



Report of Factual Findings

To: Management of IDIS "Viitorul"

We have performed the procedures agreed in our engagement letter dated 22 October 2009 and enumerated below, which were agreed to by the management of Institute for Development and Social Initiatives (IDIS) Viitorul ("the Beneficiary") related to the Project "Stimulating civic responsibility within the election campaign 2009" ("the Project") solely to assist the Beneficiary in evaluating the validity of the Financial Report for the period covering 13 October 2008 – 13 October 2009 for the purpose of reporting to the European Commission ("the Contracting Authority") in accordance with Grant Contract External Actions of the European Community, represented by the European Commission Delegation to Moldova (2008/166-342), the "Grant Contract" signed between European Commission, represented by the European Commission Delegation to Moldova and IDIS "Viitorul". IDIS "Viitorul" is responsible for the reporting to the Contracting Authority.

Our engagement was undertaken in accordance with the International Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and in compliance with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants.

The procedures were performed solely to assist you in connection to the purpose defined above. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures performed are summarized below.

Procedures performed:

- 1 We obtained the Grant Contract-External Actions of the European Community-2008/166-342 and the Financial Report for the period October 2008 - September 2009;
- 2 We compared the information in the Financial Report to the Project's accounting system and records for the period October 2008 – September 2009 (e.g. trial balance, general ledger accounts, sub ledgers);
- 3 We compared monthly exchange rates that have been applied for currency conversions with the rate made up by the average of the rates published in InforEuro for the months covered by the relevant report;
- 4 We reconciled the budgeted expenses in the Financial Report with the Budgeted expenses of the Grant Contract (authenticity and authorisation of the initial Budget) and compared the expenditure incurred with expenses included in the budgeted expenses of the Grant Contract;
- 5 We compared the total amount claimed for payment by the Action and the maximum grant laid down in Article 3.2 of the Special Conditions of the Grant Contract;

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- 6 We compared amendments to Budgeted expenses of the Grant Contract with the conditions for such amendments (including where applicable the requirement for an addendum to the Grant Contract) as set out in Article 9 of the General Conditions;
- 7 We compared total income and total expenditure for the Action for the period October 2008 – September 2009;
- 8 We selected by biggest amount a sample of transactions for testing representing at least 65% of the total expenditure and 10% of each expenditure heading and subheading in the Financial Report;
- 9 We reconciled expenditures from the sample with primary documents (bank statements, invoices, waybills, contracts, acts of work done etc.) and checked if they have been classified under the correct heading and subheading of the Financial Report;
- 10 We compared direct costs (costs deriving directly from the requirements of the Grant Contract specifically for the purposes of the Action) from the sample with the terms and conditions of the Grant Contract notably Article 14 of the General Conditions by performing the following procedures :
 - For the cost of staff assigned to the Project, corresponding to actual salaries plus social security charges – reconcile expenditure incurred to the labor contracts specifying the involvement of the person in the Project and acts of service receipt signed by Executive Director;
 - For other costs, i.e. travel and subsistence costs, purchase or rental costs for equipment and supplies, costs of consumables, subcontracting expenditure and costs deriving directly from the requirements of the Contract (dissemination of information, evaluation specific to the Action, audits, translation, reproduction etc.) - reconcile expenditures incurred with primary documents (contract, invoice etc.) stating that the expenses are linked to the Project.
- 11 For transactions from the sample we checked whether the Beneficiary has complied with procurement, nationality and origin rules;
- 12 We checked that the administrative (indirect) costs do not exceed a maximum of 7% of the total direct eligible costs;
- 13 We checked that the contingency reserve does not exceed 5% of the total eligible costs;
- 14 We checked that income (including, among others, non-reimbursable financing and funds received from other donors and the income produced by the beneficiary within the Project) has been correctly allocated to the Project according to Grant Contract and have been correctly presented in the Financial Report.

We report our findings below:

- a. With respect to Procedure 1, we obtained the Grant Contract - External Actions of the European Community-2008/166-342 and the Financial Report for the period 13 October 2008 - 13 October 2009;



- b. With respect to Procedure 2, we compared column “Expenditure incurred – Total cost for the period (in EUR)” in the Financial Report to the Project’s accounting system and records for the period 13 October 2008 - 13 October 2009 (e.g. trial balance, general ledger accounts, sub ledgers) and found an exception to report: the Beneficiary kept separate accounting evidence of funds received and spent for the Project, but only for the part financed by the European Commission. However, the Beneficiary is required to keep evidence of all expenses of the Project. The accounting evidence kept for all projects implemented by the Beneficiary and financed by other donors does not allow identification of expenses related to the Project;
- c. With respect to Procedure 3, we compared monthly exchange rates that have been applied for currency conversions with the rate made up by the average of the rates published in InforEuro for the months covered by the relevant report and found one exception: the average exchange rate was made up by the average rates for the months October 2008 - September 2009, however, the Project’s implementation period covers 13 October 2008-13 October 2009;
- d. With respect to Procedure 4, we reconciled the budgeted expenses in the Financial Report with the Budgeted expenses of the Grant Contract (authenticity and authorisation of the initial Budget) and checked that the expenditure incurred was foreseen in the budget of the Grant Contract and found the following exceptions:
- initial budget was not signed by Contracting Authority;
 - approval of usage of contingency reserve in amount of EUR 1,540 for Design of printing materials took place on 2 February 2009, however 50% of the amount was paid for materials on 16 January 2009 and the Contract #CE/05 for services offered was signed on 16 January before written approval by the donor of funds usage.
- e. With respect to Procedure 5, we verified that the total amount claimed for payment by the Beneficiary in amount EUR 161,160, including EUR 127,597 from Contracting Authority and EUR 33,563 as contribution to the Project from other donors does not exceed the maximum grant laid down in Article 3.2 of the Special Conditions of the Grant Contract in amount EUR 167,813 and found no exceptions as the result of the verification;
- f. With respect to Procedure 6, we compared amendments to the Budgeted expenses of the Grant Contract with the conditions for such amendments (including where applicable the requirement for an addendum to the Grant Contract) as set out in Article 9 of the General Conditions and found the exception: the revised budget was not signed by the Contracting Authority;
- g. With respect to Procedure 7, we compared income in amount EUR 161,160 including EUR 127,597 from European Commission (including EUR 20,197 not yet received) and EUR 33,563 allocated to the Project from other donors with expenditure for the Project in amount EUR 161,160;
- h. With respect to Procedure 8, we selected a sample of transactions with specific characteristics (high value or unusual) for testing and arrived at an overall Expenditure Coverage Ratio of 73% and for each incurred expenditure heading and subheading in the Financial Report of at least 16%;
- i. With respect to procedure 9, we reconciled expenditures from the sample with primary documents (bank statements, invoices, waybills, contracts, acts of work done etc.) and checked if they have been classified under the correct heading and subheading of the Financial Report and have to report that the list of participants of “Training for trainers who organize regional debates” within budget line 1.3.2 “Local” was not signed by participants;

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- j. With respect to procedure 10, we compared direct costs (costs deriving directly from the requirements of the Grant Contract specifically for the purposes of the Action) from the sample with the terms and conditions of the Grant Contract notably Article 14 of the General Conditions and found the following exceptions:
- expenses related to utilities and consumables in total amount of EUR 1,144 were consumed by several projects implemented by Beneficiary and were allocated between these projects on the basis of available budget line funds. We could not ascertain that consumables and utilities (telephone, internet, electricity etc.) costs in total amount of EUR 1,144 have been incurred for the intended purpose of the Project and that costs included in expenditure report are accurate;
 - salary in amount of EUR 8,048 was paid to staff for activities performed within several projects implemented by Beneficiary in the same period;
 - studies (“Evaluation of financing of political parties and electoral campaigns in Republic of Moldova” and “Constitutional mechanisms to overcome political crisis in Republic of Moldova: theory and practice”) written within Project do not meet visibility requirement stated in Article 6.1;
 - Beneficiary did not calculate and paid medical insurance contribution for staff employed on the basis of individual patents;
 - Beneficiary included in expenditure report expenses in amount of EUR 1,200 related to office rent, rent of projector and computers from Beneficiary for the period covering October 2008 – October 2009, however no effective cash outflow took place. Additionally, in February 2009 the Beneficiary acquired projector and two laptops were which were completely charged on the Project. We could not ascertain that acquired equipment was not also used by other projects implemented by the Beneficiary in the period of Project implementation;
 - Beneficiary included income tax expenses withhold from individuals as direct eligible cost in Financial Report because income tax cannot be reclaimed by Beneficiary;
- k. With respect to procedure 11, for transactions from the sample we verified whether the Beneficiary has complied with procurement, nationality and origin rules, and found the following exception:
- the Project did not require tenderers to present proof of nationality and origin rules, and certification that they are not in one of the situations listed in point 2.4 of the Annex IV to the Grant Contract;
- l. With respect to procedure 12, we identified that the administrative (indirect) costs do not exceed a maximum of 7% of the total direct eligible costs, and found no reportable exceptions;
- m. With respect to procedure 13, we identified that contingencies do not exceed 5% of the total eligible costs, and found no reportable exceptions;
- n. We checked that income for the period 13 October 2008 – 13 October 2009 (including, among others, non-reimbursable financing and funds received from other donors and the income produced by the beneficiary within the Project) has been correctly allocated to the Project according to Grant Contract (80% of European Commission and 20% from other donors) and have been correctly presented in the Financial Report and have no exceptions to report.



Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements respectively, we do not express any assurance on the accompanying Financial Report.

Had we performed additional procedures or had we performed an audit or review of the Financial Report of the Beneficiary in accordance with International Standards on Auditing or International Standards on Review Engagements respectively, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the confidential use of management of the Beneficiary and the Contracting Authority and is not intended for use by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. This report relates only to the Financial Report specified above and does not extend to any financial statements of the Beneficiary.

KPMG Moldova S.R.L.
Chisinau, Republic of Moldova
2 December 2009

Ref: 09R041

**Project: “Stimulating civic responsibility within
the election campaign 2009”**

**Financial Report for the period
13 October 2008 – 13 October 2009**



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Summary of Expenditures Incurred
 (prepared using cash basis method)

Expenses	Budget as per contract/rider				Reallocation and use of contingencies		Expenditures incurred						Variations in comparison with initial budget/rider				
	Unit	Number of units (a)	Unit cost (in EUR) (b)	Costs (in EUR) (a)*(b)	Allowed reallocation	Use of contingencies	Per currency Exchange rate for the period: 13 October 2008 - 13 October 2009: 14.6847				Total for the period in EUR		Cumulated costs (before current report) (in EUR) (i)	Cumulated costs (from start of implementation to present report included) (in EUR) (h)+(i)	In absolute value in EUR	In %	Explanation for all variations
							Number of units (d)	Unit cost (in MDL) (e)	Total cost (in MDL) (f)=(d)*(e)	Total cost (in EUR) (g)=(f)/14.6847	Total number of units for all currencies (sum(d ₁ ,d ₂))	Total cost of the period (in EUR) (h)=Sum(g ₁ ,g ₂)					
1. Human Resources																	
1.1 Salaries (gross amounts, local staff)																	
1.1.1 Project manager	Per month	12	500	6,000	311		12	7,558	90,694	6,176	12	6,176	6,176	(135)	-2%		
1.1.2 Project coordinator	Per month	12	300	3,600	(467)		12	4,036	48,433	3,298	12	3,298	3,298	165	5%		
1.1.2.1. Artistic project coordinator (organizer of concerts, audio and video spot manager)	Per month	6	400	2,400			6	7,245	43,293	2,948	6	2,948	2,948	548	23%		
1.1.3 Administrative support staff (2 assistants)	Per month	12	400	4,800	(114)		12	5,971	71,652	4,879	12	4,879	4,879	197	4%		
1.2.4 Accountant	Per month	12	150	1,800			12	2,223	26,672	1,816	12	1,816	1,816	16	1%		
1.2.5. Volunteers (organizing 40 regional debates)	per event	40	25	1,000			40	463	18,515	1,261	40	1,261	1,261	261	26%		
1.2 Salaries (gross amounts, expat/int. staff)	Per month			0					0	0		0	0	0	0%		
1.3 Per diems for missions/travel				0					0	0		0	0	0	0%		
1.3.1 Ahead (staff assigned to the Action)	Per diem			0					0	0		0	0	0	0%		
1.3.2 Local (40 debates*2 pers/debate)	Per diem	80	30	1,600	270		80	337	26,998	1,839	80	1,839	1,839	(31)	-2%		
1.3.3 Seminar/conference participants	Per diem			0					0	0		0	0	0	0%		
Subtotal Human Resources		174	1,795	21,200	0	0			316,256	22,217		22,217	22,217	1,017	5%		
2. Travel																	
2.1. International travel	Per flight			0					0	0		0	0	0	0%		
2.2 Local transportation (bus rental for concert equipment transportation, and regional debates)	per month	4	1,000	4,000	0		4	14,654	58,617	3,992	4	3,992	3,992	(8)	0%		
Subtotal Travel		4	1,000	4,000	0	0			58,617	3,992		3,992	3,992	(8)	0%		
3. Equipment and supplies																	
3.1 Purchase or rent of vehicles	Per vehicle			0					0	0		0	0	0	0%		
3.2 Laptop with necessary software	pcs.	2	1,000	2,000	130		2	15,492	30,984	2,110	2	2,110	2,110	(20)	-1%		
3.3 Projector	pcs.	2	3,000	4,500	(448)		2	30,942	61,883	4,214	2	4,214	4,214	162	4%		
3.4 Spare parts/equipment for machines, tools				0					0	0		0	0	0	0%		
3.5 Other				0					0	0		0	0	0	0%		
Subtotal Equipment and supplies		4	4,000	6,500	(318)	0			92,867	6,324		6,324	6,324	142	2%		
4. Local office																	
4.1 Vehicle costs	Per month			0					0	0		0	0	0	0%		
4.2 Office rent	Per month	12	200	2,400	(1,200)		12	1,469	17,622	1,200	12	1,200	1,200	0	0%		
4.3 Consumables - office supplies	Per month	12	200	2,400	1,097		12	3,608	43,301	2,949	12	2,949	2,949	(548)	-16%		
4.4 Other services (tel/fax, electricity/heating, maintenance)	Per month	12	200	2,400	1,101		12	4,864	58,363	3,974	12	3,974	3,974	471	14%		
Subtotal Local office		36	600	7,200	998	0			119,286	8,123		8,123	8,123	(75)	-1%		
5. Other costs, services																	
5.1 Publications				0					0	0		0	0	0	0%		
5.2 Studies, research				0					0	0		0	0	0	0%		
A. Citizen's Guide (printing)	pcs.	1	1,500	1,500	39		1	49,416	49,416	3,365	1	3,365	3,365	1,826	119%		
B. Information collection for Citizens' Guide	experts	3	800	2,400			3	4,450	35,602	2,424	3	2,424	2,424	24	1%		
C. Translation into English of the Citizens' Guide, including editing	pages	100	12	1,200					0	0		0	0	(1,200)	-100%		
5.3 Auditing costs				0	4,155		1	66,279	66,279	4,513	1	4,513	4,513	358	9%		
5.4 Evaluation costs (independent expense for final project evaluation)				2,000	(393)				0	0		0	0	(1,607)	-100%		
5.5.1. Analysing focus group data and compiling the electorate study report	Per study	1	2,000	2,000			1	29,945	29,945	2,039	1	2,039	2,039	39	2%		
5.5.2. Translation (electorate study report)	Per study	1	923	(600)			1	7,620	7,620	519	1	519	519	196	61%		
5.6 Financial services (bank guarantee costs etc.)	Per month	12	70	840			12	733	8,677	591	12	591	591	(249)	-30%		
5.7 Costs of conferences/seminars (transportation etc.)		40	200	8,000	(4,300)		40	1,401	56,058	3,817	40	3,817	3,817	117	3%		
5.8. Visibility actions (writing articles in the press, media, etc.)	Per month	10	250	2,500	13		10	3,377	33,771	2,300	10	2,300	2,300	(213)	-8%		
Blog www.voteza2009.org *						290	1	4,015	4,015	273	1	273	273	(17)	-6%		
Design of printing materials *						1,540	1	21,190	21,190	1,443	1	1,443	1,443	(97)	-6%		
A. Posters	pcs.	20,000	1	20,000	809		100,000	3	270,244	18,437	100,000	18,437	18,437	(2,372)	-11%		
B. Stickers	pcs.	25,000	0	1,250	2,625		40,000	1	53,257	3,627	40,000	3,627	3,627	(248)	-6%		
C. Leaflets	pcs.	75,000	0	7,500	415		90,000	1	106,140	7,228	90,000	7,228	7,228	(687)	-9%		
D. Calendars	pcs.	40,000	0	2,000	1,012		77,500	1	42,693	2,907	77,500	2,907	2,907	(105)	-3%		
Subtotal Other costs, services		105	4,312	82,113	3,775	1,830			785,406	53,485		53,485	53,485	(4,333)	-7%		
6. Other																	
Video Spots	spot	5	3,000	15,000	(3,000)		4	40,649	162,596	11,072	4	11,072	11,072	(928)	-8%		
Audio Spots	spot	5	1,000	5,000	(4,455)		4	2,014	8,056	549	4	549	549	4	1%		
Civic Songs	song	1	600	2,400	(500)		2	12,872	25,744	1,753	2	1,753	1,753	(147)	-8%		
Focus Group	focus group	10	800	8,000	(2,000)		10	10,547	105,468	7,182	10	7,182	7,182	1,182	20%		
Advertisement materials (T-shirts, bags, badges)				5,000	5,000				62,421	4,251		4,251	4,251	(749)	-15%		
Concert	concert	3	9,000	27,000	(1,500)		3	118,973	356,918	24,305	3	24,305	24,305	(1,195)	-5%		
Broadcasting the video, audio spots				0	7,000	3,000		139,738	139,738	9,516		9,516	9,516	(484)	-5%		
Subtotal Other		27	19,400	62,400	(4,455)	3,000			860,941	58,628		58,628	58,628	(2,312)	-3%		
7. Subtotal direct eligible costs of the Action (1-6)									2,243,373	152,769		152,769	152,769	(5,474)	-3%		
8. Provision for contingency reserve (maximum 5% of 7. subtotal of direct eligible costs of the Action)				6,000		(4,830)											
9. Total direct eligible costs of the Action (7+8)				159,413		0			2,243,373	152,769		152,769	152,769	(5,474)	-3%		
10. Administrative costs (maximum 7% of 9, total direct eligible costs of the Action)				8,400				123,207	123,207	8,390		8,390	8,390	(10)	0%		
11. Total eligible costs (9+10)				167,813		0			2,366,580	161,160		161,160	161,160	(5,483)	-3%		

* The amounts given were reallocated from the budget line no. 8. Provision for contingency reserve to the budget line no. 5. Other costs, services by Notification 1. Whereas Notification 1 does not specify in what budget line this amount is reallocated. As the result the amounts spent for these services (Blog www.voteza2009.org and Design of printing materials) were included in the budget line no. 5. "Other costs, services".

Mr. Igor Munteanu,
 Executive Director of Institute for Development and Social Initiatives (IDIS) Viitorul



Financial Report

Project: "Stimulating civic responsibility within the election campaign 2009"

Beneficiary: Institute for Development and Social Initiatives (IDIS) Viitorul

Contract number: 2008/166-342

Implementation period of the contract: 13 October 2008 – 13 October 2009

Summary of Sources of Financing

	Euro	%
Beneficiary's financial contribution (Institute for Development and Social Initiatives (IDIS) Viitorul)	33,563	20,8%
Commission of the European Communities (contribution received)	107,400	66,6%
Commission of the European Communities (contribution to be received)	20,197	12,5%
Contribution(s) from other European Institutions or EU Member	0	0%
Contributions from other organizations	0	0%
TOTAL CONTRIBUTIONS	161,160	100,0%

Mr. Igor Munteanu,



Executive Director of Institute for Development and Social Initiatives (IDIS) Viitorul

Date: 2 December 2009

