

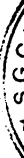


**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00050577

**SUPPORT FOR FORMULATION OF SOCIO-ECONOMIC
DEVELOPMENT STRATEGY 2011-2020**

**AUDIT REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2010**



United Nations Development Programme
Award ID: 00050577
Support for Formulation of Socio-Economic Development Strategy 2011-- 2020

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**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00050577

**SUPPORT FOR FORMULATION OF SOCIO-ECONOMIC
DEVELOPMENT STRATEGY 2011-2020**

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



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

To the Country Director, UNDP, Hanoi, Vietnam and the Deputy National Project Director of Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

We have audited the statement of expenditure within the accompanying Combined Delivery Report (“CDR”) of the UNDP Award ID 00050577 – Support for Formulation of Socio-Economic Development Strategy 2011 – 2020 (“the Project”) implemented by the Development Strategy Institute, Ministry of Planning and Investment (“the Implementing Partner”) for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory information set out on pages from 4 to 10 (“the statement”). The Implementing Partner’s expenditure comprises:

- Payments made by the Implementing Partner and reported in the column titled “Govt Disb” of the CDR, with total expenditure for the year of USD143,077.36;
- Direct payments processed by the United Nations Development Programme (“UNDP”) Country Office (“CO”) at the request of the Implementing Partner included in the column titled “UNDP Disb” of the CDR, with total expenditure for the year of USD200,916.78 (excluding the UNDP support services of USD15,617.98); and
- Encumbrances entered into by the UNDP CO at the request of the Implementing Partner and reported in the column titled “Encumbrance” of the CDR, with total amount of USD30,022.41.

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

Management’s responsibility for the statement

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

Auditors’ responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.



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

Opinion

In our opinion, the statement of expenditure of the Project referred to in the first paragraph of this report, which reports the total expenditure audited by us amounting to USD 374,016.55 (excluding the UNDP support services of USD15,617.98), presents fairly, in all material respects, the portion of expenditure of the Project implemented by the Development Strategy Institute, Ministry of Planning and Investment for the year ended 31 December 2010 in accordance with the basis of accounting and the accounting policies described in Note 2 to the statement.

Basis of Accounting and restriction on use

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

Other matters

We draw attention to:

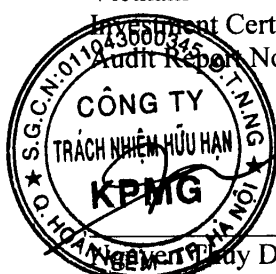
- The fact that we have not audited the columns titled "UN Agencies" and "Total Exp" in the accompanying Combined Delivery Report of the UNDP Award ID 00050577 – Support for Formulation of Socio-Economic Development Strategy 2011 – 2020 for the year ended 31 December 2010 and, accordingly, we do not express an opinion on them.
- Note 4 to the statement relating to UNDP support services. The Combined Delivery Report, which is prepared by the UNDP, follows the UNDP's standardised format for financial reports. Expenditure in the "UNDP Disb" column in the Combined Delivery Report comprises expenditure for UNDP support services and expenditure executed by the Implementing Partner but directly paid by the UNDP. The latter is part of the statement of expenditure; the former is not and is therefore excluded from the scope of this audit. Accordingly, we do not express an opinion on the expenditure for UNDP support services and the total amounts in column titled "UNDP Disb".

KPMG Limited

Vietnam

Independent Certificate No: 011043000345

Audit Report No: 10-02-279-05-a



Phạm Duy Duong
CPA No. 0893/KTV
Deputy General Director

Dam Xuan Lam
CPA No. N.0861/KTV

Hanoi, 30 May 2011



Award Id : 00050577 Support to the formulation of	Period : Jan-Dec (2010)				
Project # : 00062553 Support to the formulation of	Impl. Partner :	03447 National Execution			
	Location :	UNDP HA NOI VIET NAM			
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
Activity : ()					
Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))					
76120 - Unrealized Loss	0.00	821.86	0.00	0.00	821.86
76130 - Unrealized Gain	0.00	- 60.02	0.00	0.00	- 60.02
Total for Fund 04000	0.00	761.84	0.00	0.00	761.84
Fund : 30000 (Programme Cost Sharing)					
76120 - Unrealized Loss	0.00	2,659.03	0.00	0.00	2,659.03
76130 - Unrealized Gain	0.00	- 222.68	0.00	0.00	- 222.68
Total for Fund 30000	0.00	2,436.35	0.00	0.00	2,436.35
Total for Activity	0.00	3,198.19	0.00	0.00	3,198.19
Activity : GMS (General Management Services)					
Fund : 30000 (Programme Cost Sharing)					
75115 - Facilities & Admin - OH & Ind	0.00	15,617.98	0.00	0.00	15,617.98
Total for Fund 30000	0.00	15,617.98	0.00	0.00	15,617.98
Total for Activity GMS	0.00	15,617.98	0.00	0.00	15,617.98
Activity : MECN&PLANS (Mechanisms & plans)					
Fund : 30000 (Programme Cost Sharing)					
71620 - Daily Subsistence Allow-Local	0.00	402.69	0.00	0.00	402.69
71635 - Travel - Other	0.00	151.96	0.00	0.00	151.96
74220 - Translation Costs	1,085.28	0.00	0.00	0.00	1,085.28
75705 - Learning costs	14,348.91	0.00	0.00	0.00	14,348.91
75706 - Learning - ticket costs	3,755.75	0.00	0.00	0.00	3,755.75
Total for Fund 30000	19,189.94	554.65	0.00	0.00	19,744.59
Total for Activity MECN&PLANS	19,189.94	554.65	0.00	0.00	19,744.59
Activity : POS&MESS (Policy Options & measures)					
Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))					
71305 - Local Consult.-Sht Term-Tech	10,830.90	0.00	0.00	0.00	10,830.90
72125 - Svc Co-Studies & Research Serv	0.00	38,414.53	0.00	0.00	38,414.53
74220 - Translation Costs	2,371.20	- 306.98	0.00	0.00	2,064.22
Total for Fund 04000	13,202.10	38,107.55	0.00	0.00	51,309.65
Fund : 30000 (Programme Cost Sharing)					
72125 - Svc Co-Studies & Research Serv	0.00	132,156.57	0.00	0.00	132,156.57
Total for Fund 30000	0.00	132,156.57	0.00	0.00	132,156.57



Combined Delivery Report by Activity With Encumbrance

Award Id : 00050577 Support to the formulation of	Period : Jan-Dec (2010)		03447 National Execution		
Project # : 00062553 Support to the formulation of	Impl. Partner :		UNDP HA NOI VIET NAM		
	Govt Disb	UNDP Disb	UN Agencies	Encumbrance	Total Exp
Total for Activity POS&MESS	13,202.10	170,264.12	0.00	0.00	183,466.22
Activity : PROJMGMT(Project Management)					
Fund : 30000 (Programme Cost Sharing)					
71405 - Service Contracts-Individuals	76,158.02	0.00	0.00	0.00	76,158.02
71610 - Travel Tickets-Local	10.70	0.00	0.00	0.00	10.70
72205 - Office Machinery	399.79	0.00	0.00	0.00	399.79
72220 - Furniture	238.41	0.00	0.00	0.00	238.41
72420 - Land Telephone Charges	319.27	0.00	0.00	0.00	319.27
72430 - Postage and Pouch	245.16	0.00	0.00	0.00	245.16
72505 - Stationery & other Office Supp	1,387.72	0.00	0.00	0.00	1,387.72
72510 - Publications	- 390.26	0.00	0.00	0.00	- 390.26
74110 - Audit Fees	0.00	1,342.65	0.00	0.00	1,342.65
74220 - Translation Costs	5,497.17	0.00	0.00	0.00	5,497.17
74510 - Bank Charges	273.16	0.00	0.00	0.00	273.16
74525 - Sundry	232.53	0.00	0.00	0.00	232.53
Total for Fund 30000	84,371.67	1,342.65	0.00	0.00	85,714.32
Total for Activity PROJMGMT	84,371.67	1,342.65	0.00	0.00	85,714.32
Activity : RESRESULT(Research results)					
Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))					
71305 - Local Consult.-Sht Term-Tech	4,290.52	0.00	0.00	0.00	4,290.52
74210 - Printing and Publications	15,004.27	0.00	0.00	0.00	15,004.27
Total for Fund 04000	19,294.79	0.00	0.00	0.00	19,294.79
Total for Activity RESRESULTS	19,294.79	0.00	0.00	0.00	19,294.79
Activity : VISIONS&POS(sions and key policy options)					
Fund : 04000 (TRAC (Lines 1.1.1 and 1.1.2))					
71205 - Intl Consultants-Sht Term-Tech	0.00	16,529.00	0.00	0.00	16,529.00
71305 - Local Consult.-Sht Term-Tech	1,142.03	0.00	0.00	0.00	1,142.03
72125 - Svc Co-Studies & Research Serv	0.00	8,955.87	0.00	30,022.41	38,978.28
72430 - Postage and Pouch	0.00	0.45	0.00	0.00	0.45
74220 - Translation Costs	1,206.29	0.00	0.00	0.00	1,206.29
74525 - Sundry	0.00	71.98	0.00	0.00	71.98
75705 - Learning costs	4,670.54	0.00	0.00	0.00	4,670.54
76135 - Realized Gain	0.00	- 0.13	0.00	0.00	- 0.13
Total for Fund 04000	7,018.86	25,557.17	0.00	30,022.41	62,598.44
Total for Activity VISIONS&POS	7,018.86	25,557.17	0.00	30,022.41	62,598.44
Total for Project : 00062553	143,077.36	216,534.76	0.00	30,022.41	389,634.53



Combined Delivery Report by Activity With Encumbrance




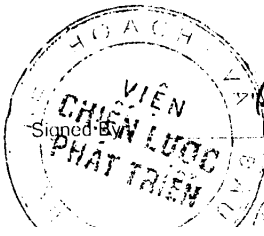
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Award Id : 00050577 Support to the formulation of	Period : Jan-Dec (2010)
Project # : 00062806 Budget Oversight (Phase II)	Impl. Partner : 03447 National Execution
	Location : UNDP HA NOI VIET NAM
	Govt Disb UNDP Disb UN Agencies Encumbrance Total Exp

Award Total :	143,077.36	216,534.76	0.00	30,022.41	389,634.53
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Signed by: 
UNDP Deputy Country Director



VIỆN TRƯỞNG

Ngo Doan Vinh (DNPP)

Date: 15 April, 2011

United Nations Development Programme
Award ID: 00050577
Support for Formulation of Socio-Economic Development Strategy 2011 – 2020
Notes to the statement of expenditure for the year ended 31 December 2010

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

1 Background

The Support for Formulation of Socio-Economic Development Strategy 2011 – 2020 Project (“the Project”) is set up in accordance with the Detailed Project Outline (DPO) signed between United Nations Development Programme (UNDP) and the Ministry of Planning and Investment on 9 June 2008. The Project commenced its operations on 30 July 2008 for an estimated duration of 2.5 years, and was extended for one year. The Development Strategy Institute, Ministry of Planning and Investment is the Implementing Partner responsible for the implementation of the Project.

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

(a) Government of Vietnam	Nil
(b) UNDP	USD 1,998,400

The Project has the following overall objective: to contribute to the formulation of the National Development Strategy (2011-2020) and realisation of the United Nations One Plan-I’s Outcome 1 “Social and economic development policies, plans and laws support equitable and inclusive growth and conform to the values and goals of the Millennium Declaration and other relevant international agreements and conventions”.

The Project has the following two immediate objectives:

1. Socio-Economic Development Strategy (“SEDS”) 2011-2020 developed based on sound evidence and best international experience and knowledge;
2. SEDS 2011-2020 formulated in a participatory and consultative manner;

2 Significant accounting policies

(a) Basis of preparation

The statement of expenditure (within the Combined Delivery Report) of the UNDP Award ID 00050577 – Support for Formulation of Socio-Economic Development Strategy 2011 – 2020 (“the Project”), which is expressed in United States dollars (“USD”), has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting that is designed to meet the UNDP accounting requirements for Government implementation; it is not designed to produce a statement that is compatible with International Financial Reporting Standards. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred, except for:

- The treatment of advance payments to staff and co-implementing partners, which are initially recognised as receivables and only recognised as expenditure when they have been liquidated by invoices supporting the related expenditure; and

United Nations Development Programme

Award ID: 00050577

Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

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

- The treatment of encumbrances, which are recognised when a legal commitment has been entered into by the UNDP Country Office (“UNDP CO”).

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

The accompanying statement of expenditure was prepared for the purpose of complying with UNDP Award ID 00050577, between the UNDP CO and the Implementing Partner, and with UNDP accounting requirements and for the information and use of the Project’s management, the Implementing Partner and UNDP. As a result, the statement of expenditure may not be suitable for another purpose.

(b) Expenditure

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

(c) Fixed assets and equipment

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

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

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

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

(d) Foreign currencies

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

United Nations Development Programme
Award ID: 00050577
Support for Formulation of Socio-Economic Development Strategy 2011 – 2020
Notes to the statement of expenditure for the year ended 31 December 2010 (continued)

(e) Corresponding figures

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

3 Combined Delivery Report

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

(a) Implementing partner – either Government or NGO

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

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

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

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

(c) UN agencies

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

(d) Encumbrances

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

United Nations Development Programme

Award ID: 00050577

Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

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

4 UNDP disbursements

Description	Code	UNDP direct payments USD	UNDP support services USD Unaudited	Total “UNDP disb” USD
Total disbursements		200,916.78	15,617.98	216,534.76

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00050577

**SUPPORT FOR FORMULATION OF SOCIO-ECONOMIC
DEVELOPMENT STRATEGY 2011-2020**

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



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Report of the independent auditors on statement of cash position

To the Country Director, UNDP, Hanoi, Vietnam and the Deputy National Project Director of Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

We have audited the accompanying statement of cash position of the UNDP Award ID 00050577 – Support for Formulation of Socio-Economic Development Strategy 2011 – 2020 (“the Project”) implemented by Development Strategy Institute, Ministry of Planning and Investment (“the Implementing Partner”) as at 31 December 2010, a summary of significant accounting policies and other explanatory information set out on pages from 14 to 15 (“the statement”). The statement has been prepared by the management of the Project using the basis of preparation and accounting policies described in Note 1 to the statement.

Management’s responsibility for the statement

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

Auditors’ responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

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



Opinion

In our opinion, the statement of cash position of the Project, which shows a total cash balance amounting to USD 22,193.43, presents fairly, in all material respects, the cash balance of the Project as at 31 December 2010 in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement.

Basis of Accounting and Restriction on Use

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

KPMG Limited



Certificate No: 011043000345
Audit Report No: 10-02-279-05-b

Thuy Duong
CPA No. 0893/KTV
Deputy General Director

Hanoi, 30 May 2011

Dam Xuan Lam
CPA No. N.0861/KTV



United Nations Development Programme

Award ID: 00050577

Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

Statement of cash position as at 31 December 2010

	31/12/2010 USD
Cash on hand	-
Cash in banks	22,193.43
Total cash position	22,193.43

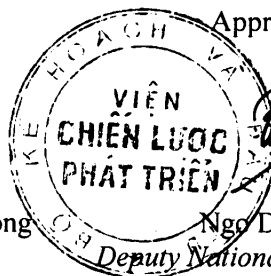
Prepared by:

Ha Thuy Hong
Project Accountant

Certified by:

Phan Ngoc Mai Phuong
Project Manager

Approved by:



Ngo Doan Vinh
Deputy National Project Director

United Nations Development Programme
Award ID: 00050577
Support for Formulation of Socio-Economic Development Strategy 2011 – 2020
Notes to the statement of cash position as at 31 December 2010

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

1 Significant accounting policies

(a) Basis of preparation

The statement of cash position of the UNDP Award ID 00050577 – Support for Formulation of Socio-Economic Development Strategy 2011 – 2020, which is expressed in United States dollars (“USD”), has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting that is designed to meet the UNDP accounting requirements for Government implementation; it is not designed to produce a statement that is compatible with International Financial Reporting Standards. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred, except for:

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

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

The accompanying statement of cash position was prepared for the purpose of complying with UNDP Award ID 00050577, between the UNDP CO and the Implementing Partner, and with UNDP accounting requirements and for the information and use of the Project’s management, the Implementing Partner and UNDP. As a result, the statement may not be suitable for another purpose.

(b) Foreign currencies

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

(c) Corresponding figures

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

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00050577

**SUPPORT FOR FORMULATION OF SOCIO-ECONOMIC
DEVELOPMENT STRATEGY 2011-2020**

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



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Report of the independent auditors on statement of assets and equipment

To the Country Director, UNDP, Hanoi, Vietnam and the Deputy National Project Director of Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

We have audited the accompanying statement of assets and equipment of the UNDP Award ID 00050577 – Support for Formulation of Socio-Economic Development Strategy 2011 – 2020 (“the Project”) implemented by the Development Strategy Institute, Ministry of Planning and Investment (“the Implementing Partner”) as at 31 December 2010, a summary of significant accounting policies and other explanatory information set out on pages 19 to 21 (“the statement”). The statement has been prepared by the management of the Project using the basis of preparation and accounting policies described in Note 1 to the statement.

Management’s responsibility for the statement

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

Auditors’ responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statement.

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

Opinion

In our opinion, the statement of assets and equipment of the Project, which shows a total balance of USD 9,378.47, presents fairly, in all material respects, the assets and equipment balance of the Project as at 31 December 2010 in accordance with the basis of accounting and the accounting policies described in Note 1 to the statement.

Basis of Accounting and Restriction on Use

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

KPMG Limited

Vietnam



Investment Certificate No: 011043000345

Audit Report No: 10-02-279-05-c

Phạm Phú Dương

CPA No. 0893/KTV

Deputy General Director

Dam Xuan Lam

CPA No. N.0861/KTV

Hanoi, 30 May 2011



United Nations Development Programme

Award ID: 50577

Name of Project: Support to the formulation of SED Strategy 2011-2020

Statement of assets and equipment as at 31 December 2010

NO.	DESCRIPTIONS	QUANTITY	INVENTORY CODE	MODEL	DATE OF PURCHASE	PRICE US\$	VAT US\$	TOTAL AMOUNT US\$	LOCATIONS	STATUS	NOTE
1	Laptop HP EliteBook 2530P - Core 2 Duo 9300	1	LAP HP01	HP	16-Feb-09	1,526.87	76.34	1,603.21	R505, Development Strategy Institute	Good	
2	Desktop HP- Compaq dx2310	1	DEK HP01/ MOR HP01	HP	3-Oct-09	752.68	37.63	790.31	R305, building G, Ministry of Planning and Investment	Good	
3	Desktop HP- Compaq dx2310	1	DEK HP02/ MOR HP02	HP	3-Oct-09	752.68	37.63	790.31	R305, building G, Ministry of Planning and Investment	Good	
4	Projector LCD ViewSonic PJ358	1	PRO VS01	Viewsonic - USA	3-Dec-09	691.32	69.13	760.45	R305, building G, Ministry of Planning and Investment	Good	
5	Photocopier Document centre II 2005 DD	1	PHO XE01	XEROX	25-Mar-09	2,769.78	276.98	3,046.76	R305, building G, Ministry of Planning and Investment	Good	
6	Notebook HP 6730b - Core 2 Duo T5670	1	LAP HP02	HP	13-May-09	1,001.75	50.09	1,051.84	R505, Development Strategy Institute	Good	
7	Desktop HP Compaq dx7510 - E7500	1	DEK HP03/ MOR HP03	HP	19-Mar-10	751.34	75.13	826.47	R305, building G, Ministry of Planning and Investment	Good	
8	Printer HP P2014 - A4	1	PRI HP01	HP	3-Oct-09	250.22	12.51	262.74	R305, building G, Ministry of Planning and Investment	Good	
9	Scanner HP 5590 - A4	1	SCA HP01	HP	30-Mar-09	334.39	16.72	351.11	R305, building G, Ministry of Planning and Investment	Good	
10	Fax Machine KX- FM386	1	FAX PA01	Panasonic	20-Aug-09	184.01	9.20	193.21	R305, building G, Ministry of Planning and Investment	Good	
11	UPS SANTAX 1000VA offline	4	UPS SA01/02/03/04	Santax	1-Jul-10	363.44	36.34	399.79	R305, building G, Ministry of Planning and Investment/R505, Development Strategy Institute	Good	
		14				9,378.47	697.72	10,076.19			

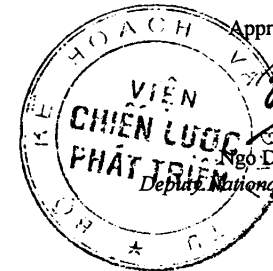
Prepared by:

Ha Thuy Hong
Project Accountant

Certified by:

Phan Ngoc Mai Phuong
National Project Manager

Approved by:



Ngô Đoàn Vinh
Deputy National Project Director

United Nations Development Programme

Award ID: 00050577

Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

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

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

1. Significant accounting policies

(a) Basis of preparation

The statement of assets and equipment of the UNDP Award ID 00050577 – Support for Formulation of Socio-Economic Development Strategy 2011 – 2020 (“the Project”), which is expressed in USD, has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting that is designed to meet the UNDP accounting requirements for Government implementation; it is not designed to produce a statement that is compatible with International Financial Reporting Standards. Under this basis of accounting, expenditures are recognised when payments are made rather than when incurred, except for:

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

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

The accompanying statement of assets and equipment was prepared for the purpose of complying with UNDP Award ID 00050577, between the UNDP CO and the Implementing Partner, and with UNDP accounting requirements and for the information and use of the Project’s management, the Implementing Partner and UNDP. As a result, the statement may not be suitable for another purpose.

(b) Fixed assets and equipment

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

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

United Nations Development Programme

Award ID: 00050577

Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

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

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

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

(c) Foreign currencies

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

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00050577

**SUPPORT FOR FORMULATION OF SOCIO-ECONOMIC
DEVELOPMENT STRATEGY 2011-2020**

PART 4

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

United Nations Development Programme

Award ID: 00050577

Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

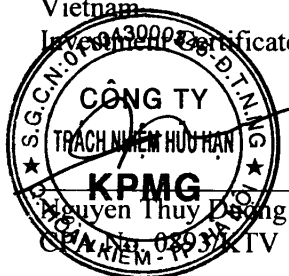
Audit data and observations on statement of expenditure for the year ended 31 December 2010

Award ID	Amount audited and certified (USD)	Audit opinion (unqualified, qualified, adverse, disclaimer)	Total effect of qualification of audit opinion (if qualified, adverse or disclaimer) (USD)	Total amount of net financial impact (“NFI”) of qualification of audit opinion (if qualified, adverse or disclaimer) (USD)	Reason(s) for qualification of audit opinion and breakdown of NFI amount (USD)	Observations that had impact on qualification of audit opinion (list observation number(s) and page of audit report/ management letter
00050577	374,016.55	Unqualified	Nil	Nil	Not applicable	Not applicable

KPMG Limited

Vietnam

Investment Certificate No: 011043000345



(Handwritten signature)

Hanoi, 30 May 2011

United Nations Development Programme

Award ID: 00050577

Support for Formulation of Socio-Economic Development Strategy 2011 – 2020

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

Award ID	Value of cash position statement as at 31 December 2010 (USD)	Audit opinion (unqualified, qualified, adverse, disclaimer)	Total effect of qualification of audit opinion (if qualified, adverse or disclaimer) (USD)	Total amount of net financial impact (“NFI”) of qualification of audit opinion (if qualified, adverse or disclaimer) (USD)	Reason(s) for qualification of audit opinion and breakdown of NFI amount (USD)	Observations that had impact on qualification of audit opinion (list observation number(s) and page of audit report/ management letter
00050577	22,193.43	Unqualified	Nil	Nil	Not applicable	Not applicable

KPMG Limited

Vietnam

Investment Certificate No: 011043000345

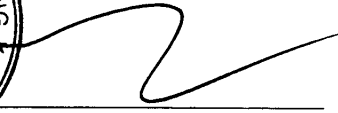


Hanoi, 30 May 2011

United Nations Development Programme
Award ID: 00050577
Support for Formulation of Socio-Economic Development Strategy 2011 – 2020
Audit data and observations on statement of assets and equipment as at 31 December 2010

Award ID	Value of assets and equipment as at 31 December 2010 (cumulative from project start date) (USD)	Audit opinion (unqualified, qualified, adverse, disclaimer)	Total effect of qualification of audit opinion (if qualified, adverse or disclaimer) (USD)	Total amount of net financial impact (“NFI”) of qualification of audit opinion (if qualified, adverse or disclaimer) (USD)	Reason(s) for qualification of audit opinion and breakdown of NFI amount (USD)	Observations that had impact on qualification of audit opinion (list observation number(s) and page of audit report/ management letter
00050577	9,378.47	Unqualified	Nil	Nil	Not applicable	Not applicable

KPMG Limited
 Investment Certificate No: 011043000345
 CONG TY
 TRÁCH NHIỆM HỮN HẠN
KPMG
 Nguyen Thi Tuy Duong
 CPA No. 0893/KTV



Hanoi, 30 May 2011

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

AWARD ID 00050577

**SUPPORT FOR FORMULATION OF SOCIO-ECONOMIC
DEVELOPMENT STRATEGY 2011-2020**

PART 5

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



KPMG Limited
16th Floor, Pacific Place
83B Ly Thuong Kiet Street
Hoan Kiem District, Hanoi
The Socialist Republic of Vietnam

Telephone + 84 (4) 3946 1600
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Mr Ngo Doan Vinh
Deputy National Project Director
Support for Formulation of Socio-Economic Development Strategy 2011-2020
Development Strategy Institute, Ministry of Planning and Investment
65 Van Mieu, Dong Da District, Ha Noi

Date:

Dear Mr. Vinh,

Management Letter – Audit for the year ended 31 December 2010

We have audited in accordance with International Standards on Auditing the statements of expenditure, cash position and assets and equipment (“the statements”) of the UNDP Award ID 00050577 – Support for Formulation of Socio-Economic Development Strategy 2011 – 2020 (“the Project”) for the year ended 31 December 2010, and have issued our reports thereon dated 30 May 2011. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the statements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Project’s preparation and fair presentation of the statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Project’s internal control.

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

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

Our findings are grouped into the following categories.

- High:** Action that is considered imperative to ensure that UNDP is not exposed to high risks (i.e. failure to take action could result in major consequences and issues).
- Medium:** Action that is considered necessary to avoid exposure to significant risks (i.e. failure to take action could result in significant consequences).
- Low:** Action that is considered desirable and should result in enhanced control or better value for money.

Our findings covered the following audit area:

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

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

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

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

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

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



Trần Thị Duong
Audit Partner

Contents	Risk severity	Page
I. Executive summary		
II. Audit findings and recommendations		
A. HUMAN RESOURCES		
A.1 Withhold and pay compulsory social and health insurance	Medium	31
B. FINANCE		
B.1 Improve the preparation of the Annual Progress Report	Low	33
C. PROCUREMENT No issue identified.		36
D. ASSET MANAGEMENT		
D.1 Insure assets adequately	Low	37
E. GENERAL MANAGEMENT No issue identified.		39
F. GENERAL ADMINISTRATION No issue identified.		39
G. INFORMATION SYSTEM No issue identified.		39

I. Executive summary

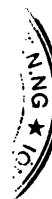
1. Project progress summary

Output	Number of activities				Budget	Actual expenditure	Disb. rate
	Completed	In-progress	Not started	Total	USD	USD	%
Output 1: SEDS 2011-2020 developed based on sound evidence and best international experience and knowledge							
	5	6	3	14	342,007	266,214	78%
Output 2: SEDS 2011-2020 formulated in a participatory and consultative manner							
	2	1	2	5	64,557	19,190	30%

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

2. Summary of audit findings

No.	Audit observations	Audit area	Cause	Risk severity
A.1	Withhold and pay compulsory social and health insurance	Human resources	Inadequate guidelines at UNDP CO level	Medium
B.1	Improve the preparation of the Annual Progress Report in terms of explanation of delays	Finance	Inadequate control at Project's level	Low
D.1	Insure assets adequately	Assets Management	Inadequate control at Project and UNDP's level	Low



II. Audit findings and recommendations

A. Human Resources

A.1 Withhold and pay compulsory social and health insurance

Audit area : Human Resources

Cause : Inadequate guidelines at UNDP CO level

Risk severity : Medium

Observation

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

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

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

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

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

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

Implication

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

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

Recommendation

The Project should:

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

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

Project management's response

Agreed with UNDP PO's comments below

UNDP Programme Officer's comment

This project was supposed to close by the end of 2010, then it was extended to 2011. Therefore they are not supposed to implement HPPMG procedures. Meanwhile employment contracts were signed before the introduction of HPPMG, which means the Project has fully complied with NEX guidelines in this matter.

In addition the PMU does not have legal status to pay Social and Health Insurance for project staff. It is nearly impossible to request the Implementing Partner to start complying with HPPMG by registering Project staff with the Social and Health Insurance authorities, especially that the Project will only last for one more year, i.e. till the end of 2011.

B. Finance

B.1 Improve the preparation of the Annual Progress Report

Audit area : Finance

Cause : Lack of supervision at the project level

Risk severity : Low

Observation

Our review of the Project's 2010 Annual Progress Report ("APR") revealed that, in general, the Project had prepared the Annual Progress Report in accordance with the requirements of the "Harmonised Programme and Project Management Guidelines" ("HPPMG"). However, some activities had been completed as at 31 December 2010 but had very low disbursements, and other activities had not been implemented by 31 December 2010; there were no detailed explanations in the APR for either type of variance. Examples include:

Planned Activities and Actual Achievement	Degree of achievement			Disbursement vs. Planned Budget			Pending issues, reasons for adjustment and recommendation
	Fully Completed	In-progress	Not started	Budgeted amount (USD)	Actual expenditure (USD)	Disburse. Rate (%)	
Action 1.1.3.2. Conduct one round of peer review on selected most important and/or "controversal" topics/options		x		3,359	-	0%	No explanation
Action 2.1.1 Develop plans and mechanisms for consultation of draft versions of SEDS 2011-2020			x	2,140	-	0%	No explanation
Action 2.1.2 Document and assess the mechanisms developed, draw lessons learnt, and plan for institutionalizing the mechanisms			x	1,070	-	0%	No explanation

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

Implication

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

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

Recommendation

Project management should make narrative explanations for any significant variance between actual disbursements and the approved budget, particularly for all delayed activities on the Annual Progress Report.

Project management's response

A formal comparison of actual disbursements with the approved budget for every quarter including both quantitative analysis and narrative explanations for all the planned activities is done regularly in the quarterly progress report at the end of every quarter. In the quarterly progress report, the status of all the planned activities is described clearly with concrete explanations of why the activities are delayed or could not be completed if any. Proposed solutions/actions to be taken for tackling with delays and/or incompleteness etc. are always mentioned in the quarterly progress report. This quarterly progress report forms the basis for preparing the workplan for the coming quarter. These two documents are submitted to UNDP for approval every quarter.

In case any activity is delayed or cannot be implemented, it is communicated to UNDP PO for information and seeking advice to deal with the situation.

The captured information/explanation is mentioned comprehensively and briefly in the Annual Progress Report – Part C (excel file) while the quarterly progress reports are annexed to the Annual Progress Report for detailed information. The PMU will repeat those pieces of information (already mentioned in the respective quarterly progress reports) in their Annual Project Progress Report 2010 as per auditor's comment.

UNDP Programme Officer's comment

It is reminded that delayed activities were resulted from the delay in delivery of research reports. Some of them were not properly explained in the Annual Progress Report, despite communication with PO and explanation in quarterly progress reports. Therefore this is just considered as a careless mistake. The PMU will fill in such missing information in their Annual Project Progress Report 2010 as per auditor's comment.

C. Procurement

No issue identified.

D. Asset Management

D.1 Insure assets adequately

Audit area : Asset Management

Cause : Lack of guidance at the UNDP CO level

Risk severity : Low

Observation

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

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

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

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

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

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

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

The Project’s assets, which cost a total of USD 9,378.47, have not been insured.

Implication

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

Recommendation

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

Project management's response

Agrees with UNDP PO's comment

In 2010, one desktop whose value is less than US\$ 1,000 was purchased in March for the DNPM, and subsequently, some UPSs were purchased in July (again, the value of each of them is less than US\$1,000).

UNDP Programme Officer's comment

The project was supposed to close at the end of 2010, then it was extended to 2011. Therefore it was not supposed to comply with HPPMG, but NEX. Based on NEX, the project will buy insurance from the Government contribution. However this project does not have Government contribution and could not buy insurance.

Normally insurance can only be bought for project cars which the project does not have. It is now impossible to find any insurance company offering insurance policies for office equipment like desktops, laptop or desks which are usually depreciated within a couple of years.

E. General Management

No issue identified.

F. Information Technology

No issue identified.

G. Taxation

No issue identified.

**UNITED NATIONS DEVELOPMENT PROGRAMME
VIETNAM COUNTRY OFFICE**

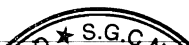
AWARD ID 00050577

**SUPPORT FOR FORMULATION OF SOCIO-ECONOMIC
DEVELOPMENT STRATEGY 2011-2020**

PART 6

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

Award No.			00050577		Opinion type				Qualified				
Obs No.	Observations	Recommendations	Audit area	Audit cause	Risk severity	Project's comments	Action(s) planned	Target impl. date	Action unit	Person responsible for action	Updated status	Actual impl. date	Description of status update
A	Project Personnel and Subcontract Management												
A.1	<p>Co-authorization on the bank account</p> <p><i>Observation</i></p> <p>We noted that the Chief of Development Strategy Institute's Administration Office is the co-authorizer for the bank account of the Project. This is not in accordance with the Detailed Project Outline in which states only the National Project Director and the Deputy National Project Director can be assigned as the account holder.</p> <p>The internal control of the implementing partner states that the Chief of Administration Office is authorized to approve the payment with limited amount or in case the Deputy National Project Director is absent.</p>	<p>The bank authorizer should be in accordance with the Detailed Project outline. If there is any departure from the Detailed Project Outline, the justification should be agreed between the Project management and the Donor.</p> <p>In this case, we suggest the Project to inform the Bank to update its Bank mandate to only include the Deputy National Project Director as the account holder.</p>	Human resources	Compliance	Low	<p><i>Management comment</i></p> <p>We agree with the suggestion of the Auditors.</p> <p><i>UNDP comment</i></p> <p>We agree with the suggestion of the Auditors.</p>	The Project will send an announcement letter to the Bank to inform that only NPD or/and DNPD is the authorizer.	2010	Project Management	Project Management	Implemented	2010	The Project sent an announcement letter to the Bank to inform that only NPD or/and DNPD is the authorizer

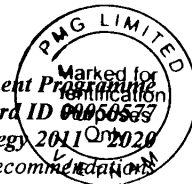


Award No.			00050577					Opinion type		Qualified			
Obs No.	Observations	Recommendations	Audit area	Audit cause	Risk severity	Project's comments	Action(s) planned	Target impl. date	Action unit	Person responsible for action	Updated status	Actual impl. date	Description of status update
	<p>However, there is lack of documentation and approval of UNDP for the specific internal control of implementing partner, which is not in line with the Detailed Project Outline.</p> <p>We however also noted that during 2009, no bank transfer was approved by the Chief of Administration Office and therefore, there was no realised violation of the Detailed Project Outline.</p> <p><i>Implication</i></p> <p>While there was no realised violation, the arrangement for the Chief of Administration Office to be one of the account holders is a non-compliance with Detailed Project Outline.</p>												
B	Financial Accounting, Monitoring and Reporting												

Award No.			00050577		Opinion type				Qualified				
Obs No.	Observations	Recommendations	Audit area	Audit cause	Risk severity	Project's comments	Action(s) planned	Target impl. date	Action unit	Person responsible for action	Updated status	Actual impl. date	Description of status update
B.1	<p>Field visit report documentation</p> <p><i>Observation</i></p> <p>There were a number of meetings held between the Project management and the UNDP CO in 2009 as confirmed by the National Project Manager and Project officer. However, we noted that there is only 1 meeting minute documented.</p> <p>It is also noted that the field visit report was not prepared following the template as regulated in the Annex II.9.4 of NEX guidelines for the report format.</p> <p><i>Implication</i></p> <p>This is the non-compliance with the NEX guidelines which may lead to a potential risks that reviews are not carried out following required procedures and matters as noted from these reviews</p>	<p>The Field visit report should be prepared following the template of NEX guidelines. This can also serve as evidence that the UNDP CO visits the Project at least twice a year as required in NEX guidelines.</p>	Financial Accounting, Monitoring and Reporting	Compliance	Low	<p>Management comment</p> <p>We agree with this suggestion.</p> <p>UNDP comment</p> <p>We agree with this suggestion. We will remind the Project on the documentation of field visits of PO to the Project in 2010.</p>	<p>All the meetings will be documented in accordance with NEX guidelines.</p>	2010	Project Management	Project Management	Implemented	2010	

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Obs No.	Observations	Recommendations	Audit area	Audit cause	Risk severity	Project's comments	Action(s) planned	Target impl. date	Action unit	Person responsible for action	Updated status	Actual impl. date	Description of status update	
	are not properly documented for implementation and monitoring.													
B2	<p>Translation expense paid over cost norms</p> <p><i>Observation</i></p> <p>During our audit, we noted that the project paid interpreter fee over cost-norm as UN-EU guidelines for Financing of Local costs in development co-operation with Vietnam ("UN-EU guidelines") for the workshop organized in the morning of 11 August 2009 and full day of 13 August 2009. The cost norm in UN-EU guidelines is 200 USD/person/day, meanwhile the Project paid with amount 720 USD/2 persons/1.5 days (equal 240 USD/person/per day).</p>	We suggest the Project to strictly follow the UN-EU guidelines. The reason to pay over cost norm should be documented and get approval from Donor for the action that is considered desirable and should result in better value for money before hiring the interpreters.	Financial Accounting, Monitoring and Reporting	Human Errors/ Compliance	Low	<p><i>Management comment</i></p> <p>Given the need to hire high quality interpreters with good knowledge and understanding of technical terms of the topics to be discussed at those two important meetings, the Project Manager (verbally) requested Project Officer for a rate which is 20% higher than the normal one for interpretation service and received approval from her.</p>	The Project will follow the cost norm and get approval from Donor in specific cases in the next year 2010.	2010	Project Management	Project Management	Implemented	2010	All exceeding expenses are approved by UNDP	

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Obs No.	Observations	Recommendations	Audit area	Audit cause	Risk severity	Project's comments	Action(s) planned	Target impl. date	Action unit	Person responsible for action	Updated status	Actual impl. date	Description of status update
B.2	<p><i>Implication</i></p> <p>This is the non-compliance with the UN-EU guidelines.</p>					<p>We agree with auditor's recommendation concerning future departures (if any) from cost norm.</p> <p><i>UNDP comment</i></p> <p>We agree with the auditor's recommendations . The PO will continuously suggest the Project to follow the cost norm and get approval from Donor in specific cases in 2010.</p>							




United Nations Development Programme

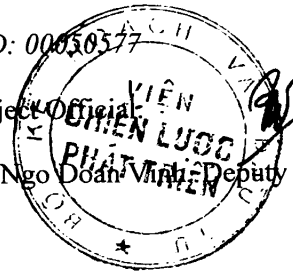
Award ID 00050577

Support for Formulation of Socio-Economic Development Strategy 2011-2020
 Status of the previous auditors' recommendations
 for the year ended 31 December 2010


Obs No.	Award No.		00050577				Opinion type		Qualified				
	Observations	Recommendations	Audit area	Audit cause	Risk severity	Project's comments	Action(s) planned	Target impl. date	Action unit	Person responsible for action	Updated status	Actual impl. date	Description of status update
1	<p>Special service agreement</p> <p><i>Observation</i></p> <p>During our audit, we noted that the project hired two interpreters for the workshop organized in 13th August 2009 but there was only special service agreement (SSA) signed between the project and Ms Pham Thi Ngoc Bich with total amount paid for two interpreters.</p> <p><i>Implication</i></p> <p>There is a risk that there is no documentation to prove that the service was provided by two interpreters</p>	<p>We recommend that the project should sign separate SSA contract with each interpreter in accordance with UN-EU guidelines.</p>	General Administration	Compliance	Low	<p><i>Management comment</i></p> <p>This is the only case which happened at the time new UN/DP guidelines were to be introduced. New UN/DP guidelines do not require separate SSA with each interpreter.</p> <p><i>UNDP comment</i></p> <p>PO will remind the Project to follow new UN-EU guidelines.</p>	No similar case will be incurred in the future	2010	Project Management	Project Management	Implemented	2010	In 2010, there is no same cases incur

NDP Award ID: 00050577

Signature of Project Official: 
 Name and title: **Ngô Đoàn Vinh**, Deputy National Project Director
 Date:



UNDP Country Office, Hanoi, Vietnam

Signature of UNDP Official: 
 Name and title: **Vu Lan Anh**, Programme Officer
 Date:

