



***PUBLIC ASSOCIATION  
“Transparency International – Moldova”  
(TIM)***

**FINAL AUDIT FINDINGS –  
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2012**

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**To the management of Transparency International - Moldova  
Chisinau, Republic of Moldova**

We planned and performed our audit of financial schedules of Public Association "Transparency International - Moldova" (TIM) Activities within 2012 and TIM administration costs in order to find out whether they satisfy the Grant Agreements concluded for approved activities in 2012 between donating agencies and Public Association TIM.

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 2012).

In conducting the audit, 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, business trips documentation, book-keeping and accounts reconciliation;
- All the necessary supporting documents, records, and accounts have been kept in respect of all the Project's revenue and expenses;
- The received funds have been spent efficiently for the purpose of the Projects in accordance with the budgets and other clauses set by the Grant Agreements;
- All the expenses are properly documented and are in accordance with the budgets enclosed to the Grant Agreements;
- All the expenses have incurred in accordance with the legislation in force; and
- All the assets acquired by means of the grants exist.

This report is intended solely for information and use by 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.

Alla Kulikovskaia  
Auditor

August 15, 2013



# REPORT ON AUDIT FINDINGS

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## **1. Information about the Grant Contracts**

**1.1 The general aim** of the projects is intended to be achieved by fulfilling the following aim: Promoting democracy, transparency and accountability to prevent corruption in public service.

**1.2 The Projects implementation period** is 12 months in accordance with Grant contracts:

1. Advocacy and Legal Advice Centres (ALAC) Project, Activity Monitoring and Evaluation Guidelines Auswärtiges Amt, Grant Contract: 209-354.10 SOE 8/2011;

2. "Perceptions vs. Personal Experience of Business People and Household Regarding Corruption in RM" Project No SMD700-12-GR066 for the period of July 01, 2012 – October 31, 2012, funded by U.S Embassy Public Affairs Section;

3. "Monitoring Conflict of Interest Policy" Project No 2012-952 for the period of October 01, 2012 – December 31, 2012 funded by National Endowment for Democracy (NED);

4. "Monitoring the implementation of anti-corruption policies in central public authorities in 2012" for the period April 09 – December 31, 2012 funded by Soros Foundation Moldova, Grant contract Nr.13712 .

### **1.3 Financing:**

1. Advocacy and Legal Advice Centres (ALAC) Project, Grant Contract: 209-354.10 SOE 8/2011 funded 37 640 EUR;

2. U.S Embassy Public Affairs Section funded USD 17 380 for "Perceptions vs. Personal Experience of Business People and Household Regarding Corruption in RM" Project;

3. National Endowment for Democracy (NED) funded USD 10 000 for "Monitoring Conflict of Interest Policy" Project ;

4. Soros Foundation Moldova funded MDL 246 886,90/USD 20 491,00 for "Monitoring the implementation of anti-corruption policies in central public authorities in 2012" Project.

Remarks of auditor: The donated funds were disbursed to TIM through bank transfer in foreign and local currency and reflected into MDL according to 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 organization 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 Contracts**

The report as of December 31, 2012 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 Projects 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 cash-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 incurrance and payment.

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

There 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 organization. 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 TIM activity. The auditors established that in general cash transactions corresponded to the legislation in force and payments were made for projects purpose. The cash balance in the bank account of TIM corresponds to the bank excerpts and petty cash register.

Bank Accounts	Balance at the 31.12.2012		
	MDL	EUR	EUR equivalents EUR/MDL = 15,9967
Soros Foundation funds	26 749,26	0	1 672,17
NED funds	40 024,44	0	2 502,04
TIM funds	11 649,53	0	728,25
<b>Total</b>	<b>78 423,23</b>	<b>0</b>	<b>4 902,46</b>

This registration is sufficiently transparent, corresponds to the records in the TIM accounting books and confirmed by bank extracts and reconciliation statements.

**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 organization. It worth to mention that share of the cash operations is rather small (less than 2% of the annual budget of expenditure).

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

**Inventory and Short-term receivables**

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 seals.

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 organization regularly calculated and paid all the taxes and fees and reported to the corresponding state authorities.

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

Recommendations for this section: In order to improve the operational management accounting it is necessary to apply a special program for accounting commands within non-commercial organizations, which allows keeping records for each project individually. Accountant of the TIM used the 1C software 7.7, but have not yet adapted it to the conditions and objectives of accounting. It is recommended to establish accounting program 1C as soon as possible. Thus it will greatly reduce the complexity of accounting work, and will increase transparency in all areas of the organization.

### 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.

### Compliance of the Contract Expenditures to the Project Budgets

The following tables summarize the expenses incurred by the management of executing organization TIM and reported within the period from January 1, 2012 up to and including December 31, 2012, compared to the budget items and audited expenditure.

#### Advocacy and Legal Advice Centers Project: 209-354.10 SOE 7/2011

Budget items	Budget /EUR/	Expenses /EUR/	%%
<b>A. Human Resources</b>			
<b>Local Salaries (Gross Amounts)</b>			
Project Coordinator	8 400,00	8 400,27	100
Legal Advisor	10 200,00	10 197,27	100
Public Relations	4 560,00	4 566,32	100
Bookkeeper/ Accountants	3 600,00	3 600,11	100
IT Maintenance and support personnel	2 430,00	2 458,46	101
<b>Subtotal Human Resources</b>	<b>29 190,00</b>	<b>29 222,43</b>	<b>100</b>
<b>B Travel</b>			
<b>International Travel</b>	1 500,00	1 482,10	99
<b>Local Travel</b>	360,00	361,03	100
<b>Subtotal Travel</b>	<b>1 860,00</b>	<b>1 843,13</b>	<b>99</b>
<b>C. Office Costs, Equipment and Supplies</b>			
Office rent	1 800,00	1 799,86	100
Consumables (Office Supplies )	600,00	605,75	101
Other services - tel, fax, electricity, heating	750,00	812,07	108
<b>Subtotal Equipment and Supplies</b>	<b>3 150,00</b>	<b>3 217,68</b>	<b>102</b>
<b>D. Other Costs/Services</b>			
Toll-Free Hotline	600,00	572,84	95
Marketing Costs, incl. newspaper adverts, TV spot	600,00	607,86	101

production and submission			
Web Design and Maintenance	810,00	810,00	100
Books/ Journals/ Subscriptions	30,00	78,79	263
Miscellaneous (administrative costs)	600,00	660,46	110
Audits (including cost of translation)	200,00	200,00	100
Other (Banking charges/provisions)	600,00	426,81	71
<b>Subtotal Other Costs/Services</b>	<b>3 440,00</b>	<b>3 356,76</b>	<b>98</b>
<b>Total</b>	<b>37 640,00</b>	<b>37 640,00</b>	<b>100</b>

On the whole, the project budget was accomplished in proportion of 100 % (as of December 31, 2012). Analyzing the above-presented information, we can make the conclusion that the TI-Moldova generally has covered all the directions of its activity and spent targeted financing in compliance with the budget items.

**“Perceptions vs. Personal Experience of Business People and Household Regarding Corruption in RM” Project: SMD700-12-GR066**  
For the period of July 01 – October 31, 2012

Budget line	Budget items	Budget /USD/	Expenditure /USD/	%%
1	Personnel	4 000,00	4 000,00	100
2	Tax	0	0	0
3	Travels & Transport	0	0	0
4	Equipment	0	0	0
5	Accessories & Consumables	280,00	185,87	66
6	Contracting Costs	12 400,00	12 377,01	100
7	Other Direct Costs	700,00	817,12	117
8	Indirect Costs	0	0	0
<b>TOTAL ACTIVITIES</b>		<b>17 380,00</b>	<b>17 380,00</b>	<b>100</b>

On the whole, the project budget was accomplished in proportion of 100% (as of October 31, 2012) of the planned amount.

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

**Transparency International Moldova**  
**“Monitoring Conflict of Interest Policy” Project NED No 2012-952**  
For the period of October 01 – December 31, 2012

Budget items	Budget /USD/	Expenditure /USD/	%%
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Salaries	0	0	0
Benefits, Allowances & Taxes	0	0	0
Office Space & Utilities	1 260,00	420,00	33
Supplies & Equipment	160,00	0	0
Communications & Postage	0	0	0
Travels & Per Diem	0	0	0
Contractual/Consultant Services	18 400,00	6 239,88	34
Other Direct Costs	180,00	95,04	53
<b>Total</b>	<b>20 000,00</b>	<b>6 754,92</b>	<b>34</b>

On the whole, the project budget was accomplished in proportion of 34% (as of December 31, 2012) of the planned amount.

The remaining cash balance was placed on the TIM account. It will be used according to a plan of activity approved by the donator in 2013.

**Transparency International Moldova**  
**"Monitorizarea implementarii politicilor anticoruptie in autoritatile publice centrale in 2012"**  
For the period of April 09 – December 31, 2012

Items	Budget /USD/	Expenditure /USD/	%
Consultants/Experts	18 370,00	9 381,37	51
Administrative costs	14 755,00	10 643,83	72
Consumables	480,00	202,03	42
Other costs	1 145,00	80,08	7
Services procured	250,00	164,71	66
<b>Total</b>	<b>35 000,00</b>	<b>20 472,22</b>	<b>58</b>

On the whole, the project budget was accomplished in proportion of 58% (as of December 31, 2012) and activities will be continued till April 2013.

This report for donors was verified by another auditor - "Ernst & Young" audit firm and the auditor referred to the conclusion of another audit firm in accordance with ISA 600 "Using the Work of another Auditor".

### 2.1.6 Managing Procurement of Goods, Works and Services

During our audit procedures and tests performed we have identified that:

- 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 organization;
- 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;
- The auditors have not revealed any cases of covering personal expenses of the staff or making other payments not stipulated in the budget.
  - There were no issues identified by us under area "Managing procurement of goods, works and services"

### **2.1.7. Economical Conduct of Business and Effective Use of Financial Resources**

Cost-effectiveness analysis of financial activity on the TIM projects was performed on the following items:

- **Planning of project activities**

Due to the fact that the project activities were carried out for one year the planning and allocation of financial resources, as well as planning of activities and events for the organization was the key to successful implementation.

On the basis of the contracts and project budgets, TIM managers planned their activities, so that all contractual conditions with donors to be made to the stage of the project.

In particular, there have been identified the main areas of activity, studied the potential suppliers of goods and services, selected major suppliers on a competitive basis. These facts are proven by the documents, contracts and business correspondence of TIM management.

- **Human resource management**

Agreements on the fulfillment of responsibilities have been concluded in writing for full-time and attracted staff, taking into account the salary, which is approved in the project budget.

Administration has assigned in a rather detailed way the responsibilities and authorities of the work within the project, as is indicated in specific agreements with employees. Also it defined the measure of responsibility for failure or improper performance of the contract.

The auditors believe that such measures are necessary in the work of the projects.

- **The adequacy of internal control system;**

The TIM allowed controlling the whole process of financial transactions in the project: starting from the approval and selection of suppliers of goods and services, procurement authorization, rational spending of cash and ending with the control over the use of goods and materials. This is confirmed by the availability of acts on the movement of tangible assets, control over their use, as well as acts of control over the cash, issued by the report. The work of the staff was also controlled. There was carried out the calculation of working time and there have been prepared

acts on the delivery of works and services. The auditors confirm the adequacy of the internal control system for the amount of work on the audited project.  
Recommendations for this section: The members of the Review Commission need to be changed each year. Also the Review Commission should present the results of its' review one a year.

- **The effectiveness of the financial costs for the project;**

When making purchases, TIM Administration has investigated the market of goods and services, taking into account the quality and price at the level of local practice, as is evident from the proposals, price lists and business correspondence.

The main expenditures for salaries, rent, travel expenses, and other services correspond to the level of local prices and cause no doubts about their reality. The use of fixed and mobile telephony is verified through printouts of calls received from telephone centers.

Given the above records, the auditor considers that the misuse of funds is unlikely to happen.

### 3. RESULTS OF ACTIVITIES

The results of the activities under the TIM Projects Expenses and the narrative and financial report for the donors as of December 31 2012 were approved at the General Meeting of the members of TIM (Minutes as of 06.02.2013).

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 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;
- Projects expenses for the reporting period (January-December 2012) correspond to the budget items, and amounts presented in the reports 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;
- Tangible assets procured from the grant sources exist and are owned by TIM Association.

Auditor

Assistant Auditor

Date: August 15, 2013



Mrs. Alla Kulikovskaia

Mrs. Svetlana Moroz

## Questionnaire for External Audits

No.	Accuracy and Reliability of Accounting Data	Yes	In part	No	Not Applicable
1	Does the Financial Programme/Project Report match up with the Bookkeeping	X			
2	Does the Financial Programme/Project Report correspond with the co-operation agreement	X			
3	Do the received funds match with Bookkeeping	X			
4	Does the Bookkeeping match with Vouchers	X			
5	Are the proper Vouchers for the transactions	X			
6	Is there an adequate Bookkeeping, including Journal and General Ledger	X			
7	Do the changes in the List of Fixed Assets match with the Vouchers	X			
8	Does the Bookkeeping match with Official Bank Account Statement and Cash Book	X			
9	Does the opening balance of funds correspond with the audit report of last year	X			
10	Is the approved Financial Programme/Project Report free of material misstatement	X			
11	Are received, unused funds properly recorded as a liability in the balance sheet and included in the ending balance of the Report	X			
12	Are the recorded expenses in Financial Project Report in line with the approved original budget and activity plan	X			
13	Is the internal control system of the organization in order? Are there any material weaknesses that the organization should improve		X		
14	Do the salaries of the project personnel match with existing properly signed employment contracts	X			
15	Have social security expenses including pensions and taxes been recorded and paid to relevant authorities in accordance with the national legislation	X			
16	Does the organization have copies of all valid essential contracts (government, trading, rental, lease, service agreement)	X			

**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 27.07.2010, valid until 27.07.2015;

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:**

1. Alla Kulikovskaia – auditor with 18 years of audit experience and 12 years of experience in the field of non-governmental organizations, 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. Svetlana Moroz – Assistant Auditor, Certified Accountant CIPA member of the Association of Professional Accountants and Auditors of the Republic of Moldova;
3. Anastasia Clipicova – Translator.