



REPORT ON AUDIT FINDINGS

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To the management of Transparency International Moldova

We inform you that in order to present the following information, the auditors of ALKONT have planned and performed the corresponding audit procedures on the control of financial statements of the Transparency International Moldova (TIM) for the period of 1 January 2011 - 31 January 2012.

The purpose of this information is to inform the management of TIM and administration of donors on the situation regarding financial statements established within the auditing procedures.

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 Advocacy and Legal Advice Centres (ALAC), Soros Foundation Moldova, Swiss Cooperation Office in Republic of Moldova, Partnership for Transparency Fund and East Europe Foundation 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 (01.01.2011 - 31.01.2012) 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 € 114 718 for all Projects (see p.4 Report "Statement of special account").

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.

This information is intended solely for the management of TIM and donors, while ALKONT is not responsible before the third persons that could use this information for any purposes.

Director of Audit Firm, Auditor

Alla Kulikovskaia

April 07, 2012



Report on Audit Findings

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;
- Supporting the implementation of National Anticorruption Strategy;
- 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 13 months in accordance with Grant contracts:

Projects	Projects implementation period
Project No. 209-354.10 SOE 8/2010	January 01, 2011 - April 30,2011
Project No. 209-354.10 SOE 7/2011	May 01, 2011 - December 31,2011
"Supporting the implementation of National Anticorruption Strategy" Project	February 01, 2011 - January 31, 2012
East Europe Foundation -Project Z11-0002	February 01, 2011 - July 31, 2011

1.3 Financing:

Within the reporting period, TIM received donations from:

Agency	Date	Amount sent			Exchange rate Applied	Total USD	Total in EUR
		MDL	EUR	USD			
ALAC			36 158,09				36 158,09
	10.02.2011		12 030,00		16,38		12 030,00
	05.03.2011		4 170,00		17,11		4 170,00
	12.07.2011		12 120,00		16,28		12 120,00
	22.09.2011		3 210,00		15,98		3 210,00
	23.11.2011		3 630,00		15,95		3 630,00
	30.12.2011		500,00		15,07		500,00
	20.01.2012		498,09		15,38		498,09
SDC		497 000,00					29 640,00
	20.04.2011	347 000,00			16,77		20 694,30
	03.11.2011	150 000,00			16,77		8 945,70
Soros Foundation		194 875,78				16 720,00	12 116,00
	09.02.2011	100 008,17			11,96	8 360,00	6 058,00
	23.08.2011	94 867,61			11,35	8 360,00	6 058,00
PTF		259 427,95				22 165,00	16 016,00
	28.02.2011	89 959,50			11,99	7 500,00	5 435,00
	01.09.2011	81 168,70			11,33	7 165,00	5 146,00
	22.11.2011	88 299,75			11,77	7 500,00	5 435,00

Transparency ENCY			7 835,00			5 662,00
	29.12.2011		7 835,00	11,74		5 662,00
East-Europe Foundation		252 314,70			21 351,00	15 428,00
	02.09.2011	135 888,00		11,92	11 400,00	8 261,00
	05.20.2011	116 426,70		11,70	9 951,00	7 167,00
Total		1 203 618,43	36 158,09	7 835,00	60 236,00	115 020,09

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 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 Contract

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 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 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 January 31, 2012 - MDL 15,4674 for 1 EUR. USD/EUR - 0.7226 - at the average rate for the 13 audited months.

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 organization.

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 organization 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 Partnership for Transparency Fund (PTF) and Soros Foundation Moldova
Contract Expenditure to the Project Budget
For the period of February 1, 2011 - January 31, 2012 /USD/**

"Supporting the implementation of the National Anticorruption Strategy" PROJECT

Description	PTF			Soros Foundation		
	Budget	Expen.	%%	Budget	Expen.	%%
A. Program Staff						
Program manager	4 800	4 800	100	4 800	4 800	100
Finance Staff / bookkeeper	1 800	1 800	100	1 800	1 800	100
Total A	6 600	6 600	100	6 600	6 600	100
B. Secretariat						
Office rent	1 340	1 340	100	1 660	1 660	100
Office supplies				660	679	103
Communication	660	638	97			
Total B	2 000	1 978	99	2 320	2 339	101
C. Activities						
<i>Verifying the reports of public institutions</i>						
Monitoring expert	4 800	4 749	99			
<i>Providing expertize of legislation</i>						
Legal expert				4 200	4 297	102
<i>Conducting mini-exit polls</i>						
Sociologist	3 200	3 200	100			
<i>Publishing the monthly Informational Bulletin</i>						
Editor				3 000	2 991	100
Printing	3 600	3 691	103			
Dessaminatind	4 800	4 251	89			
<i>Media campaign</i>						
Press-conference				300	257	86
Club				300	236	79
<i>Organizing a cotest for investigative journalists</i>						
Local expert in charge for the organization of contest	500	500	100			
Remuneration of the evaluation commission	600	598	100			
Premium for the winners	900	841	93			
Editing and publishing yearbook						
"Jurnalists against Corruption"	2 000	2 590	129			
Award ceremony, media event	1 000	1 002	100			
Total C.	21 400	21 422	100	7 800	7 781	100
Total Budget	30 000	30 000	100	16 720	16 720	100

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

**Compliance of the ALAC Contract Expenditure to the Project Budget
For the period of January 01, 2011 - April 30, 2011 (EUR)**

ADVOCACY AND LEGAL ADVICE CENTRES PROJECT No 209-354.10 SOE 8/2010

Description	Budget	Expenditure	%%%
Local Salaries (Gross Amounts)			
Project Coordinator	3 200	3 213	100
Legal Advisors	6 800	6 828	100
Bookkeeper/ accountant	1 200	1 205	100
Subtotal Human Resources	11 200	11 246	100
Local Travel			
Local Transportation	400	403	101
Subtotal Travel	400	403	101
Office Costs, Equipment and Supplies			
Office Rent	1 200	790	66
Consumables (Office Supplies Cleaning Materials etc.)	200	110	55
Other Services - tel./ fax electricity/ heating maintenance	600	87	15
Subtotal Equipment and Supplies	2 000	987	49
Other costs/services			
Maintaining the Toll-Free Hotline	200		0
Marketing Costs	800	2 031	254
Web Design and Maintenance	1 000	1 016	102
Books/ Journals/ Subscriptions	120	15	12
Miscellaneous (e.g. fees insurance)	200	254	127
Audit services	160	162	101
Other (Banking charges/provisions)	120	134	112
Subtotal Other Costs/Services	2 600	3 613	139
TOTAL	16 200	16 250	100

**Compliance of the ALAC Contract Expenditure to the Project Budget
For the period of May 01, 2011 - December 31, 2011 (EUR)**

ADVOCACY AND LEGAL ADVICE CENTRES PROJECT No 209-354.10 SOE 7/2011

Local Salaries (Gross Amounts)	GFM			SDC		
	Budget	Expen.	%%%	Budget	Expen.	%%%
Project Coordinator				6 400	6 400	100
Project Assistant	6 400	6 397	100			
Legal Advisors				13 600	13 597	100
Public Relation	1 600	1 602	100			
Bookkeeper/ accountant				2 400	2 400	100
Subtotal Human Resources	8 000	7 999	100	22 400	22 397	100

Local Travel							
Local Transportation	400	401	100	400	400	100	
Subtotal Travel	400	401	100	400	400	100	
Office Costs, Equipment and Supplies							
Office Rent				1 600	1 600	100	
Consumables (Office Supplies Cleaning Materials etc.)	400	436	109	400	400	100	
Other Services - tel./ fax electricity/ heating maintenance				800	829	104	
Subtotal Equipment and Supplies	400	436	109	2 800	2 829	101	
Other costs/services							
Capacity Building-Public	2 100	2 096	100				
Maintaining the Toll-Free Hotline	400	257	64	400	463	116	
Marketing Costs	800	751	94	800	800	100	
Web Design and Maintenance				2 000	1 997	100	
Books/ Journals/ Subscriptions	80	207	258				
Miscellaneous (e.g. fees insurance)	400	442	110	400	394	98	
Audit services	220	220	100	200	200	100	
Other (Banking charges/provisions)	160	151	95	240	160	67	
Organising an anti-corr. Tel	6 000	6 000	100				
Subtotal Other Costs/Services	10 160	10 124	100	4 040	4 014	99	
TOTAL	18 960	18 960	100	29 640	29 640	100	

Overall, the project budget has been accomplished by 100 % and deviation in major budget items no more 9%.

**Compliance of the East - Europe Foundation Contract Expenditure to the Project Budget
For the period of February 01, 2011 – July 31, 2011 (USD)**

“Monitoring the implementation of Court decisions: if the MIA” PROJECT No. Z11-0002

Description	Budget	Expenditure	%%%
Human Resources	7 431	7 416	100
Fees	7 400	7 426	100
Informational campaign	570	641	112
Focus grup:	600	600	100
Poll	1 200	1 200	100
Report translation	50	130	259
Publishing report	1 300	1 325	102
Administration costs	2 800	2 610	93
Total	21 351	21 348	100

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

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 or USD.

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

- The organization employs corresponding authorization procedures (i.e. all the expenses are authorized by the Director of the organization), 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 organization 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 organization employs computerized processing of accounting data in MS Excel spreadsheets designed for record-keeping in not-for-profit organizations.

The results of the activities under the Transparency International Moldova Projects and the financial report for the donor as of January 31, 2012 were approved at the Annual TI-Moldova Members Meeting from 19 of January 2012.

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;
- TIM 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 01.01.2011 – 31.01.2012 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 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.

Auditor, Director of Audit Firm

Alla Kulikovskaia

Assistant Auditor

Svetlana Moroz

Date: April 07, 2012



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 17 years of audit experience and 11 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.