

## **AUDITOR`S REPORT**

**on the special purpose Audit engagement**

**related to Cooperation Agreement**

*between* **CCF Moldova - Children, Communities, Families**

*and* **World Childhood Foundation**

**Project number: 15257**

**Project name: "Family at core - empowering family support"**

**Covering period: 1<sup>st</sup> December 2014 - 30<sup>th</sup> November 2015**

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## AUDITOR`S REPORT

### on special purpose Audit engagement

To: Mrs. Liliana Rotaru

CCF Moldova - Children, Communities, Families, NGO  
16, A. Puskin Street, no 5-6, Chisinau,  
MD-2012, Republic of Moldova,

20.06.2016

Dear Mrs. Liliana Rotaru

We have audited the compliance with the financial aspects of the Cooperation Agreement concerning "Family at core - empowering family support", the 'Grant Contract' concluded between CCF Moldova - Children, Communities, Families NGO ("the **Beneficiary**") and World Childhood Foundation, Stockholm, SWEDEN ("the **Agency**"). The audit of the financial reports has been performed according to the provisions of the special purpose engagement, establishes by mutual agreement with the executive body of the Beneficiary.

#### **Management's Responsibility for the Financial Reports**

Management of the Beneficiary is responsible for the preparation and fair presentation of these financial reports in accordance with the financial reporting provisions of Grant Contract and for such internal control as management determines is necessary to enable the preparation of financial reports that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to perform the necessary procedures related the verification of expenses of the Grant Contract concluded between the **Agency** and the **Beneficiary**, as wells as to express an opinion on these financial reports based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial report of the **Beneficiary** is prepared in all material respects, in accordance with the provision of the Grant Contract to which we referred above.

### Basis of Accounting and Restriction on distribution and use

This report is prepared solely for your own confidential use and solely for the purpose of submission by you to the **Agency** in connection with the requirements as set out in Grant Contract. This report may not be relied upon by you for any other purpose, nor may it be distributed to any other parties.

The **Agency** 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 **Agency** who may rely upon this expenditure verification report at its own risk and discretion. The **Agency** can assess for itself the procedures and findings reported by us and draw its own conclusions from the factual findings reported by us. The **Agency** may only disclose this Report to others who have regulatory rights of access to it.

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

Yours faithfully



Asilex Consulting SRL  
Drumul Viilor 28/6,  
Chisinau, Republic of Moldova  
Licence Series AMMII, No. 043748 dated May 23, 2008

A handwritten signature in black ink, appearing to read 'Natalia SUVEICA'.

**Natalia SUVEICA**  
*Auditor, managing partner*  
Certificate of audit qualification  
Series AG, No. 000251

June 20, 2016

## Information about the Grant Contract

The project “Family at core - empowering family support services in Chisinau” with the main objective to develop an operational Social Assistance Service for Children and Families which would allow completing the reform of the care of children and families in risk situations in the Chisinau.

***The main activities of the project are:***

- Develop an operational Social Assistance service for Child and Family (SA service) which would allow the complete the reform of child care for children and families in risk situations in the Chisinau Municipality;
- To increase the capacity of the newly created service.

***Beneficiary:*** CCF Moldova - Children, Communities, Families

***Location of organisation's management:*** 16, A. Puskin Street, no 5-6, Chisinau, Republic of Moldova, postal code MD-2012.

***The total allocated budget for the project is:*** **USD 19,990**

## Applied accounting norms and standards

Below are listed the accounting principles and aspects of Accounting Standards, on the basis of which the CCF Moldova prepares the Financial statements, based on the following:

- Accounting Low No 113-XVI dated on April 24, 2007;
- National Accounting Standards (NAS), issued by the Ministry of Finance of the Republic of Moldova;
- Charts of accounts issued by the Ministry of Finance of the Republic of Moldova;
- Methodical guidelines on the accounting particularities in the non-profit organisations issued by the Ministry of Finance of the Republic of Moldova;
- Accounting policy of the CCF Moldova;
- Grant Contract requirements

According to Accounting Low, the chairman of the entity is responsible for accounting organisation and bookkeeping, in order to provide the necessary conditions for a correct organisation of accounting, preparation and presentation of information necessary for the bookkeeping and financial reporting. In the CCF Moldova this responsibility is delegated through the chief of accountant and finance department.

CCF Moldova applies the double entry accounting system. For the purpose of Grant Contract, the Beneficiary prepared the financial reports in accordance with cash methods.

For the recording of the transactions determined by the purpose of financing are used primary document covered by the provision of Accounting Low and other normative acts in force.

## Audit Standards and Ethics

Our engagement was undertaken in accordance with:

- Term of reference to the agreement concluded between Asilex Consulting SRL and CCF Moldova;
- International Standard on Audit 800 *Audit of Financial Statements prepared in accordance with special purpose frameworks* as promulgated by the International Federation of Accountants (IFAC);
- the *Code of Ethics for Professional Accountants* issued by the IFAC.

## Objectives of the audit

1. Our engagement was an examination of financial conformity, by control and calculation of the exactness, completeness and correctness of the accounting operations related to the Grant Contract.
2. Verification of the compliance with the project objectives by control and evaluation of the transactions and expenses, compared with the primary documents and generalized accounting registers.
3. Analysis of management of the project activity by controlling and evaluation of:

- a. Comparison of the expenses with the corresponding budget items and explanation of any differences;
- b. Cost of resources used for the activity;
- c. Verifications by the observance by the Beneficiary of the Grant Contract conditions.

### **Applied audit procedures during the audit engagement**

- Verification of the observance by the Beneficiary of the Grant Contract;
- Verifications of the financing obtained for project implementation, reconciled with bank accounts and documents;
- Verification of use of goods purchased during the project realisation for the mentioned objectives;
- Review of the agreement of expenses with the approved budget by the Agency, brief analysis of the differences between the budgeted and actual expenses;
- Analysis of existence and application within the project of adequate control measure in conformity with the use of resources;
- Testing of existence and application of management procedures at various transactions;
- Control of existence and tracing of procurement procedures;
- Verification of the arithmetic exactness of the operations registered in the accounting records and financial statements;
- Control of completeness and regularity of invoices registrations;
- Evaluations of the internal control system within the organisation, which would ensure in a sufficient way the conformity with the normative acts in force and Grant Contract provisions;
- Any other procedures the auditor deems useful for the attainment of the audit objectives.

### **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. Additionally, we received verbal information from the project manager and finance department.

## Procedures performed and Factual Findings

We have performed audit procedures and the specific procedures listed in Annex 2 of the engagement letter ('ToR'). These procedures are:

- a) Compare the figures presented in the original financing agreement and the figures of the financial reports. Highlight the major changes.
- b) The Auditor`s Report should offer an opinion of the areas listed in Annex 2 of the engagement letter ('ToR');
- c) Review the narrative report of the project;
- d) Follow up whether salary costs debited to the project are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation. If the budget includes salary costs to be debited to the project, the auditor shall always examine salary costs as stipulated;
- e) The Beneficiaries compliance with rules and regulations in regard to taxes (e.g. Pay As You Earn - PAYE) and social security fees;
- f) Review the uses of project equipment;
- g) Follow up whether there is a risk for double funding of the project;
- h) Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs;
- i) Follow up whether the Beneficiary has implemented the following recommendations from previous audits/ management letter;
- j) Provide comments on the overall financial management system of the organizations and provide a more detailed report, suggesting ways in which management or controls could be improved.

We have applied the rules for selection of expenditure and the principles and criteria for verification coverage.

Difficulties in implementation were not encountered.

The total expenditure verified by us amounts to **EUR 19,331.70** and is summarized in the table below.

The overall Expenditure Coverage Ratio is 97,5%.

Bdg Line	Type of Expenditure	Expenditure Reported	Expenditure Verified	Verified (ECR)
		USD	USD	%
2	Consultant/support services	3,570.62	3,464.72	97.0%
4	Printed/Audiovisual material	234.33	234.33	100.0%
5	Travel and transport	1,490.94	1,490.94	100.0%
6	Furniture and Equipment	757.06	757.06	100.0%
7	Workshops/Training activities	6,851.72	6,671.66	97.4%
8	Study visits and Experience Exchange	5,043.89	4,880.30	96.8%



12	<b>Total project budget excluding admin costs</b>	<b>17,948.56</b>	<b>17,499.00</b>	<b>97.5%</b>
13	Administrative costs (max 10% of Total Project Budget)	596.10	552.70	92.7%
14	<b>Total project budget including admin costs</b>	<b>18,544.66</b>	<b>18,051.70</b>	<b>97.3%</b>
15	Audit	1,280.00	1,280.00	100.0%
<b>GRAND Total</b>		<b>19,824.66</b>	<b>19,331.70</b>	<b>97.5%</b>
Revenue		-	-	0.0%

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 in the engagement letter for this expenditure verification. We report our factual findings resulting from these procedures below:

### Terms and Conditions of the Grant Contract

We have obtained an understanding of the terms and conditions of the Grant Contract by reviewing the Grant Contract and its annexes and other relevant information, and by inquiry of the Beneficiary. We obtained a copy of the original Grant Contract signed by the Beneficiary and the World Childhood Foundation ("the Agency") with its annexes. We have obtained and reviewed the Financial Report which includes a narrative and a financial section.

*No factual findings have arisen from this procedure*

### Financial Report

We verified that the Financial Report complies with the following conditions:

- The Financial Report cover the entire project period and submitted in time;
- The Financial Report is drawn up in the language of the Grant Contract;

*No factual findings have arisen from this procedure*

### Budget of the Grant Contract

We carried out an analytical review of the reported expenditures in the Financial Report. We verified that the budget stated in the Financial Report corresponds with the approved budget in the Grant Contract. *No factual findings have arisen from this procedure.*

### Amendments to the Budget of the Grant Contract

No amendments were identified to the Beneficiary Budget.

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

The Beneficiary uses the computerized accounting system. We verified and reconciled the information from the accounting system with the supporting accounting documents and the Financial Report of the Beneficiary.

*No factual findings have arisen from this procedure.*

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

We verify that the Beneficiary has complied with the following rules for accounting and record keeping of Annex 2 of the Engagement letter ('ToR').

*No factual findings have arisen from this procedure*

### **Eligibility of Costs**

We have verified, for each expenditure item selected, the eligibility criteria set out in Annex 2 of the ToR for this expenditure verification.

*No factual findings have arisen from this procedure.*

### **Costs actually incurred**

We verified that the expenditures were actually incurred by and pertain to the CCF Moldova - Children, Communities, Families NGO.

*No factual findings have arisen from this procedure.*

### **Cut-off - Implementation period**

We verified that the expenditures were incurred during the implementation period of the Action.

*No factual findings have arisen from this procedure.*

### **Necessary**

We verified whether it was plausible that the expenditures were 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.*

### **Records**

We verified that expenditures were recorded in the Beneficiary's accounting system and was recorded in accordance with the applicable local accounting standards and the Beneficiary's usual cost accounting practices.

*No factual findings have arisen from this procedure.*

### **Justified**

We verified that expenditure for a selected item is substantiated by evidence and notably the supporting documents.

*No errors were found.*

## **Valuation**

We verified that the monetary value of the expenditures agrees with underlying documents (e.g. invoices, salary statements) and that correct exchange rates are used where applicable.

*No errors were found.*

## **Classification**

We examined the nature of the expenditures and verified that expenditures were classified under the correct (sub)heading of the Financial Report.

*No factual findings have arisen from this procedure.*

## **Revenues of the Action**

We examined whether revenues which should be attributed to the Action (including inter alia grants 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.

*No revenues were identified from this procedure.*

## **Review the narrative report of the project**

We analysed and reviewed the Narrative reports submitted by CCF Moldova to **World Childhood Foundation** for the whole reporting period: December 2014 - November 2015. As per our understanding and discussion with project manager all activities were properly planned, well-coordinated and corresponding with the supported costs.

*No factual findings have arisen from this procedure.*

## **Review the payments for project staff incentives**

We did analyse the contracts based on which were made the payments for Consultants / experts. The contract amounts were set following the approved budget and were drawn in conformity with the legal requirements while the effective payments correspond to the contract data and are justified by payment orders.

*No factual findings have arisen from this procedure.*

## **Compliance with rules and regulations in regard to taxes and social security fees**

The taxes and duties for local Consultants (residents of Moldova) were properly calculated and paid in time to the corresponding budgets.

**Findings:**

1. The taxes and duties for external Consultants (non-residents of Moldova) were not properly calculated from all sources as required by Tax Code of the Republic of Moldova (see table 1).
2. The payments in favour of local Consultants which are using the entrepreneurship patents were not properly treated from fiscal purpose (see table 1).

Table 1

Expert / Consultant	Basis of taxation	Amount, USD	Rate	WHT, USD	Calculated by CCF, USD	Difference, USD
Supervisor, Romania	Fee	1,921.80	7-18%			
	Transport	39.01	7-18%	220.58	0.00	220.58
	Accommodation	225.78	7-18%			
Local Consultants, entrepreneurship patents	Fee	1,285.39	12%	154.25	0.00	154.25
Consultant, Bulgaria	Fee	1,060.68	12%	127.28	0.00	127.28
<b>TOTAL TAX IMPACT</b>				<b>502.11</b>	<b>0.00</b>	<b>502.11</b>

### Review the uses of project equipment

During the implementation of the project were procured the following IT equipment and software: computer desktop, PC tablet and Licence windows 8.1. The equipment procured is confirmed by payment orders and tax invoices and fit into the set budget limits. CCF Moldova didn't carry out any tenders for these procurements because these sums are below the limit set in the procurement policy. We did compare the prices for the respective goods with prices listed in the largest three online shops from the Republic of Moldova.

*No factual findings have arisen from this procedure.*

### Risk for double funding of the project

We examined whether the same expense is reported in different line of report or is financing from other sources.

*No factual findings have arisen from this procedure.*

### Existence of supporting documentation related to incurred costs

Based on materiality and risk we did examine whether there is supporting documentation related to incurred costs. All selected payments / expenses are accurately recorded in the project's accounting system based on primary accounting documents.

*No factual findings have arisen from this procedure.*

## Implementation of recommendations from previous audits / management letter

Where are no outstanding recommendations from previous audits.

### Comments on the overall financial management system of the organizations and provide a more detailed report, suggesting ways in which management or controls could be improved.

The chairman of CCF Moldova according to the legislation of Republic of Moldova is responsible for adoption internal policies and procedures so as to ensure and efficiently conduct the activity, including strict observation of integrity of assets, accurate and thoroughness of bookkeeping, circuit schemes of accounting documents as well as adequate preparation of some credible financial information.

The internal control procedures established by the management are as follows:

- development and approval of annual accounting policy;
- performance of stock-taking of material goods so as to confirm them against the accounting data;
- confirmation of balances of cash on the current accounts in national currency and foreign currency under the financial institution;
- drafting, performing, control and approval of mutual verifying results;
- checking the math accuracy of book keeping records;
- approval and checking of documents;
- verifying budget implementation.

As part of audit procedures, the auditor obtained an adequate picture on accounting system and internal control by identifying and understanding:

- main groups of transactions done by the CCF Moldova on Grant Contract;
- modality for the carrying out and authorization of these transactions;
- main accounting records, as well as confirmatory documents;
- the bookkeeping process from the beginning of the transaction and other significant events until the preparation of financial reports.

Following the tests applied to the internal control, the Auditor didn't identify any lacks or errors in the internal control system.

## Litigation

Neither on the date of reporting, of the 20th of June 2016, nor during the whole project period wasn't the CCF Moldova involved into any litigation, neither as a plaintiff nor as defendant.

## Annex 1

## Financial Report

Grant contract: "Family at core - empowering family support services in Chisinau" - 15257  
 Covering period: 1<sup>st</sup> December 2014 - 30<sup>th</sup> November 2015

Bdg Line	Specification of activities	Original Budget	Reported Expenditures					Total outcome	Balance	Deviation vs Budget
			Period 1 Dec 2014 - Feb 2015	Period 2 Mar - May 2015	Period 3 Jun - Aug 2015	Period 4 Sep - Nov 2015	6=sum(2:5)			
A	B	1	2	3	4	5	6=sum(2:5)	7=1-6	8=6/1	
2	Consultant/support services	3,300	626	712	1,197	1,036	3,571	-271	108.2%	
4	Printed/Audiovisual material	200	-	200	34	-	234	-34	117.2%	
5	Travel and transport	1,550	-	1,114	-	377	1,491	59	96.2%	
6	Furniture and Equipment	750	757	-	-	-	757	-7	100.9%	
7	Workshops/Training activities	5,090	275	879	2,406	3,291	6,852	-1,762	134.6%	
8	Study visits and Experience Exchange	6,540	-	4,092	-	952	5,044	1,496	77.1%	
12	Total project budget excluding admin costs	17,430	1,658	6,997	3,638	5,656	17,949	-519	103.0%	
13	Administrative costs (max 10% of Total Project Budget)	1,560	2	60	47	487	596	964	38.2%	
14	Total project budget including admin costs	18,990	1,660	7,057	3,685	6,143	18,545	445	97.7%	
15	Audit	1,000	-	-	-	1,280	1,280	-280	128.0%	
GRAND Total		19,990	1,660	7,057	3,685	7,423	19,825	165	99.2%	

LILIANA ROTARU  
PROJECT MANAGER




SERGIU BUSUIOC  
FINANCE MANAGER

