

Letter to Those charged with governance (Governing Board) and Management

"Science & Technology Center in Ukraine"

Audit of the financial statements for the year ended 31 December 2022

Introduction

Dear Sirs,

We have audited the financial statements of the "Science & Technology Center in Ukraine" (hereinafter - the "Organization" or "STCU"), which includes the Statement of financial position as at 31 December 2022, Statement of profit or loss and other comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended and notes to the financial statements.

During the planning and conducting of the audit of the financial statements, we have examined the internal control structure, organized by the Organization, regarding the accounting and reporting in order to determine our audit procedures.

We acknowledge that we have complied with the relevant ethical requirements for independence, and inform you that there are no relationships and other issues that could reasonably be considered as those affecting our independence.

In accordance with common practice, our letter contains some observations and recommendations regarding accounting and internal control systems and that have attracted our attention during the audit. The facts we refer to in this letter may not fully reflect all significant misstatements and all possible improvements.

This letter is prepared solely for the purpose of informing the Organization's Governing Board and management and may not be used for purposes other than for internal use.

We will be grateful for your comments on the issues described in this letter and we are ready to discuss them with you.

Observations and recommendations

- Impairment allowance for accounts receivable

Observation

During performance of the procedures, auditors have identified that the Organization recognizes accounts receivable under the project P723 (partner The University of Birmingham) in the Balance Sheet as at 31 December 2022, which is currently suspended. This debt amounts to USD 23,543 thousand. The Client classifies this debt as overdue more than 1 year. The auditors were unable to receive sufficient evidence that these receivables will be repaid in full amount.

Risks

The carrying amount of accounts receivable in the financial statements as at 31 December 2022 may be overstated.

Recommendations

We recommend the Organization to accrue impairment allowance for these accounts receivable.

Organization's comments

STCU agrees with this recommendation the amount has been outstanding for some time and may not be recoverable.

It should be noted that the amount receivable of € 22,050 is also the amount of DCC Projects for this partner and so when written off there will be no loss to STCU.

Further the project is not suspended, what has happened is that the project was delayed in implementation by COVID and was extended to 30 June 2023 it was to have ended 31 December 2021. Unfortunately, the addendum to the project extending the implementation period as not entered into the database and the project was automatically closed at 31 December 2021. This may give the impression the project was suspended. A further extension has also been requested.

STCU will enquire as to the possibility of the project being completed and the funds being received. This project is a Horizon 2020 project and the funding rules for the Horizon 2020 programme are not in accordance with STCU partner project rules in that under Horizon 2020 the funding is not paid in full until the project is complete and financial reports have been submitted and accepted by the EU whilst under STCU rules project expenditure is not paid until funds have been received from the partner.

Following enquiries of the Partner (who is the lead organization for EU received funding under the Horizon 2020 programme) STCU will write off the account receivable if not collectable.

Acknowledgment

We are very grateful to the management of the Organization, which assisted us in conducting our audit. The quality of our audit largely depended on the degree of mutual understanding that we reached during the audit. We are grateful to all the staff involved for their assistance in the organization of the audit, their readiness and promptness in the provision of the necessary information. We are looking forward to further effective cooperation.

Restrictions on use

This letter is intended solely to inform the management of the "Science & Technology Center in Ukraine" and for the use by the Governing Board and management and other persons within the Organization and may not be used for any other purposes.

This information may not be referenced or publicly mentioned without our prior written consent.

On behalf of "Crowe Erfolg Ukraine", LLC

Artem Vorobiienko
Key Audit Partner
5 December 2023

