

FIRMA DE AUDIT

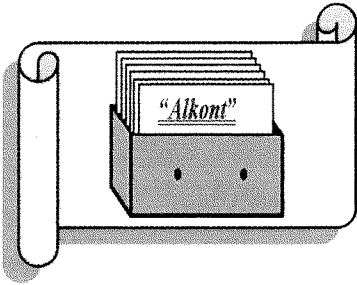
"ALKONT"

Auditor's Statement

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AUDIT FIRM «ALKONT»

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c/b 222470301046 Banca Sociala BSOCMD2X, c/f 1003600126704, Licence №016472 of 14.07.05

To the management of Transparency International Moldova

In planning and performing our audit of financial statements of Transparency International Moldova NGO for the period from January 01, 2009 up to and including December 31, 2009 drawn up in accordance with the cash receipts and disbursements basis of accounting, as well as of the internal controls employed by the Projects to determine our auditing procedures, in order to express our opinion on financial statements of the Projects, a special attention was paid to:

- Design and operation of the accounting system of the Projects, i.e. documentation, authorization of transactions, acquisition of goods and services, documentation on business trips, book-keeping and account reconciliation;
- All the necessary supporting documents, records, and accounts have been kept in respect of all the Project's revenues and expenses;
- The received funds have been spent efficiently for the purpose of the Projects in accordance with the budget and other clauses set by the Grant Agreements;
- All the expenses are properly documented and are in accordance with the budget prescribed by the Grant Agreements;
- All the expenses have been incurred in accordance with the legislation in force; and
- All the equipment acquired by means of the grants exists.

This report is intended solely for the information and use by the management of Transparency International Moldova and their donors. "Alkont" Audit Firm is not responsible before the third persons that could use this information for any other purposes is not intended and should not be used by anyone other than the specified parties.

Alla Kulikovskaia
Auditor

May 31, 2010



REPORT ON AUDIT FINDINGS

May 2010

1. Compliance to the Budgets

The following tables summarize the expenses incurred by the management of Transparency International - Moldova from donations received from NOVIB, ALAC, AED, RAI and reported within the period from January 01, 2009 up to and including December 31, 2009 compared to the budget items and audited expenditure.

1.1 Civil Society Against Corruption Project (MOL-503837-0005116):

(all amounts expressed in Euros)

Description	Budget	Expenditure	Variance %%
<i>Activity 1: " Civil society its capacity to withstand corruption"</i>			
1.1.Ensuring legal assistance to the citizens that face corruption: hot-line, visiting centre	19500	17013	87
Local consultants (two full time lawyers)	16000	15545	97
Maintaining toll free hot-line(0-800-10000)	1500	754	50
Marketing (producing and advertising video-and audio spots, conducting audio-video-programs, producing and disseminating posters, leaflets)	2000	714	36
1.2 Training of trainers, maintaining a permanent network of trainees that will conduct anti-corruption workshops in rural site	6600	6180	94
Local consultants (six part-time experts in legal anti-corruption framework, ethics in public and private sectors, tax related issues, public procurement, etc. mainly from TI-Moldova)	2800	2800	100
Payments to 10 selected and subcontracted trainees in rural area	2800	2765	99
Training of Trainees (hotel, hospitalities for 20 people each training)	1000	615	62
1.3 Conducting a study of corruption and criminality	7700	0	0
Local consultants	1700	-	
Subcontractor	4000	-	
Editing and printing (1000 copies in Romanian)	2000	-	
1.4. Conducting a study of corruption in energetic sector	9200	8034	87
Local consultants	2800	2800	100
Subcontractor	4000	4002	100
Editing and printing (1000 copies in Romanian)	2400	1232	51
1.5 Maintaining the web-site	3400	2579	76

Local consultants	2400	2234	93
Hosting of the site, internet services	1000	345	35
1.6 Editing and disseminating the monthly Informational Bulletin of TI-Moldova	6800	5043	74
Local consultants	2000	1981	99
Printing	2400	424	18
Dissemination costs (mailing and subcontracting distributors in 17 regions)	2400	2638	110
1.7 Broadcasting TV and radio anti-corruption programs, radio and video spots	2400	103	4
Subcontractors	2400	103	4
1.8 Confectioning and disseminating promotional materials with an anticorruption message (T-shirts, posters, calendars, satirical magazines)	2400	1458	61
Subcontractors	2400	1458	61
Subtotal	58000	40410	70
<i>Activity 2. State institutions assisted in corruption preventing</i>			
2.1 Participating of TI-Moldova in the Working Group for Monitoring the Implementation of the National Strategy for Preventing and Fighting Corruption ; Writing comments on the work of the work of the group	3840	3840	100
2.2 Writing comments on draft laws and other normative acts related to preventing and combating corruption	4160	4038	97
2.3 Conducting regular workshops for the local public administration in the Academy of Public Administration and localities	2100	1958	93
2.4 Organizing an anti-corruption conference (with the publication of speeches)	4000	3017	75
Subtotal	14100	12853	91
<i>Activity 3. Investigative journalists increased their capacities to conduct ethical investigations related to corruption</i>			
3.1. Conducting extracurricular work-shops on investigative journalism Universities	1600	1586	99
3.2. Conducting yearly contests for the best article about corruption	800	995	124
Premiums for three winners each year (I place 200 USD after taxes , II place-150 USD, III place -100 USD after Reception at the nomination of winners)	800	567	71
Reception at the nomination of winners	600	784	131
3.3 Printing the early editions of "Journalists against Corruption" with the articles presented for the contest (volume 10)	2000	1711	86
3.4 Participation in international conferences, training, regional and yearly meetings of TI	3200	824	26
Subtotal	9000	6467	72
<i>Activity 4. Activities additional to the work plan</i>			
4.1 Conducting a study of the implementation of the decisions of the Chamber of Accounts	0	592	
4.2 Exhibition of anti-corruption caricatures in the public garden Stefan cel Mare	0	1031	

4.3 Exhibition of anti-corruption caricatures in the theatre "Satiricus"	0	193	
4.4 Exhibition of anti-corruption caricatures in the news agency "Infoprim -Neo"	0	121	
4.5 Contest "life without corruption"	0	206	
4.6 Organizing a training for the staff of TI-Moldova "Improving presentation skills" (provided by consulting company "Management- consulting"	0	202	
Subtotal	0	2345	
Management			
Telephone	1000	196	20
Rent of office	9560	5723	60
Miscellaneous expenditures-internet, telecom, paper, cartridges etc	2800	2159	77
Equipment	1200	1086	91
Director and bookkeeper	16000	15998	100
Audit	3200	1702	53
Unforeseen expenditures	3000	1690	56
Subtotal	36760	28554	78
TOTAL Project MOL-503837-0005116	117 860	90 629	77

Overall, the project budget has been accomplished by 77 %.

1.2 Advocacy and Legal Advice Centres (ALAC) Project 209-354.10 SOE 7/2009:

(all amounts expressed in Euros)

Description	Budget	Actual	Variance %%
Human Resources	15300	14841	97
Travel	900	867	96
Office Costs, Equipment and Supplies	5400	5033	93
Other Costs/Services	22290	23149	104
Total Project 209-354.10 SOE 7/2009	43890	43890	100

Overall, the project budget has been accomplished by 100 %.

1.3. Monitoring Preventing Corruption and Combating Corruption in Fiscal System project:

2926-16-TI (STND)-07-005 / AED: (all amounts expressed in MDL)

Description	Budget	Expenditure			Variance %%
		2008	2009	Total	
Salaries and Honorariums	302289	280136	18021	298157	99
Direct project Expenses	216605	190602	10120	200722	93
Organizational Expenses	72634	61647	17807	79454	109
Total	591528	532385	45948	578333	98

Overall, the budget was executed for 98 %.

1.4. Integrity and Resistance to Corruption of the Criminal Judicial System in South East European Countries Project of Regional Anti-corruption Initiative

Description	Budget	Actual	Variance %%%
Uses of Funds:			
Staff costs	1639	1639	100
Consumables	351	344	98
Other costs	1834	1841	101
Total Project	3824	3824	100

Overall, the budget was executed for 100 %.

2. Internal Control and Accounting Systems

As part of our audit procedures, we have reviewed the internal control and accounting systems implemented by Transparency International Moldova. Transparency International Moldova has a proper authorization procedure (all the expenses are authorized by the Executive Director of the organisation) and there is delimitation between the authorization and payment transactions (all payments are authorized by the Chief Accountant of Transparency International Moldova). Besides, all the invoices presented to Transparency International Moldova for payment have signatures of the manager and notes of expense items according to the budget.

Copies of supporting documents per project and per each expense item separately are gathered in separate files and there is a financial statement for each section attached, indicating the date, document number, payment destination, amount in national and reporting currency.

As the organisation keeps books according to the cash receipts and disbursements basis of accounting, each payment is confirmed by a corresponding document attesting the receipt of materials or services (fiscal bills, work completion acts, and receipts complying with the local legislation in force). In our opinion, the authenticity of these documents does not raise doubts.

The organisation employs computer processing of accounting data, 1C Accounting, designed for book-keeping in non-commercial organisations. The peculiarity of such book-keeping consists in the fact that when registering any expenditure of targeted financing it is necessary to specify the project it refers to, the budget item, as well as the source of financing (the donor). That is why, it is impossible to duplicate payments under different projects or budget items, because the payment document may be considered only once and all the analytical

notes are registered in the accounting books at the same time. Besides, any payment (money transfer) is automatically recalculated at the exchange rate as of the date of transaction and, as a result, accounting excludes exchange rate manipulation.

3. Compliance to Accounting and Fiscal Legislation

Accounting is performed at an acceptable professional level. There is sufficient evidence (primary documents) to confirm the expenses incurred within the activity of Transparency International Moldova. All the accounting books are kept in good conditions.

The audit has verified the liabilities on the income tax of individuals employed by Projects for the current reporting period. No deviations or significant distortions related to the record of liabilities to local tax authorities, presentation of tax statements and making of adjacent payments have been discovered. Transparency International Moldova presents complete and timely tax reports, according to the local legislation in force.

The accounts that reflect cash flow (petty cash, cash in bank accounts in foreign and national currency), entry and use of non-current assets, salary calculation and adjacent deductions, as well as liabilities to the budget have been verified for the entire population (that is, all the items have been verified). The stock turnover and payments to suppliers for materials and services have been verified selectively, applying a sample of 85%, as well as index verification.

After the performed audit procedures, we can state with a certain degree of certainty that financial statements correspond to the accounting data and supporting documents:

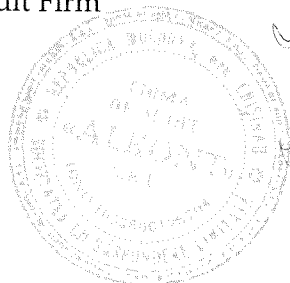
- All the received funds are registered in accounting books in the overall volume and at the corresponding Euro exchange rate;
- All the money transfers are made on the basis of the received vouchers, and all the essential expenses are incurred on the basis and correspond to the conditions of agreements and annexes with corresponding organisations;
- Costs of assets and services received within the project correspond to the level of local prices;
- Accounting books correspond to the cash flow in bank accounts and cash register;
- Assets procured by means of grants exist and belong to Transparency International Moldova NGO

Auditor, Director of Audit Firm



Alla Kulikovskaia

Assistant Auditor



Marina Sirghii

Date: May 31, 2010

Working Group:

1. **Kulikovskaia Alla** - auditor with 16 years of audit experience and 10 years of experience in the field of non-governmental organisations, member of the Association of Professional Accountants and Auditors of the Republic of Moldova (acronym in Romanian - ACAP - full member of IFAC) and Professional Auditors' and Consultants' Association of the Republic of Moldova, member of the working group of the Ministry of Finance on the elaboration of the National Auditing Standards and accounting in NGOs.
2. **Sirghii Marina** - professional accountant, assistant auditor and member of the Association of Professional Accountants and Auditors of the Republic of Moldova.
3. **Clipicova Anastasia** - professional translator, director of translators firm "BERLIZZO".