

ANNEX III: ORGANISATION & METHODOLOGY

To be completed by the tenderer

Audit Company "Primaudit Company" LLC provide the following information:

1. RATIONALE

The subject of this engagement is the verification of the eligibility of the expenditures within the 2 interim and 1 final Financial Reports in connection with the Grant Contract for the period covering 29 June 2019 to 28 June 2022 and the action entitled COMINF/3.1/1 – "Communication infrastructure", the 'Action'.

Our engagement is to perform certain agreed-upon procedures with regard to the compilation of the Consolidated Financial Report and to submit to you a report of factual findings with regard to the procedures performed.

2. STRATEGY

This expenditure verification is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Grant Contract. The objective of this expenditure verification is for the Auditor to carry out the specific procedures and to submit to the Lead Beneficiary a report of factual findings with regard to the specific verification procedures performed.

Verification means that the Auditor examines the factual information in the Financial Report of the Lead Beneficiary 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 Contracting Authority assesses for itself the factual findings reported by the Auditor and draws its own conclusions from these factual findings. The Lead Beneficiary also requires certain agreed-upon procedures to check the accuracy and consistency of the compilation of the consolidated financial report.

The Auditor plans the work so that an effective expenditure verification can be performed. The Auditor performs the procedures listed and applies the guidelines in ToR. The evidence to be used for performing the procedures is all financial and non-financial information which makes it possible to examine the expenditure claimed by the Lead Beneficiary 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 ISRS 4400 and these ToR.

The report on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail to enable the Lead Beneficiary and the Contracting Authority to understand

the nature and extent of the procedures performed by the Auditor and the factual findings reported by the Auditor. This report should be provided by the Auditor to Ministry of internal Affairs represented by Informational technology service, Republic of Moldova within 30 working days for each interim/final report starts.

Risk Indicators Procurement:

- Inconsistencies in the dates of the documents or illogical sequence of dates.
- Unusual similarities in tenders by candidates participating in the same tender.
- Financial statement or other information indicating that two tenderers participating in the same tender are related or part of the 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.
- Other elements and examples indicating a risk of a privileged relationship with tenderers.
- Other documentation, issues and examples indicating a risk of irregularities:

3. BACKSTOPPING

“Beneficiary (ies)” refers collectively to all Beneficiaries, including the Lead Beneficiary, of the Action. When there is only one Beneficiary of the Action, the terms Beneficiary (ies) and Lead Beneficiary should both be understood as referring to the only Beneficiary of the Action. Where applicable the term 'Beneficiary (ies)' includes its affiliated entity (ies).

- The Lead Beneficiary is responsible for providing a Financial Report for the action financed by the Grant Contract which complies with the terms and conditions of the Grant Contract and for ensuring that this Financial Report reconciles to the Beneficiary's accounting and bookkeeping system and to the underlying accounts and records. The Beneficiary is responsible for providing sufficient and adequate information, both financial and non-financial, in support of the Financial Report.
- The Lead Beneficiary accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Beneficiary(ies), and as the case may be its affiliated entity(ies), providing full and free access to its (their) staff and its (their) accounting and bookkeeping system and underlying accounts and records.

The Lead 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 Lead Beneficiary under Article 4 of the Grant Contract.

The Lead 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 Lead 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 Lead Beneficiary under Article 4 of the Grant Contract.

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

4. TIMETABLE OF WORK

Date of provisional commencement of the contract 02.05.2021. Task implementation period no later than 31.12.2022. In total there are 3 Audit Reports, 2 Interim Reports and 1 Final Report, according to the provisions of the Grand Contract the reporting must be done for the period of 12 months of implementation. Because at the moment the project is already in implementation, being in the 16th month of implementation, the Auditor/Controller undertakes to present the report within 30 days from the request of the Contracting Authority. At the same time, the Auditor takes into account the fact that the Interim Report must be submitted at 50% of the implementation term (36 months), at 18 months, until which there are 2 more months of implementation, respectively at any request of the Contracting Authority will be submitted Audit Report within 30 days.

The Special Conditions fix the date on which implementation of the tasks is to commence. The period of implementation of tasks shall commence on the date fixed in accordance and shall be as laid down in the Special Conditions, without prejudice to extensions of the period which may be granted. If the Contractor fails to perform the services within the period of implementation of the tasks specified in the contract, the Contracting Authority shall, without formal notice and without prejudice to its other remedies under the contract, be entitled to liquidated damages for every day which shall elapse between the end of the period of implementation of the tasks specified in the contract and the actual date of completion of these tasks.

The daily rate for liquidated damages is calculated by dividing the contract value by the number of days of the period of implementation of the tasks, up to a maximum of 15% of the total value of the contract. If the Contracting Authority has become entitled to claim 15% of the contract value, it may, after giving notice to the Contractor: (a) terminate the contract, and; (b) enter into a contract with a third party to complete the services, at the Contractor's cost.

5. LOG FRAME

The Auditor/Controller 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 Beneficiary/Partner.

Organisation & methodology

The Auditor/Controller 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/Controller obtains and reviews the Report (which includes a narrative and a financial section).

The Auditor/Controller obtains 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;

Completeness and accuracy of the compilation of the Consolidated Financial Report. The Auditor/Controller traces 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.

The Auditor/Controller traces each individual budget and actual amount stated in the underlying working paper to the individual verified financial reports for the Beneficiary and its Partners.

The Auditor/Controller performs all calculations and additions in the Consolidated Financial Report and in the underlying working paper. The Auditor/Controller 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.

The Auditor/Controller checks that the Consolidated Financial Report uses the same revenue and expenditure headings as the underlying financial reports for reporting both budget and actual amounts.

Auditor/Controller checks 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.

**Key principal/
Auditor**



Catalina CLASEVICI