



Audit & Business Advisory



**Pestalozzi Children's
Village Foundation –
Branch office Skopje**

NMAC Country Programme Audit

Independent Auditor's Report

A member of

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Financial Information Audit of the "NMAC Country Programme Audit"

for the period 01 January 2022 to 31 December 2022

Programme number: 512001

Contract number: 512001

Name and address of Partner:

Pestalozzi Children's Village Foundation
Branch office - Skopje, North Macedonia

Background of the mandated organization

Pestalozzi Children's Village Foundation is a Swiss non-governmental organization based in Trogen, Switzerland, with a vision for all children and youth to have access to quality education and thereby contribute to a more just and peaceful world.

In order to ensure the presence of its activity on the territory of Republic of North Macedonia, Pestalozzi Children's Foundation opens its own Branch office in Skopje.

Programme objectives

The Branch office undertakes the following activities:

- The Foundation works in the field of education in cooperation with national authorities and in partnership with local organizations in order to provide access to quality education to vulnerable children.

The Branch office has the following goal:

- Access to quality education for children is improved.

Name and address of Auditor

A&BA Group DOOEL Skopje,
Str. 1661 no.9-50 Skopje



INDEPENDENT AUDITOR'S REPORT ON FINANCIAL INFORMATION

TO:

Pestalozzi Children's Village Foundation – branch office Skopje

Opinion

On the PCF Standard Terms of Reference, we have audited the Financial Information for the above-mentioned programme, which comprise the Financial Information and notes to the financial information for the period 01 January 2022 to 31 December 2022.

In our opinion, the accompanying Financial Information and notes to the financial information on the programme "NMAC Country Programme Audit" for the period 01 January 2022 to 31 December 2022 are prepared, in all material respects, in accordance with the accounting policies described in the notes and comply with the requirements of the PCF Standard Terms of reference dated 1 February 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), in particular ISA 805. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial information" section of our report.

We are independent of the entity in accordance with the requirements of the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Financial Information

Management is responsible for the preparation and fair presentation of the financial information. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL INFORMATION (continued)

Auditor's responsibilities for the audit of the financial information

As part of an audit in accordance with ISA 805, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

A&BA Group DOOEL

Str. 1661 no.9-50

Skopje



Date, 25.03.2023



Partner

Darke Kalin



Pestalozzi Children's Village Foundation – Branch office Skopje

STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 December 2022 and 2021
In MKD

| | Notes | 2022 | 2021 |
|---|-------|------------------|--------------------------------|
| Granted donations | 4 | 6.864.278 | 5.921.407 |
| Transferred surplus of revenue from the previous year | | 895.604 | 414.027 |
| TOTAL REVENUES | | 7.759.882 | 6.335.434 |
| | | | |
| A. Direct programme activities | 5 | (126.482) | (322.332) |
| B. Human resources | 6 | (5.001.006) | (3.987.228) |
| C. Monitoring, Controlling and Assessment | 7 | (520.695) | (367.952) |
| D. Administrative costs | 8 | (878.077) | (762.318) |
| *. Capacity Development | | - | - |
| TOTAL EXPENSES | | 6.526.260 | (5.439.830)¹ |
| | | | |
| Surplus of revenues over expenses before taxes | | 1.233.622 | 895.604 |
| Income Tax | | - | - |
| Surplus of revenues over expenses after taxation | | 1.233.622 | 895.604 |

The accompanying notes form an integral part of these financial statements.

The accompanying financial statements were authorised for issue on 06.02.2023 by the management of the Organization and were signed on its behalf by:



 Azbija Memedova
 Country Representative

¹ In the PCF final financial report for 2021 this amount is 5.439.829, the difference of 1MKD is a result of rounding of the decimals on an invoice while making a bank payment as the Macedonian Denar smallest unit is 1 denar.

BALANCE SHEET STATEMENT

For the Year Ended 31 December 2022 and 31 December 2021

In MKD

| | Notes | 31 December 2022 | 31 December 2021 |
|---|-------|---------------------|---------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 45.072* | 55.773 |
| | | 45.072 | 55.773 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 10 | 1.245.084 | 935.752 |
| | | 1.245.084 | 935.752 |
| TOTAL ASSETS | | 1.290.156 | 991.525 |
| LIABILITIES AND OPERATING FUND | | | |
| OPERATING FUND | | | |
| Operating Fund | | 45.072 | 55.773 |
| Surplus of revenues over expenses after taxation | | 1.233.622 | 895.604 |
| | 11 | 1.278.694 | 951.377 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 12 | 11.462 | 40.148 |
| | | 11.462 | 40.148 |
| TOTAL LIABILITIES AND FUNDS | | 1.290.156 | 991.525 |

**24.517MKD current value NMAC programme assets plus 20.555MKD current value of the assets purchased as part of project 512005 implemented by NMAC Programme and closed on June 30th, 2022. These items are in NMAC Programme inventory.

STATEMENT OF CHANGES OF OPERATING FUND
For the Year Ended 31 December 2022 and 31 December 2021
In MKD

| | Operating Fund | Surplus of revenues over expenses | TOTAL |
|--|-------------------|---|------------------|
| Balance as of 1 January 2021 | 132.639 | 414.027 | 546.666 |
| Transferred surplus of revenues over expenses from previous year | - | (414.027) | (414.027) |
| Additions | - | - | - |
| Depreciation for the year | (76.866) | - | (76.866) |
| Surplus of revenues over expenses | - | 895.604 | 895.604 |
| Balance as of 31 December 2021 | 55.773 | 895.604 | 951.377 |
| Transferred surplus of revenues over expenses from previous year | - | (895.604) | (895.604) |
| Additions | 20.990 | - | 20.990 |
| Transfer from 512005 | 20.555* | - | 20.555* |
| Depreciation for the year | (52.246) | - | (52.246) |
| Surplus of revenues over expenses | - | 1.233.622 | 1.233.622 |
| Balance as of 31 December 2022 | 45.072 | 1.233.622 | 1.278.694 |

The accompanying notes form an integral part of these financial statements.

*20.555MKD current value of the assets purchased as part of project 512005 implemented by NMAC Programme and closed on June 30th, 2022. These items are in NMAC Programme inventory.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 and 31 December 2021

All amounts are presented in thousands MKD, except where otherwise stated

1. ESTABLISHMENT AND ACTIVITY

The establishment of Pestalozzi Children's Village BRANCH OFFICE, Skopje (further referred as "the Organization") is registered in the Trade Register of the Republic of North Macedonia on 10 March 2017. The official address of the Pestalozzi Children's Village BRANCH OFFICE, Skopje is str. 1732 No. 4-1/1/20/lam A-levo Skopje-Centar, Skopje.

Pestalozzi Children's Village BRANCH OFFICE, Skopje is a non-profit organization. It is established for unlimited period. Pestalozzi Children's Village BRANCH OFFICE, Skopje was founded with main aim to provide access to quality education for all children, with special focus on children in vulnerable situation. This is done in cooperation with national authorities and in partnership with local non-governmental organizations.

At 31 December 2022, the Organization employs 3 persons (31.12.2021: 4 employees).

2. BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Organization are conducted in accordance with the Non-Profit Organization Accounting Law and the International accounting standards for the public sector on cash basis published in the Republic of North Macedonia for presentation of the balance sheet items, balances of the assets, liabilities, sources of the assets, revenues and expenses, and the operating results on true, fair, confidential, complete, punctual basis. The amounts in the statements and the notes are stated in thousands of MKD, except when otherwise indicated in the text.

3. BASIC ACCOUNTING POLICIES

The basic accounting policies used for preparation of the financial statements are listed in the following text.

3.1 Cash and cash equivalents

The Organization's cash comprises of the cash on hand and the cash on bank account in the commercial banks. Money at the cash account and at the bank accounts stated in domestic currency are presented in the general ledger at their nominal value, while the foreign exchange currency is stated according to the exchange rate of NBRM at the reporting date.

3.2 Material and non-material investments

Material and non-material investments (fixed assets) are stated at their cost value. The cost of the fixed assets comprise the purchasing price increased for the import customs, non-refundable VAT, manipulative expenses and all other expenses that can be added to the cost, i.e. to the purchasing expenses. The operating fund of the Organization increases for the amount of the value of fixed assets purchased. The revaluation of fixed assets (tangible and intangible assets), is performed because of additional valuation due to the increase of the annual inflation rate, measured with the official industrial product price index. Revaluation basis is the cost of the assets. Revaluated value of the assets is determined by indexing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 and 31 December 2021

All amounts are presented in thousands MKD, except where otherwise stated

3. BASIC ACCOUNTING POLICIES (Continued)

3.3 Depreciation

Tangible and intangible assets (fixed assets) are depreciated using the straight-line method, so their cost and revaluated amount are depreciated in equal annual amounts during the estimated utilization period of the fixed assets.

The amount of the current depreciation is recorded on the burden of the operating fund.

The depreciation rates, applied by the Organization in 2022 and 2021 are as follows: 20-25% for vehicles, 20% for furniture and 25% for computer equipment.

The calculation of the depreciation is performed separately for each item, and not for groups of assets.

3.4 Recognition of the revenues and expenses

Revenues and expenses of the non-profit Organizations are recognized according to the modified accrual basis of accounting.

According to the modified accrual basis of accounting the revenues i.e. expenses are recognized in the accounting period of calculation in which they appear under criteria of measurement and availability. Revenues i.e. expenses are measurable when they can be stated by their value. Revenues i.e. expenses are available when they are realized, i.e. when they appear (paid) in the accounting period or within the period of 30 days after the accounting period, under condition to be related to the accounting period and serve for payment of the liabilities for the period (if liabilities for payment appear in the accounting period).

3.5 Income tax

(a) Current Income Tax

Current income tax represents an amount that is calculated and paid in accordance with the effective Profit Tax Law of the Republic of North Macedonia. Income tax is payable at the rate of 1% of the income generated from performing operating revenues above the threshold of 1 million MKD.

(b) Deferred taxes

Deferred taxes are recognized in cases of differences between the carrying amounts of assets and the liabilities in the financial statements and the carrying amounts as per tax regulations and are reported using the balance sheet liability method. Deferred tax liabilities are recognised for all deductible temporary differences given that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. In these financial statements, there are no temporary tax differences.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 and 31 December 2021

All amounts are presented in thousands MKD, except where otherwise stated

3. BASIC ACCOUNTING POLICIES (Continued)

3.6 Amounts stated in foreign currency

The transactions in foreign currency are stated in MKD according to the Official exchange rate of NBRM at the date of transaction. Foreign exchange assets and liabilities of the balance sheet are stated in MKD according to the official exchange rates on the balance sheet date.

The Income Statement includes the net foreign exchange gains and losses that resulted from the conversion of the amounts in foreign currency in the period when they occur.

The average (closing) exchange rates of MKD related to the foreign exchange currencies (for one unit of foreign exchange currency) as of 31 December are as follows:

| In MKD | 2022 | 2021 |
|--------|---------|---------|
| EUR | 61,4932 | 61,6270 |
| USD | 57,6535 | 54,3736 |
| CHF | 62,4487 | 59,4683 |

4. GRANTED DONATIONS

| | 2022 | 2021 |
|-------------------------|------------------|------------------|
| Revenues from donations | 6.864.278 | 5.921.407 |
| Total | 6.864.278 | 5.921.407 |

Breakdown of granted donations by donors and instalments:

| | 2022 |
|------------------------|------------------|
| PCF first installment | 4.054.647 |
| PCF second installment | 2.809.631 |
| Total | 6.864.278 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 and 31 December 2021

All amounts are presented in thousands MKD, except where otherwise stated

5. A – DIRECT PROGRAMME ACTIVITY COSTS

| <i>Activity</i> | <i>Account</i> | <i>Description</i> | <i>Amount</i> |
|-----------------|----------------|----------------------|----------------|
| A8 | 4533 | Room rental | 10.080 |
| A8 | 4542 | Food - other | 18.806 |
| A8 | 4540 | Food - staff | 13.692 |
| A8 | 4520 | Travel costs - staff | 141 |
| A3 | 4582 | Consultancy fee | 66.667 |
| A15 | 4582 | Consultancy fee | 17.096 |
| | | | 126.482 |

6. B – HUMAN RESOURCES COSTS

| <i>Activity</i> | <i>Account</i> | <i>Description</i> | <i>Amount</i> |
|-----------------|----------------|-----------------------|------------------|
| .HR1 | 4500 | Salary | 4.847.235 |
| .HR2 | 4501 | Social Security | 96.000 |
| .HR3 | 4540 | Food Staff | 4.000 |
| .HR4 | 4537 | Accommodation - Staff | 7.200 |
| .HR4 | 4520 | Travel Cost -Staff | 7.000 |
| .HR4 | 4541 | Food - Participant | 1.500 |
| .HR6 | 4540 | Food - Staff | 16.069 |
| .HR7 | 4504 | Medical Insurance | 3.980 |
| .HR8 | 4540 | Food - Staff | 15.316 |
| .HR9 | 4509 | Other HR costs | 2.706 |
| | | | 5.001.006 |

7. C – MONITORING, CONTROLLING AND ASSESMENT COSTS

| <i>Activity</i> | <i>Account</i> | <i>Description</i> | <i>Amount</i> |
|-----------------|----------------|-----------------------|----------------|
| .MCA1 | 4580 | Auditing Costs | 360.188 |
| .MCA2 | 4581 | Evaluation Costs | 73.793 |
| .MCA3 | 4520 | Travel Cost -Staff | 147 |
| .MCA3 | 4540 | Food - Staff | 3.371 |
| .MCA3 | 4541 | Food - Participant | 4.127 |
| .MCA4 | 4520 | Travel Cost -Staff | 40.000 |
| .MCA4 | 4537 | Accommodation - Staff | 5.700 |
| .MCA4 | 4541 | Food - Participant | 1.129 |
| .MCA4 | 4540 | Food - Staff | 10.095 |
| .MCA4a | 4520 | Travel Cost -Staff | 345 |
| .MCA6 | 4582 | Consultancy fee | 20.565 |
| .MCA2 | 4540 | Food - Staff | 458 |
| .MCA2 | 4542 | Food - other | 777 |
| | | | 520.695 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 and 31 December 2021

All amounts are presented in thousands MKD, except where otherwise stated

8. D – ADMINISTRATIVE COSTS

| <i>Activity</i> | <i>Account</i> | <i>Description</i> | <i>Amount</i> |
|-----------------|----------------|--|----------------|
| .ADMIN1 | 4530 | Office rent | 417.345 |
| .ADMIN2 | 4546 | Maintenance and repair buildings | 26.335 |
| .ADMIN3 | 4531 | Office Utilities | 27.318 |
| .ADMIN4 | 4561 | Office Supplies | 16.231 |
| .ADMIN5 | 4567 | Office Cleaning | 48.838 |
| .ADMIN6 | 4563 | Communication costs (phone, fax, internet) | 41.180 |
| .ADMIN7 | 4562 | Subscriptions (newspaper, membership) | 14.900 |
| .ADMIN8 | 4582 | Consultancy Fee | 46.614 |
| .ADMIN9 | 4582 | Consultancy Fee | 40.992 |
| .ADMIN10 | 4542 | Food Other | 2.211 |
| .ADMIN11 | 4540 | Food Staff | 8.498 |
| .ADMIN12 | 4520 | Travel Cost -Staff | 4.477 |
| .ADMIN13 | 4565 | Fees and charges | 43.248 |
| .ADMIN14 | 4585 | Publication, translation, material costs | 102.970 |
| .ADMIN15 | 4564 | Postage | 1.170 |
| .ADMIN16 | 4575 | IT Support costs | 14.760 |
| ADM20 | 4570 | Equipment and Furniture | 20.990 |
| | | | 878.077 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022 and 31 December 2021

All amounts are presented in thousands MKD, except where otherwise stated

9. PROPERTY, PLANT AND EQUIPMENT

| | Computer and other equipment | Furniture | Total |
|--|---------------------------------|----------------|----------------|
| Cost at 1 January 2021 | 150.732 | 222.044 | 372.776 |
| Additions | - | - | - |
| Revaluation of assets | - | - | - |
| Balance as of 31 December 2021 | 150.732 | 222.044 | 372.776 |
| Balance as of 1 January 2022 | 150.732 | 222.044 | 372.776 |
| Additions | 20.990 | - | 20.990 |
| Transfer from 512005 | 15.963 | 14.760 | 30.723* |
| Revaluation of assets | - | - | - |
| Balance as of 31 December 2022 | 187.685 | 236.804 | 424.489 |
| Accumulated depreciation as of 1 January 2021 | 91.483 | 148.654 | 240.137 |
| Depreciation | 33.348 | 43.518 | 76.866 |
| Revaluation of depreciation | - | - | - |
| Balance as of 31 December 2021 | 124.831 | 192.172 | 317.003 |
| Balance as of 1 January 2022 | 124.831 | 192.172 | 317.003 |
| Depreciation | 26.171 | 26.075 | 52.246 |
| Transfer from 512005 | 5.986 | 4.182 | 10.168* |
| Revaluation of depreciation | - | - | - |
| Balance as of 31 December 2022 | 156.988 | 222.429 | 379.417 |
| Net book value as of: | | | |
| 31-Dec-22 | 30.697 | 14.375 | 45.072 |
| 31-Dec-21 | 25.901 | 29.872 | 55.773 |

*30.723MKD cost value and 10.168MKD accumulated depreciation of the assets purchased as part of project 512005 implemented by NMAC Programme and closed on June 30th, 2022. These items are in NMAC Programme inventory.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022 and 31 December 2021

All amounts are presented in thousands MKD, except where otherwise stated

10. CASH AND CASH EQUIVALENTS

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-----------------------|
| Bank account (Out of which Reserve Fund is 613.500MKD) | 1.238.730 | 931.744 |
| Petty cash | 6.354 | 4.008 |
| Balance at 31 December | <u>1.245.084</u> | <u>935.752</u> |

11. OPERATING FUND

| | <u>2022</u> | <u>2021</u> |
|---|-------------------------|-----------------------|
| Operating fund | 45.072 | 55.773 |
| Current surplus of revenues over expenses | 1.233.622 | 895.604 |
| Balance at 31 December | <u>1.278.694</u> | <u>951.377</u> |

The changes in the Operating fund are stated in the Statement of changes in the operating funds.

12. ACCOUNTS PAYABLE

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|----------------------|----------------------|
| Accounts payable | 11.462 | 40.148 |
| Balance at 31 December | <u>11.462</u> | <u>40.148</u> |

13. OFF-BALANCE RECORDS

As of 31 December 2022, the Organization has no off-balance sheet exposure.

14. SUBSEQUENT EVENETS

After 31 December 2022 – the reporting date until the approval of these financial statements, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in these financial statements.

QUESTIONNAIRE

Instruction to the auditor: If the answer is „no“ to one of these questions, further explanation is required in the form of a management letter point.

| Questions | Yes | No | n/a | Comments |
|--|-------------------------------------|--------------------------|--------------------------|----------|
| Existence, adequacy and effectiveness of the Internal Control System (ICS) – Principle 2.2 | | | | |
| 1. Is the internal organization (structures, functions, tasks, competencies, responsibilities, methods, procedures, segregation of duties etc.), based on your impression, adequate to the size and operations of the partner? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 2. Are duties for vital functions and processes sufficiently segregated (e.g. entering commitments, entering and signing of contracts/agreements, authorizing and accounting of expenditures, reconciliation of cash on hand and in banks, follow-up on long outstanding debtors and creditors, etc.)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 3. Do you obtain comfort that the ICS of the organization is in adequacy with its size and type of activities? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 4. Is the ICS known, applied and documented? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 5. Do you obtain comfort on compliance with applicable laws, regulations and instructions (e.g. taxes, salaries, social contributions etc.)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 6. Is an Organization Manual with local context specific regulations (threshold in amount and number of offers to be solicited for local procurements of goods and services, cash limit, etc.) in place and are they followed? Are they in line with local legislation? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 7. Did you obtain an understanding of the design of the information and financial reporting system? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 8. Has the Partner advised staff, beneficiaries etc. to whom to report any suspect of fraud, misuse, or waste of resources or property? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |

| Questions | Yes | No | n/a | Comments |
|---|-------------------------------------|--------------------------|-------------------------------------|--|
| Conformity with the project objectives and adherence to the contract conditions – Principle 2.3 | | | | |
| 9. Is it ensured that signed project agreements (PCF with partner and/or partner with subcontractor/s) exist before any payments are made? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 10. Are the payments within your audit / review scope in accordance with the contract conditions and the agreed budget? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 11. Is the classification of expenses and income in accordance with the agreed contractual budget? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 12. Are approvals for variations from the budget/work plan required in advance of commitment of expenditure? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| 13. Is the financial reporting in accordance with the project agreement? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 14. Is the financial reporting of the period under audit / review in line with the reporting timetable? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 15. Do project responsible (operational and finance staff) visit field activities and are the findings of these visits documented? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 16. Is a written confirmation of the balance of the PCF advances available at project year end? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 17. Are the management letter points by the project auditor brought up in past years resolved adequately and/or properly monitored by the management? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 18. Is it ensured that any significant issues (e.g. fraud, management override of controls, etc.) noted in a review / audit report has been communicated to PCF? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | No such significant issues have been identified. |
| 19. Are the partner and any subcontractor/s familiar with regard to VAT and any other tax regulation procedures on the procurement of material and services for the activities funded by PCF? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | PCF funded program cannot be registered for tax exemption. as PCF is currently not on the list of funds of public interest |
| 20. Are there instructions on the approval of expenses (e.g. 4 eyes principle) and are they followed? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |

| | | | | |
|---|-------------------------------------|--------------------------|-------------------------------------|---|
| 21. Is the correct application of fees and allowances as per contract ensured (e.g. fees, rent, travel expenses, hotel accommodation, per diem and other allowances for project experts/consultants)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 22. Are control procedures in place to match labor costs (hours) charged to the project with time sheets of the relevant personnel? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 23. Is it ensured that the partner has correctly accounted for his hours on the project (effectively rendered services) in order to avoid double-charging of expenses (e.g. to different projects)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 24. Are all items (fixed assets) representing property of the project maintained and safeguarded? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Questions | Yes | No | n/a | Comments |
| <i>Economical conduct of business and effective use of financial resources – Principle 2.4</i> | | | | |
| 25. Is it ensured that project specific financial resources are only utilized for the particular activities and projects? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 26. Do adequate measures and procedures in the ICS exist, to ensure economical and effective utilization of committed resources? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 27. Is it ensured that prices and rates for material, services and overheads are subject to regular verification? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 28. Is the calculation of fees (charged for services to PCF) transparent and documented? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 29. Are all expenditures of expatriate employees reviewed and substantiated (rent, travel expenses, etc.)? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | There are no expatriate employees relating the project. |
| 30. Are all expenditures related to local staff reviewed and substantiated (gross salary, social and pension contributions, income taxes, travel expenses, rent, etc.)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 31. Are there instructions on the non-use of project/program vehicles for private purposes? | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | There are no project/program vehicles |
| 32. Are there instructions for the use of equipment after the end of the project? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| 33. Are there instructions on the non-use of mobile and fix net phones for private purposes? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| <i>Any other issues</i> | | | | |

| | | | | |
|-----|--|--|--|--|
| 34. | | | | |
| 35. | | | | |



Audit & Business Advisory



**Pestalozzi Children's
Village Foundation –
Branch office Skopje**

Project: NMAC Country Programme Audit

MANAGEMENT LETTER

A member of

mgeworldwide



**To the Management of
Pestalozzi Children's Village Foundation
Branch office - Skopje, North Macedonia**

According to the Contract for financial audit concluded between Pestalozzi Children's Village Foundation from Trogen (hereinafter: PCF) and A&BA Group Skopje (hereinafter: The Auditor), we have been engaged to perform a financial audit of the financial report for the project entitled "NMAC Country Programme Audit", the 'Project', that comprise of Financial Information and notes for the period from 01 January 2022 to 31 December 2022.

Our work was completed on time within the agreed terms due to excellent cooperation with your employees. In accordance with the Terms of Reference for financial audit we address the results of the project audit, discuss major weaknesses in the project, administrative and financial management (including the deficiencies of individual staff members) and propose recommendations to improve the project management, the accounting procedures and the internal control system (ICS).

We are happy to inform you that there are no findings of note in the current reporting period, which would require drawing attention to the Management.

Findings and Recommendations

| No. | Findings | Recommendations | Priority | Management comments and proposed actions | Deadlines |
|--|----------|-----------------|----------|--|-----------|
| Existence, adequacy and effectiveness of the Internal Control System (principle 2.2) | | | | | |
| / | / | / | / | / | |
| Conformity with the project objectives and adherence to the contract conditions (principle 2.3) | | | | | |
| / | / | / | / | / | |
| Economical conduct of business and effective use of financial resources (principle 2.4) | | | | | |
| / | / | / | / | / | |

This letter is intended solely for the use of the Management of the programme (and other who have regulatory access to it) and is not intended for any other purpose.

We wish to express our appreciation for the cooperation extended to our representatives during the course of our work.

Kind regards,
A&BA Group DOOEL Skopje
Darko Kalin, Partner




25.03.2023



Audit & Business Advisory



**Pestalozzi Children's
Village Foundation –
Branch office Skopje**

NMAC Country Programme Audit

Closing Minutes

A member of

mgiworldwide



**To the Management of
Pestalozzi Children's Village Foundation
Branch office - Skopje, North Macedonia**

Subject: Minutes of closing meeting

According to our Audit Contract for financial audit and Terms of Reference included, we have been engaged to perform a financial audit of the programme entitled "NMAC Country Programme Audit", the 'Programme' that comprise of Financial Information and notes for the period from 01 January 2022 to 31 December 2022.

Our work was completed due to excellent cooperation with your employees. In accordance with the Terms of Reference for financial audit, we held this meeting to address the results of the programme audit, discuss major weaknesses in the programme, administrative and financial management (including the deficiencies of individual staff members) and propose recommendations to improve the programme management, the accounting procedures and the internal control system (ICS).

Timing and location:

Closing meeting was held through telephone call on Friday (24 March 2023), at 12:00 local time (North Macedonia).

Participants:

Darko Kalin – Member of Auditor's team (Partner of the engagement)
Ana Chorbeska Tanevska – Finance and Administration Officer in the Organization

Internal Control System – general observations

An internal control system is established by management to ensure that risks such as the loss or mismanagement of funds, or the misuse of assets are foreseen and minimized. Organization's internal control system also helps to ensure compliance with laws and regulations and protect those responsible for handling the financial affairs of the Organization.

The Organization's rules and procedures have the following key features:

- Segregation of duties and responsibilities. Different people authorize purchase orders, authorize payments and check the accuracy of the financial transactions;
- Simple, effective and practical book-keeping. (the Accounting is outsourced);
- Documentation of all financial procedures are presented in accessible manuals which are followed rigorously. Aside from procedures applied by the Organization, in case of difference of the procedures from the Contracting Authority (in Grant Agreement funding), the Organization applies the prescribed procedures as per the certain Agreement;
- There is consistency of financial systems over the years so that comparisons can be made, trends analyzed and transparency facilitated; and
- Financial procedures are developed (adapted) to support different or overlapping reporting systems and requirements (for example, when the Organizations needs to report to more donors at different periods of time, using different reporting formats).

Accounting

The accounting of the Organization in regards to submission of annual accounts in the Republic of North Macedonia is outsourced.

However, the Organization also keeps in-house accounting of transactions and the recording of all financial transactions is in a consistent, practical and accessible format which is essential for good financial management. Accounting records provide valuable information about how funds have been used and whether the organization is achieving its objectives. The Organization keeps an accurate record of financial transactions which shows how funds have been used. Regular reconciliation of bank and cash is conducted. Financial records and systems are regularly verified and authorized to ensure that the procedures are being followed correctly. Every transaction in the organization is documented, authorized, verified and recorded.

The Organization is using the double-entry book-keeping and keeps track of different budget lines. The accounting system complies with the national accounting standards and requirements and PCF standards and requirements.

Budgeting and reporting

A system of clear financial reporting is performed (with evidence of the proper use of funds) to justify the disbursement of funds. Actual expenditure can be tested against the budget and work plan and in the event of significant potential variance, authorization can be sought. Financial reports also form part of the internal controls by giving a summary of the broad picture of income and expenditure. The financial reporting is linked to the programmatic reporting and to the monitoring and evaluation framework in order to match the money spent to the beneficial results achieved.

The resources and time to meet required reporting form is structured into the budget and work plan. It is practice for PCF Trogen to give the format of reporting to the Organization.

Financial Procedures

The financial working considers overall monitoring and execution of the finances in the Organization starting with approval of annual plan by PCF, payment of the first instalment, through developing the final report on the program support.

a) Funds allocation

There are two types of fund allocations: allocation on foreign exchange rate bank account and allocation on the bank account in MKD. The funds allocation and determination of the correct bank account is done by the authorized personnel.

b) Financial transactions

b.1. Bank Transfer - This type of transaction is done by a payment order (payment of current obligations, expenses, and payment of the expenses for procurement of high prized goods). This type of transaction has to be previously approved by the Country Representative.

b.2. Cash Transactions - These types of transactions include order for cash withdrawal from the Organization's accounts. This type of transaction has to be previously approved by the Country Representative.

In the frames of the program, there are authorizations for the personnel responsible for monitoring the transaction of the funds on the bank account and the transactions of the funds out of the project petty cash which is part of the program.

c) Reporting

Financial Reporting - The Finance and Administration Officer is responsible for producing periodical and final reports on the programme.

This letter is intended solely for the use of the Management of the programme (and other who have regulatory access to it) and is not intended for any other purpose.

We wish to express our appreciation for the courtesies cooperation extended to our representatives during the course of our work.

Kind regards,

Darko Kalin, Partner



24.03.2023



**Pestalozzi
Children's Village**

**To:
A&BA Group DOOEL Skopje
Str.Pariska no.50/1-8
Skopje**

We are providing this letter in connection with your audit of the Financial Information of the project entitled "NMAC Country Programme Audit", (hereinafter: the 'Project'), for the period from 01 January 2022 to 31 December 2022, for the purpose of expressing an opinion as to whether the financial statement prepared by the Organization, present fairly, in all material respects, the financial position of the project, in accordance with the financial reporting provisions of PCF.

We confirm that we are responsible for the preparation of the financial Statement in accordance with the financial reporting provisions of PCF, and for such internal control as management determines is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

We acknowledge our responsibility for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations:

1. The financial statements referred to above are fairly presented in conformity with the financial reporting provisions of PCF.
2. We have no knowledge of any irregularities, fraud or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, or (3) others where the fraud could have a material effect on the financial statements.
3. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
4. We have no knowledge of any other fraud or suspected fraud affecting the entity's operations.
5. We have made available to you all books of account and supporting documentation, and all minutes of meetings of the board of directors, as well as minutes of controls of regulatory and tax authorities.

6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
7. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the audit engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
8. There are no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
9. The entity has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.
10. There are no:
 - Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by IAS 37, "Provisions, Contingent Liabilities and Contingent Assets".
11. The entity has no plans or intentions that may materially affect the carrying value or classification in the financial statements.
12. All transactions have been recorded in the accounting records and are reflected in the financial statements
13. To our best knowledge there is no conflict of interest identified which may affect the financial statements.
14. The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:
 - Cost transactions, including sales, purchases, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to other parties;
 - Guarantees, whether written or oral, under which the entity is contingently liable; and
 - Agreements and options to buy back assets previously sold.
15. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on the entity's assets.
16. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent. We have no guarantees that we have given to third parties, which require disclosure in the financial statements.
17. There are no litigations filed against the entity.
18. Significant assumptions (if any) used by us in making accounting estimates, including those measured at fair value, are reasonable. (ISA 540)

19. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.
20. The entity regularly fulfilled all contractual obligations, which in case of the entity's inability to settle them might affect the fairness and objectivity of the accompanying financial statements. There are no disputes with regulatory authorities arising from operations.
21. To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the financial statements as of and for the year period subject of audit. (ISA 560)

Date: 25.03.2023

Signed for and on behalf of the Management of
Pestalozzi Children's Village Foundation – branch office Skopje



The image shows a handwritten signature in blue ink over a circular blue stamp. The stamp contains the text "PESTALOZZI CHILDREN'S VILLAGE FOUNDATION" around the perimeter and a stylized logo in the center. The signature is written in a cursive style.