS notification service from banks. Accordingly, SMSs will be sent to the Chief Accountant's/Project Director's telephone numbers notifying transactions being carried out through the Project's bank accounts. The Project can also use the online banking system to ensure that all transactions are controlled and problems (if any) are dealt with in a timely manner.</p> <p>Responses from IP:</p> <p>Recommendation of auditors is appropriate. The Project appreciates this recommendation and has registered the banking service to send notifications to the Project's email which was monitored by administrative and accounting staff, as well as to the telephone number of the accountant.</p>

No.	Description of Finding	Recommendation and IP Management Response
3.	<p>Update status and users of project's assets:</p> <p>We noted that the minute was adequately approved by authorized persons. However, we noted that the minute did not update the current user of one asset. Specifically, according to physical asset count minute as at 31/12/2018, Dell Vostro 3800ST laptop was being managed by Ms. Nguyen Thi Minh Nguyet – Project Accountant. However, in fact, Ms. Nguyen Thi Minh Nguyet resigned from June 2018 and such laptop was handed over to Mr. Nguyen Hoang Tung – the new project accountant.</p>	<p>Assets are susceptible to loss, misappropriation, or misuse, particularly popular items, or items of high value. The Project Management is responsible for the management of all the Project's assets. Without updating status and users of the Project's assets might lead to difficulties in recognition and management of Project's assets.</p> <p>At the date of physical count, the status of assets should be updated in physical count minutes for management purpose.</p> <p>Responses from IP:</p> <p>The PMU has reviewed assets status, performed a physical count and prepared a physical count minute according to auditors' recommendations.</p>
4.	<p>Insurance of assets:</p> <p>Except for the MOST's cars, where insurance was required, other assets of the MOST and its UNDP project were not insured since insurance for such assets was optional and assets' value were small.</p>	<p>Fixed assets are susceptible to loss, misappropriation, or misuse, particularly popular item or items of high value. The Project may suffer financial losses when insurance is not purchased as regulated.</p> <p>The PMU should purchase insurance for all assets of the Project. If such insurance is difficult or unreasonable to purchase in the Vietnamese context, the Project should discuss with UNDP to find out appropriate alternative solutions.</p> <p>Responses from IP:</p> <p>Purchasing insurance of assets is theoretically necessary. However, assets purchased and transferred to the Project were those of small value (less than 40 million VND). The Project could not find out any appropriate insurance service agent for these assets. The Project alternatively monitored and performed regular physical counts of assets and used monthly maintenance services to make sure that these assets were operating normally to properly serve other Project tasks.</p> <p>If UNDP can suggest us appropriate insurance providers and funds for purchasing assets' insurance are available, the Project will purchase insurance for assets as required.</p>

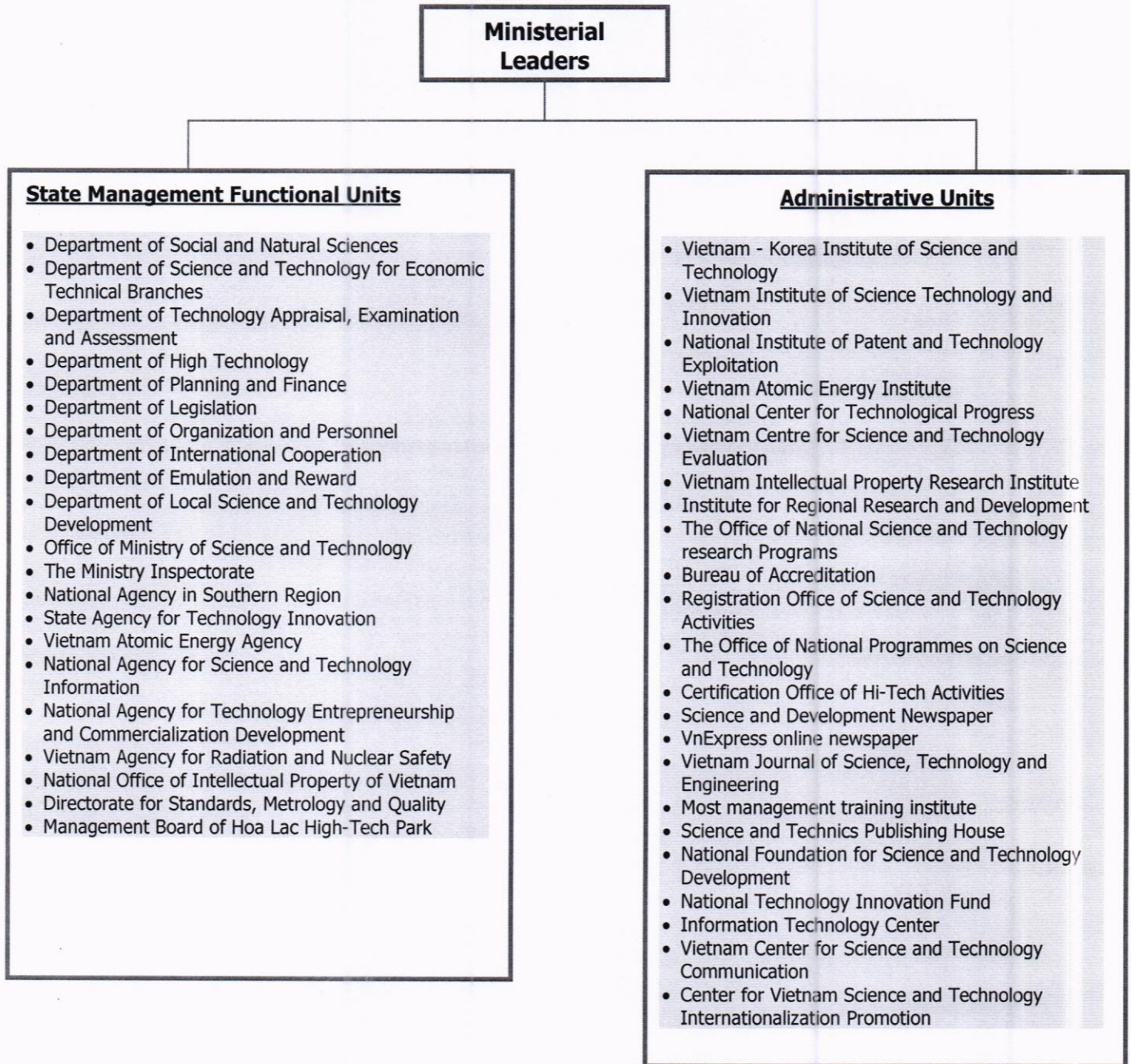
No.	Description of Finding	Recommendation and IP Management Response
5.	<p>Keeping track of database of trusted suppliers:</p> <p>The IP kept track of neither past performance of suppliers nor database of trusted suppliers because procurement activities did not regularly occur. All procurement activities were carried out in accordance with provisions of Laws on Procurement.</p>	<p>The PMU should coordinate with other IPs in the MOST to maintain a database of trusted suppliers. Such database should be approved by an authorized person and considered as a basis of selecting suppliers. Such database should be updated annually and disseminated to procurement staff.</p> <p>Responses from IP:</p> <p>Value of equipment purchased for the Project was small. All equipment was purchased once to be used for the whole 5-year period of the Project in accordance with the Bidding Law. Therefore, keeping track of database of trusted suppliers is not necessary to minimize management costs and time.</p>

Annex 1: IP and Programme Information

Implementing partner name:	Ministry of Science and Technology
Implementing partner code or ID in UNICEF, UNDP, UNFPA records (as applicable):	00087517
Implementing partner contact details (contact name, email address and telephone number):	Mr. Pham Cong Tac Deputy Minister of Science and Technology Email: vanthu@most.gov.vn Phone: (024) 3556 069
Main programmes implemented with the applicable UN Agency/ies:	Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam"
Key Official in charge of the UN Agency/ies' programme(s):	Mr. Do Giao Tien – Project Manager Email: dogiaotien@most.gov.vn Mobile phone: 0933357986
Programme location(s):	Ministry of Science and Technology – No. 113 Tran Duy Hung, Cau Giay district, Hanoi.
Location of records related to the UN Agency/ies' programme(s):	Ministry of Science and Technology – No. 113 Tran Duy Hung, Cau Giay district, Hanoi.
Currency of records maintained:	Vietnam Dong (VND)
Latest expenditures incurred/reported to UNICEF, UNDP and UNFPA (as applicable). Indicate the amount (in USD) and the financial reporting period:	Expenditures incurred for the period from 1/12/2018 to 31/12/2018: 3,618,769,105 VND
Current or latest cash transfer modality/ies used by the UN agency/ies to the IP:	Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam": Direct cash transfer
Intended start date of micro assessment:	25/1/2019
Number of days to be spent for visit to IP:	1 day
Any special requests to be considered during the micro assessment:	None.

Annex 2: Implementing Partner Organizational Chart

1. Ministry of Science and Technology Organizational Chart



Annex 3: List of Persons Met

Name	Unit/Organization	Position
Mr. Do Giao Tien	Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam"/DOST	Project Manager
Mr. Nguyen Ba Vinh	Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam"	Project Consultant
Mr. Nguyen Hoang Tu	Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam"	Project Accountant

Annex 4: Micro Assessment Questionnaire

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
1. Implementing partner (IP) 1.1. Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status and date of registration of the entity.	✓			Low	1	<p>The Ministry of Science and Technology (MOST), formerly the State Science Committee, was established under Decree No. 016-SL dated 4th March 1959 of the President of the Democratic Republic of Vietnam. The MOST was a governmental agencies which performed functions of State management on science and technology, including scientific research, technology development and innovation activities; development of science and technology potentials; intellectual property; standards, metrology and quality control; atomic energy, radiation and nuclear safety; and State management on public services in fields under the Ministry's management as stipulated by law. Functions, tasks, powers and organizational structure of the MOST was defined in Decree No. 95/2017/ND-CP dated 16th August 2017.</p> <p>The Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" was funded by Global Environment Facility (GEF) through UNDP and owned by the Department of Science and Technology for Economic Technical Branches (DOST) under Decision No. 2950/QĐ-KHCN dated 27th October 2014 by the Minister of Science and Technology approving the Project Documents. The</p>

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks / comments
						<p>DOST was an agency under the Ministry of Science and Technology to advise and assist the Minister in performing its State management functions on the following areas of scientific research and technological development, including electronics, chemicals, consumer and food industry, energy, petroleum, trade, materials, mining and mineral processing, supporting industries, environmental industry, construction, delivery communication, irrigation, architecture, urban-rural planning, cultivation, plant protection, animal husbandry, veterinary, forestry, fisheries, preservation and processing of agriculture - forestry - fisheries, technology biology, genetic fund, medicine, and other fields as assigned by the Minister.</p> <p>Organizational and Operational Regulations of the DOST were issued along with Decision No. 1101/QD-BKHCN dated 27th April 2018.</p> <p>The Project Management Unit of the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" was established under Decision No. 3172/QD-KHCN dated 18th November 2014 of the Minister of Science and Technology with responsibilities of implementing the Project according to objectives, timeline, quality and resources stated in Decision No. 1686/QD-TTg dated 19th September 2014 of the Prime Minister approving the Project list, and Decision No. 2950/QD-BKHCN dated 27th October 2014 of the Minister of MOST approving project documents. The PMU was allowed to use its own seal and open</p>

Subject area (key questions in <i>bold</i>)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/ comments
						<p>separate bank accounts at the State Treasury or commercial banks, and rent office for project implementation. Organizational and Operational Regulations of the PMU were issued along with Decision No. 3174/QĐ-KHCN dated 18th November 2014 of the Minister of the MOST.</p> <p>The PMU Office was located at the MOST. Operational budget for the PMU was allocated from project's funding sources.</p>
<p>1.2 If the IP received United Nations resources in the past, were significant issues reported in managing the resources, including from previous assurance activities?</p>	✓			Low	1	<p>The MOST was previously the owner of some Projects funded by UNDP on improving energy efficiency in small and medium enterprises. Through our interviews, we noted that there were no significant issues in the receipts of funds of previous projects.</p> <p>At the time of our assessment, the MOST was assigned as the Owner of the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by GEF through UNDP. The Project was being implemented in November 2014 and intended to close in November 2019. The MOST established a separate PMU which had legal status, its own seal and separate bank accounts at the State Treasury or commercial banks for the implementation of the Project's activities. The PMU was located at the Office of the MOST. The PMU opened separate bank accounts at commercial banks to receive funds from the Donor. All disbursements from counterpart funds were settled by the Ministry Office. Through our interviews and</p>

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
<p>1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements in the prior three fiscal years?</p>	<p>✓</p>			<p>Low</p>	<p>1</p>	<p>review of project documents, we noted that there were no significant issues in the receipts and management of the project's funds.</p> <p>The MOST followed the reporting regime in accordance with current regulations of the Government. All regular disbursements of the MOST were recorded and monitored by the Ministry Office. The Ministry Office had its own seal, separate bank accounts in the State Treasury and commercial banks for its operation according to provisions of laws. The Ministry Office was responsible for summarizing and preparing consolidated financial statements for whole sector according to forms stipulated in Circular No. 107/2017/TT-BTC, dated 10th October 2017 of the Ministry of Finance, replacing Decision No. 19/2006/QĐ-BTC, dated 30th March 2006 and Circular No. 185/2010/TT-BTC, dated 15th November 2010 of the MOF. Such financial statements represented consolidated disbursements of the Ministry from counterpart funds and all disbursements of other projects implemented by the Ministry. Annual financial statements were appraised by the Ministry of Finance. As the result of our review, we noted that such financial statements were prepared in compliance with the regulated forms and deadlines.</p> <p>In addition, the DOST – the Project owner – prepared ODA project implementation reports on a quarterly and annual basis in accordance with</p>

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
						<p>Decision No. 803/2007/QĐ-BKH dated 30th July 2007 by the Ministry of Planning and Investment, Circular No. 16/2016/ND-CP dated 26th March 2016 of the Government, and Circular No. 12/2016/TT-BKH dated 8th August 2016 of the MPI regulating the management and use of ODA and loans from foreign donors. Such reports were sent to the Department of International Cooperation under MOST for consolidation before being submitted to the MPI.</p> <p>The NFB PMU – the implementing partner for the Project “Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam” funded by UNDP prepared semi-annual, annual or other ad-hoc reports on project progress, disbursements, and receipt progress of funding sources and sent those reports to the ICD under the MOST and to the MPI as requested. We reviewed the implementation progress reports of the project “Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam” funded by UNDP for Quarter IV of 2018 and noted its compliance with the regulated forms. Such report also provided enough information and details to readers about the project implementation progress. Besides, the PMU prepared financial/activity reports (FACE reports) on a quarterly basis in compliance with the Harmonized Project and Programme Management Guidelines (HPPMG) of the Donor. Accordingly, such quarterly reports were prepared in forms regulated by the Donor and submitted within the first 15 days of the</p>

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
						<p>following quarter. We have reviewed FACE reports of NFB project for Quarter 4/2018 and found that these reports were prepared in compliance with regulated forms and deadlines. At the fiscal year end, the PMU prepared annual financial statements according to forms stipulated in Circular No. 107/2017/TT-BTC, dated 10th October 2017 of the Ministry of Finance, replacing Decision No. 19/2006/QĐ-BTC, dated 30th March 2006 and Circular No. 185/2010/TT-BTC, dated 15th November 2010 of the MOF for reporting on implementation and fund receipt progress of the Project. The annual financial statements after being approved by the PMU would be submitted to the DPF – MOST for appraisal and settlement. We reviewed the project's financial statements for the fiscal year of 2017 and noted that such reports consolidated all disbursements from ODA funds and were adequately approved by the PMU.</p> <p>In general, all reports were prepared in accordance with regulated forms, which provided enough information and details to readers.</p>
1.4 Does the governing body meet on a regular basis and perform oversight functions?	✓			Low	1	<p>On a monthly basis, brief meetings amongst the Minister and heads of relevant departments/units were held to report on results of work implemented in the month and propose work-plans for the next month. Meeting minutes were prepared and signed by the Chief of the Ministry Office under the authorization of the Minister for every brief meeting. Minutes were afterward issued and kept by the Ministry Office.</p>

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/ comments
						<p>The PMU held meetings on a weekly basis to update and report on the activity progress and propose timely solutions to issues (if any). Weekly reports were consolidated by the Project Manager and subsequently sent to all project staff via email for their information and further action in the next month. Monthly, the Project Manager summarized results of all activities implemented in the month and work plans for the next month to report to the Project Director and the DOST. On a quarterly basis, the PMU held a meeting to review project implementation progress and propose solutions to any issues occurred. Such meeting was documented in writing.</p> <p>The MOST and the DOST performed their functions of Project monitoring and evaluating according to specific plans/regulations of each Project and each Donor. Evaluation and Monitoring activities were presented in Progress Implementation Reports and periodic monitoring reports of Projects and through quarterly brief meetings of the PMU.</p> <p>For each project, the MOST established 1 Project steering committee (PSC) and 1 PMU to manage projects' activities and outputs. Each PSC had at least one Ministerial Leader playing a role of the Director of PSC and each PMU had at least one Director assigned from the DOST – the project owner – and other professional staff to carry out monitoring function over its projects. The PSC operated under regulations issued by the MOST.</p>

Subject area (key questions in <i>bold</i>)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
1.5 If any other offices/ independent entities participate in implementation, does the IP have policies and process to ensure appropriate oversight and monitoring of implementation?	✓			Low	1	<p>The PSC held annual meetings to provide guidance on implementation of the project's activities, including preparation of annual work plans and budgets, and annual implementation reports of the Project. PSC meetings were also documented in writing.</p> <p>For the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP, its co-implementing partner (CIP) was the Ministry of Construction. The DOST – MOST (the Project owner) signed a responsibility contract with the CIP and directly made payments to suppliers/consultants for technical service contracts which were implemented by the CIP basing on work results and disbursement progress as stated in these contracts. The CIP was responsible for preparing annual work plans, quarterly work plans, progress reports and financial reports and sent to the PMU for consolidation and approval within deadlines. The CIP's original supporting documents were kept at the Project office. We reviewed the responsibility contract signed on 14th July 2015 between the IP and the MOC and noted that such contract clearly specified operation, monitoring and management mechanism of activities implemented by the CIP.</p> <p>In addition, the project had the participation of other units including National Science and Technology Development Fund, Vietnam Environmental Protection Fund, Vietnam Building Materials Association, Hai Duong Construction</p>

1001 13 1/2011

Subject area (key questions in <i>bold</i>)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
						Department, Mechanical Joint Stock Company, Thanh Phuc production of construction materials Company, DmC Group, Duc Thanh Investment & Technology Joint Stock Company, Viglacera Corporation, and other enterprises in Vietnam. Such enterprises participated in the implementation of project's activities through commitments to contribute their counterpart funds to the Project. Annually, the PMU sent requests to these enterprises to synthesize all data from co-financing funding sources of the non-fired brick project into the consolidated reports of the whole Project. These enterprises prepared reports according to regulated forms and sent reports to the PMU for consolidation.
1.6 Does the IP show basic financial stability in-country (core resources; funding trend) <i>Provide the amount of total assets, total liabilities, income and expenditure for the current and prior three fiscal years.</i>	✓			Low	1	The MOST was an organization under the Government, hence fund flows from the Government according to annual approved budget by the MOF were frequent and the MOST had, therefore, been able to maintain a relatively stable financial position. The operating funds for the PMU "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" were paid from ODA funds according to budgets initially approved by the Responsible Party and the Donor.
1.7 Can the IP easily receive funds? Have there been any major problems in the past in the receipt of funds, particularly where the funds flow from government ministries?	✓			Low	1	The MOST Office had a legal status, its own seal and bank accounts. Annually, functional units under the MOST prepared budget plans and submitted to the Department of Planning and Finance for consolidation and appraisal. The approved budget

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
						<p>plans of the MOST were submitted to the MOF for appraisals before being sent to the Government for approvals. Based on the appraisal results of the Ministry of Finance, the annual funds were allocated to functional units under the MOST and its investment projects in accordance with regulations of laws.</p> <p>Funds from Donors were directly transferred to the Project's bank accounts in accordance with quarterly work plans and budgets which were fully approved by the Project Director and the Donor.</p> <p>As the results of our review, there were no significant issues regarding receipts of funds.</p>
<p>1.8 Does the IP have any pending legal actions against it or outstanding material/significant disputes with vendors/contractors? <i>If so, provide details and actions taken by the IP to resolve the legal action.</i></p>	✓			Low	1	<p>Through our interview, we were informed that the MOST, the DOST, and the PMU had no legal actions against them or outstanding material/significant disputes with vendors/contractors.</p>
<p>1.9 Does the IP have an anti-fraud and corruption policy?</p>	✓			Low	1	<p>The MOST and the DOST strictly followed provisions of Vietnamese law on anti-fraud and corruption as well as complied with the anti-fraud and corruption plans of the Ministry and the Government.</p> <p>At the end of each fiscal year, a plan for inspection and settlement of complaints and denunciations and anti-corruption for the subsequent year was made by the MOST. The plan afterwards was assigned to units under the MOST and the Ministry Inspectorate to facilitate and follow. In addition, annually, units</p>



Subject area (key questions in <i>bold</i>)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
						<p>under the MOST were responsible for preparing reports on their implementation of anti-fraud and corruption plans and submitted to the Ministry Office for consolidation before reporting to the Minister.</p> <p>The PMU did not issue any separate anti-fraud and corruption policy but followed provisions of Vietnamese laws on anti-fraud and corruption as well as complied with anti-fraud and corruption plans of the MOST. Besides, in order to comply with anti-fraud and corruption policies in the project implementation process, the PMU maintained the cross-checking mechanism and clear task allocation system. Moreover, supporting documents were separately stored and marked by the Project, avoiding mistakes and fraud. On an annual basis, the PMU was subject to reviews and inspections by the Department of Planning and Finance under the MOST as well as by independent and State auditors.</p>
1.10 Has the IP advised employees, beneficiaries and other recipients to whom they should report if they suspect fraud, waste or misuse of agency resources or property? If so, does the IP have a policy against retaliation relating to such reporting?	✓			Low	1	<p>Anti-fraud and corruption plans were widely disseminated at civil servants' conferences. Accordingly, any problems such as fraud, waste or misuse of funds or assets could be reported directly to Line Managers, Ministerial Leaders based on nature of such issues.</p> <p>At the project level, any problems such as fraud, waste or misuse of Project's funds or assets could be reported directly to the Project Director. We noted that no fraud had occurred at the time of our review. The anti-retaliation policies for cases of</p>

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks / comments
1.11 Does the IP have any key financial or operational risks that are not covered by this questionnaire? If so, please describe. <i>Examples: foreign exchange risk; cash receipts.</i>		✓		Low	1	reporting fraud and waste complied with provisions of the current law on anti-corruption. There were no any other risks. The PMU fully implemented VAT refunds for NFB Project.
Total number of questions in subject area:	11					
Total number of applicable questions in subject area:	11					
Total number of applicable key questions in subject area:	5					
Total number of risk points:	11					
Risk score:	1.00					
Area risk rating:	Low					
2. Programme Management						
2.1. Does the IP have and use sufficiently detailed written policies, procedures and other tools (e.g. project development checklist, work planning templates, work planning schedule) to develop programmes and plans?	✓			Low	1	The formulation of program and overall plan for implementation of programs, projects using ODA funds, preferential credit and counterpart funds were in compliance with Decree No. 16/2016/ND-CP, dated 16 th March 2016 of the Government - Articles 45, 46 and 47 regulating the management and use of official development assistance (ODA) and preferential loans of foreign donors, and with other forms regulated in Project documents of the Donor.

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
						<p>For the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP, the Project management mechanism was in accordance with the Harmonised Programme and Project Management Guidelines (HPPMG) between Vietnam and United Nations and Circular No. 225/TT-BTC, dated 31st December 2010 by the Ministry of Finance prescribing the State financial management regimes for foreign non-refundable grants belonging to the State Budget. Accordingly, the IP was adequately provided with development checklist, work planning templates, work planning schedule, quarterly and annual reporting forms, and monitoring report forms to develop programmes and plans. Normally, the Project Manager worked out AWP based on overall work plans as agreed in Project documents and comments from UN Agencies' Project Officers. We reviewed the annual work plan for 2018 of the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP and noted that the work plan was made in regulated forms.</p>
<p>2.2. Do work plans specify expected results and the activities to be carried out to achieve results, with a time frame and budget for the activities?</p>	✓			Low	1	<p>Annual budgets were set up simultaneously with the progress of preparing AWP. The PMU prepared the draft of annual work plans and budgets and submitted to the Project Steering Committee for review and approval. The draft AWP and budgets were revised accordingly and sent to the Project owner and UNDP for approvals. The PMU based on the approved AWP to prepare quarterly and monthly work plans, getting approvals from the project owner and UNDP, and simultaneously</p>

Subject area (key questions in <i>bold</i>)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
						updating implementation progress of the approved AWPs. Reviewing the annual work plan for 2018 and the quarterly work plan for Quarter IV/2018 of the Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP, we noted that these work plans were specified with expected results and detailed activities to be carried out to achieve such results, with a time frame and budget.
2.3 Does the IP identify the potential risks for programme delivery and mechanisms to mitigate them?	✓			Low	1	Potential risks for programme delivery and mechanisms for risks mitigation were proposed in Project proposals and described in Project Documents.
2.4 Does the IP have and use sufficiently detailed policies, procedures, guidelines and other tools (checklists, templates) for monitoring and evaluation?	✓			Low	1	The IP maintained and complied with the Government's Decree No. 16/2016/ND-CP on Monitoring and Evaluation of programmes/projects using ODA funds and preferential loans. Project activities included monitoring and evaluation activities and site visits; therefore, monitoring and evaluation activities and site visits were specified in Project Documents and regulated in Organizational and Operational Regulations of the PSC and the PMU. Templates for monitoring reports were regulated in HPPMG and other general regulations of the Government.
2.5 Does the IP have M&E frameworks for its programme, with indicators, baselines, and targets to monitor achievement of programme results?	✓			Low	1	ODA funded Projects had M&E frameworks for their programmes, with indicators, baselines, and targets to monitor achievement of programme results, which were specified in Project Documents and

Subject area (key questions in <i>bold</i>)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
2.6 Does the IP carry out and document regular monitoring activities such as review meetings, on-site project visits, etc.	✓			Low	1	<p>progress reports of each project.</p> <p>The MOST conducted review meetings on a quarterly and annual basis and minutes in writing were prepared accordingly.</p> <p>For ODA funded projects, monitoring activities and site visits would be conducted by the Donor's representatives and the Investor within the timeframe specified in the Project documents. Monitoring and site visit reports were prepared after monitoring and site visit activities were completed.</p> <p>The MOST and the DOST carried out monitoring activities through evaluation meetings and reports on the project implementation. On a quarterly basis, the PMU held a meeting to update project implementation and propose solutions for issues arising in the quarter (if any). Moreover, the PMU prepared quarterly progress reports and sent to the MOST – the responsible party – and the DOST – the project owner – for consolidation before submitting to the MPI and MOF as regulated. Site visit minutes were also prepared by project staff, who was delegated to supervise activities of CIPs. Such minutes were afterward sent to the Project Director for review. Evaluation and finalization meetings were held on semi-annual basis, annual basis, and at the end of projects.</p> <p>We collected and reviewed the mid-term evaluation reports of the Project "Promotion of Non-Fired Brick</p>

Subject area (key questions in bold)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
2.7 Does the IP systematically collect, monitor and evaluate data on the achievement of project results?	✓			Low	1	<p>(NFB) Production and Utilization in Vietnam" funded by UNDP. This meeting was held in June 2018 with the participation of Representatives of the MOST, the project owner, and the Donor. In addition, we also reviewed the Project's quarterly progress report for the 4th quarter of 2018, disbursement progress report, quarterly activity reports and 2017 PSC meeting minutes and noted that these documents included evaluation information relating to the implementation of the project's activities, results of implementation of project objectives as well as outputs and financial results of the Project.</p> <p>The collection, monitoring and evaluation of data and results were carried out on a project-by-project basis. The Department of International Cooperation under the MOST was responsible for systematically collecting, monitoring, and evaluating achievements of ODA projects. This was reflected in quarterly project implementation reports. Such reports were consolidated by the ICD – MOST before being submitted to the MPI.</p> <p>For the project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP, project implementation reports were prepared on a quarterly, semi-annual and annual basis to synthesize, monitor and evaluate project results. In addition, the Project's outputs were carefully checked and reviewed by the PMU before payments were made. All outputs of the Project's activities implemented within the framework of programs/projects were collected and consolidated</p>

Subject area (key questions in <i>bold</i>)	Yes	No	Not applicable (N/A)	Risk Assessment	Risk points	Remarks/comments
2.8 Is it evident that the IP followed up on independent evaluation recommendations?	✓			Moderate	2	<p>by the PMU and then sent to the DOST for being uploaded in the database for management requirements.</p> <p>The MOST assigned the Department of Planning and Finance (DPF) to provide guidance to relevant units on corrective actions and time frame required as regard to recommendations raised by independent evaluation units (independent auditors, State Auditors, and Inspectors of the MOST and of the MOF). The DPF under MOST was responsible for monitoring the implementation of these recommendations and reporting results to the MOST, Donors and independent evaluation units.</p> <p>The Project "Promotion of Non-Fired Brick (NFB) Production and Utilization in Vietnam" funded by UNDP was audited by independent auditors for periods from 1/1/2015 to 30/9/2016, from 1/10/2016 to 30/9/2017, and from 1/10/2017 to 30/9/2018. We collected these audit reports and management letters and found that corrective actions were mostly carried out to address independent auditors' findings, except for the recommendation relating to property insurance. We were informed that the value of project's assets was small, therefore, the PMU could not find out any appropriate insurance supplier.</p>
Total number of questions in subject area:	8					
Total number of applicable questions in subject area:	8					