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**AGREED-UPON PROCEDURES REPORT
ON THE USE OF PROGRAM FUNDS**

YOUTH CHARITABLE FUND "INITIATIVE"

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AGREED-UPON PROCEDURES REPORT ON THE USE OF PROGRAM FUNDS

To the management of
United Nations Population Fund (UNFPA)

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting UNFPA (hereinafter referred to as the Organization) in verifying the use of program funds by the Recipient Youth charitable fund "Initiative" (hereinafter referred to as the Implementing Partner) under the project UKR03BHA, UKR03GBV, UKR03HGB for the period from January 01, 2023 to December 31, 2023 and may not be suitable for another purpose.

Responsibilities of the Engaging Party and the Responsible Party

The Organization has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement and is responsible for the subject matter of the engagement for which the agreed-upon procedures are performed.

The management of the Organization, as defined by the Organization, is responsible for the subject matter on which the agreed-upon procedures are performed

Practitioner's Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised) "Agreed-Upon Procedures Engagements". An agreed-upon procedures engagement involves our performing the procedures that have agreed with the Organization, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Control

We have complied with the ethical requirements in defined by the International Ethics Standards Board for Accountants' Handbook of the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and the ethical requirements applicable in Ukraine. For the purpose of this engagement, there are no independence requirements with which we are required to comply.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the Organization, regarding the verification the use of program funds.

	Procedures	Findings
1	Compare the received documentation with the description of the internal control system of the Implementing Partner in the process of managing financial activities with the data of the last	We compared the received documentation with the description of the internal control system of the Implementing Partner in the process of managing financial activities with the data of the last assessment at the micro-level for the relevant cycle of the program. We found that the internal control system remained at

	Procedures	Findings
	assessment at the micro-level regarding the appropriate cycle of the program. Document all changes or discrepancies	the previous level
2	Clarify the fact of any changes in the internal control system from the time of the preliminary assessment at the micro-level regarding the current cycle of the program from the management of the company of the Implementing Partner. Document all identified changes	We clarified with the management of the Implementing Partner the fact of the existence of any changes in the internal control system since the time of the preliminary assessment at the micro level in relation to the current cycle of the program. It was established that there have been no changes in the internal control system since the last micro-assessment (report dated September 09, 2022) in relation to the current program cycle
3	Get a list of all expenses related to the implementation of the program for the past period of time from January 01, 2023 to December 31, 2023, as part of the engagements to perform agreed-upon procedures and perform the following: <ul style="list-style-type: none"> • to select by random sampling a group of costs that make up 30% of the sum of total costs. Provide a detailed list of costs selected as a sample. For each sample perform the following procedures: <ul style="list-style-type: none"> - ensure the availability of documentation confirming the relevant expenses, in accordance with the regulations and procedures of the Implementing Partner, as well as its contracts with the Organization; - to make sure that the costs for the payment of the services that were audited are related to the project and correspond to the content of the budget approved by Organization; - to ensure that the relevant expenses were audited and approved in accordance with the regulations and procedures of the Implementing Partner, as well as its contracts with the Organization; - ensure that the relevant expenses are recorded in the approved FACE form provided to the Implementing Partner; - make sure that the relevant expenses are recorded in the accounting statements of the Implementing Partner and the statement from the bank account; - make sure that the supporting documents have an imprint of the stamp "Funded by UNFPA"; - to compare the prices paid for goods or services with the list of agreed standard prices applied during the activities of the UN, as well as to carry out an audit on selected budget items 	In order to confirm expenses, expenses in the amount of UAH 45,012,980.50 were selected for verification, which is 32% of the total amount of expenses of UAH 137,698,913.06, excluding support costs, for the period from January 01, 2023 to December 31, 2023. Support costs were checked by the auditor for the correct application of the rate of 5%. The total amount of financing is UAH 144,583,858.70. Random sampling results: <ul style="list-style-type: none"> - when checking the availability of primary documentation to confirm relevant project expenses, the following observations were made: the auditors did not receive a number of contracts (47, 48, 49, 52, 53, 59, 60, 61, 62, 65, 68, 73); the payment orders contain incorrect details of the primary documents: the sales invoice (operation 24) and the contract (operation 38); incorrectly calculated personal income tax and social security tax on financial assistance for K.A. Serdyuk, overpayment in the amount of UAH 746.28 and UAH 62.19, respectively. More detailed information on the identified inaccuracies is provided in annex II to this report; - we made sure that the expenses of payment for goods and services that were checked are related to the project and correspond to the content of the budget approved by the Organization; - we made sure that the relevant expenses were verified and approved in accordance with the rules and procedures of the Implementing Partner, as well as its contracts with the Organization; - made sure that the relevant expenses are recorded in the approved FACE forms provided by the Implementing Partner; - made sure that the relevant expenses are recorded in the accounting statements of the Implementing Partner and the statement from the bank account; - made sure that the supporting documents have an imprint of the stamp "Funded by UNFPA"; - the audit of procurement operations established that the Implementing Partner carried out purchases in accordance with the procedures approved by the Implementing Partner and in accordance with the Organization's rules. Purchases made correspond to the content of the work plan. However, the auditors pay attention to a number of discovered observations regarding the selection of suppliers by the Implementing Partner, detailed information on which is provided in annex II to this report

	Procedures	Findings
	for compliance with the selection of such performers in accordance with their own Procurement Policy and the requirements of the relevant agreement on the implementation of these programs	
4	Perform the following procedures in case funds provided by the Organization are transferred to a separate bank account: <ul style="list-style-type: none"> • make sure that the transaction indicated in the bank statement corresponds to the data given in the statement. Document any identified discrepancies; • get confirmation that the bank accounts were reconciled and the balance of funds was checked against the reporting data. Document any identified discrepancies 	The Organization transfers funds to the bank account of the Implementing Partner, opened at JSC CB "PRIVATBANK", which is used for the Organization's projects. The audit established that for the period from February 07, 2023 to January 30, 2024, funds in the amount of UAH 144,583,858.70 were transferred to the account of the Implementing Partner from the Organization. The total amount of financing is UAH 144,583,858.70: <ul style="list-style-type: none"> • transactions indicated in the bank statement correspond to the data given in the statement; • received confirmation that the bank accounts were reconciled and the balance of funds was reconciled with the reporting data

Practitioner
Musiienko Viktoriia Oleksandrivna
Registration number in the Register of Auditors and Subjects of Audit Activity: 100749

For and on behalf of the company LLC "AF "P.S.P. AUDIT"

Director
Sushko Dmytro Serhiovych
Registration number in the Register of Auditors and Subjects of Audit Activity: 100687



Date of agreed-upon procedures report: May 03, 2024
Kyiv, Ukraine

Basic information about the subject of audit activity:

Limited Liability Company "AUDIT FIRM "P.S.P. AUDIT". Identification code according to USREOU: 40482683. Location: 01133, Ukraine, Kyiv, 44A Y. Konovaltsia St., of. 733.

"AF "P.S.P. AUDIT" LLC is included to the Auditor and Auditing Entities Register to the Section 4 "Audit entities that have the right to conduct statutory audit of financial statements of the public interest entities". The information was made public on the official website of the Audit Public Oversight Body of Ukraine (<https://www.apob.org.ua/>) in the "Useful Information" subsection of the "Register" section.

2. General information about Implementing Partner

Full name and registration authority:	Youth charitable fund "Initiative"
USREOU code:	26419529
Tax status:	0036 "public associations"
Location:	Ukraine, 61052, Kharkiv region, Kharkiv, Poltavsky Shlyakh str. 46, office. 40
Type of activity:	88.99 Provision of other social assistance without accommodation, n.i.i.o.g. 87.20 Residential care services for persons with mental disabilities and substance abuse 87.30 Residential care services for the elderly and disabled 87.90 Provision of other residential care services
Authorized person:	Krasnolobova Iryna Mykolaivna - Head of the IP
The sources of property and funds owned by the Implementing Partner are:	The property of the Implementing Partner shall consist of <ul style="list-style-type: none"> • funds or property received free of charge or in the form of non-refundable financial assistance or voluntary donations, contributions from members of the Implementing Partner • passive income; • grants or subsidies from the state or local budgets, as well as from state trust funds, financial support of the Implementing Partner's programs (projects, activities) at the expense of the state and local budgets, from the implementation of the state order; • charitable, humanitarian and technical assistance, including in accordance with international treaties of Ukraine; • acquired as a result of business activities of the Implementing Partner, business activities of legal entities (companies, enterprises) established by it; • income from the main activity of the Implementing Partner in accordance with the Charter and legislation; • property acquired at its own expense or acquired on other grounds not prohibited by law
Description of the main activity:	The main goal of the Implementing Partner is to assist in providing assistance to socially vulnerable groups of the population, providing appropriate social, psychological, legal, social and medical services

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3. Information on comparison of the system of internal control of the Implementing Partner in the process of financial activity management with the data of the last assessment at the micro level concerning the corresponding program cycle

We compared the received documentation with the description of the internal control system of the Implementing Partner in the process of managing financial activities with the data of the last assessment at the micro level for the relevant cycle of the program.

We found that the internal control system remained at the previous level.

4. Information on any changes in the internal control system since the previous assessment at the micro-level concerning the current program cycle

We clarified with the management of the Implementing Partner the fact of the existence of any changes in the internal control system since the time of the preliminary assessment at the micro level in relation to the current cycle of the program.

It was established that there have been no changes in the internal control system since the last micro-assessment (report dated September 09, 2022) in relation to the current program cycle.

5. Information on all costs related to the implementation of the program, for the period from January 01, 2023 to December 31, 2023, as part of the engagement to perform agreed-upon procedures:

The following documents were submitted for audit:

- Implementing Partner Agreement and its annexes;
- work plans;
- FACE forms and financial statements;
- contracts with suppliers;
- acts of provided services;
- invoices;
- sales invoices;
- payment orders;
- bank statements;
- others confirming documents.

In order to confirm expenses, expenses in the amount of UAH 45,012,980.50 were selected for verification, which is 32% of the total amount of expenses of UAH 137,698,913.06, excluding support costs, for the period from January 01, 2023 to December 31, 2023. Support costs were checked by the auditor for the correct application of the rate of 5%. The total amount of financing is UAH 144,583,858.70.

Detailed information is presented in annex II to this report.

Random sampling results:

5.1. When checking the availability of primary documentation to confirm relevant project costs, the following observations were made:

- 5.1.1. The auditors did not receive a number of contracts (operations 47, 48, 49, 52, 53, 59, 60, 61, 62, 65, 68, 73).
- 5.1.2. The payment orders contain incorrect details of the primary documents: sales invoice (operation 24) and the contract (operation 38).
- 5.1.3. Incorrectly calculated personal income tax and social security tax on financial assistance for K.A. Serdyuk, overpayment in the amount of UAH 746.28 and UAH 62.19, respectively.

More detailed information on the identified inaccuracies is provided in annex II to this report.

5.2. We made sure that the expenses of payment for goods and services that were checked are related to the project and correspond to the content of the budget approved by the Organization.

5.3. We made sure that the relevant expenses were verified and approved in accordance with the rules and procedures of the Implementing Partner, as well as its contracts with the Organization.

5.4. Made sure that the relevant expenses are recorded in the approved FACE forms provided by the Implementing Partner.

5.5. We made sure that the relevant expenses are recorded in the accounting statements of the Implementing Partner and the statement from the bank account.

5.6. Made sure that the supporting documents have an imprint of the stamp "Funded by UNFPA".

5.7. The audit of procurement operations established that the Implementing Partner carried out purchases in accordance with the procedures approved by the Implementing Partner and in accordance with the Organization's rules. Purchases made correspond to the content of the work plan.

However, the auditors pay attention to a number of discovered observations regarding the selection of suppliers by the Implementing Partner, detailed information on which is provided in clause 5.1 of this report and annex II.

5.7.1. Charitable financial assistance was provided on the basis of applications received after an analysis of beneficiaries (victims of violence or those at risk). The auditors received the minutes of the meetings of the Working Group of the Center for Assistance to Survivors. According to the explanations of the Implementing Partner, the vulnerability questionnaire, on the basis of which the analysis is carried out, contains confidential information, and therefore the auditors were provided with 1 questionnaire as an example.

5.7.2. The auditors did not receive price proposals from tenderers for operations 44, 70, 79, 88.

5.7.3. The auditors did not receive evidence that the Organization approved the composition of the Implementing Partner's team for the project.

6. Information on the Implementing Partner's account to which the funds provided by the Organization are credited

The Organization transfers funds to the bank account of the Implementing Partner UA313515330000026000052207193, opened at JSC CB "PRIVATBANK", which is used for the Organization's projects. The audit established that for the period from February 07, 2023 to January 30, 2024, funds in the amount of UAH 144,583,858.70 were transferred to the account of the Implementing Partner from the Organization. The total amount of financing is UAH 144,583,858.70.

6.1.1. Transactions indicated in the bank statement correspond to the data given in the statement.

6.1.2. Received confirmation that the bank accounts were reconciled and the balance of funds was reconciled with the reporting data.

Summary of findings and recommendations

BACKGROUND INFORMATION	
Name of IP	Youth charitable fund "Initiative"
Project	UKR03BHA, UKR03GBV, UKR03HGB
IP Contact person and position	Olha Dashkovska - Chief Accountant
Location where spot check took place	Kyiv
Date of Field Visit	February 28, 2024
Date Draft Report Issued to IP	May 03, 2024
Date Comments Received from IP	May 06, 2024 - May 09, 2024
Date Draft Report Issued to Organization	May 09, 2024
Date Comments Received from Organization	May 10, 2024
Currency of Report	UAH
Period covered by spot check	From January 01, 2023 to December 31, 2023
Total value of selected FACE form(s)	UAH 137,698,913.06, excluding support costs. The total amount of financing is UAH 144,583,858.70.
Total value of transactions tested	UAH 45,012,980.50, the support costs were separately checked by the auditor for the correct application of the 5% rate
Total value of unsupported expenditures identified	-
IP staff whom the spot check team met and worked with during the spot check (names & titles)	Olha Dashkovska - Chief Accountant
INTERNAL CONTROLS	
<p>Inquire of IP management whether there have been any changes to internal controls since the prior micro assessment (or similar capacity assessment) from the current programme cycle. Inquire whether the high priority recommendations from the micro assessment (or similar capacity assessment) and previous assurance activities have been implemented. <i>Document any changes identified</i></p>	
Previous Finding	Current Status
<ol style="list-style-type: none"> 1. The Implementing Partner does not have formalized procedures for developing detailed plans and schedules for project implementation, as well as for monitoring and evaluation of projects 2. The Implementing Partner does not use qualitative indicators to monitor the achievement of project results 3. The Implementing Partner does not have detailed policies on recruitment and hiring of staff 4. The Implementing Partner has not approved the accounting policy 5. The Implementing Partner does not use a cost allocation methodology that ensures accurate allocation of costs between different funding sources in accordance with established agreements. The Implementing Partner does not keep analytical records of income and expenses 6. There is no internal audit/control department in the structure of the Implementing Partner and the internal control system is not formalized 7. Assets of the Implementing Partner are not insured 8. The Implementing Partner has not conducted an independent audit of its financial statements 	<p>We clarified with the management of the Implementing Partner the fact of the existence of any changes in the internal control system since the time of the preliminary assessment at the micro level in relation to the current cycle of the program.</p> <p>It was established that there have been no changes in the internal control system since the last micro-assessment (report dated September 09, 2022) in relation to the current program cycle</p>

<p>9. The Implementing Partner does not have a structured procurement unit</p> <p>10. The auditors did not obtain documentary evidence that procurement is carried out by personnel who are qualified, trained, certified and familiar with UN procurement requirements</p> <p>1. 11. Policies and procedures for managing the contractual process of the Implementing Partner are not formalized</p>	
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No	Finding	Category of Observation	Recommendation	Agreed Action by IP and deadline	Organization Follow up action
Summary of High Priority Findings and Recommendations					
1	<p>Most of the contractors were selected based on the results of tenders. The auditors received the Protocols of consideration and analysis of price proposals, but the Implementing Partner did not provide price proposals of all tenderers, only the winner</p> <p>Response to the Implementing Partner: The auditors did not receive price proposals from tenderers for operations 44, 70, 79, 88</p>	No competitive procedures for the award of contracts	Provide auditors with documentation of counterparty selection	Tenderers added to Google Drive	No comments
2	The auditors did not receive evidence that the Organization approved the composition of the Implementing Partner's team for the project	No competitive procedures for the award of contracts	Provide the auditors with evidence of approval of the team members	The organization has no full-time employees, so orders for hiring and dismissal are not used. The contracts of the CPCs specify the amount of remuneration, according to which project and activity. The contract with the foundation does not contain a condition on approval of the team of the implementing partner for the project. However, the professional competencies of the specialists hired to provide services under the UNFPA project are checked, among other things, by the UNFPA activity coordinators. To do this, the activity coordinators from the YCF Initiative enter the documents of	No comments

No	Finding	Category of Observation	Recommendation	Agreed Action by IP and deadline	Organization Follow up action
				specialists into the created folders with the access of UNFPA coordinators, which are then checked by UNFPA, and after that only this specialist can be involved in the provision of services for the project	
Summary of Low Priority Findings and Recommendations					
1	The auditors did not receive a number of contracts (operations 47, 48, 49, 52, 53, 59, 60, 61, 62, 65, 68, 73) Due to the large number of requested contracts, the Implementing Partner provided as an example civil law contracts for May, June and August	No supporting documentation	Provide the auditors with the specified documentation	No comments	No comments
2	Charitable financial assistance was provided on the basis of applications received after an analysis of beneficiaries (victims of violence or those at risk). The auditors received the minutes of the meetings of the Working Group of the Center for Assistance to Survivors. The auditors received 1 questionnaire as an example	Other	Provide the auditors with the specified documentation	The Vulnerability Questionnaire was provided in one copy as it is confidential information	No comments
3	Incorrectly calculated personal income tax and social security tax on financial assistance for K.A. Serdyuk, overpayment in the amount of UAH 746.28 and UAH 62.19, respectively	Other	Provide an explanation of the situation	The remark is taken into account, by mistake in September the balance of the benefit from August was not taken into account	No comments
4	The payment orders contain incorrect details of the primary documents: the sales invoice (operation 24) and the contract (operation 38)	Poor record keeping	Apply a double control system when filling out payment instructions	Taken into account, a double control system for filling out payment instructions will be applied	No comments



MGI PSP Audit

01133, Kyiv, Ukraine
44A Yevhena Konovaltsia St., off. 733
Tel./Fax: +38 044 281 06 07

office@pspaudit.ua | www.pspaudit.ua