

**PROJECT “SUPPORTING YOUNG PEOPLE’S PEACEBUILDING  
PARTICIPATION IN KYRGYZSTAN: INTEGRATING A YOUTH-LED  
MENTAL HEALTH AND PSYCHOSOCIAL SUPPORT (MHPSS) APPROACH,  
FUNDED BY UN PBF”**

**MANAGEMENT LETTER  
ON AUDIT OF THE PROJECT’S FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM FEBRUARY 18, 2022 TO AUGUST 10, 2023**

**United Nations Development Programme****Saferworld****Dear Madams and Sirs,**

Following our Contract for audit services #AY-33 dated 29 September 2023, we have completed auditing the financial statements of the Project “Supporting young people’s peacebuilding participation in Kyrgyzstan: integrating a youth-led mental health and psychosocial support (MHPSS) approach, funded by UN PBF” (hereafter referred as to the "Project"), for the period from February 18, 2022 to August 10, 2023.

The Project was implemented in accordance with the Financing Agreement within the framework of the United Nations Peacebuilding Fund (hereinafter referred to as the “Agreement”) signed on January 28, 2022 between the United Nations Development Program (UNDP) (hereinafter referred to as the “Donor”) and Saferworld (hereinafter referred to as the “Organization”).

We have carried out the audit aiming at expression of reasonable assurance that the financial statements for the audited period do not contain material misstatements.

Our observations and recommendations set out below, in all material respects, are aimed at assisting the management of the Organisation in the process of developing its current activities.

At planning the audit, we reviewed the internal control over the financial statements to determine the nature, scope and timing of audit procedures. Despite the fact that the audit of financial statements does not provide confidence about the operational effectiveness of internal control, if during the audit certain weaknesses of internal control attracted our attention, we reported this to the Project management.

***Independence of engagement team members***

The audit was performed in accordance with:

- The Term of Reference (scope of work), which is an integral part of the Contract for audit services;
- International Standard on Auditing 800 (Revised) “Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks” of the International Federation of Accountants (IFA);
- International Code of Ethics for Professional Accountants (IFAC).

International Standards on Auditing require that we comply with ethical requirements and requirements of independence. When appointing the engagement team to audit the financial statements of the Projects, we ensured the team meets the ethical and independence requirements, this allows performing the task based on principles of integrity and objectivity.

***Overall audit strategy***

Audit of the financial statements of the Project is an expression of reasonable assurance regarding the fair presentation of the sources and uses of Project funds. The audit was conducted by sampling in the amount provided by the source accounting documents in accordance with the approved audit program.

## **Project “Supporting young people’s peacebuilding participation in Kyrgyzstan: integrating a youth-led mental health and psychosocial support (MHPSS) approach, funded by UN PBF”**

In order to be able to express reasonable assurance, we planned and performed the audit so as to reduce the audit risk to an acceptably low level. For this purpose, we have studied the Project and its environment, including internal control, on the basis of which we identified and evaluated the risks of material misstatement inherent in the Project in respect of which we fulfilled the relevant procedures.

The audit planning allowed us to assign the necessary resources and the timing of audit procedures. There were no discrepancies between the allocated resources and the audit timing.

The objective of this audit included expressing the Auditor's opinion on whether all the sources and expenditures of the Project funds declared by the Organisation in the financial statements, which include the Report on sources and uses of funds for the period from February 18, 2022 to August 10, 2023, as well as a brief description of the main provisions of the accounting policies and other explanatory information.

- a) all the sources and expenditure of the funds of the Project declared in the special-purpose financial statements actually occurred ("effectiveness") are correct ("accuracy") and eligible;
- b) the required supporting documents and statements on the Project are kept and there is a clear link between the accounting records and the statements submitted to the Donor;
- c) the internal control system includes all the policies and procedures adopted by the Organisation to assist in the implementation of the Projects’ objectives, providing a streamlined and efficient project execution, including the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, as well as the timely preparation of the financial statements;
- d) the measures have been taken to ensure the safety of the assets of the Project.

Eligibility means that funds provided as financing have been spent in accordance with the terms of the Grant Agreement, with due attention to cost-effectiveness and efficiency and only for purposes aimed at financing the Project.

### ***Accounting policies***

Responsibility for the selection and application of relevant accounting principles rests with the Organisation. In our opinion, the accounting principles selected by the Organization are adequate to Projects activities.

### ***Financial information on the Project expenditures***

The total Project expenditures, which was the subject of this audit for the period from February 18, 2022 to August 10, 2023 made up US 599 701,44 dollars.

The expenditure coverage ratio was US 463 052,00 dollars or 77,2%.

This ratio represents the total amount of expenses verified by us, expressed as a percentage of the total amount of expenses that was the subject of the audit.

### ***Disagreements with management***

We have met a fruitful cooperation from the management and staff members during the audit. For a better understanding, we also had full access to the accounting records and other documents that were necessary for us during the audit. We did not have any disagreements with the management of the Project.

### ***Internal control system in the audited period***

During the audit, we noted some areas related to the internal control system and other operational units that we present for your consideration. Appendix A to this letter discloses such observations.

**Project “Supporting young people’s peacebuilding participation in Kyrgyzstan: integrating a youth-led mental health and psychosocial support (MHPSS) approach, funded by UN PBF”**

***Management representations***

While auditing we have requested presentations from the management with regard to different matters related to the financial reporting. These representations are contained in the letter of representations from the management of the Organisation.

***Use of this Letter***

This Letter is prepared solely for the purposes set forth in the above objectives and for the confidential use of the Organisation and Donor, and solely for the purpose of submitting it for consideration to the specified Parties in connection with the requirements stipulated in the Financing Agreement of 28 January 2022. This Letter cannot be used for any other purposes, and cannot be distributed to other parties.

This Letter is prepared only with regard to the Project’ financial statements, specified in paragraph “Overall audit strategy” of this Letter, and does not apply to any other financial statements of the Organisation.

In conclusion we would like to express our appreciation to the representatives of the Organization management and staff members for their support and assistance rendered in the process of our audit.

If you would like to discuss any issues highlighted in this Letter in more detail, please do not hesitate to contact us.

**Yours sincerely,**

**Director  
“HLB Marka Audit” LLC**



**A.M. Asylbekova**

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**Project “Supporting young people’s peacebuilding participation in Kyrgyzstan: integrating a youth-led mental health and psychosocial support (MHPSS) approach, funded by UN PBF”**

**Appendix A**

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## **Project “Supporting young people’s peacebuilding participation in Kyrgyzstan: integrating a youth-led mental health and psychosocial support (MHPSS) approach, funded by UN PBF”**

### **1. Internal control system over the Project expenditures**

#### ***Observation***

When checking the expenditures, we noted cases of redistribution of the expenditures between categories and projects, payment for which was made in a single amount to one supplier:

So, for example, on March 3, 2023, 78 020 soms were paid to the supplier for a laptop, 50% of this amount was attributed to expenses for line-item 3. Equipment, Vehicles, and Furniture (including depreciation), and the remaining 50% in line-item 4. Contractual services, July 4, 2023 was paid for the arrangement of Seminar & partners meetings Ysyk-Kul, 17-23.06.2022 in the amount of 634 310 soms, this amount is accounted for part in line-item 4. Contractual services, part in line-item 5. Travel, etc.

When accounting for the partners' expenses, in some cases the expenditures intended for one of the partners were paid with the funds of another partner, as a result of which the Institute for Youth Development partner had a budget overrun of 7,99%, and Peace initiatives budget was not used up by 7,02%.

#### ***Consequences***

The applied practice makes it difficult to control expenses, prevents end-to-end accounting, which can lead to the accounting errors.

#### ***Risk assessment of the internal control system:***

Medium.

#### ***Recommendations***

Avoid cases of splitting transactions into different categories and projects.

Justify budget overruns from partners.

#### ***Management comments***

*A distribution system is necessary when working with projects implementation, since when paying an single amount invoice, you need to distribute expenses taking into account different projects, different budget lines, categories, activities. Saferworld has clear, consistent instructions for allocating project expenses and effective tools for control.*