

## ANNEX III: ORGANISATION & METHODOLOGY

Please provide the following information:

### 1. RATIONALE

- We do not have any comments on terms of reference. We have extensive experience of carrying such assignments and we would be able to deliver assignment Verification of eligibility of the expenditure incurred and to report in connection with a European Union financed grant contract for an external action concerning ENI-EMS: COMINF/3.1/1 –“Communication infrastructure”, nr . 87467/28.06.2019 (the ‘Grant Contract’), within the Joint Operational Program of EU, Romania – Republic of Moldova 2014 – 2020 with high quality.

### 2. STRATEGY

**Objective:** Verification of eligibility of the expenditure incurred during the implementation of the expenditure verification and to report in connection with a European Union financed grant contract for an external action concerning ENI-EMS: COMINF/3.1/1 –“Communication infrastructure”, nr . 87467/28.06.2019 (the ‘Grant Contract’), within the Joint Operational Program of EU, Romania – Republic of Moldova 2014 – 2020 with high quality.

#### Financial Report for the Grant Contract

Moore team will verify that the Financial Report complies with the following conditions of Article 8 of the Grant Contract:

- The Financial Report must conform to the model approved by Managing Authority;
- The Financial Report should cover the eligible costs of the Action as a whole, regardless of which part of it is financed by the Contracting Authority;
- The Financial Report should be drawn up in the language of the Grant Contract and its assumed translation in Romanian.

#### Rules for Accounting and Record keeping:

- The accounts kept by the Lead Beneficiary/Beneficiaries for the implementation of the Action must be a complete and accurate record of the real and authorized transactions financed by the grant;
- The Lead Beneficiary/Beneficiaries must have a double-entry bookkeeping 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 Joint Managing Lead Beneficiary/Beneficiaries verifiable.

#### Reconciling the Financial Report to the Beneficiary(ies)’s Accounting System and Records

- Moore team will reconcile the information in the Financial Report to the Beneficiary’s accounting system and records (e.g. trial balance, general ledger accounts, sub ledgers etc.).

### Exchange Rates

Moore team will verify that the financial report for the Action is stated in the currency set out in the Special Conditions. We will also verify that costs incurred in other currencies than the one used in the Beneficiary's accounts for the Action have been converted in accordance with the Beneficiary's usual accounting practices unless otherwise provided for in the Special Conditions.

### Procedures to verify conformity of expenditure with the budget and analytical review

Moore team will carry out an analytical review of the expenditure headings in the Financial Report.

We will verify that the budget in the Financial Report corresponds with the budget of the Grant Contract (authenticity and authorisation of the initial budget) and that the expenditure incurred was indicated in the budget of the Grant Contract.

### Amendments to the Budget of the Grant Contract

Our team will verify whether there have been amendments to the budget of the Grant Contract. Where this is the case, our team will verify that the Coordinator has:

- requested an amendment to the budget and obtained an addendum to the Grant Contract if such an addendum was required.
- informed the Contracting Authority about the amendment if the amendment was within the scope and an addendum to the Grant Contract was not required.

### Procedures to verify selected Expenditure.

We will verify, for each expenditure item selected, the eligibility criteria set out below.

#### *Actual costs incurred (8.1)*

- We will verify that the actual expenditure for a selected item was incurred by and pertains to the Beneficiary(ies) or its (their) affiliated entity(ies). We will take into account the detailed conditions for actual costs incurred as set out in Article 8.1.(i) to (iii). For this purpose, we will examine supporting documents (e.g. invoices, contracts) and proof of payment. We will also examine proof of work done, goods received or services rendered and he/she verifies the existence of assets if applicable.
- At final reporting stage the costs incurred during the implementation period but not yet paid can be accepted as actual costs incurred, provided that (1) a liability exists (order, invoice or equivalent) for services rendered or goods supplied during the implementation period of the action, (2) the final costs are known and (3) these costs are listed in the final Financial Report together with the estimated date of payment. We will verify whether these cost items have effectively been paid at the moment of the auditor's verification.

#### **Cut-off — Implementation period (Article 8.1a)**

- We will verify that the expenditure for a selected item was incurred during the implementation period of the Action. An exception is made for costs relating to final reports including expenditure verification, audit and final evaluation reports of the Action and which may be incurred after the implementation period of the Action.

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### **Budget (Article 8.1c)**

- We will verify that the expenditure for a selected item was indicated in the Action budget.

### **Necessary (Article 8.1d)**

- We will verify 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.

### **Records (Article 8.1e)**

- We will verify that expenditure for a selected item is recorded in the Beneficiary(ies)'s accounting system and was recorded in accordance with the applicable accounting standards of the country where the Beneficiary is established and the Beneficiary's usual cost accounting practices.

### **Applicable legislation (Article 8.1f)**

- Our team will verify that expenditure complies with the requirements of tax and social security legislation where this is applicable (for example: employer's part of taxes, pension premiums and social security charges).

### **Justified (Article 8.1g)**

- Our team will verify that expenditure for a selected item is substantiated by evidence (see section 1 of Annex 2B, Guidelines for Specific Procedures to be performed) and supporting documents as specified in the Grant Contract.

### **Valuation**

- We will verify 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.

### **Classification**

- We will examine the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct heading of the Financial Report.

### **Compliance with Procurement Principles and Nationality and Origin Rules**

- We will verify whether the Beneficiary has concluded implementation contracts with contractors.
- We will also verify for the expenditure items concerned whether the Beneficiary has complied with the principles for procurement and the nationality and origin rules as set out Procurement by grant Beneficiaries.
- For this purpose, our team inspects the underlying documents of the procurement and purchase process including where applicable proof of nationality and origin.
- Where we will find issues of non-compliance, he/she reports the nature of such issues as well as their financial impact in terms of ineligible expenditure. When examining supporting documents, we will take into account the risk indicators listed at the end of Annex 2B.

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### **Eligible Direct Costs (Article 8.2) :**

- We will verify that expenditure for selected items which are recorded under one of the direct costs headings (1 to 6) of the Financial Report, are covered by the direct costs as defined in Article 8.2 by examining the nature of these expenditure items.
- We will verify the duties, taxes and charges, including VAT which are recorded under direct costs are not recoverable by the beneficiary(ies) and/ or its(their) affiliated entities. Our team will obtain evidence that the Beneficiary(ies) and or its affiliated entities cannot reclaim the duties, taxes or charges, including VAT through an exemption system and/or a refund a posteriori.
- In case Grand Contract provisions provides that duties, taxes and charges, including VAT are not eligible, but the "accepted costs system" is introduced: they remain ineligible costs, but they can be accepted as co-financing. Therefore our team will additionally verify that the tax amount concerned is reported under heading 12 of the financial report, is properly computed, in line with supporting documents (e.g. invoices) and relate to eligible costs and cost items included under headings 1 to 10 of the Financial Report.

### **Contingency Reserve (Article 8.5):**

- We will verify that the provision for contingency reserve (heading 8 in Financial Report) does not exceed 5 % of the direct eligible costs (which will confirm exact % with the client) of the Action and that the Coordinator has obtained prior written authorisation from the Contracting Authority for the use of this contingency reserve.

### **Indirect costs (Article 8.3):**

- We will verify that the indirect costs to cover overhead costs do not exceed the maximum percentage of the total final amount of eligible direct costs of the Action or the percentage established in Conditions of the Grant Contract if applicable.

### **In kind contributions (Article 8.6):**

- We will verify that the costs in the Financial Report do not include contributions in kind. Any contributions in kind (these should be listed separately in Annex III, Budget for the Action), do not represent actual expenditure and are not eligible costs.

### **Non-eligible costs (Article 8.7)**

- We will verify that expenditure for a selected item does not concern an ineligible cost as described in Article 8.7 of the Grant Contract. These costs include inter alia currency exchange losses.

### **Revenues of the Action**

- We will examine whether the revenues which should be attributed to the Action (including grants and funding received from other donors and other revenue generated by the Beneficiary as part of the Action have been allocated to the Action and disclosed in the Financial Report. For this purpose, we will inquire with the Beneficiary and examines documentation obtained from the Beneficiary(ies). We will not examine the completeness of the revenues reported.

### **Specific Procedures to be performed.**

- When performing the specific procedures, we will 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.
- We will obtain verification evidence from these procedures to draw up the report of factual findings. Verification evidence is all information used by our team in arriving at the factual findings and it includes

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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 Lead Beneficiary/Beneficiary (Article 8.1.e) of the Grant Contract and in the Partnership Agreement;
- Expenditure must be easily identifiable and verifiable and traced to and within the Beneficiary's/Partner's accounting and bookkeeping systems;
- The Lead Beneficiary/Beneficiary will allow Moore team 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 Lead Beneficiary/Beneficiary gives access to all documents and databases concerning the technical and financial management of the Action;
- Grant Contract and 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, records, accounting and supporting documents:**

- 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 Moore team (e.g. inspection of assets) is more reliable than evidence obtained indirectly (e.g. inquiry about the asset).

If Moore team will find out that the above criteria for evidence are not sufficiently met, he/she should detail this in the factual findings.

### **Obtaining an understanding of the terms and conditions of the grant contract:**

- Our team will obtain an understanding of the terms and conditions of the Grant Contract. We will pay particular attention to Annex I of the Grant Contract (the Description of the Action), Annex II (Partnership Agreement) which provides principles for procurement and nationality and origin rules.. Failure to comply with these principles or rules makes expenditure ineligible for EU financing.
- Our team will ensure with the Beneficiary that the applicable principles for procurement and the nationality and origin rules are clearly identified and understood. If the Auditor finds that the terms and conditions to be verified are not sufficiently clear he/she should request clarification from the Beneficiary.

### **Selecting Expenditure for Verification**

- The expenditure claimed by the Coordinator in the Financial Report is generally presented under the following expenditure headings: 1. Human Resources, 2. Travel, 3. Equipment and Supplies, 4. Local office, 5. Other costs, services, 6. Other, 8. Provision for contingency reserve and 10. Indirect costs. Expenditure headings 1. to 6. represent direct costs of the Action. Expenditure headings can be broken down into expenditure subheadings such as for example 1.1 Salaries.

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- 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 (e.g. 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 the underlying actions or transactions, whatever the type and nature of the action or transaction concerned.
- Value should be the principal factor which will be used by our team to select expenditure items or classes of expenditure items for verification. We will select high-value expenditure items to ensure an appropriate coverage of expenditure.

### Verification Coverage of Expenditure:

- 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. We ensure a systematic and representative verification. Depending on certain conditions, we may obtain sufficient verification results for an expenditure heading or subheading by looking at a limited number of selected expenditure items.
- We may apply statistical sampling techniques for the verification of one or more expenditure headings or subheadings of the Financial Report. We will examine 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, we will 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’) is the total amount of expenditure verified by our team, expressed as a percentage of the total amount of expenditure reported by the Coordinator in the Financial Report.
- We will ensure that the overall ECR is at least **65 %**. If the exception rate of less than 10 % of the total amount of expenditure verified (i.e. 6.5 %) then we will finalise the verification procedures and continue with reporting.
- If the exception rate found is higher than 10 % then we will extend verification procedures until the ECR is at least **85 %**. Our team will then finalise verification procedures and continue with reporting regardless of the total exception rate found. We will ensure that the **ECR for each expenditure heading and subheading** in the Financial Report is at least **10 %**.

### Procedures to Verify Selected Expenditure:

- We will verify the selected expenditure items by carrying out procedures and report all the factual findings and exceptions resulting from these procedures. Verification exceptions are all verification deviations found when performing the procedures.
- We will quantify the amount of verification exceptions found and the potential impact on the EU contribution, should the Commission declare the expenditure item(s) concerned ineligible (taking into account the percentage of funding by the Commission and the impact on indirect expenditure (e.g. administrative costs, overheads)). The Auditor reports all exceptions found, including those for which he/she cannot quantify the amount of the verification exception found and the potential impact on the EU contribution.

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### Procedure Compliance with Procurement, Nationality and Origin Rules

We will 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/Controller takes into account the risk indicators listed at the end of this Annex and he reports, if applicable, which of these indicators were identified.

### Procedure 3.5 Contributions in kind

Moore team 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.

### Specific procedures to be performed for checking the compilation of the consolidated financial report

**Terms and Conditions of the Grant Contract and Partnership Agreement:** Our team will obtain 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 Beneficiary/Partner. We will obtain 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/Controller obtains and reviews the Report (which includes a narrative and a financial section).

### Consolidated Financial Report

We will obtain the draft Consolidated Financial Report, the underlying working papers for the compilation of the draft Consolidated Financial Report and the individual verified financial reports that are to be included in the Consolidated Financial Report. The Auditor/Controller reviews the Consolidated Financial Report to establish compliance with the following conditions:

- The Consolidated Financial Report must conform to the model approved by Managing Authority;
- The Consolidated Financial Report should cover the combined expenditure for the Action of Beneficiary and all its Partners, regardless of which part of it is financed by the Managing Authority;
- The Consolidated Financial Report should be drawn up in the language of the Grant Contract.

### Procedures to check the compilation of the Consolidated Financial Report

#### Completeness and accuracy of the compilation of the Consolidated Financial Report

Our team will trace each budget and actual amount stated in the Consolidated Financial Report to the total amounts in an underlying working paper that compiles the Information from the Individual verified financial reports for the Beneficiary and its Partners.

Moore team will trace each individual budget and actual amount stated in the underlying working paper to the individual verified financial reports for the Beneficiary and its Partners.

Moore team reperform all calculations and additions in the Consolidated Financial Report and in the underlying working paper.

Moore team reviews each expenditure verification report to identify any findings that may affect the presentation of the Consolidated Financial Report and that should be reported by him as exceptions.

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### Consistency of presentation:

Moore team will check that the Consolidated Financial Report uses the same revenue and expenditure headings as the underlying financial reports for reporting both budget and actual amounts.

Moore team will check that in compiling the Consolidated Financial Report, the budget and actual amounts recorded under each revenue/ expenditure heading in the underlying verified financial reports have been consistently included under the same headings in the Consolidated Financial Report.

### Factual Finding report:

- The analysis will have as a scope of our assessment a factual findings report based on the agreed-upon procedures. Our services will be conducted here in accordance with the International Standards on Related Services (ISRSs) issued by the International Auditing and Assurance Standards Board (IAASB) – ISRS 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information". The procedures performed will not constitute an audit or a review and, accordingly, no assurance will be expressed. Had we performed additional procedures, an audit or a review, other matters might have come to our attention and would have been reported. The factual findings report will be prepared based on the information supplied to us by the management and the employees of the Company, after reasonably inquiring into the matter, but without verification of all the information received.
- The agreed procedures will be based on the specific methodology adapted to the R. Moldova
- The Report will be issued in Romanian and English version according to the template agreed with Management.

### Deliverables:

- Expenditure verification report - is an annual report prepared by the audit firm according to a standard model of the JOP, which certifies the correctness of transactions and their legality. In total, 3 expense verification reports will be provides such as
  - ✓ First Interim report by May 2021
  - ✓ Second Interim Report by Jan 2022
  - ✓ Final Factual Report by August 2022

## 3. BACKSTOPPING

To perform the contract, we will need following assistance.

- Expenditure should be identifiable, verifiable and recorded in the accounting records of the Beneficiary
- The Beneficiary(ies) will allow Moore team 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 Beneficiary gives access to all documents and databases concerning the technical and financial management of the Action
- The Beneficiary will provides a list of the types and nature of evidence that the we will often find in expenditure verifications.

Moreover, for the purpose of performing procedures, records, accounting and supporting documents:

- shall be easily accessible and filed so as to facilitate their examination.
- shall be available in the original form, including in electronic form.



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- records and accounting and supporting documents should 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). Electronic documents can be accepted only where:
- the documentation was first received or created (e.g. an order form or confirmation) by the Beneficiary(ies) in electronic form; or
- Moore team is satisfied that the Beneficiary uses an electronic archiving system which meets established standards (e.g. a certified system which complies with national law).
- should preferably be obtained from independent sources outside the entity (an original supplier's 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.

We do not have any subcontracting arrangements and assignment will be led by Moore team.

### 4. INVOLVEMENT OF ALL MEMBERS OF THE CONSORTIUM

Name	Function	Responsibilities	Time Input in days
Mamas Koutsoyiannis	Quality Assurance Partner	Responsible for reviewing the quality of the procedures performed	5
Andrei Stan	Partner	Approval strategy, Risk assessment, review of tests and procedures performed	9
Valeriu Cernei	IT Partner	Evaluation of IT risks review of IT tests and procedures performed	2
Elena Panainte	Audit Director	Understanding business processes, Approval strategy, risk assessment, Review of tests and procedures performed	12
Oleg Botnaru	Manager	Planning, Monitoring Finalization, Reporting	12
Alina Stratan	Associate Manager	Finalization, Reporting	13
Diana Rusu	Senior Associate	Finalization, Reporting	13
Mihaela Banu	Associate	Finalization, Reporting	12
Corina Bernevec	Associate	Finalization, Reporting	12

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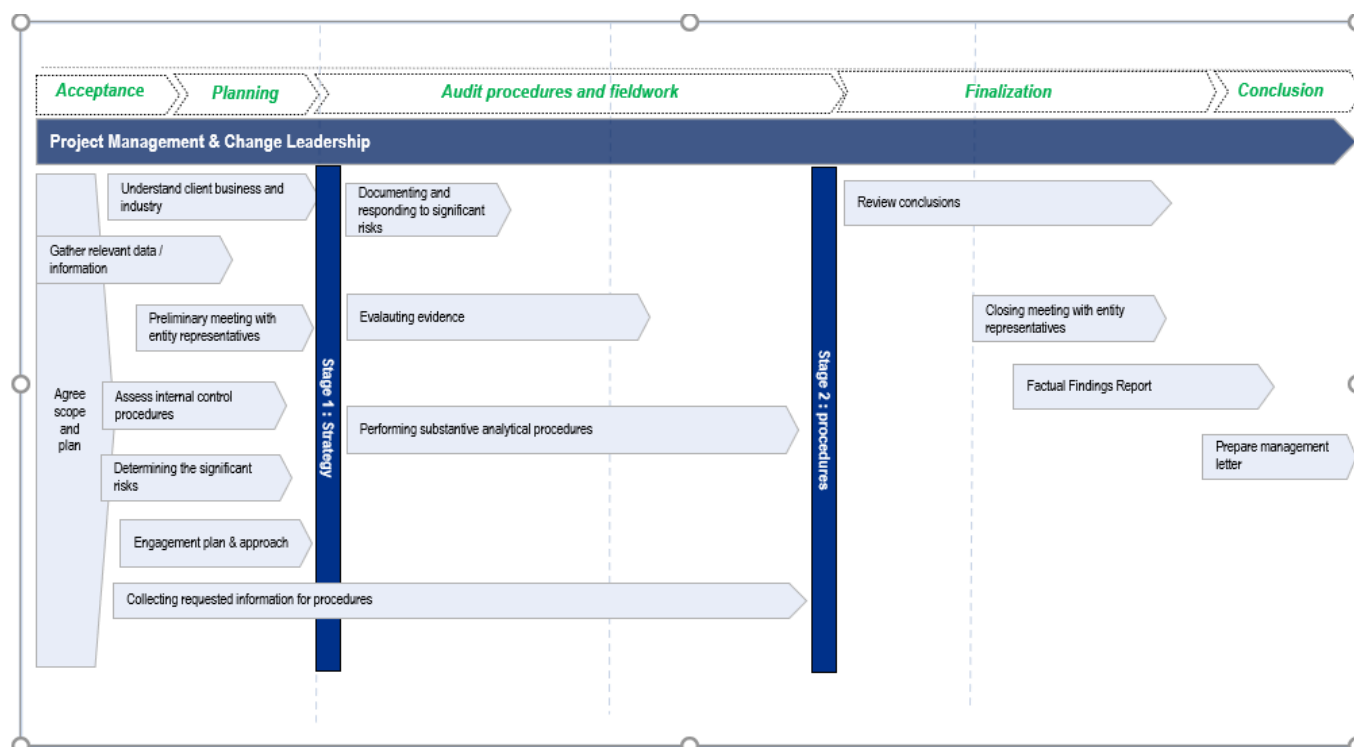
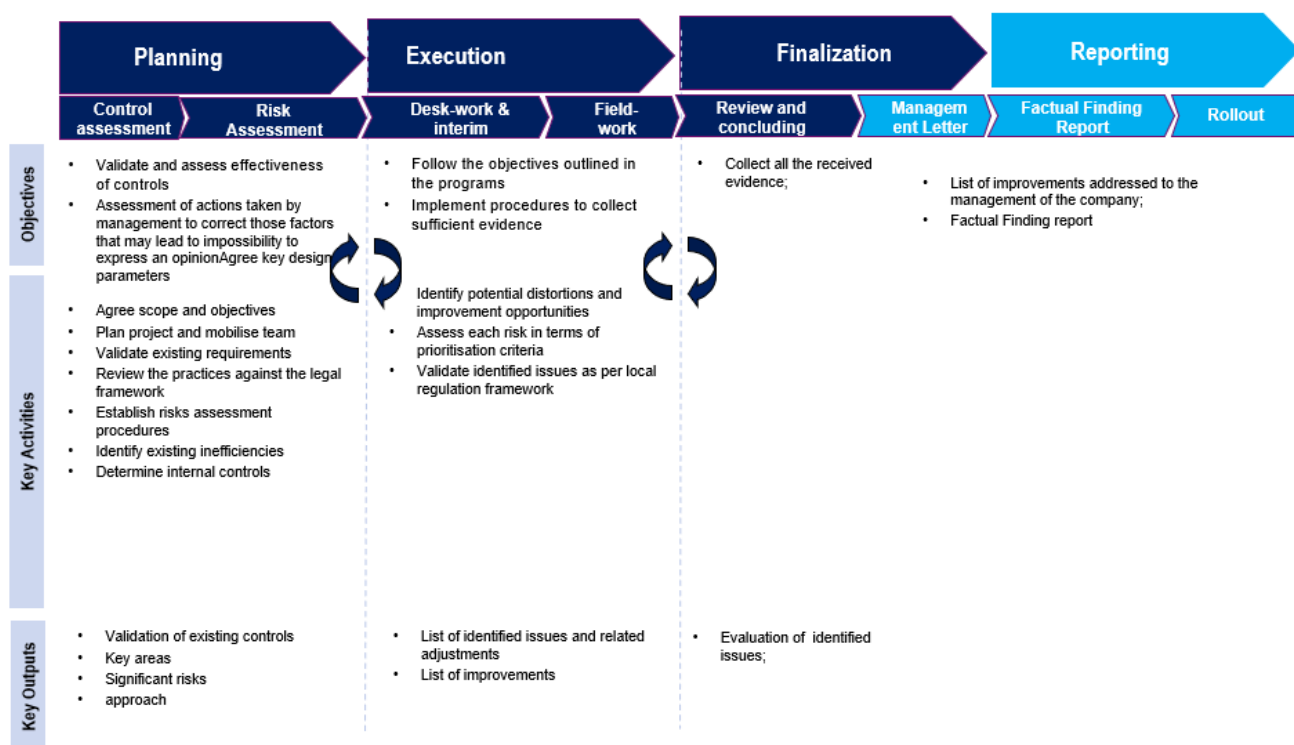
### 5. TIMETABLE OF WORK

Name	Total Time Input in May 2021(Days)	Total Time Input in Jan 2022(Days)	Total Time Input in July 2022(Days)	Total Time Input in August 2022 (Days)	Total
Mamas Koutsoyiannis	1	1	3		5
Andrei Stan	2	2	4	1	9
Valeriu Cernei	1	1			2
Elena Panainte	3	3	5	1	12
Oleg Botnaru	3	3	6		12
Alina Stratan	3	4	6		13
Diana Rusu	3	4	6		13
Mihaela Banu	3	3	6		12
Corina Bernevec	3	3	6		12
<b>Total</b>	<b>22</b>	<b>24</b>	<b>42</b>	<b>2</b>	<b>90</b>

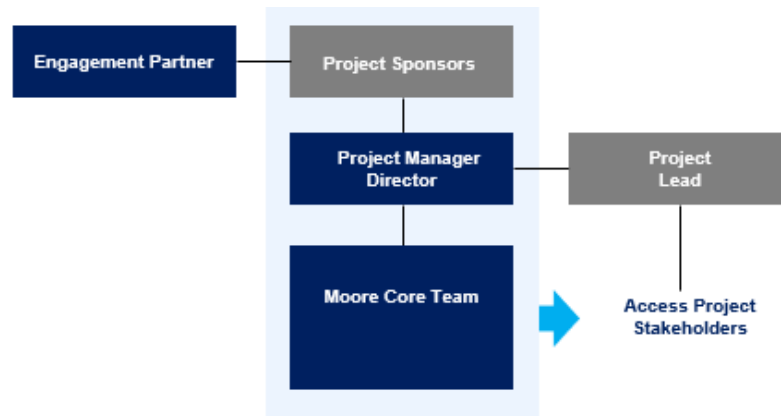
Activities	Estimated Timeframe
Engagement Planning	2 May-8 May 2021
Engagement Work including field work	9 May- 22 May 2021
Communicating the results of Field work to the Beneficiary	23-24 May 2021
Incorporating comments from the beneficiary	25 -28 May 2021
<b>Expenditure Verification 1<sup>st</sup> Interim Report</b>	<b>30 May 2021</b>
2 <sup>nd</sup> Interim Planning	2 Jan-8 Jan 2022
Engagement Work including field work	9 Jan- 22 Jan 2022
Communicating the results of Field work to the Beneficiary	23-24 Jan 2022
Incorporating comments from the beneficiary	25 -28 Jan 2022

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<b>Expenditure Verification 2nd Interim Report</b>	<b>31 Jan 2022</b>
Final Engagement work	1 July 2022- 25 July 2022
Communicating draft of the factual findings report	28 July 2022
<b>Submission of Final Factual Report</b>	<b>1 August 2022</b>



### 6. LOG FRAME



Through in-depth knowledge of your business together with the experience and know-how of our people we strive to deliver high quality services

The communication from our part will be maintained at the level of Partner and Manager and it will assure that your objectives will be accomplished according to your expectations and in a timely manner. The mission planning will be done by the Managers & Subject Matter Experts under close surveillance of the Engagement Leader who will approve the planning before the mission starts.

#### **Indicative Project structure**

Key to success is role clarity and the quality of the interaction between the Moore and Beneficiary' team teams. We are very clear as to the value that each individual brings in meeting your requirements.

Yours  
faithfully,

Andrei Stan, Administrator, Moore Stephens KSC SRL