



VIET NAM AUDITING AND EVALUATION COMPANY LIMITED
AN INDEPENDENT MEMBER OF BKR INTERNATIONAL
Specialized in Auditing, Evaluation, Consultancy on Finance, Accounting and Tax

**PROJECT "FOREST MANAGEMENT BASED ON COMMUNITY
FOR LIVELIHOOD SECURITY AND REASONABLE USE OF LAND AND
FOREST IN LAO CAI, HA TINH AND KON TUM PROVINCE"
FUNDED BY NORWEGIAN PEOPLE'S AID
IMPLEMENTED BY COMMUNITY ENTREPRENEURS
DEVELOPMENT INSTITUTE
AUDITED FINANCIAL STATEMENTS**

COMMUNITY ENTREPRENEURS DEVELOPMENT INSTITUTE

Project "Forest Management based on Community For Livelihood Security and Reasonable Use of Land and Forest in Lao Cai, Ha Tinh and Kon Tum Provinces"

Address: No.12C Pham Huy Thong - Ngoc Khanh - Ba Dinh - Hanoi

Tel: (84-4) 37 715 690

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THE BOARD OF DIRECTORS' REPORT

We, members of the Board of Directors of Community Entrepreneurs Development Institute (hereinafter referred to as "the Cendi"), present this report together with the audited Financial Statements of the Project "Forest Management based on Community for Livelihood Security and Reasonable Use of Land & Forest in Lao Cai, Ha Tinh and Kon Tum Provinces" (hereinafter referred to as "the Project") for the fiscal year ended 31/12/2015.

The Board of Directors

Members of the Board of Directors of the Cendi who held office during the fiscal year ended 31/12/2015 and to the date of preparing this report, including:

Ms. Tran Thi Lanh	Director
Mr. Pham Van Dung	Deputy Director (Resigned from dated 01/01/2016)
Ms. Dang To Kien	Deputy Director
Ms. Nguyen Minh Phuong	Deputy Director (Appointed from dated 01/01/2016)

Responsibilities of the Board of Directors

The Board of Directors of the Cendi is responsible for the preparation of the Project's financial statements for the fiscal year ended 31/12/2015 which give a true and fair view of:

- The financial position of the Project;
- The funds received and expenses in the period;
- The receipt and payment amounts in the period.

In preparing the Project's financial statements, the Board of Directors of the Cendi are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Project will continue in business; and
- Design and implement an affective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

The Cendi's Board of Directors take the responsibilities to ensure that the accounting transactions are booked reasonably and sufficiently to give a true and fair view of the financial status of the Project at anytime and that the accounting records comply with the selected accounting system. The Cendi's Board of Directors is also responsible for assets' safety of the Project and therefore takes reasonable measures to prevent and find out the other frauds and errors.

**COMMUNITY ENTREPRENEURS DEVELOPMENT
INSTITUTE**

**Project "Forest Management based on Community for
Livelihood Security and Reasonable Use of Land & Forest in
Lao Cai, Ha Tinh and Kon Tum Province"**

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BOARD OF DIRECTORS' REPORT

*Attached to the Financial Statements
for the fiscal year ended 31/12/2015*

THE REPORT OF THE BOARD OF DIRECTORS

(continued)

The Cendi's Board of Directors confirm that they have complied with the above requirements in preparing the financial statements.

For and on behalf of the Board of Directors,

COMMUNITY ENTREPRENEURS DEVELOPMENT INSTITUTE



Dang To Kien
Deputy Director
Hanoi, Vietnam
January 20th, 2016



No.: 37 -16/BC-TC/IV-VAE

Hanoi, February 20th, 2016

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors - Community Entrepreneurs Development Institute

And: Norwegian People's Aid

We, Vietnam Auditing and Evaluation Co., Ltd, have audited the accompanying Financial Statements of the Project "Forest Management based on Community for Livelihood Security and Reasonable Use of Land & Forest in Lao Cai, Ha Tinh and Kon Tum Provinces" (hereinafter referred to as "the Project"), prepared on January 20th, 2016 from pages 06 to pages 15 implemented by Community Entrepreneurs Development Institute (hereinafter referred to as "the Cendi"), including: the Balance sheet as at 31/12/2015; Statement of Income and Expenditure, Statement of Receipts and Payments and Notes to the Financial Statements (hereinafter referred to as "the Financial Statements") for the fiscal year ended 31/12/2015.

The Board of Directors' responsibilities for the Financial Statements

The Board of Directors of the Cendi is responsible for the preparation and presentation of these financial statements in compliance with Note No. 3 of Notes to the Financial Statements and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cendi's preparation and fair presentation of the financial statements of the Project 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 Cendi's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Auditor's opinion

In our opinion, in all material respects, the accompanying Financial Statements of the Cendi have given a true and fair view of the financial situation of the Project as at 31/12/2015, of the income and expenditures for the period from 01/01/2015 to 31/12/2015 in accordance with the accounting principles presented in Note No.3 of the Notes to the Financial Statements.

INDEPENDENT AUDITOR'S REPORT

(continued)

Accounting basis and restriction of subject receiving and using the Audit Report

Although giving out the overall accepted opinion, however, we draw attention to the Financial Statements to Note No.3 of Notes to the Financial Statements, which describes the accounting basis. These Financial Statements are prepared to assist the Cendi to comply with the donors' provisions of the preparation and presentation of Financial Statements. So that, the Financial Statements may not be suitable for other purpose. Our audit report is intended solely for the Cendi and Norwegian People's Aid and should not be intended for any other parties.





Pham Hung Son
Deputy General Director
Certificate of Audit practice Registration
No.: 0813-2013-034-1
For and on behalf
VIETNAM AUDITING AND EVALUATION CO., LTD



Dang Thi Kim Trinh
Auditor
Certificate of Audit practice Registration
No.: 1229-2013-034-1




BALANCE SHEET

As at 31/12/2015

Unit: VND

ASSETS	Notes	As at 31/12/2015
Cash	4.1	836,626
Cash on hand		-
Cash in bank		836,626
Current assets		-
Prepayment to supplier		-
Advance		-
Long-term assets		-
Tangible fixed assets		-
TOTAL ASSETS		836,626
RESOURCES		
Liabilities		-
Payable to supplier		-
Tax and payables to the State budget		-
Payable to employees		-
Amount of Project's balance		836,626
Project's balance amount carried forward into the next period		836,626
TOTAL RESOURCES		836,626

Preparer



TRAN THI HONG THAM
Project Accountant



Approved by

DANG TO KIEN
Deputy Director
Hanoi, Vietnam
January 20th, 2016

(Notes from pages 09 to pages 15 are an integral part of these Financial Statements).

Project "Forest Management based on Community for Livelihood
Security and Reasonable Use of Land & Forest in Lao Cai, Ha
Tinh and Kon Tum Province"

for the fiscal year ended 31/12/2015

Address: No.12C, Pham Huy Thong Street, Ba Dinh District, Ha Noi

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STATEMENT OF INCOME AND EXPENDITURES

For the fiscal year ended 31/12/2015

Description	Notes	Unit: VND
		The year 2015
INCOME		1,699,060,300
Fund from Norwegian People's Aid	4.2	1,695,255,200
Bank interests		3,805,100
EXPENDITURES		1,698,223,674
Equipment		43,212,000
Personnel costs		706,040,280
Cost of materials and other non-personnel costs		751,042,063
Administration management		98,044,908
Audit fee		35,000,000
Contingencies		64,884,423
RECONCILIATION OF DIFFERENCE BETWEEN INCOME AND EXPENDITURES		836,626
PROJECT'S BALANCE AT THE BEGINNING OF THE PERIOD		-
PROJECT'S BALANCE AT THE END OF THE PERIOD		836,626

Preparer



TRAN THI HONG THAM
Project Accountant

Approved by



DANG TO KIEN
Deputy Director

Hanoi, Vietnam

January 20th, 2016

(Notes from pages 09 to pages 15 are an integral part of these Financial Statements).

STATEMENT OF RECEIPTS AND PAYMENTS

For the fiscal year ended 31/12/2015

Description	Notes	Unit: VND The year 2015
RECEIPTS		1,699,060,300
Fund from Norwegian People's Aid	4.2	1,695,255,200
Bank interests		3,805,100
PAYMENTS		1,698,223,674
Equipment		43,212,000
Personnel costs		706,040,280
Cost of materials and other non-personnel costs		751,042,063
Administration management		98,044,908
Audit fee		35,000,000
Contingencies		64,884,423
RECONCILIATION OF DIFFERENCE BETWEEN INCOME AND EXPENDITURES		836,626
BALANCE AT THE BEGINNING OF THE PERIOD		-
BALANCE AT THE END OF THE PERIOD	4.1	836,626

Preparer



TRAN THI HONG THAM

Project Accountant

Approved by



DANG TO KIEN

Deputy Director

Hanoi, Vietnam

January 20th, 2016

NOTES TO THE FINANCIAL STATEMENTS

(These Notes are an integral part of and should be read in conjunction with the attached Financial Statements)

I. General Information

1. Overview of Community Entrepreneurs Development Institute

Community Entrepreneurs Development Institute (hereinafter referred to as "the Cendi") was established according to the Certificate of Scientific and Technical Activities No. A-1244 dated 19/01/2015 issued by the Ministry of Science and Technology.

Operation field in science and technology

- Scientific research into biodiversity, ecology, sociology; Research into each ethnic culture in each different region; Research into conservation and sustainable development of natural resources and biodiversity on each ethnic and ecological areas.
- Consulting, scientific criticism, compiling documents, organizing scientific conferences, seminars and training to improve professional qualifications in the above mentioned research field.
- Co-operate with local and foreign organizations, individuals to carry out the Cendi's missions.

Headquarter

Address: No.12C, Pham Huy Thong Street, Ba Dinh District, Ha Noi

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2. Overview of the Project "Forest Management based on Community for Livelihood Security and Reasonable Use of Land & Forest in Lao Cai, Ha Tinh and Kon Tum Province"

The Project "Forest Management based on Community for Livelihood Security and Reasonable Use of Land & Forest in Lao Cai, Ha Tinh and Kon Tum Province" (hereinafter referred to as "the Project") is funded and implemented according to the Agreement between Norwegian People's Aid ("NPA") and Community Entrepreneurs Development Institute dated 02/02/2015.

Funded Budget

According to budget plan, the total direct grant from Norwegian People's Aid for the Project is VND 1,697,409,000.

Implement period

The Project is implemented from January, 2015 to December, 2015.

Project scope

- Acquisition of the Certificate of forest and forestland use rights with a total area of 174 ha to Community of watershed protection forest management which creates living space for community practice local knowledges in stability of their daily livelihoods;

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(These Notes are an integral part of and should be read in conjunction with the attached Financial Statements)

- A provision in management, protection and use of forest based on forest governance of local community and Customary Law of ethnic H're ethnic of KonPlong District, Kon Tum Province over will be legitimized;
- Five 05 pilots (around 10 ha) farm land "self-sufficiency, security, sustainability and smart" in Lao cai and Ha Tinh province.

Implement place

The Project is implemented in the areas of ethnic minorities in the highland in Lao Cai, Ha Tinh and Kon Tum Province.

Disbursement plan

Grant transfer shall be made in three (3) installments and transferred into the selected bank account of the Cendi, in detail:

- 1st installment: 50% of the grant shall be transferred on February 15th, 2015;
- 2nd installment: 20% of the grant shall be transferred on May 15th, 2015;
- 3rd installment: 30% of the grant shall be transferred September 15th, 2015.

3. Summary of significant accounting policies

Basis of preparing the Financial Statements

The financial statements are prepared on the basis of the adjusted actual income- actual expenditure, another basis differs from accounting policies that are widely accepted in the world. The significant accounting policies are adopted to prepare the report presented below.

Income recognition

Income is recognized when money amounts are transferred into the Project's account by the donor at Operation Centre's Branch of Vietnam Bank for Agriculture and Rural Development.

Expense recognition

Expense is recognized based on actual expense amounts incurred.

Currency unit

Incurred accounting transactions are recognized in Vietnamese Dong ("VND").

NOTES TO THE FINANCIAL STATEMENTS (continued)

(These Notes are an integral part of and should be read in conjunction with the attached Financial Statements)

4. Notes to some items presented in the Financial Statements

4.1 Cash

31/12/2015

VND

Cash in bank

836,626

Operation Centre's Branch of Vietnam bank for Agriculture and Rural
Development

836,626

Total

836,626

4.2 Fund from Norwegian People's Aid

31/12/2015

VND

Date received

Disbursed on 13/02/2015

848,704,500

Disbursed on 28/07/2015

846,550,700

Total

1,695,255,200

Project "Forest Management based on Community for Livelihood Security and Reasonable Use of Land & Forest in Lao Cai, Ha Tinh and Kon Tum Province"

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NOTES TO THE FINANCIAL STATEMENTS (continued)

(These Notes are an integral part of and should be read in conjunction with the attached Financial Statements)

4.3 Comparison of actual expenditures and approved budget by NPA

	Budget Category	Approved budget (VND)	Total actual expenditures incurred (VND)	Difference (VND)	Rate (%)	Note
A	B	1	2	3 = 1-2	4 = 3/1	C
A.	Equipment (Computer, GPS, Camera, Motobike)	42,000,000	43,212,000	(1,212,000)	(3%)	
A1.1	Laptop	14,700,000	14,022,000	678,000	5%	
A1.2	Camera	4,200,000	4,250,000	(50,000)	(1%)	
A1.3	Motobike	16,800,000	17,740,000	(940,000)	(6%)	
A1.5	GPS (for land and forest measure and mapping)	6,300,000	7,200,000	(900,000)	(14%)	
B.	Project expenditures	1,574,580,000	1,590,127,251	(15,547,251)	3%	
B.1	Personnel costs	680,400,000	706,040,280	(25,640,280)	(5%)	
B1.1	A Coordinator 12 months/700 USD	176,400,000	176,452,100	(52,100)	(0.03%)	
B1.2	4 Community development workers, administrative staff, accountant and cashier 12 month/ 500 USD	504,000,000	529,588,180	(25,588,180)	(5%)	
B.2.	COST OF MATERIALS AND OTHER NON-PERSONNEL COSTS	856,380,000	849,086,971	7,293,029	1%	
B2.1	<i>Programes</i>	<i>756,000,000</i>	<i>751,042,063</i>	<i>4,957,937</i>	<i>10%</i>	
Obj 1	Contribute to community Forestry and Livelihood Security through Land Right and Ecological Land Use Farming for Ethnic Minority in Lao cai, Ha tinh and Kon Tum province	756,000,000	751,042,063	4,957,937	1%	

NOTES TO THE FINANCIAL STATEMENTS (continued)*(These Notes are an integral part of and should be read in conjunction with the attached Financial Statements)***4.3 Comparison of actual expenditures and approved budget by NPA**

	Budget Category	Approved budget (VND)	Total actual expenditures incurred (VND)	Difference (VND)	Rate (%)	Note
<i>A</i>	<i>B</i>	<i>1</i>	<i>2</i>	<i>3 = 1-2</i>	<i>4 = 3/1</i>	<i>C</i>
ER.1.1	A community Red Book Title will be handled to Community with about 174 ha	294,000,000	295,642,410	(1,642,410)	7%	
Act 1.1.1	Capacity building for Community Participatory on Traditional Landscape Mapping Analysis	31,500,000	31,736,000	(236,000)	(1%)	
Act 1.1.2	Capacity building for Community Participatory in Contradiction Reconciliation on border overlapping with State Watershed Management Board	42,000,000	41,262,410	737,590	2%	
Act 1.1.3	Inter-village meeting for border solving and inter-community awareness raising	10,500,000	10,000,000	500,000	5%	
Act 1.1.4	Field measuring and mapping	210,000,000	212,644,000	(2,644,000)	(1%)	
ER 1.2	A legalization of community customary law will be legitimized	378,000,000	373,707,443	4,292,557	(4%)	
Act.1.2.1	Legitimacy the customary law and documentation	21,000,000	23,000,000	(2,000,000)	(10%)	
Act.1.2.2	Compared research on community forestry and state watershed management board for policy analysis and advocacy	42,000,000	42,163,420	(163,420)	(0.4%)	
Act.1.2.3	National Conference for policy recommendation on Community Ownership to Forestry	105,000,000	98,973,571	6,026,429	6%	

Project "Forest Management based on Community for Livelihood Security and Reasonable Use of Land & Forest in Lao Cai, Ha Tinh and Kon Tum Province"

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NOTES TO THE FINANCIAL STATEMENTS (continued)

(These Notes are an integral part of and should be read in conjunction with the attached Financial Statements)

4.3 Comparison of actual expenditures and approved budget by NPA

	Budget Category	Approved budget (VND)	Total actual expenditures incurred (VND)	Difference (VND)	Rate (%)	Note
A	B	I	2	3 = I-2	4 = 3/I	C
Act.1.2.4	Published Book "Customary Based Community Forest Preservation instead of State Watershed Based Depended Contract Protection for Livelihood Security of Minority People' for Lobbying "Forest Law 2016"	210,000,000	209,570,452	429,548	0.2%	
ER.1.3	05 pilots (around 10 ha) farm land "self-sufficiency, security, sustainability and smart" in Lao cai and Ha Tinh province	84,000,000	81,692,210	2,307,790	8%	
Act.1.3.1	Conduct study ethno-botany on potential sites, local knowledge on native species, identify mother trees for recommended solutions	21,000,000	21,160,750	(160,750)	(1%)	
Act.1.3.2	Provide small grants for enrichment following eco-farming/rainforestation farming in Sài Duân village and Human Ecology Practical Area (HEPA) (5 pilots will be applied, managed by individual households and/or communities	31,500,000	31,006,000	494,000	2%	
Act.1.3.3	Series Book Let on recommended Native trees and other plants for Ecological Economy Farming Awareness Raising and lobbying the Local District Vocational Technical School	31,500,000	29,525,460	1,974,540	6%	
B2.2	Administration /Management	100,380,000	98,044,908	2,335,092	2%	
B2.2.1	Maintenance, insurance and car park (25%)	25,200,000	27,194,810	(1,994,810)	(8%)	
B2.2.2	Gasoline for administrative activities (25%)	3,780,000	3,001,130	778,870	21%	

Project "Forest Management based on Community for Livelihood Security and Reasonable Use of Land & Forest in Lao Cai, Ha Tinh and Kon Tum Province"

for the fiscal year ended 31/12/2015

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NOTES TO THE FINANCIAL STATEMENTS (continued)

(These Notes are an integral part of and should be read in conjunction with the attached Financial Statements)

4.3 Comparison of actual expenditures and approved budget by NPA

	Budget Category	Approved budget (VND)	Total actual expenditures incurred (VND)	Difference (VND)	Rate (%)	Note
A	B	1	2	3 = 1-2	4 = 3/1	C
B2.2.3	Consumables - office supplies (25%)	22,050,000	21,893,784	156,216	1%	
B2.2.4	Other service (tel/fax, electricity / maintenance) (25%)	28,350,000	30,442,184	(2,092,184)	(7%)	
B2.2.5	Internal monitoring and evaluation	21,000,000	15,513,000	5,487,000	26%	
B.3	Services	37,800,000	35,000,000	2,800,000	7%	
<i>B.3.1</i>	<i>Annual audit</i>	<i>37,800,000</i>	<i>35,000,000</i>	<i>2,800,000</i>	<i>7%</i>	
C.	CONTINGENCIES: 5% x (A+B)	80,829,000	64,884,423	15,944,577	20%	
	Total	1,697,409,000	1,698,223,674	(814,674)	(0.05%)	

Preparer

TRAN THI HONG THAM
Project Accountant



Approved by

DANG TO KIEN
Deputy Director

Hanoi, Vietnam

January 20th, 2016



Hanoi, February 20th, 2016

To Ms. Dang To Kien
Deputy Director
Community Entrepreneurs Development Institute (the Cendi)
No.12C, Pham Huy Thong Street, Ba Dinh District, Ha Noi, Vietnam

Dear Madam,

Management Letter

For the Project “Forest Management based on Community for Livelihood Security and Reasonable Use of Land & Forest in Lao Cai, Ha Tinh and Kon Tum Province” for the fiscal year ended 31/12/2015

According to the provisions of International Standards on Auditing, auditors are encouraged to report various matters concerning an entity’s internal control structure during an audit, and are required to report certain of those matters. The reported ones are “significant deficiencies in the the construction or operation of the internal control structure that, in the auditors’ judgment, could adversely affect the Project’s ability in record, solution, summarization and report the finance data in accordance with the Board of Directors’ confirmation in the Financial Statements”.

As part of our audit of the Financial Statements of the Project “Forest Management based on Community for Livelihood Security and Reasonable Use of Land & Forest in Lao Cai, Ha Tinh and Kon Tum Province” for the fiscal year ended 31/12/2015, we have considered the Project’s internal control system to determine the scope of our audit procedures for the purpose of expressing an opinion on the Financial Statements. However, in our audit process, we have not find any material matter related to the internal control system and the compliance matter that we should report to the Cendi.

This management letter is intended solely for the use of the Cendi and is not intended for any other purpose.

We wish to express our appreciation for the support and co-operation of the Board of Directors of the Cendi extended to our staffs during the course of our work.

Yours sincerely,



Pham Hung Son
Deputy General Director
Vietnam Auditing and Evaluation Co., Ltd

