United Nations Children's Fund (UNICEF)

AUDIT REPORT

Audit of the implementing partner: Fundacja Pro Futuro

Fundacja Pro Futuro

Country:	POLAND
Auditor:	TPA Sp. z o.o. Sp.k. – Baker Tilly TPA
Period subject to audit:	1 OCTOBER 2022 – 31 AUGUST 2023

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1. Executive summary

United Nations Children's Fund (UNICEF) engaged **TPA Sp. z o.o. Sp.k.** on **22.08.2023** to conduct an audit on the expenditures reported by the implementing partner for the period **1 October 2022 to 31 August 2023.** The audit has been conducted as per the terms of reference for a HACT audit under the Harmonized Approach to Cash Transfer (HACT) Framework.

A summary of the audit findings that have been raised is presented in the table below:

Table 1.1 – Summary of audit findings

Implementing partner	Audited expenditure PLN	Financial findings PLN	% of audited expenditure	Audit opinion	No. of Financial findings	No. of Key Control Weaknesses		
						High risk	Medium risk	Low risk
Fundacja Pro Futuro	2 382 864,80	0,00	0,00%	Unqualified	-	1	2	1
Total	**2 382 864,80**	**0,00**	**0,00%**	**Unqualified**	**-**	**1**	**2**	**1**

2. Audit opinion

We have audited the accompanying statements of expenditure ("the statements") of Fundacja Pro Futuro (the "implementing partner" or "IP"), under the agreement dated August 22, 2023 (the "Agreement"), in connection with the Education Hub for Ukrainian children and teachers in Poland for the period from 1 October 2022 to 31 August 2023. The statements has been prepared by management of Fundacja Pro Futuro in accordance with the terms and condition of the Agreement.

Opinion

In our opinion, the audited statements for the period from 1 October 2022 to 31 August 2023, present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

Basis of Opinion

We conducted our audit in accordance with the applicable financial reporting framework, the National Standards on Auditing in the wording of International Standards on Auditing (ISAs) adopted by the resolution no 3430/52a/2019 of the National Council of Statutory Auditors on March 21, 2019 concerning national standards on auditing and other documents, with further amendments, and in accordance with the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight (Official Journal from 2022, item 1302 with further amendments). Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section of our report.

We are independent of the Company within the meaning of International Code of Ethics for Professional Accountants (including international standard of independence) issued by International Federation of Accountants ("IESBA Code") adopted by the resolution no 3431/52a/2019 of the National Council of Statutory Auditors on March 25, 2019 and other ethical requirements which apply to audit of financial statements in Poland. We have fulfilled our ethical obligations in accordance with these requirements and International Code of Ethics for Professional Accountants. During the audit, the lead certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors, Audit Firms and Public Oversight.

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

Management's Responsibility for the Statements

Management of the implementing partner is responsible for the preparation of the statements in accordance with the agreement terms and conditions and for such internal control as management determines is necessary to enable the preparation of a statements that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the statements 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 statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation 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. 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 presentation of the statements.

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

Bartosz Zioło, certified auditor no 13935
Lead certified auditor responsible for the audit the outcome of which is this audit report

On behalf of TPA Spółka z ograniczoną odpowiedzialnością sp.k. located in Poznań, at Młyńska 12, 61-730 Poznań, entered into the list of audit companies under no 3082

7 February 2024

3. FINANCIAL findings

Based on the performed procedures, we have not identified any significant issues differences between reported amounts by Implementing Partner to UNICEF and the actual costs incurred by it.

4. ASSESSMENT OF KEY INTERNAL CONTROLS

- 4.1 We have reviewed the implementation of applicable key internal controls and noted the following key internal control weaknesses:

Subject Area	Key Control Observation	Risk rating	Recommendation	IP Response
Accounting Policies and Procedures				
Payments	During discussions with the Foundation's Board and observations at the unit's premises, we identified that payments are entered and approved by one person. Lack of such segregation of duties increases the risk of fraud. We consider the moment of payment to be the most critical concerning fraud risk. Without double approval for a payment, individuals with access to the account can initiate cash transfers without anyone else's knowledge, potentially causing significant damage to the entity that may be difficult to repair. Therefore, we assessed the level of risk as high.	High	We recommend implementing a procedure for double approval of payments so that one person enters the transfers and another person approves/executes them.	We are aware of the risk and we we already discussing the possibilities relating to the implementation of the double approval procedure. Our plan is to implement the procedure as soon as possible.

Subject Area	Key Control Observation	Risk rating	Recommendation	IP Response
Segregation of duties	During discussions with the Foundation's Board we identified that the authorization to execute a transaction and recording of the transaction are not performed by different units or individuals. Lack of such segregation of duties increases the risk of fraud. We assessed the risk as medium due to a verbal agreement that requires all purchases to be accepted by the management. Given the small size of the entity and the low number of operations, it is relatively easy for the management to track the situation and potentially identify cases where a purchase occurred without approval. Considering this, there is also a lower risk that employees will attempt to bypass this verbal acceptance	Medium	We recommend implementing a segregation of duties procedure for each type of transaction/task to avoid situations where one person authorises and records a transaction.	Partner accepted without comments
Approval procedure of purchases	During discussions with the Foundation's Board we identified that the each purchases is followed by the telephone, e-mail or verbal approval of the Foundation's Vice-President. At the same time there are no written or system authorizations for purchases and before signing a contract. Lack of such authorizations for purchases increases the risk of fraud. However, given the small size of the entity and the low number of operations, it is relatively easy for the management to track the situation and potentially	Medium	We recommend implementing a written or system authorizations for purchases procedure.	Partner accepted without comments

Subject Area	Key Control Observation	Risk rating	Recommendation	IP Response
	identify cases where a purchase occurred without approval. Considering this, there is also a lower risk that employees will attempt to bypass this verbal acceptance.			
IT control environment	During discussions with the Foundation's Board we identified that employees of the Foundation use their private computers for business purposes. It generates cybersecurity risk in case of insufficient security of computers.	Low	We recommend introducing procedures aimed at securing sensitive data on employees' computers used for both private and business purposes. These procedures may include creation of separate user account on the computer intended solely for business purposes.	Partner accepted without comments

Annex III: HACT Micro Assessment Key Internal Control Questions

Subject area and key questions	Yes	No	N/A	Remarks/comments
1. Implementing Partner				
1.1 Is the IP legally registered? If so, is it in compliance with registration requirements? Please note the legal status and date of registration of the entity.	X			The Foundation is registered with the National Court Register under number 0000328390. The Foundation was registered on April 23, 2009 by the District Court for the City of Warsaw, XII Economic Department of the National Court Register.
1.2 If the IP received United Nations resources in the past, were significant issues reported in managing the resources, including from previous assurance activities.			X	The IP did not receive any other grants/funding from United Nations organizations/agencies in the past.
1.3 Does the IP have statutory reporting requirements? If so, are they in compliance with such requirements in the prior three fiscal years?	X			The Foundation only submits its financial statements to the National Tax Administration (KAS). Due to the size of the Foundation's operations, the entity is not subject to audit.
1.4 If any other offices/ external entities participate in implementation, does the IP have policies and process to ensure appropriate oversight and monitoring of implementation?			X	The IP has no subsidiary offices/ external entities.
1.5 Does the IP show basic financial stability in- country (core resources; funding trend) ***Provide the amount of total assets, total liabilities,income and expenditure for the current and prior three fiscal years.***	X			**TOTAL ASSETS:** 21 475,52 PLN as of 31.12.2020 312 105,50 PLN as of 31.12.2021 788 965,41 PLN as of 31.12.2022 516 371,53 PLN as of 31.08.2023 **TOTAL LIABILITIES:** 229 520,27 PLN as of 31.12.2020 21 730,88 PLN as of 31.12.2021 610 596,49 PLN as of 31.12.2022 56 189,12 PLN as of 31.08.2023 **INCOME:** 366 329,80 PLN in 2020 600 993,42 PLN in 2021 2 305 075,06 PLN in 2022

				2 410 484,81 PLN in period 01-08.2023 **EXPENDITURES:** 718 870,98 PLN in 2020 102 577,05 PLN in 2021 2 412 313,37 PLN in 2022 2 123 293,98 in period 01-08.2023

Subject area and key questions	Yes	No	N/A	Remarks/comments
2. Programme Management				
2.1. Do work plans specify expected results and theactivities to be carried out to achieve results, with atime frame and budget for the activities?	X			
2.2 Does the IP carry out and document regular monitoring activities such as review meetings, on- site project visits, etc.	X			During the project, representatives of IP made visits to the Education Centre (Marszałkowska 77/79). During the meetings, the monitoring of educational activities was carried out alternately by the President and Vice-President of the Foundation, controlled the participation of participants, the content value of the activities and discussed the next project activities and plans.

Subject area and key questions	Yes	No	N/A	Remarks/comments
3. Organizational Structure and Staffing				
3.1 Are the IP's recruitment, employment and personnel practices clearly defined and followed, and do they embrace transparency and competition?	X			The Foundation has a staff recruitment policy, which sets out in clear and detailed terms the way in which recruitment is carried out and the process of employment in the Entity.
3.2 Is the organizational structure of the finance and programme management departments, and competency of staff, appropriate for the complexity of the IP and the scale of activities? Identify the key staff, including job titles, responsibilities, educational backgrounds and professional experience.	X			**Mariya Boguslav – Coordinator (employed in similar positions from 2012 till today);** **Education:** in 2013 obtained a diploma with Human resources, from 2017 till today PHD, "Human Capital, Labor market and social mobility" **Responsibilities:** • Coordination of the project "Educational Hub for Ukrainian children and teachers in Poland", • Participation in the selection of contractors, • Compliance with the requirements of the donor UNICEF Poland regarding the financial management of the project • Participation in the preparation of reporting documentation to UNICEF Poland. **Magdalena Makarewicz-Szlaga – Chairman of Management Board (from 2011 employed in financial sector as Junor Accountant, then from 2013 as Financial Manager till today);** **Education:** Master's degree in Accounting and Controlling specialization obtained in 2010 **Responsibilities:** • Financial coordination of the project "Educational Hub for Ukrainian children and teachers in Poland", • Participation in the selection of contractors, • Compliance with the requirements of the donor UNICEF Poland regarding the financial management

				of the project • Timely payment of salaries to contractors, employees, payment of necessary taxes, • Participation in the preparation of reporting documentation to UNICEF Poland, • Keeping all basic documentation (contracts, payment confirmations, bank statements) for possible audit by UNICEF Poland. **Tetiana Sukhodolskaya - Coordinator (from 2008 employed in similar positions related to project management and event marketing area till today);** **Education:** Master's Degree in Philology (Taras Shevchenko National University of Kyiv) **Natalia Zhuberniak - Coordinator of the project "Lessons for Life", psychologist (from 2007 employed un similar positions related to training and consultancy in coaching till today);** **Education:** Bachelor degree in Psychological counseling at Christian Open University of Economics and Humanitarian Sciences. **Responsibilities:** • General coordination of the project "Ukrainian Education Hub in Poland", • General coordination of the project "Educational Hub for Ukrainian children and teachers in Poland", • Dealing with general administrative matters regarding the premises, including timely payment of rent, security, cleaning, uninterrupted internet, etc, • Seeking partners for the "Lessons for Life" project, developing a network of information partners, • Cooperation and communication with municipal institutions, state institutions of the Republic of

				Poland, • Participation in the selection of contractors, • Timely furnishing of the premises of the Ukrainian Education Hub in Poland (Warsaw, 77/79 Marszalkowska Street) with stationery, decorative elements, furniture and other necessary attributes for comfortable work, • Coordination with the contractor for the organisation of training sessions, • Co-ordination with speakers, accompanying staff and ensuring stable work within the "Lessons for Life" project for teachers from Ukraine, • General coordination of the information campaign, • Coordination of the organisation of the project opening in November 2022 and the closing conference in June 2023, In our opinion, such structure of EduHub is sufficien to carry out the project reliably.
3.3 Is the IP's accounting/finance function staffed adequately to ensure sufficient controls are in place to manage agency funds?	X			

Subject area and key questions	Yes	No	N/A	Remarks/comments
4. Accounting Policies and Procedures				
4a. General				
4.1 Does the IP have an accounting system that allows for proper recording of financial transactionsfrom United Nations agencies, including allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds?	X			Each transaction/invoice is labelled with the number of the project to which it relates and how it is entered in the accounts. In addition, in the accounting system, the Foundation separates cost accounts by project, which allows easier identification of costs.
4.2 Does the IP have an appropriate cost allocation methodology that ensures accurate cost allocations to the various funding sources in accordance with established agreements?	X			As above.

Subject area and key questions	Yes	No	N/A	Remarks/comments
4.3 Are all accounting and supporting documents retained in an organized system that allows authorized users easy access?	X			
4b. Segregation of duties				
4.4 Are the following functional responsibilities performed by different units or individuals: **(a) authorization to execute a transaction;** **(b) recording of the transaction; and** **(c) custody of assets involved in the transaction?**		X		The Foundation has three people who are responsible for the functions indicated: a) Magdalena Makarewicz lub Tomasz Szlaga b) Magdalena Makarewicz (within the managed accounting office) c) Tetiana Suchodolska Lack of segregation of duties (Magdalena Makarewicz is responsible both for authorization to execute a transaction and for recording of the transaction).
4.5 Are the functions of ordering, receiving, accounting for and paying for goods and services appropriately segregated?	X			1. Orders for offices supplies and their receptions were made by employees in the Hub. 2. Orders for services and their receptions were made by the project coordinator together with the managers. 3. Payments were made by the president or vice-president. 4. Postings into accounting books were made by an external accounting office.
4.6 Are bank reconciliations prepared by individualsother than those who make or approve payments?		X		Payments are entered into the banking system - either by the President or the Vice-President. Authorisation of transfers is carried out only by the President of the Foundation.
4c. Budgeting system				
4.7 Are budgets prepared for all activities in sufficient detail to provide a meaningful tool for monitoring subsequent performance?	X			
4.8 Are actual expenditures compared to the budget with reasonable frequency? Are explanations required for significant variationsfrom the budget?	X			During the project there were 3 verifications of expenditure made by UNICEF for each tranche. During the project there were some deviations from the budget, but the IP was informed by UNICEF that if the total amount does not

				change and it is within the same activity, there is no issue to report. Therefore, no explanations have been presented.

4d. Payments				
4.9 Do invoice processing procedures provide for: **· Copies of purchase orders and receivingreports to be obtained directly from issuing departments?** **· Comparison of invoice quantities, prices andterms with those indicated on the purchase orderand with records of goods/services actually received?** **· Checking the accuracy of calculations?**	X			With regard to the purchase of materials, the receipt was carried out by administrative staff who had the relevant order documents (e.g. an email), so that it was possible to control the compliance of the deliveries and the accounting documents received. With regard to the receipt of services and the conformity of invoices, the IP used verification of: • educational services - on the basis of class schedules and attendance lists or prepared materials • administrative services - on the basis of schedules of hours worked • promotion, information and organisational services - on the basis of the activities carried out or control of the order (e-mail, telephone) • catering services were confirmed by staff directly involved in the coordination of the project, including the correct execution of contracts, including the delivery of catering
4.10 Are payments authorized at an appropriatelevel? Does the IP have a table of payment approval thresholds?		X		Payments are entered into the banking system - either by the President or the Vice-President. Authorisation of transfers is carried out only by the President of the Foundation. However, the Foundation tries to avoid a situation where the same person enters and approves payments.
4.11 Are all invoices stamped '*PAID*', approved, and marked with the project code and account code?	X			
4.12 Do controls exist for preparation and approval of payroll expenditures? Are payroll changes properly authorized?	X			The Foundation employed 2 people for the project on a contractual basis. Payments for the accounts were made upon submission of records of hours worked.
4.13 Do controls exist to ensure that direct staff salary costs reflects the actual amount of staff timespent on a project?	X			Payroll verification to record hours worked. The salaries are calculated by the staff of the accounting office, not associated with Pro Futuro, and the

				accuracy is verified by the Vice President of Foundation.
4.14 Do controls exist for expense categories that do not originate from invoice payments, such as DSAs, travel, and internal cost allocations?			X	The cost categories listed did not occur and were not reported as part of the project.
4f. Cash and bank				
4.15 Does the IP require dual signatories / authorization for bank transactions? Are new signatories approved at an appropriate level and timely updates made when signatories depart?		X		Payments are entered into the banking system - either by the President or the Vice-President. Authorisation of transfers is carried out only by the President of the Foundation. However, the Foundation tries to avoid a situation where the same person enters and approves payments. The individuals responsible for accessing the banking system have not changed since 2015.
4.16 Does the IP maintain an adequate, up-to-date cashbook, recording receipts and payments?	X			
4.17 Are bank balances and cash ledger reconciled monthly and properly approved? Are explanations provided for significant, unusual and aged reconciling items?	X			Confirmed with Foundation Management.
4.18 Is substantial expenditure paid in cash? If so, does the IP have adequate controls over cash payments?		X		There were occasional cash operations, none of which exceeded PLN 250. For example, if the cost of a bank transfer was too expensive, the IP opted for a cash operation.
4g. Other offices or entities				
4.19 Does the IP have a process to ensure expenditures of subsidiary offices/ external entities are in compliance with the work plan and/or contractual agreement?			X	The IP has no subsidiary offices/ external entities.

Subject area and key questions	**Yes**	**No**	**N/A**	**Remarks/comments**
5. Fixed Assets and Inventory				

5.1 Do warehouse facilities have adequate physical security?	X			The Foundation's headquarters are located in a building that has permanent security and the entrance to the building is controlled.
5.2 Does the IP have an inventory management system that enables monitoring of supply distribution?		X		

Subject area and key questions	Yes	No	N/A	Remarks/comments
6. Financial Reporting and Monitoring				
6.1 Are the IP's overall financial statements audited regularly by an independent auditor in accordance with appropriate national or international auditing standards? If so, please describe the auditor.		X		Due to the size of the Foundation's operations, the entity is not subject to audit.
6.2 Were there any major issues related to ineligible expenditure involving donor funds reported in the audit reports of the IP over the past five years?			X	There were no major issues of ineligible expenditure of donor funds reported in the audit reports of the IP over the last five years.
6.3 Is the financial management system computerized?	X			The Foundation uses two programmes - one for bookkeeping – Raks SQL, and Płatnik Asseco Poland as its payroll programme.
7. Procurement and Contract Administration				
7.1 Does the IP require written or system authorizations for purchases? If so, evaluate if the authorization thresholds are appropriate?		X		As part of the search for suppliers, market research is carried out: e-mail, telephone, analysis of price lists available on websites. The analysis of the best options is followed by the telephone, e-mail or verbal approval of the Foundation's Vice-President. At the same time there is no written or system authorizations for purchases.
7.2 Does the IP obtain sufficient approvals before signing a contract?	X			Once an offer has been selected and before the contract is signed, there is always approval from the Foundation's Vice President, Mr Tomasz Szlaga. There is no requirement of written approval, sometimes there is only verbal approval.

7.3 Does the IP follow a well-defined process for sourcing suppliers? Do formal procurement methods include wide broadcasting of procurement opportunities?	X			The IP does not have a written procurement policy. The Foundation applies good practices in the selection of service contractors. For each transaction, in compliance with the principles of cost relevance (above the equivalent of 10 000 euro at the average NBP exchange rate), the Foundation conducts market research in the field of selection of contractors to provide services or goods.
7.4 Does the IP follow a well-defined process to ensure a secure and transparent bid and evaluation process? If so, describe the process.			X	As above.
7.5 When a formal invitation to bid has been issued, does the IP award the contract on a pre- defined basis set out in the solicitation documentation taking into account technical responsiveness and price?			X	As above.