



**MOLDAUDITING SRL**

**AUDIT & CONSULTING**

**REPORT FOR AN EXPENDITURE VERIFICATION OF A GRANT CONTRACT  
EXTERNAL ACTIONS OF THE EUROPEAN COMMUNITY**

**„ ENERGY – CROSS BORDER ASSET”**

**PROGRAMME ROMANIA-UKRAINE-REPUBLIC OF MOLDOVA 2007 -2013**

**NO. 88491 AS OF 21.11.2013**

**MIS – ETC: 1842**

**MOLDAUDITING SRL**

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**Report of Factual Findings**

**Mr. Ghenadie BUZA,**

**President of Hancesti County Council**

Mihalcea Hancu 126 Street, Hancesti Town, Republic of Moldova

17.06.2016

**Dear Valerii CONDRATIUC,**

In accordance with the Terms of Reference dated 20.05.2016, 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 *03/11/2014-31/12/2015* (Annex 1 of this report). You requested certain procedures to be carried out in connection with your Financial Report and the European Community financed Grant Contract concerning *Grant no. 88491/21.11.2013 MIS-ETC:1842 "ENERGY – CROSS BORDER ASSET", MIS-ETC 1842*" of the Joint Operational Programme Romania-Ukraine-Republic of Moldova 2007-2013, the 'Grant Contract'.

**Objective**

Our engagement was an expenditure verification which is an engagement to perform certain agreed-upon procedures with regard to the Financial Report. The objective of this expenditure verification is for us to carry out certain procedures to which we have agreed 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

Joint Managing Authority requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

### **Procedures performed**

As requested, we have only performed the procedures listed in Annex 2A of the terms of reference for this engagement (see Annex 2 of this Report).

These procedures have been determined solely by the Joint Managing Authority and the procedures were performed solely to assist the Joint Managing Authority in evaluating whether the expenditure claimed by you in the Financial Report is eligible in accordance with the terms and conditions of the Grant Contract and Partnership 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.

### **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 **48 921,34 EUR**.

The Expenditure Coverage Ratio is 100%. This ratio represents the total amount of expenditure verified by us as a percentage of the total expenditure which has been subject of this expenditure verification. The latter amount is equal to the total amount of the expenditure reported by you in the Financial Report and claimed by you for deduction from the total sum of pre-financing paid by the Joint Managing Authority.

We report the details of our factual findings which result from the procedures that we performed in Chapter 2 of this Report.



**Use of this Report**

This Report is 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 Joint Managing Authority in connection with the requirements as set out in article 15 of the General Conditions of the Grant Contract and in the Partnership Agreement. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The Joint Managing Authority is not a party to the agreement (the terms of reference) between you and us and therefore we do not owe or assume a duty of care to the Joint Managing Authority who may rely upon this expenditure verification report at its own risk and discretion. The Joint Managing Authority can assess for itself the procedures and findings reported by us and draw its own conclusions from the factual findings reported by us.

The Joint Managing Authority may only disclose this Report to others who have regulatory rights of access to it in particular the European Commission, the European Anti Fraud Office and the European Court of Auditors.

This Report relates only to the Financial Report specified above and does not extend to any of your financial statements.

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

Yours sincerely,

***Bodarev Pavel,***  
***General Director, Auditor***

*P. Bodarev*



***"Mol auditing" S.R.L.***

**Adress:** Chisinau, Mateevici Str., nr. 84/1, MD-2009

**Date of signature:** 17.06.2016

## **1 Information about the Grant Contract and Partnership Agreement**

**Description of the Grant Contract.** The purpose of the contract concluded between Ministry of Regional Development and Public Administration of Romania (acting as Joint Managing Authority) and Vaslui County, Local public administration is the award of a grant by the Joint Managing Authority for the implementation of the Action entitled "*ENERGY – CROSS BORDER ASSET*" in the framework of the Joint Operational Program Romania-Ukraine-Republic of Moldova 2007-2013. The Action's implementation period is 24 months and 29 days (03.12.2013 – 31.12.2015).

### **The objective of the action**

- To contribute to the improvement of the economic, social and environmental situation in the cross-border area by stimulating the efficient utilization of the conventional and renewable energy sources (RES);
- To contribute to the improvement of the energy efficiency (EE) of the public services sector in the cross-border area.

### **Specific objectives:**

- OS1 – setting concrete programs for reducing the conventional energy consumption in the public services sector in the Vaslui – Leova – Hancesti – Izmil cross-border area;
- OS2 – Strengthening the capacities of the local institutions in Vaslui – Leova – Hancesti – Izmil cross-border area to work together on concrete solutions for increasing energy efficiency and utilization of renewable energy sources in the public sector;
- OS3 – Extending the utilization of solar energy in the public health and social care system in Vaslui – Leova – Hancesti – Izmil cross border area.

**Partnership Agreement** is concluded between the Local public administration, Vaslui County, as **Lead Partner**, the **County Council Hincesti**, the Republic of Moldova, as the **Partner 2**, for the implementation of the Action "*ENERGY – CROSS BORDER ASSET*". The subject of the agreement is the organization of a partnership in order to implement the project financed by the Joint Operational Programme Romania-Ukraine-Republic of Moldova 2007-2013.

**The total cost of the Action** is estimated at **770 201, 00 EUR**, out of which:

- Contribution of Joint Managing Authority is **692 641, 76 EUR**, equivalent to **89,93 %** (55,77% for the applicant's share of grant, 10,38% for the 1'st partner, 9,20% for the 2'nd partner, 6,06% for the Partner 3 and 8,52% for the Partner 4's share of grant).
- Contribution of the applicant and its partners is **77 559, 24 EUR**, equivalent to **10,07%** (6,23% for the applicant's financial contribution, 1,15% for the 1'st partner, 1,02% for the 2'nd partner, 0,69% for the Partner 3 and 0,98% for the Partner 4's financial contribution).

## 2 Procedures performed and Factual Findings

We have performed the specific procedures listed in Annex 2A of the terms of reference for the expenditure verification ('ToR'). These procedures cover:

- 1 General Procedures;
- 2 Procedures to verify conformity of Expenditure with the Budget and Analytical Review;
- 3 Procedures to verify selected Expenditure.

We have applied the rules for selection of expenditure and the principles and criteria for verification coverage as set out in Annex 2B (sections 3 and 4) of the ToR for this expenditure verification.

The total expenditure verified by us amounts to **48 921, 34 EUR** and is summarized in the table below.

The overall Expenditure Coverage Ratio is 100 %.

Expenditures	Budget, EUR	Expenditure reported, EUR	Expenditure verified, EUR	% verified, (ECR)
1. Human Resources	12 340,00	4 992,35	4 992,35	100%
2. Travel	1 100,00	0,00	0,00	100%
3. Works	46 774,00	41 155,32	41 155,32	
4. Equipment and supplies	2 200,00	0,00	0,00	100%
5. Local office	0,00	0,00	0,00	
6. Other costs, services	12 300,00	1 702,07	1 702,07	100%
7. Other	0,00	0,00	0,00	
8. Subtotal direct eligible costs of the Action (1-7)	74 714,00	47 849,74	47 849,74	100%
9. Provision for contingency reserve (maximum 5% of 8, subtotal of direct eligible costs of the Action)	0,00	0,00	0,00	
10. Total direct eligible costs of the Action (8+9)	74 714,00	47 849,74	47 849,74	100%
11. Administrative costs (maximum 7% of 10, total direct eligible costs of the Action)	4 000,00	1 071,60	1 071,60	100%
12. Total eligible costs (10+11)	78 714,00	48 921,34	48 921,34	100%

We have verified the selected expenditure as shown in the above summary table and we have carried out, for each expenditure item selected, the verification procedures specified at point 3.1 and 3.7 of Annex 2A of the ToR for this expenditure verification.

We report our factual findings resulting from these procedures below:

## 1 General Procedures

### 1.1 Terms and Conditions of the Service Contract

We have obtained an understanding of the terms and conditions of this Grant Contract and of the Partnership Agreement in accordance with the guidelines in Annex 2B (point 2) of the ToR. No factual findings have arisen from this procedure.

### 1.2 Financial Report

We have verified and have found that the Financial Report complies with the provisions of Article 2 of the General Conditions, the Grant Contract and the Partnership Agreement, that is:

- The Financial Report conforms to the model in Annex VI of the Grant Contract;
- The Financial Report covers the part of the Action implemented under the Partner's responsibility, regardless of which part of it is financed by the Lead Partner;
- The Financial Report is drawn up in the language of the Grant Contract;

No factual findings have arisen from this procedure.

### 1.3 Rules for Accounting and Record keeping

We have found that the Lead Partner has complied with the rules for accounts and record keeping of Article 16 of the General Conditions of the Grant Contract and Partnership Agreement:

- The accounts kept by the Lead Partner are complete and accurate records of the real and authorized transactions financed by the Grant;
- The Partner has an appropriate accounting and double-entry book-keeping system;
- The accounts for income and expenditure relating to the Action are easily identifiable and verifiable.

We have verified and found that the expenditures weren't paid only from a special bank account declared to JMA through the Financial Identification Form. However the amount of 10 249, 43 EUR were paid from the other bank account (no.26607) opened for Partner's financial contribution but not declared to JMA. The amount of 36 576, 05 EUR and 489.73 EUR were paid the same from the other bank account: 2271072001 and respectively MD43TRPHAD222990P1083AB. We want to mention that in the destination of bank's payment order was indicated that it relates to this project.

### 1.4 Reconciling the Financial Report to the Lead Partner's Accounting System and Records

We have reconciled the information in the Financial Report to the Partner's accounting system and records. No factual findings have arisen from this procedure.

### **1.5 Exchange Rates**

We have verified the exchange rates used to translate transactions recorded in Moldavan Leu (MDL) to EUR for inclusion in the Financial Report. No factual findings have arisen from this procedure.

## **2 Procedures to verify conformity of Expenditure with the Budget and Analytical Review**

### **2.1 Budget of the Grant Contract**

We have carried out an analytical review of the reported expenditure. We have compared the budget stated in the financial report with the budget approved in the grant contract. No factual findings have arisen from this procedure.

### **2.2 Amendments to the Budget of the Grant Contract**

We have inquired if there were any amendments to the budget for this reporting period and have realised that the Partner had not notified the Joint Managing Authority about any amendments.

#### **2.2 Amendments to the Budget of the Grant Contract**

We have inquired if there were any amendments to the budget for this reporting period and have realised that the Beneficiary had notified the Joint Managing Authority about 1 amendment.

ADDENDUM NO.1 from 23.06.2015: Notify that the art. 2.3 of Special Conditions was modified and will have the following content: "2.3 The Action's implementation period is 24 months and 29 days, but no later than 31st December 2015. All activities of the project shall end by this date at the latest"

No other amendments to the budget for this reporting period have been found.

## **3 Procedures to verify selected Expenditure**

We have reported further below all the exceptions resulting from the verification procedures specified at point 3.1 – to 3.7 of Annex 2A of the ToR for this expenditure verification insofar these procedures did apply to the verification expenditure item.

We have quantified the amount of the verification exceptions found and the potential impact on the EC contribution, should the Commission declare the expenditure item(s) concerned ineligible (where applicable taking into account the percentage of funding of the Commission and impact on indirect expenditure (e.g. administrative costs)). We have reported all exceptions found including the ones of which we cannot quantify the amount of the verification exception found and the potential impact on the EC contribution.

### 3.1 Eligibility of Costs

We have verified, for each expenditure item selected, the eligibility criteria set out at procedure 3.1 in Annex 2A of the ToR for this expenditure verification. The following exceptions have been found:

Expenditures	Expenditure reported, EUR	Exception, EUR	Reason for exception, EUR
1. Human Resources	4 992,35	1,19	Overrunning the unitary cost for project's team members who travel to UKR, for the budget line 1.3.1.1.4 in amount of 1,19 EUR.
2. Travel	0,00		
3. Works	41 155,32		
4. Equipment and supplies	0,00		
5. Local office	0,00		
6. Other costs, services	1 702,07		
7. Other	0,00		
8. Subtotal direct eligible costs of the Action (1-7)	47 849,74	1,19	
9. Provision for contingency reserve (maximum 5% of 8, subtotal of direct eligible costs of the Action)	0,00		
10. Total direct eligible costs of the Action (8+9)	47 849,74	1,19	
11. Administrative costs (maximum 7% of 10, total direct eligible costs of the Action)	1 071,60		
12. Total eligible costs (10+11)	48 921,34	1,19	

#### Eligibility criteria:

##### (1) Costs actually incurred (Article 14.1)

We have verified that the expenditure for a selected item was actually incurred by and pertain to the County Council Hincesti. No factual findings have arisen from this procedure.

##### (2) Cut-off - Implementation period (Article 14.1a)

We have verified that the expenditure for a selected item was incurred during the implementation period of the Action. No factual findings have arisen from this procedure.

##### (3) Budget (Article 14.1b)

We have verified that the expenditure for a selected item was indicated in the Action budget. Overrunning the unitary cost for project's team members who travel to UKR, for the budget line 1.3.1.1.4 in amount of 1,19 EUR.

**(4) Necessary (Article 14.1c)**

We have verified whether it was plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action. No factual findings have arisen from this procedure.

**(5) Records (Article 14.1d)**

We have verified that the expenditure for a selected item was recorded in the Partner's accounting system and was recorded in accordance with the applicable accounting standards of the country where the Partner is established and the Partner's usual cost accounting practices. No factual findings have arisen from this procedure.

**(6) Justified (Article 14.1e)**

We have verified that the expenditure for a selected item is substantiated by evidence (see section 1 of Annex 2B, Guidelines for Specific Procedures to be performed) and notably by supporting documents as specified in Article 16.2 and 16.3 of the General Conditions of the Grant Contract and in the Partnership Agreement. No factual findings have arisen from this procedure.

**(7) Valuation**

We have verified that the monetary value of a selected expenditure item agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates have been used where applicable. No factual findings have arisen from this procedure.

**(8) Classification**

We have examined the nature of the expenditure for a selected item and have verified that the expenditure items have been classified under the correct (sub) heading of the Financial Report. No factual findings have arisen from this procedure.

**(9) Compliance with Procurement, Nationality and Origin Rules**

We have verified whether the expenditure was incurred in accordance with procurement, nationality and origin rules. No factual findings have arisen from this procedure.

**3.2 Eligibility of Direct Costs**

We have verified the nature of expenditure recorded under direct costs heading. No factual findings have arisen from this procedure.

**3.3 Provision for Contingency Reserve**

We have verified that no provision for contingency reserve is included in this financial report. No factual findings have arisen from this procedure.

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### **3.4 Administrative Costs**

We have verified that the indirect costs to cover the administrative overheads (heading 11 in the Financial Report) do not exceed 7% of the total amount of eligible direct costs. No factual findings have arisen from this procedure.

### **3.5 Contribution in kind**

We have verified that the costs in the Financial Report do not include contributions in kind. No factual findings have arisen from this procedure.

### **3.6 Non-eligible costs**

We have verified that the expenditure for the selected item does not concern a non-eligible cost as described in Article 14.6 of the General Conditions. No factual findings have arisen from this procedure.

### **3.7 Revenues of the Action**

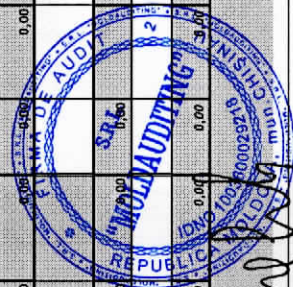
We have examined whether revenues should be attributed to the Action and disclosed in the Financial Report. No factual findings have arisen from this procedure.



# ANNEX I



Expenditures	Budget				Reallocation and use of contingencies				Expenditures incurred										Variations in comparison with initial budget/trider				
	Unit	# Units (n)	Unit cost (in EUR) (b)	Cost (in EUR) (a)=(b)*n	allowed reallocation	use of contingencies	Per currency RON		Per currency MDL		Per currency USD		Per currency EUR		Total cost (in EUR) (f)=(d)+(e)+(c)	Total cost (in EUR) (g)=(f)+(c)	Total cost (in EUR) (h)=(g)+(c)	Cumulated costs (before current report) (in EUR) (i)	Cumulated costs (from start of implementation to the end of the period) (in EUR) (j)=(i)+(h)	In absolute value in EUR	in %	Explanation for all variations	
							# Units (d)	Unit cost (in RON) (e)=(d)*(c)	# Units (e)	Unit cost (in MDL) (f)=(e)*(c)	# Units (f)	Unit cost (in USD) (g)=(f)*(c)	# Units (g)	Unit cost (in EUR) (h)=(g)*(c)									
<b>1. Human Resources</b>																							
1.1 Salaries (gross salaries including social security charges and other related costs, local staff*)																							
1.1.1 Technical																							
1.1.1.1 Technical manager for policy activities, Partner 2 (MD)	Per month	2,00	1.510,00	3.020,00																			
1.1.1.2 Technical manager for policy activities, Partner 2 (MD)	Per month	10	450,00	4.500,00																			
1.1.1.9 Technical responsible local coordinator Hincesti- P2 (MD) 20 months x 50%, 200 E part-time salary payable per month	Per month	10	400,00	4.000,00																			
1.2 Salaries (gross salaries including social security charges and other related costs, expatriate staff)																							
1.2.1 Per diems for missions/travel*																							
1.2.1.1.1.1.1 P2 (MD) in RO for act. 5.3.- 2 pers x 2 ev. x 1 day	Per diem	4	120,00	480,00																			
1.2.1.1.1.1.1.2 P2 (MD) in UKR for act. 5.3.- 2 pers x 2 ev. x 1 day	Per diem	4	120,00	480,00																			
1.2.1.1.1.1.1.3 P2 (MD) in RO for act. 3.2.1.- 2 pers x 2 days	Per diem	4	120,00	480,00																			
1.2.1.1.1.1.1.4 P2 (MD) in UKR for act. 3.2.1.- 2 pers x 2 days	Per diem	4	120,00	480,00																			
1.2.1.1.1.1.1.5 P2 (MD) in UKR for act. 3.2.2.- 2 pers x 2 days	Per diem	4	120,00	480,00																			
1.2.1.1.1.1.1.6 P2 (MD) in RO for act. 2.4.- 2 pers x 2 ev x 1 days	Per diem	4	120,00	480,00																			
1.2.1.1.1.1.1.7 P2 (MD) in UKR for act. 2.4.- 2 pers x 2 ev x 1 days	Per diem	4	120,00	480,00																			
1.2.1.1.1.1.1.8 P2 (MD) in UKR for act. 2.4.- 2 pers x 2 ev x 1 days	Per diem	4	120,00	480,00																			
1.2.1.1.1.1.1.9 P2 (MD) in RO for GA 1 - 4 travels x 2 pers x 1 day	Per diem	8	120,00	960,00																			
1.2.1.1.1.1.1.10 Local staff assigned to the Action)																							
1.2.2 Name of the line as mentioned in the budget	Per diem																						
1.2.2.1 Name of the line as mentioned in the budget	Per diem																						
1.2.2.2 Name of the line as mentioned in the budget	Per diem																						
1.2.2.3 Seminar/conference participants	Per diem																						
1.3.1 Name of the line as mentioned in the budget	Per diem																						
1.3.1.1 Name of the line as mentioned in the budget	Per diem																						
<b>Subtotal Human Resources</b>				12.340,00																			
<b>2. Travel</b>																							
2.1 Study Tour P2 (MD) in UKR - Odessa Region act. 2.2.2	per trip	1	600,00	600,00																			
2.1.6 Study Tour P2 (MD) in RO-Vaslui County- act 3.2.1	per trip	1	500,00	500,00																			
<b>Subtotal Travel</b>				1.100,00																			
<b>3. Works</b>																							
3.1.1.1 Construction works (solar panels in Hincesti- Carpeni Hospital) P2, MD	per contract	1	46.274,00	46.274,00																			
3.2.1.1 Site supervision- Engineer in Hincesti P2 (MD)	per contract	1	500,00	500,00																			
<b>Subtotal works</b>				46.774,00																			
<b>4. Equipment and supplies</b>																							
4.2.1 Office furniture for P2 (MD): 2 desks, 1 meeting table, 1 bookcase, 6 chairs	per contract	1	1.000,00	1.000,00																			
4.2.2 Computer equipment for P2 (MD)-1 computer, 1 printer	per contract	1	1.200,00	1.200,00																			
<b>Subtotal Equipment and supplies</b>				2.200,00																			
<b>5. Other costs, services</b>																							
5.3.1 Audit costs -Partner P2 (MD)	per contract	1	5.000,00	5.000,00																			
5.3.2 Financial services -Partner P2 (MD) (80 % of the total cost of the Action) for young entrepreneurs for 3 days: meal, accommodation, travel and others)	per contract	1	4.200,00	4.200,00																			
5.3.3 Financial services -Partner P2 (MD) (80 % of the total cost of the Action) for young entrepreneurs for 3 days: meal, accommodation, travel and others)	per contract	1	1.000,00	1.000,00																			
5.8.1.2 Press conference - Partner P2 (MD)	per event	2	700,00	1.400,00																			
5.8.2.2 Press release - Partner P2 (MD)	per event	2	125,00	250,00																			
5.8.4.3 Banner - Partner P2 (MD)	per item	4	50,00	200,00																			
<b>Subtotal Other costs, services</b>				11.800,00																			
<b>6. Subcontracted services</b>																							
6.1 District P2 (MD)	per contract	1	5.000,00	5.000,00																			
6.2 Investment in solar panels in Hincesti- Carpeni	per contract	1	4.200,00	4.200,00																			
6.3.2. Expenditure verification for P2 (MD)	per contract	1	1.000,00	1.000,00																			
6.6.3. Financial services P2 (MD)	per project	2	700,00	1.400,00																			
6.6.3. Financial services P2 (MD)	per project	2	700,00	1.400,00																			
6.6.3. Financial services P2 (MD)	per project	2	125,00	250,00																			
6.6.3. Financial services P2 (MD)	per project	2	125,00	250,00																			
6.8.1.2 Press conference - Partner P2 (MD)	per item	4	50,00	200,00																			
6.8.1.4 Roll-up P2 (MD)	per item	1	200,00	200,00																			
6.8.1.5 Plaque P2 (MD)	per item	1	500,00	500,00																			
<b>Subtotal subcontracted services</b>				12.300,00																			
<b>7. Other</b>																							
7.1 Subtotal direct eligible costs of the Action (1-6)				74.714,00																			
7.2 Provision for contingency reserve (maximum 5% of 8, subtotal of direct eligible costs of the Action) <sup>10</sup>																							
<b>10. Total direct eligible costs of the Action (8+9)</b>				74.714,00																			
11. Administrative costs (maximum 7% of 10, total direct eligible costs of the Action) <sup>11</sup>				4.000,00																			
<b>12. Total eligible costs (10+11)</b>				78.714,00																			
Bank interests yielded during the period:																							





Name of the Beneficiary / Partner:

Start date: 03.12.2013

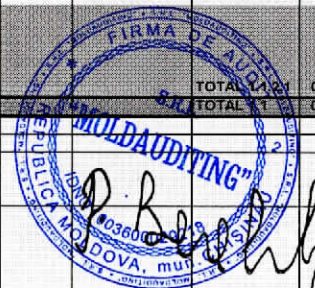
Annex 2.2 List of expenditures

COD MIS ETC: 1842

End date: 31.12.2015

Expenditures from the reporting period 03.11.2014-31.12.2015

Expenditures <sup>1</sup>	Description of activities/procurements	Invoice/ Other proof of commitment or purchase		Number of the payment document	Data of the payment document	Amount of the requested expenditures <sup>2</sup>					Amount of requested expenditures <sup>3</sup> (EUR)	Amount of expenditures proposed for validation by FLC/Auditor					Amount of expenditures proposed for validation by FLC/Auditor (EUR)	Amount of expenditure considere ineligible by FLC/Auditor (EUR)		
		Number/Date	Amount			RON	MDL	UAH	USD	EUR		Inforeuro rate from the month of payment	RON	MDL	UAH	USD			EUR	Inforeuro rate from the month of payment
1	2	3	4	5	6	7					8	9-10					11=10/8	12=9-11		
<b>1.HUMAN RESOURCES</b>																				
<b>1.1 Salaries (gross salaries including social security charges and other related costs, local staff)<sup>4</sup></b>																				
<b>1.1.1 Technical</b>																				
	salary - october 2014	Payroll nr.11/31.10.2014		PO 1087-1092	20.ноя.14		4 190,23					18,6233	225,00		4 190,23			18,6233	225,00	0,00
	salary - noembrie 2014	Payroll nr.12/31.11.2014		PO 1087-1092	20.ноя.14		4 190,22					18,6233	225,00		4 190,22			18,6233	225,00	0,00
	salary -november 2014	Payroll nr.12/30.11.2014		PO 1209-1214	20.дек.14		15,61					18,6927	0,84		15,61			18,6927	0,84	0,00
	salary - december 2014	Payroll nr.13/31.12.2014		PO 228-233	21.анр.15		4 606,16					20,4718	225,00		4 606,16			20,4718	225,00	0,00
	salary - january 2014	Payroll nr.14/31.01.2015		PO 228-233	21.анр.15		4 606,16					20,4718	225,00		4 606,16			20,4718	225,00	0,00
	salary - february 2014	Payroll nr.15/28.02.2015		PO 228-233	21.анр.15		4 606,16					20,4718	225,00		4 606,16			20,4718	225,00	0,00
	salary - march 2014	Payroll nr.16/31.03.2015		PO 228-233	21.анр.15		4 606,16					20,4718	225,00		4 606,16			20,4718	225,00	0,00
	salary - april 2014	Payroll nr.17/31.03.2015		PO246-351	15.май.15		4 535,15					20,1563	225,00		4 535,15			20,1563	225,00	0,00
	salary - may 2014	Payroll nr.18/31.05.2015		PO 444-449	18.июн.15		4 484,99					19,9333	225,00		4 484,99			19,9333	225,00	0,00
	salary - jun. 2014	Payroll nr.19/30.06.2015		PO 537-542	13.июл.15		4 755,18					21,1341	225,00		4 755,18			21,1341	225,00	0,00
	salary - jul. 2014	Payroll nr.20/31.07.2015		PO 748-753	15.окт.15		5 100,39					22,6684	225,00		5 100,39			22,6684	225,00	0,00
	salary - aug. 2014	Payroll nr.21/31.08.2015		PO 748-753	15.окт.15		268,44					22,6684	11,84		268,44			22,6684	11,84	0,00
												1,0000	0,00		0,00			1,0000	0,00	0,00
<b>1.1.1.5. Financial Responsible Hincesti-P2 (MD) 20 months x 50%, 225 E part-time salary per month</b>																				
	Total 1.1.2.1				TOTAL 1.1.2.1	0,00	45 964,85	0,00	0,00	0,00		2 282,68	0,00	45 964,85	0,00	0,00	0,00	2 282,68	0,00	0,00
	salary - october 2014	Payroll nr.11/31.10.2014		PO 1087-1092	20.ноя.14		3 724,65					18,6233	200,00		3 724,65			18,6233	200,00	0,00
	salary - noembrie 2014	Payroll nr.12/31.11.2014		PO 1087-1092	20.ноя.14		3 724,65					18,6233	200,00		3 724,65			18,6233	200,00	0,00
	salary -november 2014	Payroll nr.12/30.11.2014		PO 1209-1214	20.дек.14		13,89					18,6927	0,74		13,89			18,6927	0,74	0,00
	salary - december 2014	Payroll nr.13/31.12.2014		PO 228-233	21.анр.15		4 094,36					20,4718	200,00		4 094,36			20,4718	200,00	0,00
	salary - january 2015	Payroll nr.14/31.01.2015		PO 228-233	21.анр.15		4 094,36					20,4718	200,00		4 094,36			20,4718	200,00	0,00
	salary - february 2015	Payroll nr.15/28.02.2015		PO 228-233	21.анр.15		4 094,36					20,4718	200,00		4 094,36			20,4718	200,00	0,00
	salary - march 2015	Payroll nr.16/31.03.2015		PO 228-233	21.анр.15		4 094,36					20,4718	200,00		4 094,36			20,4718	200,00	0,00
	salary - april 2015	Payroll nr.17/31.03.2015		PO346-351	15.май.15		4 031,26					20,1563	200,00		4 031,26			20,1563	200,00	0,00
	salary - may 2015	Payroll nr.18/31.05.2015		PO 444-449	18.июн.15		3 986,66					19,9333	200,00		3 986,66			19,9333	200,00	0,00
	salary - jun. 2015	Payroll nr.19/30.06.2015		PO 537-542	13.июл.15		4 226,82					21,1341	200,00		4 226,82			21,1341	200,00	0,00
	salary - jul. 2015	Payroll nr.20/31.07.2015		PO 748-753	15.окт.15		4 533,68					22,6684	200,00		4 533,68			22,6684	200,00	0,00
	salary - aug. 2015	Payroll nr.21/31.08.2015		PO 748-753	15.окт.15		238,62					22,6684	10,53		238,62			22,6684	10,53	0,00
<b>1.1.1.9. Technical responsible &amp; local coordinator Hincesti- P2. (MD) 20 months x 50%, 200 E part-time salary payable per month</b>																				
	Total 1.1.2.1				TOTAL 1.1.2.1	0,00	40 857,87	0,00	0,00	0,00		2 011,27	0,00	40 857,87	0,00	0,00	0,00	2 011,27	0,00	0,00
<b>1.3 Per diem</b>																				
<b>1.3.1 Abroad (staff assigned to the Action)</b>																				
<b>1.3.1.3</b>																				
												1,0000	0,00		0,00			1,0000	0,00	0,00













Travel no. and number of overnight stays	accommodation for mission to (destination)...employee / position .....travel order.....	Expense account ..... Invoice.....	Receipt no.																	
1.3.3.1	Total 1.3.3.1									1,0000	0,00						1,0000	0,00	0,00	
	Total 1.3										0,00	0,00	0,00	0,00	0,00	0,00		0,00	0,00	
	TOTAL 1.3										718,40	0,00	14.817,88	0,00	0,00	0,00		718,40	0,00	
<b>1. Total Human resources (salaries + per diem)</b>																				
						0,00	101.840,40													4.992,35
																				101.840,40
<b>2. Travel</b>																				4.992,35
2.1																				101.840,40
2.1.2 Transport Partner 2 (MD) in UA																				
2.1.5 Transport Partner 2 (MD) in RO																				
	activity.....																			
	Procurement.....	Inv.....																		
	Total 2.1																			
	activity..... mission to (destination)...employee / position .....travel order.....	Inv.....																		
	activity..... mission to (destination)...employee / position .....travel order.....	Inv.....																		
	activity..... mission to (destination)...employee / position .....travel order.....	Inv.....																		
	Total 2.2																			
<b>2. Total Travel</b>																				
<b>3. Works</b>																				
<b>3.1 Construction works (please specify)</b>																				
3.1.3. Construction works (Solar pannels in Hincesti- Carpineni Hospital) P2, MD	activity.. Procurement.....	Inv.JV1551418/28.10.2015																		
	Total 3.1																			
3.2.3. Site supervision- Engineer in Hincesti P2 (MD)	activity.. Procurement.....	Inv.WB2311310/28.10.2015																		
	Total 3.2																			
<b>3.2</b>																				
	activity.. Procurement.....	Inv.....																		
	Total 3.2																			
<b>3. Total Works</b>																				
<b>4. Equipment and supply</b>																				
4.1																				
	activity.. Procurement.....	Inv.....																		
	Total 4.1																			
4.2																				
	activity.. Procurement.....	Inv.....																		
	Total 4.2																			
<b>4. Total Equipment and supplies</b>																				
<b>6. Other costs, services<sup>12</sup></b>																				
<b>6.3 Expenditure verification<sup>13</sup></b>																				
6.3.2. Expenditure verification for P2 (MD)	activity ..procurement.....fuel	Inv.FA3715317/29.12.2015																		
	activity ..procurement.....fuel	Inv.FA3715214/30.06.2015																		
	travel to.....																			
	Total 6.3																			
<b>6.7 Costs of conferences/seminars<sup>14</sup></b>																				
6.7.3. Strategy public consultation in Hincesti-coffee break for 25 participants x 2 events, act. 2.4. P2 (MD)	activity ..	Inv.FB78003245/28.01.2015																		





6.7.3. Strategy public consultation in Hincesti- coffee break for 25 participants x 2 events, act. 2.4. P2 (MD)													Total 6.7		TOTAL 6.7		0,00	2 411,25	0,00	0,00	0,00	119,63	2 411,25	119,63	0,00												
6.8. Visibility actions <sup>15</sup>																																					
6.8.4. Launching and closing conference in Hincesti- coffee break for 25 participants x 2 events, act. 5.3. P2 (MD)													activity .....	Inv. JB3912797/30.12.2015	PO 1011	23.дек.15	2 625,00				21,4181 1,0000	122,56 0,00	2 625,00 0,00	21,4181 1,0000	122,56 0,00	0,00											
6.8.4. Launching and closing conference in Hincesti- coffee break for 25 participants x 2 events, act. 5.3. P2 (MD)													Total 6.8		TOTAL 6.8		0,00	2 625,00	0,00	0,00	0,00	122,56	2 625,00	122,56	0,00												
6.8.15. Plaque P2 (MD)													activity	Inv JU0017737/19.11.2015	PO 833	10.ноя.15	10 500,00				1,0000 22,0383	0,00 476,44	0,00 10 500,00	1,0000 22,0383	0,00 476,44	0,00											
6.8.15. Plaque P2 (MD)													Total 5.8		TOTAL 5.8		0,00	10 500,00	0,00	0,00	0,00	22,04	476,44	0,00	10 500,00	0,00	0,00	0,00	22,04	476,44	0,00						
Subtotal Other costs, services																																					
6. SUBCONTRACT SERVICES																																					
6.1													activity .....	Inv.....	PO/R						1,0000	0,00															
6.1													Total 6.1		TOTAL 6.1		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00				
6.2													activity .....	Inv.....	PO/R						1,0000	0,00															
6.2													activity .....	Inv.....	PO/R						1,0000	0,00															
6.2													activity .....	Inv.....	PO/R						1,0000	0,00															
6.2													activity .....	Inv.....	PO/R						1,0000	0,00															
6.2													Total 6.2		TOTAL 6.2		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			
6.3													activity .....	Inv.....	PO/R																						
6.3													Expenditure verification.....	Inv.....	PO/R						1,0000	0,00															
6.3													Total 6.3		TOTAL 6.3		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00			
6.4													activity .....	Inv.....	PO/R																						
6.4													Evaluation.....	Inv.....	PO/R						1,0000	0,00															
6.4													Total 6.4		TOTAL 6.4		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
6.5													activity .....	Inv.....	PO/R																						
6.5													Translation services.....	Inv.....	PO/R						1,0000	0,00															
6.5													Total 6.5		TOTAL 6.5		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
6.6													activity .....	Inv.....	PO/R																						
6.6													Financial services.....	Inv.....	PO/R						1,0000	0,00															
6.6													Total 6.6		TOTAL 6.6		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
6.7													activity .....	Inv.....	PO/R																						
6.7													Conference.....	Inv.....	PO/R						1,0000	0,00															
6.7													Total 6.7		TOTAL 6.7		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
6.8													activity .....	Inv.....	PO/R																						
6.8													Leaflets.....	Inv.....	PO/R						1,0000	0,00															
6.8													Total 6.8		TOTAL 6.8		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
6.9													activity .....	Inv.....	PO/R																						
6.9													External experts.....	Inv.....	PO/R						1,0000	0,00															
6.9													Total 6.9		TOTAL 6.9		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00		
6. Total Subcontracted services																																					
6. Total Subcontracted services													activity .....	Inv.....	PO/R						1,0000	0,00															
6. Total Subcontracted services													Total 6.9		TOTAL 6.9		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
7. Subtotal Direct eligible expenditure																																					
9. Provision for contingency reserve																																					
9. Provision for contingency reserve																																					
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8. Subtotal direct eligible costs of the Action (1-7)						1 044 720,28	0,00	0,00	0,00	0,00	47 848,74	0,00	1 044 720,28	0,00	0,00	0,00	47 848,74	0,00	
11. Total Administrative costs																			
12. TOTAL ELIGIBLE COSTS						21 987,58			1 071,60	1,0000	1 071,60		21 987,58			1 071,60		1 071,60	0,00
1-Name of the budget headings and budget lines according						1 066 687,84	0,00	0,00	1 071,60		48 921,34		1 066 687,84	0,00	0,00	1 071,60		48 921,34	0,00

2-Amount of the expenditures requested by the beneficiary/partner in this request for payment

Beneficiary

Legal representative

Drafted,

ditura  
Verific  
ation  
Unit -

Verified,

Head of Unit

Contr



*[Handwritten signature]*



# ANNEX II

## ANNEX VII

### TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION OF A GRANT CONTRACT - EXTERNAL ACTIONS OF THE EUROPEAN COMMUNITY -

The following are the terms of reference ('ToR') on which County Council Hincesti 'the Partner' agrees to engage Moldauditing SRL 'the Auditor' to perform an expenditure verification and to report in connection with a European Community financed grant contract for external actions concerning ENERGY – CROSS BORDER ASSET , MIS ETC 1842 (the 'Grant Contract'). Where in these ToR the 'Joint Managing Authority' is mentioned this refers to the *Ministry of Regional Development and Tourism, Government of Romania*, which has signed the Grant Contract with the Beneficiary and is providing the grant funding. The Joint Managing Authority is not a party to this agreement.

#### 1.1 Responsibilities of the Parties to the Engagement

'The Beneficiary' refers to the organisation that is receiving the grant funding and that has signed the Grant Contract with the Joint Managing Authority.

'The Partner' refers to the organisation involved in the Action, which shares the responsibilities in undertaking the Action funded by the Joint Managing Authority and which has signed the Partnership Agreement with the Beneficiary.

- The Partner is responsible for providing a Financial Report for the part of the Action implemented under its own responsibility, which complies with the terms and conditions of the Grant Contract and Partnership Agreement and for ensuring that this Financial Report can be reconciled to the Partner's accounting and bookkeeping system and to the underlying accounts and records. The Partner is responsible for providing sufficient and adequate information, both financial and non-financial, in support of the Financial Report.
- The Partner accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Partner, providing full and free access to the Partner's staff and its accounting and bookkeeping system and underlying accounts and records.
- 'The Auditor' is responsible for performing the agreed-upon procedures as specified in these ToR, and for submitting a report of factual findings to the Beneficiary. 'Auditor' refers to the audit firm contracted/appointed for this engagement and in particular to the partner or other person in the audit firm who is responsible for the engagement and for the report that is issued on behalf of the firm/entity, and who has the appropriate authority from a professional, legal or regulatory body.

By agreeing these ToR the Auditor/Controller confirms that he/she meets at least one of the following conditions:

- The Auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC).
- The Auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organisation is not member of the IFAC, the Auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics set out in these ToR.
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in an EU member state in accordance with the principles of public oversight set out in Directive 2006/43/EC of the European Parliament and of the Council (this applies to auditors and audit firms based in an EU member state)<sup>1</sup>.
- The Auditor and/or the firm is registered as a statutory auditor in the public register of a public oversight body in a third country and this register is subject to principles of public oversight as set out in the legislation of the country concerned (this applies to auditors and audit firms based in a third country).

<sup>1</sup> Directive 2006/43 of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253 EEC.



- **The Auditor and/or** the firm is a member of an internationally recognised supervisory body for statutory auditing such as the chamber of certified public accountants which in turn is a member of the International Federation of Accountants (IFAC).
- The Controller is part of the national control system set up by the Member State participant to the Joint Operational Programme Romania-Ukraine-Republic of Moldova 2007-2013, in compliance with Article 39 of Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument.
- **The Auditor and/or** the firm asserts that he has both the knowledge and competence to apply the IFAC standards and ethics set out in these ToR and commits himself/itself to undertake this engagement in accordance with the IFAC standards and ethics set out in these ToR.

## 1.2 Subject of the Engagement

The subject of this engagement is the *Final Financial Report* in connection with the Grant Contract for the period covering *03 November 2014 to 31 December 2015* and the action entitled **ENERGY – CROSS BORDER ASSET**, the 'Action'. Annex 1 to these ToR contains information about the Grant Contract and Partnership Agreements.

## 1.3 Reason for the Engagement

The Beneficiary is required to submit to the Joint Managing Authority an expenditure verification report for the part of the Action implemented under its own responsibility produced by an external auditor/controller in support of the payment requested by the Beneficiary under Article 15 of the General Conditions of the Grant Contract. The beneficiary is further required to produce a consolidated financial report that combines the individual verified financial reports for the Action under its responsibility and under the responsibility of each Partner.

The Partner is required to submit to the Beneficiary an expenditure verification report for the part of the Action implemented under its own responsibility, produced by an external auditor/controller, which shall be submitted to the Joint Managing Authority in support of the payment requested by the Beneficiary under Article 15 of the General Conditions of the Grant Contract.

The Joint Managing Authority requires this report as he makes the payment of expenditure requested by the Beneficiary conditional on the factual findings of this report.

## 1.4 Engagement Type and Objective

This expenditure verification is an engagement to perform certain agreed-upon procedures with regard to the Financial Report. The objective of this expenditure verification is for the Auditor to carry out the specific procedures listed in Annex 2A to these ToR and to submit to the Partner a report of factual findings with regard to the specific verification procedures performed. Verification means that the Controller examines the factual information in the Financial Report of the Partner and compares it with the terms and conditions of the Grant Contract and Partnership Agreement. As this engagement is not an assurance engagement the Auditor does not provide an audit opinion and expresses no assurance. The Joint Managing Authority assesses for itself the factual findings reported by the Auditor and draws its own conclusions from these factual findings.

The beneficiary also requires certain agreed-upon procedures to check the accuracy and consistency of the compilation of the consolidated financial report. The list of procedures is set out in Annex 2C and the model report is set out in Annex 3B.

## 1.5 Standards and Ethics

The Auditor shall undertake this engagement in accordance with:

- the International Standard on Related Services ('ISRS') 4400 Engagements to perform Agreed-upon Procedures regarding Financial Information as promulgated by the 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 Joint Managing Authority requires that the Auditor is independent from the Beneficiary/Partner and complies with the independence requirements of the Code of Ethics for Professional Accountants.

## 1.6 Procedures, Evidence and Documentation

The Auditor plans the work so that an effective expenditure verification can be performed. The Auditor performs the procedures listed in Annex 2A of these ToR ('Listing of specific procedures to be performed') and applies the guidelines in Annex 2B (Guidelines for specific procedures to be performed). The evidence to be used for performing the procedures in Annex 2A is all financial and non-financial information which makes it possible to examine the expenditure claimed by the Partner in the Financial Report. The Auditor uses the evidence obtained from these procedures as the basis for the report of factual findings. The Auditor documents matters which are important in providing evidence to support the report of factual findings, and evidence that the work was carried out in accordance with these ToR.

## 1.7 Reporting

The report on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail in order to enable the Partner and the Joint Managing Authority to understand the nature and extent of the procedures performed by the Auditor and the factual findings reported by the Auditor.

The use of the Model Report for an Expenditure Verification in Annex 3A of these ToR is compulsory. This report should be provided by the Auditor/Controller to ENERGY – CROSS BORDER ASSET, *Partner* within 20 calendar days after the day of signature of these ToR.

## 1.8 Other Terms

The fee for this engagement shall be 1000 EUR which shall be paid in MDL according to the official rate of "Infoeuro" from [www.ec.europa.eu](http://www.ec.europa.eu) at the date of transfer. The fee does not include VAT.

- Annex 1** Information about the Grant Contract and the Partnership Agreement(s)
- Annex 2A** Listing of specific procedures to be performed
- Annex 2B** Guidelines for specific procedures to be performed
- Annex 2C** Listing of specific procedures to be performed for checking the compilation of the consolidated financial report
- Annex 3A** Model report for an expenditure verification
- Annex 3B** Model report for checking the compilation of the consolidated financial report.

**For the Beneficiary/Partner:**

Ghenadie BUZA  
Presedent  
County Council Hincesti  
Signature  
07.06.2016

**For the Auditor:**

BODAREV Pavel  
General Director  
"Moldoauditing" SRL



*Pavel Bodarev*



**Annex 1 Information about the Grant Contract and Partnership Agreement(s)**

<b>Information about the Grant Contract</b>	
Reference number and date of the Grant Contract	2/1/151 MIS ETC 1842 NR. 88491 DIN 21.11.2013
Grant contract title and acronym	ENERGY – CROSS BORDER ASSET
Reference number and date of the Partnership Agreement(s)	
Country/Countries and Regions where the Action or part of it is implemented	ROMANIA Republic of MOLDOVA
Beneficiary	Romania- VASLUI COUNTY/ JUDETUL VASLUI
Partner 1	Republic of Moldova- Leova district
Partner 2	Republic of Moldova Hancesti district
Partner 3	Ukraine- Odessa region, Izmail town
Legal basis for the Contract	Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument  Commission Regulation (EC) No 951/2007 of 9 August 2007 laying down implementing rules for cross-border cooperation programmes financed under Regulation (EC) No 1638/2006 of the European Parliament and of the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument,  The Joint Operational Programme Romania-Ukraine-Republic of Moldova 2007-2013, adopted by the European Commission by the Decision no. 3806/29.07.2008
Start date of the Action	03.12.2013
End date of the Action	31.12.2015
Total cost of the Action	770 201 €
Total cost of the part of the Action implemented under the Partner's responsibility	78 714 €
Grant maximum amount	692 641,76 €
Grant maximum amount for the part of the Action implemented under the Partner's responsibility	70 842 €

Total amount received to date by the Partner from Beneficiary	63 757,80 €
The amount requested for payment by the Partner 2	7 084,20 €
Joint Managing Authority	Ministry of Regional Development and Public Administration, 17 Apolodor Street, North Side, Sector 5, Bucharest, Romania, postal code 050741-RO, fiscal code 26369185
Auditor/Controller	Moldauditing LTD, Chisinau, Mateevici Str., nr. 84/1, MD-2009, Pavel Bodarev, General Director

## **Annex 2A Listing of Specific Procedures to be performed**

### **1 General Procedures**

#### **1.1 Terms and Conditions of the Grant Contract and Partnership Agreement**

The Auditor obtains an understanding of the terms and conditions of the Grant Contract and Partnership Agreement by reviewing the Grant Contract and its annexes, the Partnership Agreement and other relevant information, and by inquiry of the Partner. The Auditor obtains a copy of the original Grant Contract (signed by the Beneficiary and the Joint Managing Authority) with its annexes and of the Partnership Agreement. The Auditor obtains and reviews the Report (which includes a narrative and a financial section) as per Article 2.1 of the General Conditions and Article 5.2 of the Partnership Agreement.

#### **1.2 Financial Report**

The Auditor verifies that the Financial Report complies with the following conditions of Article 2 of the General Conditions the Grant Contract and Article 5 of the Partnership Agreement:

- The Financial Report must conform to the model in Annex VI of the Grant Contract;
- The Financial Report should cover the part of the Action implemented under the Partner's responsibility, regardless of which part of it is financed by the Joint Managing Authority;
- The Financial Report should be drawn up in the language of the Grant Contract;
- The proof of the transfers of ownership of equipment, vehicles and supplies (Article 7.3 of the General Conditions of the Grant Contract and Article 13.3 of the Partnership Agreement) should be annexed to the final Financial Report.

#### **1.3 Rules for Accounting and Record keeping**

The Auditor examines – when performing the procedures listed in this Annex - whether the Beneficiary has complied with the following rules for accounting and record keeping of Article 16 of the General Conditions the Grant Contract and Article of the Partnership Agreement:

- The accounts kept by the Partner for the implementation of the Action must be a complete and accurate record of the real and authorised transactions financed by the grant;
- The Partner must have a double-entry book-keeping system;
- The accounts for income and expenditure relating to the Action must be easily identifiable and verifiable;
- The accounts must provide details of interest accrued on funds paid by the Beneficiary.

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

The Auditor verifies the reconciliation of the information in the Financial Report to the Partner's accounting system(s) and records (e.g. trial balance, general ledger accounts, sub ledgers etc.) (See Article 16.1).

#### **1.5 Exchange Rates**

The Auditor verifies that amounts of expenditure incurred in a currency other than the Euro have been converted at the exchange rate which is made up of the average of the rates published in Info Euro for the months covered by the Financial Report, unless otherwise provided in the Special Conditions of the Grant Contract (Article 15.9 of the General Conditions) and in the Partnership Agreement.



## **2 Procedures to verify conformity of Expenditure with the Budget and Analytical Review**

### **2.1 Budget of the Grant Contract**

The Auditor carries out an analytical review of the expenditure headings in the Financial Report.

The Auditor verifies that the budget in the Financial Report corresponds with the budget of the Grant Contract (authenticity and authorisation of the initial budget) foreseen for the Partner and that the expenditure incurred was indicated in the budget of the Grant Contract as to be incurred by the Partner.

### **2.2 Amendments to the Budget of the Grant Contract**

The Auditor verifies whether there have been amendments to the budget of the Grant Contract. Where this is the case the Auditor verifies that the Beneficiary has:

- requested an amendment to budget and obtained an addendum to the Grant Contract if such an addendum was required (Article 9.1 of the General Conditions).
- informed the Joint Managing Authority about the amendment in case the amendment was limited (Article 9.2 of the General Conditions) and an addendum to the Grant Contract was not required.

## **3 Procedures to verify selected Expenditure**

### **3.1 Eligibility of Costs**

The Auditor verifies, for each expenditure item selected, the eligibility criteria set out below.

#### *(1) Costs actually incurred (Article 14.1)*

The Auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the Beneficiary. For this purpose the Auditor examines supporting documents (e.g. invoices, contracts) and proof of payment. The Auditor also examines proof of work done, goods received or services rendered and he/she verifies the existence of assets if applicable.

#### *(2) Cut-off - Implementation period (Article 14.1a)*

The Auditor verifies that the expenditure for a selected item was incurred during the implementation period of the Action.

#### *(3) Budget (Article 14.1b)*

The Auditor verifies that the expenditure for a selected item was indicated in the Action budget and was foreseen to be incurred by the Beneficiary.

#### *(4) Necessary (Article 14.1c)*

The Auditor verifies whether it is plausible that the expenditure for a selected item was necessary for the implementation of the Action and that it had to be incurred for the contracted activities of the Action by examining the nature of the expenditure with supporting documents.

#### *(5) Records (Article 14.1d)*

The Auditor verifies that expenditure for a selected item is recorded in the Partner's accounting system and was recorded in accordance with the applicable accounting standards of the country where the Partner is established and the Partner's usual cost accounting practices.

#### *(6) Justified (Article 14.1e)*

The Auditor verifies that expenditure for a selected item is substantiated by evidence (see section 1 of Annex 2B, Guidelines for Specific Procedures to be performed) and notably the supporting documents as specified in Article 16.2 and 16.3 of the General Conditions of the Grant Contract and Article 7.2 and 7.3 of the Partnership Agreement.

#### *(7) Valuation*

The Auditor verifies that the monetary value of a selected expenditure item agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates are used where applicable.



### *(8) Classification*

The Auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub) heading of the Financial Report.

### *(9) Compliance with Procurement, Nationality and Origin Rules*

Where applicable the Auditor examines, by reference to Annex IV of the Grant Contract, which procurement, nationality and origin rules apply for a certain expenditure (sub) heading, a class of expenditure items or an expenditure item. The Auditor verifies whether the expenditure was incurred in accordance with such rules by examining the underlying documents of the procurement and purchase process. Where the Auditor finds issues of non-compliance with procurement rules, he/she reports the nature of such events as well as their financial impact in terms of ineligible expenditure. When examining procurement documentation the Auditor takes into account the risk indicators listed in Annex 2B and he/she reports, if applicable, which of these indicators were found.

## **3.2 Eligibility of Direct Costs (Article 14.2)**

If the expenditure for a selected item is recorded under one of the direct costs headings 1 to 6 of the Financial Report, the Auditor verifies that this type of expenditure is covered by the direct costs as defined in Article 14.2 of the Grant Contract by examining the nature of the expenditure items concerned.

## **3.3 Provision for Contingency Reserve (Article 14.3)**

The Auditor verifies that the provision for contingency reserve (heading 8 Financial Report) does not exceed 2% of the direct eligible costs of the action and that the Partner has obtained prior written authorisation of the Joint Managing Authority for the use of this contingency reserve.

## **3.4 Administrative costs (Article 14.4)**

The Auditor verifies that the indirect costs to cover the administrative overheads (heading 10 Financial Report) do not exceed 7% of the total amount of eligible direct costs of the part of the Action implemented under the Beneficiary/Partner's responsibility.

## **3.5 Contributions in kind (Article 14.5)**

The Auditor verifies that costs in the Financial Report do not include contributions in kind. Contributions in kind are not eligible costs.

## **3.6 Non-eligible costs (Article 14.6)**

The Auditor verifies that the expenditure for a selected item does not concern a non-eligible cost as described in Article 14.6 of the General Conditions and Article 6.6 of the Partnership Agreement.

The Auditor verifies whether expenditure includes certain taxes, including VAT. If this is the case the Auditor verifies whether the Partner cannot reclaim these taxes and whether the applicable regulations, rules and practices in the country concerned allow the coverage of these taxes in the expenditure.

## **3.7 Revenues of the Action**

The Auditor examines whether revenues which should be attributed to the Action (including inter alia grants and funding received from other donors and other revenue generated by the Beneficiary in the context of the Action such as for example interest earned) have been allocated to the Action, recorded in the accounting system and disclosed in the Financial Report. For this purpose the Auditor inquires with the Partner and examines documentation obtained from the Partner. The Auditor is not expected to examine the completeness of the revenues reported.



## Annex 2B Guidelines for Specific Procedures to be performed

### 1 Verification Evidence

When performing the specific procedures listed in Annex 2A the Auditor may apply techniques such as inquiry and analysis, (re)computation, comparison, other clerical accuracy checks, observation, inspection of records and documents, inspection of assets and obtaining confirmations and representations from the Beneficiary or from third parties.

The Auditor obtains verification evidence from these procedures to draw up his report of factual findings. Verification evidence is all information used by the Auditor in arriving at the factual findings and it includes the information contained in the accounting records underlying the Financial Report and other information (financial and non-financial).

The contractual requirements that relate to verification evidence are:

- Expenditure should be identifiable, verifiable and recorded in the accounting records of the Partner (Article 14.1.d) of the General Conditions of the Grant Contract and Article 6.1.d of the Partnership Agreement.);
- Expenditure must be easily identifiable and verifiable and traced to and within the Partner's accounting and bookkeeping systems (Article 16.1 of the General Conditions and Article 7.1 of the Partnership Agreement.);
- The Partner will allow any external auditor to carry out verifications on the basis of supporting documents for the accounts, accounting documents and any other document relevant to the financing of the Action. The Partner gives access to all documents and databases concerning the technical and financial management of the Action (Article 16.2 of the General Conditions and Article 7.2 of the Partnership Agreement.);
- Article 16.3 of the General Conditions of the Grant Contract and Article 7.3 of the Partnership Agreement provides a list of the types and nature of evidence that the Auditor will often find in expenditure verifications.

Moreover, for the purpose of the procedures listed in Annex 2A, evidence:

- Must be available in documentary form, whether paper, electronic or other medium (e.g. a written record of a meeting is more reliable than an oral presentation of the matters discussed);
- Must be available in the form of original documents rather than photocopies or facsimiles;
- Should preferably be obtained from independent sources outside the entity (an original suppliers invoice or contract is more reliable than an internally approved receipt note);
- Which is generated internally is more reliable if it has been subject to control and approval;
- Obtained directly by the Auditor (e.g. inspection of assets) is more reliable than evidence obtained indirectly (e.g. inquiry about the asset).

If the Auditor finds that the above criteria for evidence are not sufficiently met, he/she should detail this in the factual findings.

### 2 Obtaining an understanding of the terms and conditions of the Grant Contract and of the Partnership Agreement. (Annex 2A - procedure I.1)

The Auditor obtains an understanding of the terms and conditions of the Grant Contract and of the Partnership Agreement and he/she should pay particular attention to Annex I of the Grant Contract, which contains the Description of the Action, Annex II (General Conditions) and Annex IV, which provides rules for procurement (including nationality and origin rules) by grant beneficiaries and partners in the context of EU external actions. Failure to comply with these rules makes expenditure ineligible for EU financing. These procurement rules apply to all grant contracts but depending on the legal basis for the Grant Contract (e.g. TACIS, ALA, Food Aid and Development Co-operation Instrument) nationality and origin rules may vary. The Auditor ensures with the Beneficiary that the applicable nationality and origin rules are identified and understood. Applicable rules of nationality and origin are set out, for each legal basis, in Annex A2 to the Practical Guide<sup>2</sup> to contract procedures for external actions of the European Communities.

<sup>2</sup> Practical Guide (applicable for Budget and EDF) and annexes for Budget and EDF  
see: [http://ec.europa.eu/europeaid/work/procedures/implementation/practical\\_guide/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/practical_guide/index_en.htm)



If the Auditor finds that the terms and conditions to be verified are not sufficiently clear he should request clarification from the Beneficiary.

### **3 Selecting Expenditure for Verification (Annex 2A - procedures 3.1 – 3.7)**

The expenditure claimed by the Partner in the Financial Report is presented under the following expenditure headings: *1 Human Resources, 2 Travel, 3. Works 4. Equipment and Supplies, 5. Offices, 6. Subcontracted services, 7. Other, 9. Provision for contingency reserve and 11. Administrative costs.* Expenditure headings 1 to 7 represent direct costs of the Action. Expenditure headings can be broken down into expenditure subheadings such as for example *1.1 Technical staff.*

Expenditure subheadings can be broken down into individual expenditure items or classes of expenditure items with the same or similar characteristics. The form and nature of the supporting evidence (e.g. a payment, a contract, an invoice etc) and the way expenditure is recorded (i.e. journal entries) vary with the type and nature of the expenditure and the underlying actions or transactions. However, in all cases expenditure items should reflect the accounting (or financial) value of underlying actions or transactions no matter the type and nature of the action or transaction concerned.

Value should be the principal factor used by the Auditor to select expenditure items or classes of expenditure items for verification. The Auditor selects high value expenditure items to ensure an appropriate coverage of expenditure.

### **4 Verification Coverage of Expenditure (Annex 2A - procedures 3.1 – 3.7)**

The Auditor applies the principles and criteria set out below when planning and performing the specific verification procedures for selected expenditure in Annex 2A (procedures 3.1 – 3.7). Situations where national control rules require a 100% verification of expenditure satisfy the Expenditure Coverage requirements expected in this agreed-upon procedure.

Verification by the Auditor and verification coverage of expenditure items does not necessarily mean a complete and exhaustive verification of all the expenditure items that are included in a specific expenditure heading or subheading. The Auditor should ensure a systematic and representative verification. Depending on certain conditions (see further below) the Auditor may obtain sufficient verification results for an expenditure heading or subheading by looking at a limited number of selected expenditure items.

The Auditor may apply statistical sampling techniques for the verification of one or more expenditure headings or subheadings of the Financial Report. The Auditor examines whether 'populations' (i.e. expenditure subheadings or classes of expenditure items within expenditure subheadings) are suitable and sufficiently large (i.e. are made up of large numbers of items) for effective statistical sampling.

If applicable the Auditor should explain in the report of factual findings for which headings or subheadings of the Financial Report sampling has been applied, the method used, the results obtained and whether the sample is representative.

The Expenditure Coverage Ratio ('ECR') represents the total amount of expenditure verified by the Auditor expressed as a percentage of the total amount of expenditure reported by the Partner in the Financial Report and claimed by the Partner for deduction from the total sum of pre-financing paid to it by the Beneficiary.

The Auditor ensures that the overall ECR is at least **65%**. If he finds an exception rate of less than 10% of the total amount of expenditure verified (i.e. 6, 5 %) the Auditor finalises the verification procedures and continues with reporting. If the exception rate found is higher than 10% the Auditor extends verification procedures until the ECR is at least **85%**. The Auditor then finalises verification procedures and continues with reporting regardless of the total exception rate found. The Auditor ensures that the **ECR for each expenditure heading and subheading** in the Financial Report is at least **10%**.

### **5 Procedures to verify selected Expenditure (Annex 2A - procedures 3.1 – 3.7)**

The Auditor verifies the selected expenditure items by carrying out procedures 3.1 - 3.7 listed in Annex 2A and reports all the factual findings and exceptions resulting from these procedures. Verification exceptions are all verification deviations found when performing the procedures set out in Annex 2A.

The Auditor quantifies the amount of the verification exception found and the potential impact on the EU contribution, should the Commission declare the expenditure item(s) concerned ineligible (where applicable taking into account the percentage of funding of the Commission and the impact on indirect expenditure (e.g. administrative costs)). The Auditor reports all exceptions found including the ones of which he cannot quantify the amount of the verification exception found and the potential impact on the EU contribution.

*For example:* if the Auditor finds an exception of 1.000€ with regard to procurement rules for a grant contract where the EU finances 60% of the expenditure and where administrative costs of 7% of total direct eligible expenses are foreseen, the Auditor reports an exception of 1.000€ and a financial impact of 642€ (1.000€ x 60% x 1.07).

*Specific guidance for procedure 3.1.9 Compliance with Procurement, Nationality and Origin Rules*

The Auditor should verify whether the expenditure for a selected item was incurred in accordance with the applicable procurement, nationality and origin rules by examining the underlying documents of the procurement and purchase process. Such documents relate to the opening of tenders, the assessment of the eligibility of tenderers and conformity of tenders, the evaluation of the offers and the decisions with regard to the awarding of the contract. When examining these procurement documents the Auditor takes into account the risk indicators listed at the end of this Annex and he reports, if applicable, which of these indicators were identified.

*Specific guidance for procedure 3.5 Contributions in kind*

The Auditor should verify that expenditure in the Financial Report does not include any contributions in kind. If contributions in kind are foreseen they must be indicated and valued in the Action budget. If this is not the case contributions in kind are not eligible. *Examples:* salaries of staff detached by a Ministry which is not part of the action or equipment and material received from organisations which do not participate in the Action.



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## RISK INDICATORS PROCUREMENT

- Inconsistencies in the dates of the documents or illogical sequence of dates. Examples:
    - Offer dated after the award of contract or before the sending of the invitations to tender
    - Offer of the winning tenderer dated before the publication date of the tender or dated significantly later than offers of other tenderers
    - Offers of different candidates participating in the same tenders all having the same date
    - Dates on documents not plausible/consistent with dates on accompanying documentation (e.g. date on the offer not plausible/consistent with the postal date on the envelope; date of a fax not plausible/consistent with the printed date of the fax machine)
  - Unusual similarities in offers of candidates participating in the same tender. Examples:
    - Same wording, sentences and terminology in offers of different tenderers
    - Same layout and format (e.g. font type, font size, margin sizes, indents, paragraph wrapping, etc) in offers of different tenderers
    - Similar letterhead paper or logos
    - Same prices used in offers of different tenderers for a number of subcomponents or line items
    - Identical grammatical, orthographical or typing errors in offers of different tenderers
    - Use of similar stamps and similarities in signatures
  - Financial statement or other information indicating that two tenderers participating in the same tender are related or part of a same group (e.g. where financial statements are provided, the notes to the financial statements may disclose ultimate ownership of the group. Ownership information may also be found in public registers for accounts)
  - Inconsistencies in the selection and award decision process. Examples:
    - Award decisions not plausible / consistent with selection and award criteria
    - Errors in the application of the selection and award criteria
    - A regular supplier of the beneficiary participates as a member of a tender evaluation committee
  - Other elements and examples indicating a risk of privileged relationship with tenderers:
    - A same tenderer (or small group of tenderers) is invited to different tenders with unusual frequency
    - A same tenderer (or small group of tenderers) wins an unusually high proportion of the bids
    - A tenderer is frequently awarded contracts for different types of goods or services
    - The winning tenderer invoices additional goods not foreseen in the offer (e.g. additional spare parts invoiced without clear justification, installation costs invoiced while not foreseen in the offer).
  - Other documentation, issues and examples indicating a risk of irregularities:
    - Use of photocopies instead of original documents
    - Use of pro-forma invoices as supporting documents instead of official invoices
    - Manual changes on original documents (e.g. figures manually changed, figures "tippexed", etc)
    - Use of non-official documents (e.g. letterhead paper not showing certain official and/or compulsory information such as commercial registry number, company tax number, etc.)
-