



MOLDAUDITING SRL

AUDIT & CONSULTING

REPORT OF FACTUAL FINDINGS

**FOR AN EXPENDITURE VERIFICATION OF AN AGREEMENT BETWEEN THE EMBASSY OF FINLAND IN BUCHAREST
AND THE INSTITUTE FOR DEVELOPMENT AND SOCIAL INITIATIVES (IDIS) "VIITORUL"**

AS OF 03.11.2016

**„ENGAGING LOCAL JOURNALISTS IN BEING BETTER INFORMED AND SKILLED IN IMPORTANT FIELDS OF THE
EUROPEAN FUTURE OF MOLDOVA”**

MOLDAUDITING SRL

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Dear Mr. Igor MUNTEANU,
Head of IDIS "Viitorul"

10/14, Street Iacob Hincu, Chisinau, Republic of Moldova

03.11.2016

Dear Igor MUNTEANU,

In accordance with the Terms of Reference dated on 05.09.2016 that you agreed with us, we provide our Report of Factual Findings ("the Report"), with respect to the accompanying Financial Report for the period covering *01.09.2015-30.08.2016*. You requested certain procedures to be carried out in connection with your Financial Report related to *Agreement dated on 28.07.2015* with the Embassy of Finland in Bucharest concerning the project "*Engaging local journalists in being better informed and skilled in important fields of the European future of Moldova*".

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.

Information about the Agreement

Description of the Agreement: The purpose of the Agreement concluded between the Embassy of Finland in Bucharest and The Institute for Development and Social Initiatives (IDIS) "Viitorul" (hereinafter referred to as - IDIS "Viitorul") is the implementation of the project entitled "*Engaging local journalists in being better informed and skilled in important fields of the European future of Moldova*". The Action's implementation period is 12 months (01/09/2015 - 30/08/2016).

The objective: The project aims to improve the quality of information and analysis delivered by Moldova's mass media through informed and professional debates between experts and journalists.

The **main objective** of the project is to promote free, critical and quality journalism in Moldova by strengthening the capacities of journalists from regional TV and newspaper for better understanding of new challenges and opportunities that Moldova is facing as well as by increasing awareness among journalists on important issues for regions of Moldova.

Implementation period according to the Agreement is 1st of September 2015 – 30th of August and the Embassy of Finland in Bucharest.

Contribution Agreement is concluded between the IDIS "Viitorul" and the Embassy of Finland in Bucharest.

The total cost of the Action is estimated at **EUR 37 620** (100%) out of which:

- The contribution of the Embassy of Finland in Bucharest is EUR 36 020, or 95,75%.
- IDIS "Viitorul" 's contribution is EUR 1 600, or the equivalent of 4,25 %.

The actual verified project cost is EUR 34 918,82. The disbursements received from the Embassy of Finland in Bucharest within the project is EUR 33 000. As IDIS "Viitorul" found no other donors or funds to afford all planned activities, it temporarily allocated sources from another project in the amount of EUR 1 918,82.

IDIS "Viitorul" is responsible implementing organization for the project *"Engaging local journalists in being better informed and skilled in important fields of the European future of Moldova"* and therefore responsible for progress and final reporting of the project to the Embassy of Finland in Bucharest on behalf of the organizations involved in the project implementation.

Procedures performed and Factual Findings

The following agreed-upon procedures were carried out for the sole purpose of allowing the Embassy of Finland in Bucharest to assess whether the recipient had acted in accordance with the terms and conditions of funding.

We have performed the specific procedures listed in terms and conditions for funding. These procedures cover:

1. We have obtained a description of the recipient's project accounting, read the narrative report and interviewed IDIS "Viitorul" in order to find out the following:
 - the implementation project activities,
 - the integrity of the audit trail and the reliability of project accounting.
 - whether project accounting is in accordance with the terms and conditions of funding.
2. We have interviewed the project management to find out whether the recipient of funding had received any other public/donor funding for this project.
3. We have obtained and assessed the reconciliation of the project accounting to the financial project report.
4. We have obtained the budget analyses and assessed whether the utilization of funds in the project financial project report is in line with the approved budget.
5. We have obtained and assessed the following reconciliations and records related to the project accounting:
 - the opening balance of funds corresponds to the financial project report of last year,
 - the bank balances in the project accounting match the official bank account statements,
 - the fixed asset register is available and up-to-date.
6. With regard to the information in the cost statement, the following procedures were carried out. The procedures covered 100% of the costs reported for the project and 100% of the payment reported for the project.
 - To assess the adequacy of vouchers and supporting documentation,
 - To assess the audit trail from general ledger to the project financial reporting,
 - To assess assessed the eligibility of costs against the funding agreement and project budget.
7. With regard to the project accounting, the following procedures were carried out:
 - To assess whether there is a proper follow up of advance payments and ensured that no advance payments have been recognized as costs,
 - To assess whether the received funds have been appropriately recorded in the project accounting and based on bank statements.

8. With regard to the procurement, the following procedures were carried out. The procedures covered the procurements exceeding EUR.
- The procurements are based on competitive bids/quotations,
 - The procurement process and decision made have been appropriately documented,
 - The procurement regulations of the funding Agreement have been followed.
9. With regard to the information in the cost statement, the following procedures were carried out. The procedures covered 100% of the wages and salaries reported for the project and 100% of the payment of wages and salaries reported for the project.
- To ensure that 100% of total wages and salaries have been paid,
 - To ensure that 100% of total wages and salaries have been paid based on properly signed contracts,
 - To ensure that the social security expenses including pensions and taxes had been recorded and paid to relevant authorities in accordance with the national legislation.

We report our findings below:

(a) Having performed the above mentioned procedure we found that:

- *The project's overall goal was achieved and the project's activities have been performed properly and completely. About 8 seminars were held and 159 persons attended the trainings. 12 local TV channels developed TV shows regarding the topics of held seminars. Also a Civil Society Position Paper was developed and disseminated to contribute to a better understanding of the process related to relation between the EU and Republic of Moldova.*
- *The audit trail integrity was not compromised; the project accounting was reliable.*
- *The project's accounting which is based on cash method is kept in accordance with the legislation of Republic of Moldova. National law in regard with accountancy in NGOs is the Government Ordinance no. 188 as of 30.12.2014 for acceptance of the methodical Indications regarding the accounting particularities in non-commercial organizations. The software used for accountancy of the project is - "1C-8 Enterprises" - the software for local use, based on national legislation and adjusted for NGOs.*

Project accounting is in accordance with the terms and conditions of funding. All reports have been submitted in due time. The audit trail integrity was not compromised, as all project related transactions, disbursements and expenditures were chronologically recorded and can be tracked throughout the project, at any time. The accountancy provides all the supporting and confirmative documentation, vouchers, contracts, etc.

(b) Within these procedures we have to mention that IDIS "Viitorul" has not received any funds from other sources for the project, therefore, no other disbursements have been made in IDIS "Viitorul" bank account, other than from the Embassy of Finland in Bucharest.

At the reporting date, the project was financed by the Embassy of Finland in Bucharest in the amount of EUR 33 000.

No contributions in kind and other cash contributions were identified within the project. We have to mention that another organization contributed to the project activity by organizing an additional seminar on topic "Strengthen the skills of journalists to document and investigate topics regarding the violation of employees' rights.

(c) In the 3th procedure we found that the project accounting reconciles with the financial project report.

(d) As a result of the procedure No.4 we found that the funds in the financial project report is in line with the approved budget. We have verified whether the expenditure was indicated in the approved Budget. We have verified the nature for a selected item and have verified whether the expenditure items have been classified under the correct line of the Financial Report.

*We would like to mention that the sub-heading **3.1. Accommodation (14 participants + 2 trainers)** exceeds the budget with 11%. The overspending is explained by management with the argument that more persons attended the event than it was initially planned. This moment has been reported by email to the officer of the Embassy of Finland in Bucharest, a written confirmation was received. Meanwhile, the expenditures item **3. Organization for seminars** does not exceed the budget.*

(e) Based on the assessment of the 5th procedure, we found the further:

- There was not a previous financial project report for this project, from this reason there is only one financial project report. Therefore, any other financial reports for the project "Engaging local journalists in being better informed and skilled in important fields of the European future of Moldova" had not been drawn up.*
- The bank balances in the project accounting matches the official bank account statement. All financial transactions can be easily tracked and found in the official bank statements of IDIS "Viitorul" bank account.*
- The project budget did not provide any acquisitions of tangible assets.*

(f) Within the procedure No.7 we have observed that the costs examined:

- *are based on project accounting and the recipient's accounting,*
- *are supported by adequate vouchers and supporting documentation,*
- *are incurred during the project period,*
- *are appropriately presented as based on cost categories,*
- *the expenditures reported have been paid, all costs are eligible based on the funding agreement and project's budget,*
- *are recorded in the recipient's accounting system in accordance with the applicable accounting standards of the country where the recipient is established and the recipient's accounting policies.*
- *the expenditures reported in the financial Report in amount of EUR 34 918, 82 are substantiated by supporting documents (invoices, order of payment, cash note).*

(g) Based on the above procedure, we have observed that:

- *there is a proper follow up of advance payments and we have ensured that no advance payments have been recognized as costs,*
- *the received funds have been appropriately recorded in the project accounting based on bank statements,*
- *the only expenditure that have been paid after reporting period is the fee for the audit services, what was admitted by the officer of the Embassy of Finland in Bucharest.*

(h) Conducting the procedure No.8 we observed that:

- *All project related procurements (simple purchases) have been made in accordance with IDIS' s procurement guideline,*
- *The procurement process was appropriately documented and complies with the procurement regulations of the funding Agreement.*

(i) Performing the above mentioned procedures, we have to confirm that:

- *The salary costs had been paid,*
- *Salary costs are based on properly signed contracts,*
- *The social security expenses including pensions and taxes are recorded and paid to relevant authorities in accordance with the national legislation.*

These procedures have been determined solely by the Embassy of Finland in Bucharest and were performed solely to assist the Embassy of Finland in Bucharest in evaluating whether the

expenditures claimed by you in the Financial Report are eligible in accordance with the terms and conditions of the Agreement.

Because the procedures performed by us did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, 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 statements of the Beneficiary in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Use of this Report

Our Report is solely for the purpose set forth in the Report's first and second paragraphs and shall not be used for any other purposes, nor be relinquished to or shared with a third party outside of the Embassy of Finland in Bucharest. The Embassy of Finland in Bucharest shall have the right to deliver the Auditor's Report to other authorities for the purposes of supervising funding. This Report only applies to the cost statement detailed above; it does not apply to the recipient's complete financial statement.

The procedures that we will perform will not constitute an audit or a review made in accordance with International Standards solely for the purpose set forth in the above objective.

This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the Embassy of Finland in Bucharest in connection with the requirements as set out in article IV of the Agreement. This report may neither be relied upon by you for any other purpose, nor may it be distributed to any other parties.

We look forward for discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

Yours sincerely,

General Director, Auditor



Pavel BODAREV

**Verified and approved by
Senior auditor**

Daniela PLUGARU

"Moldausting" S.R.L.

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Date of signature: 03.11.2016