

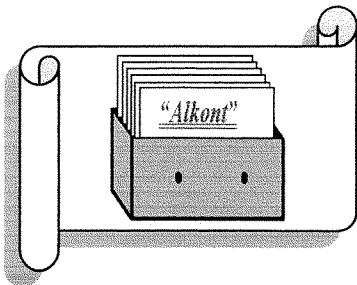
AUDIT FIRM "ALKONT"

REPORT ON AUDIT FINDINGS

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AUDIT FIRM «ALKONT»

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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, 2008 up to and including December 31, 2008 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 and "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, 2009



REPORT ON AUDIT FINDINGS

May 2009

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 and reported within the period from January 01, 2008 up to and including December 31, 2008 compared to the budget items and audited expenditure.

1.1 Nederlandse Organisatie voor Internationale Ontwikkelingssamenwerking (NOVIB) – Project “Civil Society Against Corruption” (MOL-503837-0005116), was funded EUR 162,774 (balance at January 1, 2008 – € 87,774 and received in 2008 € 75,000) and uses funds for 12 months – EUR 122,842.

Description	Budget	Expenditure	Variance %%
Activity 1:” Civil society its capacity to withstand corruption”			
1.1.Ensuring legal assistance to the citizens that face corruption: hot-line, visiting centre	20,500	19,408	95
1.2 Training of trainees, maintaining a permanent network of trainees that will conduct anti-corruption workshops in rural site	6,500	6,088	94
1.5 Conducting a study of perception of conflict of interests in the society and representatives of state institutions	7,800	6,805	87
1.6. Conducting a study of political parties funding;	7,600	7,115	94
1.9. Conducting and opinion poll on bribery in business	2,000	1,186	59
1.10 Maintaining the web-site	3,100	2,941	95
1.11 Editing and disseminating the monthly Informational Bulletin of TI-Moldova	7,300	7,862	108
1.12 Broadcasting TV and radio anticorruption programs, radio and video spots	2,300	2,290	99
1.13. Confectioning and disseminating promotional materials with an anticorruption message (T-shirts, posters, calendars, satirical magazines)	2,300	2,603	113
1.14 Organizing of concert for youth " Say NO to corruption"	7,000	7,354	105
Total Activity 1:	66,400	63,652	96
Activity 2. State institutions assisted in corruption preventing			
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 group	3,840	3,840	100
2.2 Writing comments on draft laws and other normative acts related to preventing and combating corruption	4,160	3,832	92

2.3 Conducting regular workshops for the local public administration in the Academy of Public Administration	2,000	1,742	87
Total Activity 2:	10,000	9,414	94
Activity 3. Investigative journalists increased their capacities to conduct ethical investigations related to corruption			
3.1 Elaborating, editing and printing a handbook on investigative journalism for University student of Department of journalism	12,000	9,485	79
3.2 Conducting extracurricular work-shops on investigative journalism Universities, Departments and Journalism	1,600	1,510	94
3.3 Conducting yearly contests for the best article about corruption	2,100	1,367	65
3.4 Printing the early editions of "Artist against Corruption" with the articles presented for the contest	2,000	1,970	99
3.5 Participation in international conferences, training, regional and yearly meetings of TI	3,000	3,219	107
Total Activity 3:	20,700	17,551	85
Activity 4. Activities additional to the work plan			
Total Activity 4:	0	3,240	
Management			
Total Management	28,786	28,985	101
TOTAL Project MOL-503837-0005116	125,886	122,842	98

On the whole, the project budget has been accomplished by 98 %.

1.2 Advocacy and Legal Advice Centres (ALAC) Project 209-354.10 SOE 02/2008, total funds received EUR 15,575 the budget is EUR 15,575 and used funds represent EUR 15,373.59.

Description	Budget	Actual	Variance %%
Human Resources	6,500	6,360	98
Travel	500	502	100
Office Costs, Equipment and Supplies	3,500	3,378	97
Other Costs/Services	5,075	5,133	101
Total Project 209-354.10 SOE 02/2008	15,575	15,374	99

On the whole, the project budget has been accomplished by 99 %.

1.3. Monitoring Preventing Corruption and Combating Corruption in Fiscal System project: 2926-16-TI (STND)-07-005 / AED, was funded EUR 34,812 (532,388 MDL) in 2008 and uses funds for 12 months – EUR 34,812 (532,388 MDL)

Description	Budget	Actual	Variance %%
Salaries and Honorariums	19,766	18,318	93
Project manager	6,039	5,187	86
Honorariums for Experts - 3	11,083	10,866	98
Accountant	2,644	2,265	86
Direct project Expenses	14,163	12,463	88
Survey	12,816	12,209	95

Press Conference	148	41	28
TV Talk (publication)	1,200	213	18
Organizational Expenses	4,749	4,031	85
Office supplies	621	568	91
Office rent	3,070	2,631	86
Translation	690	832	121
Audit	369	0	0
Total Project 2926-16-TI (STND)-07-005 / AED	38,679	34,812	90

On the whole, the budget was executed for 90 %.

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 get 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 the sample of 80%, 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

Assistant Auditor

Date: May 31, 2009



Alla Kulikovskaia

Marina Sirghii

Working Group:

1. **Kulikovskaia Alla** – auditor with 15 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”.