



## **Transparency International - Moldova**

### **Final Audit Findings**

**for the period 1 January to 31 December 2013**

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## **1. Audit Memorandum**

### **Introduction**

We have completed our audit of the special purpose projects financial statements of the Public Association "Transparency International Moldova" (TIM) Activities within 2013 and TIM administration costs in order to find out whether they satisfy the Grant Agreements concluded for approved activities in 2013 between donating agencies and Public Association "Transparency International Moldova".

### **Content and Scope of the audit**

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.

According to the specific of TIM activity, the audit was based on:

- Audit of financial means of program activity and administrative costs of TIM office (Balance sheets of incomes and expenditures and balance of resources transferred by donors to TIM);
- Audit of financial reports presented by TIM donors for the implementation of the projects (Reports on the Received and Used Targeted Financing for Projects within 2013).

The Primary documents and accounts of the organization were verified and analyzed within the audit, which included the control of:

- The financial statements of TIM comply with the Agreements with donors;
- The grant funds were kept on bank accounts and bookkeeping of the projects was kept in a separate registry;
- The financial statement is carried out in accordance with the approved project budget and contains explanations of significant deviation;
- Explanations of these budget deviations are not contradicted by any other information reviewed by the auditor;
- The reporting agrees with the accounts of the project budget and provides a true and fair view;
- The final progress report is complete and correct;
- The Final report has been signed by the manager within the Public Association TIM.

The control was performed in compliance with International Standards on Auditing (with the application of ISA 700 and 800/805). Those standards require that I follow professional ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial report is free from material misstatement.

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

### **Material findings**

The total expenditure which is the subject of this expenditure verification amounts to EUR 245 789 for Activities (see p.4 Final Progress Report and annex 1).

The Expenditure Coverage Ratio is 75%. 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.

Kindly note that in their work the auditor referred to the audit findings presented by Ernst&Young audit firm for the "Monitoring the implementation of anti-corruption policies in central public authorities in 2012" Project for the period of January 01 – April 16, 2013 funded by Soros Foundation Moldova, Grant Contract No.13712 - MDL 136,430.57 (USD11,318/ EUR 8,390.25); and the "Implementation of Anti-Corruption Policies" Project funded by Soros Foundation Moldova, Grant Contract No.13959 for the period of February 08 – March 31, 2013 – MDL 171,171.06 (USD14,200/ EUR10,526.74).

Moreover, the audit of the "National Integrity System Assessments in European Neighbourhood East region" Project (Grant Contract: ENPI/2012/310-064 signed on May 02, 2013 – EUR 47,204.13) for the period of March 2013 - February 2015 will be conducted by KPMG, according to the instructions of the project financing organization.

Having performed the audit procedures, we can state with a sufficient degree of certainty that 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 organizations and annexes to agreements;
- Direct costs of staff corresponding to gross salaries (including social and medical insurance) and corresponding tax reporting;
- Accounting books agree with cash flow in bank accounts and cash register;
- Project expenses for the reporting period (January – December, 2013) 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 financing have been allocated according to the annexed acceptance certificates signed by the corresponding organizations;
- All the operations in the accounting books are reflected at the period of actual occurrence.

This information is intended solely for the management of the Public Association "Transparency International Moldova" and donating agencies and is not intended and should not be used by anyone other than the specified parties.

Director of Audit Firm, Auditor  
July 10, 2014



Alla Kulikovskaia

## **2. Report on Factual Findings**

To: The Management of Public Association "Transparency International Moldova"

We have performed the procedures agreed in our engagement letter dated 20 April 2014 and set out below, which were agreed to by the management of Public Association "Transparency International Moldova" (hereinafter referred to as "TIM") in respect to the Action solely to assist the management of the Association in evaluating whether the financial report for the period 01 January 2013 to 31 December 2013 (hereinafter referred to as the "Financial Report") has been prepared in accordance with requirements of the Contracts and Agreements concluded between the Contracting Authorities of the one part and TIM (hereinafter referred to as the "Beneficiary") of the other part.

Our engagement was undertaken in accordance with the International Standard on Auditing (with the application of ISA 700 "Forming an opinion and reporting on financial statements", ISA 800 "Audits of Financial Statements prepared in accordance with special purpose frameworks" and ISA 805 "Audits of single Financial Statements and special elements, accounts or items of a Financial Statement").

The procedures were performed solely to assist the management of the Association in connection to the purpose defined above. The procedures performed are summarized below.

Procedures performed according to the International Standard on Auditing

1. We have obtained from the management of the Projects the following information:
  - A copy of the Agreements (signed by the management of the Association as the Beneficiary and its annexes.
  - The Financial Report for the period 01 January to 31 December 2013 (which includes a narrative and a financial section).
2. We have verified that the Financial Report complies with the following conditions of the Contract, namely whether:
  - The Financial Report was prepared in accordance with the model in Annexes of the Contract;
  - The Financial Report was prepared in order to cover the Action as a whole, regardless of which part of it is financed by donors;
  - The Financial Report was prepared in the language of the Grant Contracts, namely in English;
3. We have examined whether the Beneficiary has complied with the following rules for accounting and record keeping in accordance with the requirements of the IAS, namely whether:
  - The Beneficiary must have a double-entry book-keeping system;

- The accounts and expenditure relating to the Action must be easily identifiable and verifiable;
  - The accounts must provide details of interest accrued on funds paid by donors
4. We have reconciled the selected information in the Financial Report to the Beneficiary's accounting system and records.
  5. We have verified that the amounts of expenditure incurred in a currency other than the Euro - viz. MDL, have been converted at the average exchange rate calculated at the date of transfer of funds from Euros to Moldovan Lei.
  6. We have verified that the budget in the Financial Report corresponds with the budget of the Grant Contracts (authenticity and authorization of the initial budget and its subsequent amendments according to addendums to the Grant Contract) and that the expenditure incurred was indicated in the budgets of the Grant Contracts.
  7. We have selected all items of expenditures covering 75% of the total expenditure incurred. We have ensured that the items selected represent 75% of the expenditure amounts presented in each heading and subheading of the financial report.
  8. We have verified and commented on, for each expenditure item selected in accordance with procedure 8, the eligibility criteria set out below.

*8.1 Costs actually incurred*

We have verified that the expenditure for the selected items was actually incurred by and relates to the Beneficiary. For this purpose we have examined supporting documents (e.g. invoices, contracts) and proof of payment. We have also examined proof of work done, goods received or services rendered, where applicable.

*8.2 "Cut-off - Implementation period"*

We have verified that the expenditure for the selected items was incurred during the implementation period of the Project and was recorded in accordance with the cash basis of accounting.

*8.3 Budget*

We have verified that the expenditure incurred for all items was indicated in the budget.

*8.4 Records*

We have verified that the expenditure for the selected items is recorded in the Beneficiary's accounting system and was recorded in accordance with the measurement and recognition criteria of the applicable accounting standards.

*8.5 Evidence*

We have verified that the expenditure for the items:

- Is identifiable, verifiable and recorded in the accounting records of the TIM;
- Is supported by proof of procurement procedures such as financial documents, acts, factures;
- Has proof of commitments such as contracts and order forms, if applicable;
- Has proof of delivery of services such as approved reports, time sheets (including relevant documentation and material obtained, certificates), etc.;

- Has proof of receipt of goods such as delivery slips from suppliers, proof of completion of works, such as acceptance certificates, proof of purchase such as invoices and receipts, proof of payment such as bank statements;
- For staff expenses, is supported by payroll records, contracts, salary statements, time sheets;
- Is supported by evidence in documentary form, whether paper, electronic or other medium;
- Is supported by evidence in the form of original documents rather than copies;
- Is supported by evidence from independent sources outside the entity (an original suppliers invoice or contract).

**8.6 Valuation**

We have verified that the value of the items of expenditure agrees with underlying documents (e.g. invoices, salary statements etc) and that correct exchange rates are used where applicable.

**8.7 Classification**

We have examined the nature of the expenditure for the selected items and we have verified if the expenditure item has been classified under the correct (sub) heading in the Financial Report.

**8.8 Compliance with Procurement, Nationality and Origin Rules**

We have examined, where applicable, which procurement, nationality and origin rules apply for a certain expenditure (sub) heading, a class of expenditure items or an expenditure item. We have verified whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process.

9. We have verified that the expenditure for a selected item does not concern an ineligible cost.
10. We have examined whether revenues which should be attributed to the Action (including other sources of financing).

**We report our findings below:**

**With respect to Procedure 1**, we have obtained a copy of the Grant Contracts signed by the TIM and the Financial Report for the period January - December 2013, which includes a narrative and a financial section.

**With respect to Procedure 2:**

- We found that the Financial Report for the projects was prepared in accordance with the model in the Grant Contract specified by donors;
- We found that Financial Report covers the Action of TIM as a whole;
- We found that the Financial Report is drawn up in the language of the Grant Contracts, namely in English;

**With respect to Procedure 3:**

- We found that the Beneficiary has a double-entry accounting system. The Financial Report was prepared using the cash basis of accounting;
- We have received access to the accounts of the Beneficiary in order to perform our agreed upon procedure;

**With respect to Procedure 4,** we have found that the information in the Financial Report reconciles to the Beneficiary's accounting system and records in accordance with the requirements of the Grant Contracts.

**With respect to Procedure 5,** we have the following to report:

For the financial reporting purposes, the organization used the exchange rate as of the date of conversion from Euros to Moldovan Lei or in accordance with the instructions by donors:

	Average exchange rate MDL/€	
ALAC Project FKZ 2513AA0166	16.5634	Average exchange rate calculated at the date of transfer of funds from EUR to Moldovan Lei
NIS ENPI/2012/310-064	16.7729	Average exchange rate MDL/EUR =0.059062, calculated according to the average European exchange rate for the period (source – <a href="http://ec.europa.eu/budget/infoeuro/index.cfm?">http://ec.europa.eu/budget/infoeuro/index.cfm?</a> )
NED Grant 2012-952	12.40 MDL for 1 USD	exchange rate calculated at the date of transfer of funds from USD to Moldovan Lei
SOROS Grant 14008		exchange rate calculated in USD at the date of transfer of funds from Soros Foundation Moldova in Moldovan Lei
SOROS Grant 13712		
SOROS Grant 13959		
Col ENPI 2013/313-750		exchange rate calculated at the date of transfer of funds from Euros to Moldovan Lei

**With respect to Procedure 6,** we have found that Financial Reports per projects correspond with the budget of the Grant Contracts (authenticity and authorization of the initial budget) and that the expenditure incurred was indicated in the budgets of the Grant Contracts:

**Advocacy and Legal Advice Centers Project FKZ 25113AA0166**

Items	Expenditure	Budget	Funds Used
	EUR	EUR	%%
<b>A. Human Resources</b>	<b>30 224</b>	<b>30 000</b>	<b>101</b>
Project Coordinator	8 311	8 400	99
Legal Advisor	10 125	10 200	99
Public Relations	5 009	4 560	110
Bookkeeper/ Accountants	3 562	3 600	99
IT Maintenance and support personnel	3 218	3 240	99
<b>B. Other Costs, Equipment and Supplies</b>	<b>3 383</b>	<b>3 480</b>	<b>97</b>
Office Rent	2 382	2 400	99
Consumables	373	360	104
Other Services - tel/ fax, electricity/ maintenance	628	720	87
<b>C. Other direct costs/services</b>	<b>7 103</b>	<b>7 230</b>	<b>98</b>
Travel	1 211	1 360	89



AMM 2013	818	1 000	82
Local Transportation	392	360	109
<b>Other Direct Costs</b>	<b>5892</b>	<b>5870</b>	<b>100</b>
Toll-Free Hotline	347	600	58
Marketing Costs	1 736	1 200	145
Web Design and Maintenance	1 784	1 800	99
Books/ Journals/ Subscriptions	160	180	89
Workshops/Conferences	801	760	105
Bank charges	279	600	47
Miscellaneous (admin. costs)	390	360	108
Audits (including cost of translation)	395	370	107
<b>Total Project</b>	<b>40 710</b>	<b>40 710</b>	<b>100</b>

The project has been finalized and the report has been presented to the donor (Annex 2)

**“National Integrity System Assessments in European Neighbourhood East region” Project (Grant contract: ENPI/2012/310-064)**

Items	Expenditure	Budget	Funds Used
	EUR	EUR	%%
<b>1. Human Resources</b>	<b>26 566</b>	<b>50 635</b>	<b>52</b>
Lead Researcher	8 096	8 100	100
Research Assistant	5 240	5 895	89
External Reviewer	-	800	-
Project Coordinator	9 000	21 600	42
Administrative staff	645	4 800	13
Accountant	2 500	6 000	42
<b>Per diems for missions/travel</b>			
Abroad	1 485	2 940	51
Local	-	500	-
<b>2. Travel</b>	<b>1 919</b>	<b>6 450</b>	<b>30</b>
International travel	1 520	5 250	29
Local transportation	399	1 200	33
<b>3. Equipment and Supplies</b>	<b>-</b>	<b>1 500</b>	<b>-</b>
Postage of NIS reports	-	1 500	-
<b>4. Local Office</b>	<b>302</b>	<b>720</b>	<b>42</b>
Consumables (Office Supplies)	302	720	42
<b>5. Other Costs, Services</b>	<b>1 904</b>	<b>36 350</b>	<b>5</b>
Publications	-	8 000	-
Studies research	-	1 000	-
Audit	-	3 000	-
Translation, interpreters	675	8 800	8
Cost of conferences/seminars	929	5 550	17
Visibility actions	-	10 000	-
<b>Total Direct Eligible Costs</b>	<b>30 790</b>	<b>95 655</b>	<b>32</b>
Overheads	2 155	6 696	32
<b>Total Project</b>	<b>32 946</b>	<b>102 351</b>	<b>32</b>

The activities under this project will continue until February 2015, and KPMG will audit the financial results. The financial report for 2013 is presented in Annex 3.

**“Monitoring Conflict of Interest Policy” Project NED No 2012-952**

Items	Expenditure	Budget	Funds Used
Program Activities 2013:	USD	USD	%%
Space & Utilities	840	840	100
Supplies and Equipment	160	160	100
Contractual Services	12 105	12 160	100
Other direct costs	140	85	165
<b>Total</b>	<b>13 245</b>	<b>13 245</b>	<b>100</b>

The project has been finalized and the report has been presented to the donor (Annex 4)

**"Monitoring the implementation of anti-corruption policies in central public authorities in 2012" Project 14008**

Items	Expenditure	Budget	Funds Used
Program Activities 2013	USD	USD	%%
Financial support	8 736	18 846	46
Consultants/Experts	1 348	10 030	13
Administrative costs	1 484	4 546	33
Activities 1		300	0
Activities 2		200	0
<b>Total</b>	<b>11 569</b>	<b>33 922</b>	<b>34</b>

The activities under this project will continue until July 2014. The closing balance of targeted financing as of the end of the year made up USD 5,391. The financial report for 2013 is presented in Annex 5.

**“Monitoring the implementation of anti-corruption policies in central public authorities in 2012” Project Soros Foundation Moldova, Grant contract Nr.13712**

Items	Expenditure	Budget	Funds Used
Program Activities2013	USD	USD	%%
Consultants/Experts	8 987	8 989	100
Administrative costs	4 150	4 111	101
Consumables	277	278	100
Other costs	65	100	65
<b>Total</b>	<b>13 478</b>	<b>13 478</b>	<b>100</b>

The project has been finalized and the report has been presented to the donor (Annex 6). The findings of the previous auditor Ernst & Young dated 28.06.2013 stated: "In our opinion, the enclosed financial reports give a true and fair view of the revenues received and expenditure made by the Project within 08.04.2012 – 30.04.2013, in compliance with the cash-basis method according to the requirements of the Grant Contract."

**“Good Governments” Project. Implementation of Anti-Corruption Policies. Grant contract No.13959**

Items	Expenditure	Budget	Funds Used
Program Activities2013	USD	USD	%%
Services procured	900	900	100
Financial support	1 350	1 350	100
Tranport and Hotel	6 858	7 650	90

Other costs	3 900	4 200	93
Communications	132	100	132
<b>Total</b>	<b>13140</b>	<b>14 200</b>	<b>93</b>
Refund	1 060		
	<b>14 200</b>		

The project has been finalized and the report has been presented to the donor (Annex 6). The findings of the previous auditor Ernst & Young dated 28.06.2013 stated: "In our opinion, the enclosed financial reports give a true and fair view of the revenues received and expenditure made by the Project within 09.02.2013 – 31.03.2013, in compliance with the cash-basis method according to the requirements of the Grant Contract."

**"Engaging Civil Society in Monitoring of Interest Policies" Project Col  
(EU-funded Grant contract no. ENPI 213-313-750)**

Items	Expenditure EUR	Budget EUR	Funds Used %%
<b>Activities in Moldova 2013</b>			
<b>Human Resources</b>	<b>19168,91</b>	<b>45650</b>	<b>42</b>
Technical--IT Services		<b>1440</b>	0
Administrative/support staff			
Project manager 1200x12	7200,00	14400	50
Country coordinators 900x12	5400,00	10800	50
Projet assistants 12X600	3600,00	7200	50
Bookkeepers 12x370	2220,00	4440	50
<b>EXPERTS</b>			
Monitoring experts per.day 60x67	72,04	4000	2
Legal experts 30 x67		2000	0
Advocacy experts 9x67		600	0
<b>Per diems for missions/travel</b>	<b>676,87</b>	<b>770</b>	<b>88</b>
<b>TRAVEL</b>	<b>1209,58</b>	<b>1800</b>	<b>67</b>
International travel	1209,58	1800	67
<b>Local Office</b>	<b>1875,14</b>	<b>4836</b>	<b>39</b>
Office rent 12x240	1202,51	2880	42
Consumables-office supplies	385,80	756	51
Other services12x100	286,83	1200	24
<b>OTHER COSTS, SERVICES</b>	<b>2238,52</b>	<b>11440</b>	<b>20</b>
Studies , research	1632,58	9500	17
Translation, interpretrs	28,03	720	4
Bank charges	577,91	720	80
Visibility actions 1 ev.x 500		500	0
Privision for contingency max. 7%		809	0
<b>TOTAL</b>	<b>24492,15</b>	<b>64535</b>	<b>38</b>

The activities under this project will continue until 30.06.2014, the closing balance of targeted financing as of the end of the year made up EUR 21,973. It has to be mentioned that the project covers 4 countries, including Moldova, and as of the date of financial report there were data on only part of the targeted financing received and used in Moldova.

According to the agreement with the financing organization, 154,745 Euros were received within the first tranche: for Ukraine – 37,120.00, for Poland – 35,580.00, for Armenia - 35,580.00, for Moldova – 46,465 Euros. The project expenditure in Moldova in 2013 made up 53% of the amount. The financial report for 2013 in presented in Annex 8.

Analyzing the above-presented information, we can make the conclusion that TIM generally has covered all the directions of its activity and spent targeted financing in compliance with the budget items.

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

**With respect to Procedure 7**, we have covered 75 % of the total expenditure incurred and verified for each item.

**With respect to procedure 8**, we have performed the following procedures for each item under procedure 8 and we present our findings below:

- ***Costs actually incurred***

For our selection of items of expenditure, we have verified that the expenditure was actually incurred by and relates to the Beneficiary. For this purpose, we examined supporting documents (e.g. invoices, contracts and proof of payment). We also examined proof of work done, goods received or services rendered. We have nothing to report.

- ***"Cut-off - Implementation period"***

We verified that the expenditure for the selected items was incurred during the implementation period of the Projects and was recorded accordance with the cash basis of accounting.

We have nothing to report.

- ***Budget***

We have verified that the expenditure incurred for a selected item was indicated in the budget. We have nothing to report.

- ***Records***

We have verified that expenditure for the selected items is recorded in the Beneficiary's accounting system and was recorded in accordance with the measurement and recognition criteria of the applicable accounting standards. We have nothing to report.

- ***Evidence***

We have verified that that expenditure for the selected items:

- Is identifiable, verifiable and recorded in the accounting records of the Beneficiary;  
We have nothing to report.
- Is supported by proof of procurement procedures such as financial documents, acts, factures; We have nothing to report.
- Has proof of commitments such as contracts and order forms, if applicable;  
We have nothing to report.

- Has proof of receipt of goods such as delivery slips from suppliers, proof of completion of works, such as acceptance certificates, proof of purchase such as invoices and receipts, proof of payment such as bank statements and others. We have nothing to report.
- For staff expenses, is supported by payroll records, contracts, salary statements, time sheets. We have nothing to report.
- Is supported by evidence in documentary form, whether paper, electronic or other medium. We have nothing to report.
- Is supported by evidence in the form of original documents rather than copies. We have nothing to report.
- Is supported by evidence preferably from independent sources outside the entity (an original suppliers invoice or contract). We have nothing to report.

- **Valuation**

We have verified that the value of the selected items of expenditure agrees with underlying documents (e.g. invoices, salary statements etc) and that correct exchange rates are used where applicable. We have nothing to report.

- **Classification**

We have examined the nature of the expenditures for the items and we verified if the expenditure items have been classified under the correct (sub) heading of the Financial Report. We have nothing to report.

- **Compliance with Procurement, Nationality and Origin Rules**

We have found that the Beneficiary was in compliance with procurement procedure in accordance with accounting rules. We have nothing to report.

**With respect to procedure 9**, we have verified that the expenditure for the selected items does not include ineligible cost. We have nothing to report.

**With respect to procedure 10**, we have examined whether revenues which should be attributed to the Action have been allocated to the Action and disclosed in the Financial Report. We have nothing to report.

### **Recommendations**

In order to make the accounting system at Transparency International Moldova more transparent, the auditor recommends:

To modify the national accounting program in compliance with transition to International accounting standards in 2014-2015 and specifics of accounting in non-profit organizations.

Such changes are required in accordance with orders of Ministry of finance of the Republic of Moldova №118 and №119 as of 6 August 2013 with additions and changes as of 28 November 2013 (Order Ministry of Finances № 166, Annexes №2 и №3), which introduce the following new regulations:

«National Accounting Standards and Guidelines, which is recommended for implementation by entities as of January 1, 2014 and mandatory - from 1 January 2015»

«General Accounting Plan which is recommended for implementation by entities as of January 1, 2014 and mandatory - from 1 January 2015»

This report is intended solely for the confidential use of management of the Project, management of the Public Association "Transparency International Moldova" and donors and is not intended for use for other purposes. This report relates only to procedures described in our engagement letter dated 20 April 2014 and does not extend to any financial reports related to the Project.

Director of Audit Firm, Auditor  
July 10, 2014



A handwritten signature in black ink, appearing to read "Alla".

Alla Kulikovskaia

Director of TIM  
Chief Accountant



**The report has been read by:**

Two handwritten signatures in black ink, one above the other.

Lilia Carsciuc

Nadejda Ojog