MAZARS

Project "Strengthening Capacity and Institutional Reform for Green Growth and Sustainable Development in Viet Nam"

Funded by United Nations Development Programme Vietnam Country Office ("UNDP"), The United States Agency for International Development (USAID) and European Union (EU-UNDP LECB Program)

Management letter

For the period from 1 October 2017 to 30 September 2018

MAZARS

Mr. Pham Hoang Mai
National Project Director
Project "Strengthening Capacity and Institutional Reform for Green Growth and Sustainable Development in Viet Nam"
Department of Science, Education, Natural Resources and Environment
6B Hoang Dieu - Quan Thanh – Ba Dinh
Ha Noi – Viet Nam

Ref: UNDP-92226-2018.ML.EN
Contact: Pham Phuong Anh

Hanoi, 22 January 2019

Dear Mr. Pham Hoang Mai,

Project "Strengthening Capacity and Institutional Reform for Green Growth and Sustainable Development in Viet Nam (CIGG Project)"
Management Letter – For the period from 1 October 2017 to 30 September 2018

Further to our procedures performed on the internal controls of the implementing partner and expenditures related to the Project "Strengthening Capacity and Institutional Reform for Green Growth and Sustainable Development in Viet Nam (CIGG Project)" (Project ID. 92226) ("the Project") for the period from 1 October 2017 to 30 September 2018, funded by the United Nations Development Programme Vietnam Country Office ("UNDP"), The United States Agency for International Development (USAID), European Union (EU-UNDP LECB Program) and implemented by Department of Science, Education, Natural Resources and Environment (DSENRE), Ministry of Planning and Investment (MPI) ("the Implementing Partner" or "IP") we are pleased to send you our management letter of the Project for your attention.

The primary purpose of our procedures for the period from 1 October 2017 to 30 September 2018 was to assist you in evaluating the functions of internal controls and project expenditures. We conducted the engagement in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements (ISRS 4400).

Our agreed upon procedures were performed on a sample basis and should not be relied upon to identify all irregularities and internal control weaknesses that may exist. The Management must rely on a comprehensive system of internal controls within its organization as the principal safeguard against such irregularities.

Our findings are grouped into the following categories:

High : Action that is considered imperative to ensure that the Implementing Partner 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.

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

Yours sincerely,

CHI NHÁNH CÔNG TY TRÁCH NHIỆM HỮU HẠN MAZARS VIỆT NAM TẠI HÀ NỘI

Pham Phuong Anh
Partner

Summary of findings

	Content	Risk severity	Page
1.	Monitoring Project activities's progress	Low	3
2.	Perform reconciliations between FACE forms and CDR	Low	4
3.	Submission of quarterly progress report	Low	5
4.	Compliance with regulations on Value Added Tax ("VAT") refund	Low	6
5.	Stamp "PAID by CIGG"	Low	7

1. Monitoring project activities' progress

Risk severity: Low

Observation

We noted that the actual disbursement progress of Output 2 - Developed policies and regulations to promote green growth investments and sustainable development was not fully in line with the budget as follows:

VND

Activity	Description	Budget	Actual expenditure	% disbursement progress
Output 2	Developed policies and regulations to promote green growth investments and sustainable development.	1,666,484,156	1,285,853,956	77%

Potential impact

Delays due to any reason are unfavorable to the Project. Delays in project activities may result in constraints in the time available for the following years' activities of the Project. There may be a risk of poor quality performance in order to meet the shorter deadline. Moreover, if the Project's duration needs to be extended, it may require more funding.

Recommendation

The Project management should keep monitoring the progress of the Projects on a regular basis (e.g. monthly), identifying any delay and its reasons in order to take appropriate actions if necessary. Additionally, the Project should also consider whether the timeframe in the work plan is practicable or the timing and the tasks set up need to be revised.

Project Management's responses

The assessment of disbursement rate from 1 October 2017 to 30 September 2018 does not reflect the actual desired compatibility because the annual work plan covers the period of 1 January 2017 to 31 December 2018. The period of 1 October – 31 December 2017 belongs to 2017 work plan and the period of 1 January – 30 September 2018 belongs to 2018 work plan. The assessment should be based on the yearly plan in order to achieve the most realistic outcome.

2. Perform reconciliations between FACE forms and CDR

Risk severity: **Low**

Observation

The Project reconciled FACE forms with the CDRs once during the period, at the year-end, rather than a more frequent basis (e.g. quarterly).

Implication

The absence of regular reconciliation between FACE forms and CDRs might lead to the risk that expenditures being recognized in the incorrect period or errors in financial reports not being detected and corrected in a timely manner.

Recommendation

We recommend the Project should proactively perform reconciliations between FACE forms and CDR on a quarterly basis with the approval of Project Director and/or Project Manager. Any significant and/or unusual reconciling items should be investigated and resolved promptly. It should be documented to demonstrate a good internal control procedure over funding and expenditure recording.

Project Management's responses

CDR reconciliation requires the consolidation of expenses from the two entities, the Project Management and UNDP, the reconciliation depends on the long-awaited approved FACE report, therefore the CDR reconciliation is no more on a timely basis.

3. Submission of quarterly progress report

Risk severity: Low

Observation

We noted that FACE forms in the period from 01 January 2018 to 30 June 2018 were not dated. According to point IV.3.1, article 9 of HPPMG, the deadline for submission is on the 15th of the following quarter.

Implication

The absence of date in FACE forms leads to the risk that the Project can not prove to the third parties that the procedures of report submission as regulated in the HPPMG have been performed in a timely manner.

Recommendation

We recommend that the Project Management should date the FACE forms to prove to the third parties that the procedures have been performed in a timely manner.

Project Management's responses

Regarding report documentations of Q1 and Q2 2018, there are many other reports had submitted with dates on them except the FACE report. Therefore the dates on other reports can be considered the same as on FACE report.

4. Compliance with regulations on Value Added Tax ("VAT") refund

Risk severity: Low

Observation

During the audit, we noted that some VAT amounts were recorded as the Project's expenditure, as follows:

VND

Date	Description	Voucher number	Recorded Amount	Amount (without VAT)	VAT
11/4/2018	Phone charges in 4/2018	010418	397,923	361,748	36,175
11/4/2018	Internet bills in 3/2018	020418	418,000	380,000	38,000
22/5/2018	Internet bills in 4/2018	070518	418,000	380,000	38,000
22/5/2018	Phone bills in 4/2018	080518	551,466	501,333	50,133
6/6/2018	Internet bills in 5/2018 (HND 441207)	060618	418,000	380,000	38,000
12/6/2018	Phone charges in 5/2018	110618	516,387	469,443	46,944

Implication

This practice is not complied with UNDP regulation. It may lead to delay in performing procedures of VAT refund and difficulty in recovering such amounts that could be ultilised for other activities.

Recommendation

The Project Management should record VAT separately, declare and claim VAT refund at least once every six months as required by the HPPMG in point 2, Section IV, Chapter 8 of HPPMG on VAT refund and revisions of HPPMG effective from 20 July 2016: "Periodically, at least once very six months, the Project Director is responsible for clearning the claims of VAT refund for each quarter, in accordance with State regulations".

If the Project Management considers that the amount of VAT is immaterial for claiming refund, we recommend it should officially inform and get approval by the UNDP.

Project Management's responses

There are a few small VAT expenses were mistakenly not recorded seperately which make up a tiny rate of 0.0001% among the total VAT refunds. Therefore it would not waste project resources. The Project will claim VAT for these amounts in the next time of tax refund.

5. Stamp "PAID by CIGG"

Risk severity: **Low**

Observation

We noted that the stamp "Paid by CIGG" was stamped mainly on invoices, and other supporting documents were unmarked. As per discussion with the Project Management and in accordance with HPPMG, chapter 7, section 4 about stamp "PAID", the stamp "PAID by XXX" is only required to stamp into the invoices.

Potential impact

We understand that those supporting documents were supported for the disbursement of Project activities. However there might be a risk that these supporting documents are re-submitted for double payments or misused for other Projects.

Recommmendation

The Project Management should ensure that all orginal invoices and other supporting documents for payments need to be stamped "Paid by CIGG" after the payments were made. This practice will prevent reusing supporting documents and tighten the internal controls on cash payments. Other supporting documents that need to be stamped include payment requests, payment vouchers and certificate for payment.

Project Management's responses

We find that the Project Management has complied with the HPPMG guidelines. The list of payments and the list of receipt not stamped "Paid by CIGG" were because the title of CIGG Project, payment date and description were clearly stated on payment documentation, also there was only 1 original voucher for each payment therefore it won't be used twice.