

TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION OF A GRANT CONTRACT

- EXTERNAL ACTION OF THE EUROPEAN UNION -

The following are the terms of reference ('ToR') under which **Ministry of Internal Affairs represented by Informational technology service, Republic of Moldova 1** (The term "Lead Beneficiary" refers to the Beneficiary identified as the Lead Beneficiary in the Special Conditions) agrees to engage the Auditor – **Audit Company "Primaudit Company" LLC** to perform an 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'). Where in these ToR the 'Contracting Authority' is mentioned, this refers to Managing Authority for the Romania - Republic of Moldova Joint Operational Programme 2014-2020 - Ministry of Regional Development and Public Administration, which has signed the Grant Contract with the Lead Beneficiary and is providing the grant funding. The Contracting Authority is not a party to this agreement.

1.1. Responsibilities of the Parties to the Engagement

The term "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 (see footnote

1). 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 Auditor' is responsible for performing the agreed-upon procedures as specified in these ToR. 'Auditor' refers to the audit firm contracted for performing this engagement and for submitting a report of factual findings to the Beneficiary. 'Auditor' can refer to the person or persons conducting the verification, usually the engagement partner or other members of the engagement team. The engagement partner is 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, and who has the appropriate authority from a professional, legal or regulatory body.

By agreeing these ToR the Auditor 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 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)
- 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).
- 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).
- 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 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 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'. Annex 1 to these ToR contains information about the Grant Contract.

1.3. Reason for the Engagement

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.

1.4. Engagement Type and Objective

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 listed in Annex 2A to these ToR 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 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 IFAC Code of Ethics for Professional Accountants, developed and issued by IFAC’s International Ethics Standards Board for Accountants (IESBA), which establishes fundamental ethical principles for Auditors with regard to integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the Auditor is independent from the Beneficiary (ies) and complies with the independence requirements of the IFAC 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 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.

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 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.

The use of the Model Report for an Expenditure Verification of an EU Grant Contract in Annex 3 of these ToR is compulsory. 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.

1.8. Other Terms

The fee for this engagement shall be no more than 315 000 MDL.

The fee for the audit periods could be established in percentage value from the amount supposed to verification, the entire project budget of the Lead Beneficiary is estimated in 4 301 855.47 Euro.

The Lead Beneficiary and the Auditor can use this section to agree any other specific terms.

Annex 1 Information about the Grant Contract

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 Lead Beneficiary:

For the Auditor:

Signature

Director, Andrian ȘOVA

Signature

Director, Catalina CLASEVICI

01.03.2021

