



REPORT ON AUDIT FINDINGS

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Report of Factual Findings

April 20, 2011

To the management of Transparency International Moldova

In accordance with the Contract Nb.031NGO dated 26 November 2010 that you agreed with us, we provide our Report of Factual Findings ("the Report"), with respect to the accompanying Financial Report for "Civil Society Against Corruption" Project (MOL-503837-0005116) and Advocacy and Legal Advice Centres Project (209-354.10 SOE 8/2010) for the period covering 01.01.2010 -31.12.2010. You requested certain procedures to be carried out in connection with your Financial Report.

Objective

Our engagement was an expenditure verification which is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Project between Transparency International Moldova and Nederlandse Organisatie voor Internationale Ontwikkelingssamenwerking (NOVIB), Advocacy and Legal Advice Centres (ALAC) and Soros Foundation Moldova donators (further - donators). The objective of this expenditure verification is for us to carry out certain procedures and to submit to you a report of factual findings with regard to the procedures performed.

Standards and Ethics

Our engagement was undertaken in accordance with:

- International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the International Federation of Accountants ('IFAC');
- the Code of Ethics for Professional Accountants issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the auditor also complies with the independence requirements of the Code of Ethics for Professional Accountants;

Procedures performed

These procedures were performed solely to assist the donors in evaluating the expenditure claimed by you in the accompanying Financial Report is eligible in accordance with the terms and conditions of the Grant Contract.

In conducting the audit, a special attention was given to the following aspects:

- Principles and methods of the financial reporting system at the Transparency International Moldova i.e. documentation and legal basis, completeness and continuity of reflecting and approving all economic transactions, correspondence of analytical reporting data, turnover and balance on synthetic reporting accounts with supporting documents;
- Existence of all the documentation supporting revenues and expenditure for project activities;

- Documentation of expenses in accordance with provisions of project agreements and legislation in force;
- Prices of procured assets and services correspond to the existing ones on the local market;
- Assets procured by means of targeted financing have been used for project purposes;
- Project expenses for reporting periods (01.01.2010 - 31.12.2010) coincide and amounts presented in the report do not differ essentially from the budget lines.

Sources of Information

The Report sets out information provided to us by you in response to specific questions or as obtained and extracted from your accounts and records.

Factual Findings

The total expenditure which is the subject of this expenditure verification amounts to €123 020 for "Civil Society Against Corruption" Project and € 42 970 for Advocacy and Legal Advice Centres Project.

The Expenditure Coverage Ratio is 85%. This ratio represents the total amount of expenditure verified by us expressed as a percentage of the total expenditure which has been subject of this expenditure verification.

We report the details of our factual findings which result from the procedures that we performed in this Report.

Use of this Report

This Report is solely for the purpose set forth above under objective.

This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the Donors in connection with the Grant Contracts.

This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

This Report relates only to the Financial Report specified above and does not extend to any of your financial statements.

Director of Audit Firm, Auditor
April 20, 2011



Alla Kulikovskaia

1. Information about the Grant Contract

1.1 The general aim of the projects is intended to be achieved by fulfilling the following specific objectives:

- To provide citizens with information and legal advice so as to enable them to pursue corruption-related complaints (as either victims or witnesses);
- To strengthen the ability and willingness of institutions to receive and act upon corruption-related complaints;
- To bring about systematic improvements (legal, administrative and institutional) in the fight against corruption;
- To support the state institutions in preventing corruption, diminishing the citizens' tolerance towards corruption, ensuring a higher involvement of civil society, and establishing a critical mass of civil society stakeholders who can collectively face the challenge of corruption.

1.2 The Projects implementation period is 12 months in accordance with Grant contract MOL-503837-0005116, reference ECA-06-237 18 and Advocacy and Legal Advice Centres Project (209-354.10 SOE 8/2010).

1.4 Financing:

a) Nederlandse Organisatie voor Internationale Ontwikkelingssamenwerking (NOVIB)- 87% - EUR 107 231. Co-financing: 13% of the total cost of the activities for Project was funded by Soros Foundation Moldova - MDL 259 582 or EUR 15 789;

b) Advocacy and Legal Advice Centres (ALAC) - 100% - EUR 42 970.

Remarks of auditor: The donated funds were disbursed to the head office through bank transfer in foreign and local currency and converted into MDL at the official exchange rate as of the date of the receipt.

2. Procedures performed and Factual Findings

We have performed the specific procedures for the expenditure verification of the Grant Contracts. These procedures are:

- 1 General Procedures
- 2 Procedures to verify conformity of Expenditure with the Budget and Analytical Review
- 3 Procedures to verify selected Expenditure

2.1 General Procedures

2.1.1 Terms and Conditions of the Grant Contract

The main purpose of the audit control has been to determine the reliability of financial statements and compliance of economic and financial operations carried out by TIM, with the conditions stipulated by donors on implementation of the Projects and standard acts of the Republic of Moldova.

Primary documents and accounts of the organisation were verified and analyzed within the audit, included control of:

- Targeted financing received for project purposes;
- Primary documents on application of donated funds and their record in accounting books;
- Record of expenditure according to budget items;
- Operations with foreign currency and accuracy in application of the foreign currency exchange rate;
- Operations that imply relations with tax control bodies of the Republic of Moldova.

The control was performed in compliance with the Law on Accounting, International Audit Standards, and National Accounting Standards.

The control was performed by sections of the financial statement based on the detailed and selective methods.

2.1.2 Financial Report for the Grant Contract

The report as of December 31, 2010 is consistent with the reporting period and with the date of presentation of the balance sheet and it has been certified by the local authorities. The auditors have identified the data that was represented in the report together with the preliminary documents and reflections in the accounting books. Financial data presented in the descriptive report does not contradict the amounts of expenses presented in the report.

2.1.3 Rules for Accounting and Record keeping

Significant Accounting Policies and Exchange Rates

Basis

The financial schedules of the Project are drawn up in accordance with the National Accounting Standards adopted in 1998, on the basis of the International Financial Reporting Standards (IFRS). At drawing the financial statements according to the National Accounting Standard No.5, the accrual-basis method is used, which means that the expenditure related to the use of targeted financing is recognized in accounting books at the moment of incurrence rather than payment.

Exchange Rates

The targeted financing (funds) received in EUR is recorded in Moldovan Lei at the official exchange rate as of the receipt date. Expenses are recorded in accounting books in Moldovan Lei and in financial statements in EUR at the official exchange rate as of the date of payment.

Assets and liabilities denominated in foreign currencies and presented in annual financial statements are converted into Moldovan Lei at the official exchange rate set by the National Bank of Moldova as of December 31, 2010 – MDL 16,1045 for 1 EUR.

2.1.4 Reconciling the Financial Report to the Beneficiary's Accounting System and Records

The was audited a sample of 85% of accounts reflecting fixed asset and inventory transactions, payroll accounting, accounts receivable and payable, as well as tax and fee obligations.

The auditors examined entirely the accounts corresponding to cash flow in bank accounts in MDL (i.e. bank excerpts, payment orders, cash receipts and expense documents). Full audit was performed also on the project targeted financing expenditure and the expense reports of advance holders.

As a result of the general examination, selected testing and analysis of different sections of financial statements, the auditors have established the following:

- All the source documents, accounting books and financial statements are kept in acceptable conditions;
- Accounting is performed at an acceptable professional level. There is sufficient evidence (i.e. all the corresponding agreements, acts, source documents, accounting books, tax statements, and other necessary documents) to support project expenditure.
- TIM presents regularly the reports to donors within the terms established in contracts with the financing organisation.

Please note the basic aspects in the system of reporting of financial statements as described in the following sections.

Cash

The objective of the audit was to establish the correspondence of cash accounting methods with regulatory documents in force in the Republic of Moldova.

The organisation received donations for the project in bank accounts and all the cash flow in these accounts was exclusively related to the given project.

The auditors established that in general cash transactions corresponded to the legislation in force and payments were made for project purpose.

The cash balance in the bank account of TIM corresponds to the bank excerpts and patty cash register.

Accounting and Use of Cash Given to Advance Holders

The audit of expense reports of individuals who received cash established that within the reporting period all the expense reports were signed and approved accordingly by the manager and accountant of TIM.

Cash payment is accepted only on the basis of supporting documents. This condition is properly respected by the organisation.

The auditors have not revealed any cases of covering personal expenses of the staff or making other payments not stipulated in the budget.

Inventory

All the source documents of the basis of accounting records are fulfilled in compliance with the legislation in force and have supporting signatures, tax codes and stamps.

The received material assets have been registered on the basis of payment documents and tax bills in the amounts indicated in the accompanying documents.

Expenses have been reflected in accounting on the basis of material asset retirement certificates, in compliance with project budget items.

Consumables agree with the inventory documents at the corresponding date.

Compliance to Tax Legislation

According to tax legislation, TIM has to calculate and pay the following taxes and fees: individual income tax, social and health insurance dues and individual pension dues. Within the audited period, the organisation regularly calculated and paid all the taxes and fees and reported to the corresponding state authorities.

The auditors have not revealed significant mistakes in tax and fee calculations.

While examining the accounting and internal control systems, it was established that accounting was automated with the help of Accounting software "1C" and MS Excel spreadsheets; there is analytical record per project budget items by sections stipulated in the budget annexed to donor agreements.

2.1.5 Procedures to verify conformity of Expenditure with the Budget and Analytical Review

All the financial expense documents of the project were set and registered in separate analytical files as per the budget items stipulated in the donor agreements.

Every file contains the information about the date, the origin and the purpose of the expense financial documents, as well as the quantity and value in local currency and the corresponding equivalent in EUR.

Financial documents relative to a particular expense budget item are organized in a separate file and presented in the original form.

The auditors haven't identified any divergence between the accounting books of primary financial documents and the information presented in the financial report.

2.1.6 Compliance of the Grant Contract Expenditure to the Project Budget

The Auditor finds that the budget in the Financial Report corresponds with the authenticity and authorization of the initial budget of the Grant Contract and that the expenditure incurred was indicated in the budget of the Grant Contract.

Compliance of the OXFAM NOVIB Contract Expenditure to the Project Budget

For the period of January 1, 2010 - December 31, 2010 /EUR/

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

Nb.	Description	Budget	Expenditure	Variance %%
Activity 1: "Civil society its capacity to withstand corruption"				
	Ensuring legal assistance to the citizens that face corruption:	20 800	18 424	89
1.1	hot-line, visiting centre			
	Training of trainers, maintaining a permanent network of trainees that will conduct anti-corruption workshops in rural	6 600	6 509	99
1.2	site bank			
	Maintaining the web-site	4 280	4 450	104
1.3				
	Editing and disseminating the monthly Informational Bulletin of TI-Moldova	7 300	7 538	103
1.4				
	Broadcasting TV and radio anti-corruption programs, radio and video spots	2 400	1 445	60
1.5				
	Confectioning and disseminating promotional materials with an anti-corruption message (T-shirts, posters, calendars, satirical magazines)	2 400	2 422	101
1.6				
Total Activity 1		43 780	40 788	93
2. Strengthening the capacities of public institutions to collaborate with citizens in corruption preventing matters				
	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	3 840	3 843	100
2.1				
	Writing comments on draft laws and other normative acts related to preventing and combating corruption	4 100	4 003	98
2.2				
	Conducting a study of petition system in public institution. Editing and printing the results in a brochure /Co-financed by SOROS Foundation/	8 000	10 398	130
2.3				
	Conducting a study of perception of conflict of interests in public institution /Co-financed by SOROS Foundation/	5 450	5 391	99
2.4				
	Conducting regular workshops for the central and local public administration	2 000	2 000	100
2.5				
	Monitoring the implementation of the decisions of the Chamber of Accounts	4 800	4 800	100
2.6				
Total Activity 2		28 190	30 435	108
3. Investigative journalists increased their capacities to conduct ethical investigations related to corruption				
	Conducting annual contests for the best article about corruption	2 080	1 907	92
3.1				
	Printing the early editions of "Journalists against Corruption" with the articles presented for the contest	2 000	2 027	101
3.3				
	Participation in International conferences, training, regional and yearly meetings of TI	4 000	4 154	104
3.4				
Total Activity 3		8 080	8 087	100

4. Activities additional to the work plan

4.1	Publishing a year-book with anti-corruption caricatures	-	3 116	
4.2	Organizing a round table on the improvement of the petition system with the participation of representatives of all central public institutions.	-	380	
4.3	Organizing a concert "Say NO to Corruption!" for youth	3 680	3 680	100
Total Activity 4		3 680	7 176	195
5. Management		36 951	36 534	99
TOTAL EXPENDITURE		<u>120 681</u>	<u>123 020</u>	<u>102</u>

Overall, the project budget has been accomplished by 102 % and deviation in budget items no more 8%.

1.2 Advocacy and Legal Advice Centres (ALAC) Project 209-354.10 SOE 8/2010:

(all amounts expressed in Euros)

Description	Budget	Actual	Variance %%
Human Resources	20 100	20 142	100
Travel	3 000	3 027	101
Office Costs, Equipment and Supplies	6 000	5 971	99
Other Costs/Services	13 870	13 830	100
Total Project 209-354.10 SOE 8/2010	42 970	42 970	100

Overall, the project budget has been accomplished by 100 % and deviation in budget items no more 1%.

As a result of the control of the project expenditure, the auditors have not revealed any indications and amendments to the Budget from the part of the Program Director in business correspondence.

3. Procedures to verify selected Expenditure

We have reported that financial documents, including per each expense item separately, are gathered in separate files and there is a financial statement attached for each section, indicating the date, the document number, destination of payment and amount in the national currency - MDL and reporting currency - EUR.

We have reviewed the internal control and accounting systems implemented by TIM as part of our audit procedures:

- The organisation employs corresponding authorization procedures (i.e. all the expenses are authorized by the Director of the organisation), and there is segregation between authorization and payment transactions (i.e. all payments are authorized by the manager and accountant).

- The invoices presented to the organisation for payment have signatures of the Director and notes of expense items according to the budget.
- Each payment is supported by documents of receiving materials or indicating rendered services (i.e. tax bills, acceptance certificates and receipts complying with the local legislation in force). In our opinion, the authenticity of these documents does not raise doubts.
- The organisation employs computerized processing of accounting data in MS Excel spreadsheets designed for record-keeping in not-for-profit organisations.

The results of the activities under the Transparency International Moldova Projects and the financial report for the donor as of December 31, 2010 were approved at the Annual TI-Moldova Members Meeting from 12 of January 2011.

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

- All the received funds are registered in accounting books in the total volume and at the corresponding exchange rate;
- All the money transfers are made on the basis of received invoices, and all the essential expenses are incurred on the basis and correspond to the conditions of agreements with the corresponding organisations and annexes to agreements;
- Direct costs of staff corresponding to gross salaries (including social and medical insurance) and corresponding tax reporting;
- Organisation did not use any provisions in financial accounts ;
- The cost of material assets and services received within the project correspond to the level of local prices;
- Accounting books agree with cash flow in bank accounts and cash register;
- Project expenses for the reporting period 01.01.2010 - 31.12.2010 correspond to the budget items, and amounts presented in the report do not differ significantly from the amounts planned in the budget;
- The assets procured by means of grants have been allocated according to the annexed acceptance certificates signed by the corresponding organisations;
- All the operations in the accounting books are reflected at the period of actual occurrence.
- Tangible assets procured from the grant sources exist and are owned by TIM.

Auditor, Director of Audit Firm

Alla Kulikovskaia

Assistant Auditor

Svetlana Moroz

Date: April 20, 2010



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General data about the Auditor:

Registration certificate of "ALKONT" L.T.D. - MD 0059721 of 03.04.1995 issued by the State Registration Chamber beside the Ministry of Justice of the Republic of Moldova;

License: Series A MMII Nr.035202 issued by the Licensing Chamber on 27.07.2015; valid until 14.07.2010;

Tax Code: 1003600126704; VAT Code: 0203832.

Certificate of audit firm "ALKONT" - CA 0005 No.7 of 03.12.2010 issued by the Association of Professional Accountants and Auditors of Moldova - full member of IFAC from 2004.

Team members who participated in the audit procedures:

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Alla Kulikovskaia - auditor with 15 years of audit experience and 9 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;

Svetlana Moroz - Assistant Auditor, Certified Accountant CIPA member of the Association of Professional Accountants and Auditors of the Republic of Moldova;

Anastasia Clipicova - Translator.

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