

Audit Report
for
Expenditure Verification of The Grant Contract
For
KHCHS* "Mother Teresa" Pristine
***The Kosovo Humanitarian and Charitable Society (KHCHS)**
As Coordinator

To
Grant Contract
External Actions of the European Union represented by European Union
Office in Kosovo

Grant:
Socio Economic Empowerment for vulnerable groups living in Kosovo
Prizren, Dragash, Viti (Dabelde), Mitrovica (Stanterg-Shalë) and
Vushtrri (Qiqavica)
Contract number 2014-354/891
Period 01 January 2015-30 April 2016

Pristine October 2016

Ndërmarrja Audituese "Auditim & Kontabilitet" Prishtinë
Audit firm "Audit & Accounting "Pristine"

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Emerllah Hyseni Executive Director
Ndërmarrja Audituese N.SH. "Auditim & Kontabilitet" Prishtinë
Audit firm S.C. "Audit & Accounting "Pristine
Adres: Nazim Gafurri - Grand Hotel No 6
20 July 2016

Audit Report of Factual Findings

for

Expenditure Verification of a Grant Contract

Dear Mr. Zef Shala Executive Director of KHCHS "Mother Teresa" Prishtine

In accordance with the terms of the contract No 3/I dated on 26.12.2014 Company "Audit & Accounting" with legal auditor Emërrllah Hyseni, that you agreed with us, we provide our Report of Factual Findings for Expenditure Verification of a Grant Contract, with respect to the accompanying Financial Report for the period covering *01 January 2015-30 April 2016* (Annex 1 of this Report).

You requested certain procedures to be carried out in connection with your Financial Report for Expenditure Verification to The Grant Contract for External Actions of the European Union represented by European Union Office in Kosovo number 2014-354/891 concerning "Socio Economic Empowerment for vulnerable groups living in Kosovo" Prizren, Dragash, Viti (Dabelde), Mitrovica (Stanterg-Shalë) and Vushtrri (Qiqavica)

1.1. Objective

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 Coordinator a report of factual findings with regard to the specific verification procedures performed.

Our engagement was an expenditure verification which is an engagement to perform certain agreed-upon procedures with regard to the Financial Report for the Grant Contract between you and *the European Union*

Represented by the European Union Office in Kosovo. 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.

1.2. 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 Contracting Authority requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*;



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1.3. 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 Contracting Authority and the procedures were performed solely to assist the Contracting Authority in evaluating whether the expenditure claimed by you in the accompanying Financial Report is eligible in accordance with the terms and conditions of the Grant Contract.

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.

1.4. 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.

1.5. Factual Findings

The total expenditure which is the subject of this expenditure verification amounts to **142,658.70 €**.

The Expenditure Coverage Ratio is 86.36%. This ratio represents the total amount of expenditure verified by us expressed 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 expenditure reported by you in the Financial Report and claimed by you for deduction from the total sum of pre-financing under the Grant Contract as per your Payment Request of 12.06.2016.

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

1.6. 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 Contracting Authority in connection with the requirements as set out in Article 15 of the General Conditions of the 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 Contracting 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 Contracting Authority who may rely upon this expenditure verification report at its own risk and discretion. The Contracting 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 Contracting 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.

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Opinion

In our opinion, the financial report of KHCHS "Mother Teresa"-Pristine for the project "Socio Economic Empowerment for vulnerable groups living in Kosovo", Prizren, Dragash, Viti (Dabelde), Mitrovica (Stanterg-Shalë) and Vushtrri (Qiqavica) Contract number 2014-354/891 for the period 01 January 2015 - 30 April 2016 are prepared, in all material respects, in accordance with the financial reporting requirement of organization

Yours sincerely,


Emerllah Hyseni Statutory Auditor
Executive Director

Ndërmarrja Audituese N.SH. "Auditim & Kontabilitet" Prishtinë
Audit firm S.C. "Audit & Accounting "Pristine
10 October 2016

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Audit firm "Audit & Accounting "Pristine

2.1. Information about the Grant Contract

The beneficiaries is awarded with the grant by the Contracting Authority for the implementation of the Action entitled project "Socio Economic Empowerment for vulnerable groups living in Kosovo", Prizren, Dragash, Viti (Dabelde), Mitrovica (Stanterg-Shalë) and Vushtrri (Qiqavica) Contract number 2014-354/891 for the period 01 January 2015 - 30 April 2016 are prepared, in all material respects, in accordance with the financial reporting.

The implementation of the action started on 01 January 2015. The Action's implementation period is 16 months.

The total estimated cost of the Action is **165,459,00** EUR.

The total cost of the Action eligible for financing by the Contracting Authority is estimated at **157,186.05** EUR, equivalent to 95% of the total cost of the Action.

3.1. Procedures performed and Factual Findings

We have performed the following specific procedures listed in Annex 2A of the terms of reference for the expenditure verification of the Grant Contract ('ToR'):

- 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.

We did not find any exception or errors.

The total expenditure verified by us amounts to 142,658.70 € and is summarised in the table below.

The overall Expenditure Coverage Ratio is **86.36%**.

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 to 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 Grant Contract

We have obtained an understanding of the terms and conditions of this Grant Contract in accordance with the guidelines in Annex 2B (section 2) of the ToR.

No exception found.

1.2. Financial Report for the Grant Contract

We have reviewed the Final Financial Report of the beneficiary and we concluded that the report is in accordance with the model of the report in Annex VI of the Grant Contract. The financial report also covers the Action as a whole regardless of which part of it is financed by the Contracting Authority. The financial report is drawn in English Language, which is the language of the Grant Contract.

KHCHS* "Mother Teresa" Pristine (beneficiary) have charged expenditure in accordance with their initial project proposal for the project i.e. 95%. of the total cost of the Action

There were 2 assets equipment purchased with European Union funds.

No exception found.



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1.3. Rules for Accounting and Record keeping

During our audit procedures as listed in the Annex 2A, we have noted that the Beneficiary keeps its financial records using **double-entry accounting**. The accounting system provides sufficient record-keeping and reporting of accounting transactions during the period under review. The Beneficiary's accounting system is designed to provide up-to-date information and transactions related to the project are easily identifiable and verifiable. For the period under review there is no interest earned and thus is no accrued on funds paid by the Contracting Authority. No exception found.

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

We have reconciled figures from the Financial Report to the Beneficiary's general ledger and sub-ledger accounts. No exception found.

1.5 Exchange Rates

During the period under review, the beneficiary did not incur any expenditure in other currency than Euro. No exception found.

1.6 Simplified Cost Options

The beneficiary did not apply to use the simplified cost options.

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

2.1 Budget of the Grant Contract

We have performed analytical review procedures of the accounts in the Financial Report to verify that the accounts used correspond with the budget of the Grant Contract and that the expenditures incurred are indicated in the budget. No exception found.

2.2 Amendments to the Budget of the Grant Contract

During the period under review, there was one amendment to the budget by the Beneficiary approved use of contingency reserve 08.03.2016 D(2016) CS/Sp Administrative Order No2.

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 selected 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 the 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.

No exception found.

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. No errors or exception found.



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3.2 Eligibility of Direct Costs (Article 14.2)

We have verified, for each expenditure item selected, the eligibility criteria set out at procedure 3.2 in Annex 2A of the ToR for this expenditure verification. No errors or exception found.

3.3 Contingency Reserve (Article 14.6)

The contingency reserve used by the beneficiary was approved by the contracting authority.

3.4 Indirect costs (Article 14.7)

We have verified administrative costs and concluded that those costs are 7% of the total direct eligible cost of the action. No exception or errors found.

3.5 In kind contributions (Article 14.8)

During the period under audit there were no contributions in kind.

3.6 Non-eligible costs (Article 14.9)

We have verified expenditures including VAT. Beneficiaries, KHCHS* "Mother Teresa" Pristine did not charge any VAT in the final report.

3.7 Revenues of the Action

We have verified whether revenues are attributed to the Action (including inter alia grants and funding received from other donors and other revenue generated by the Beneficiary). All revenues are allocated to the Action and disclosed in the Financial Report. No exceptions are found.



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Annex 1

Financial Report for the Grant Contract Expenses list of the project by budget lines

Expenses' Categories	Unit	No of unit	Cost per unit in Euro	Total Value	Budget
1. Human Resources					
1.1.1.1 Project coordinator (30%, 16 months)	Per month	4.80	1,500.00	7,200.00	
1.1.1.2 Project Officer (3) Kosovo (70%, 16 months)	Per month	11.20	1,500.00	16,800.00	
1.1.1.3 Trainer Kosovo	Per day	30	100.00	3,000.00	
1.1.2.1 Project assistant (40% of time 16 months)	Per month	6.4	880.00	5,632.00	
1.1.2.2 Co Applicants assistant (40% of time 16 months)	Per month	6.4	1,200.00	7,680.00	
1.1.2.3 Financial Officer	Per day	90	50.00	4,500.00	
Total Human Resources`				44,812.00	
1.3 Per diems for missions/travel					
1.3.1.1 Project team coordination meetings	Per diem	12	70.00	840.00	
1.3.1.2 Kick off planning workshop	Per diem	6	70.00	420.00	
1.3.2.1 Trainer (assistance + training)	Per diem	100	10	1,000.00	
1.3.3.1 Training on Beekeeping, practical part 1 days	Per diem	25	40.00	1,000.00	
1.3.3.2 Training on Greenhouses practical part 1 days	Per diem	25	40.00	1,000.00	
1.3.3.3 Training on Milk Goats	Per diem	25	40.00	1,000.00	
1.3.3.4 Final closing conference	Per diem	15	40.00	600.00	
Total per diems				5,860.00	
2.2 Local transportation					
2.2.1 Local transportation for Project Coordinator	Public transport	16	100.00	1,600.00	
2.2.2 Training on Beekeeping, practical part	Public transport	20	12.00	240.00	
2.2.3 Training on Greenhouses, practical part	Public transport	20	12.00	240.00	
2.2.4 Training on Goats rearing, practical part	Public transport	20	12.00	240.00	
Total local Transport				2,320.00	
3. Equipment and supplies					



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3.2.1 Laptop Computer	pcs	1	570.00	570.00	
3.2.2 Camera	pcs	1	427.00	427.00	
3.5.1 Startup package Beehives	Package	20	1,500.00	30,000.00	
3.5.2 Startup package Greenhouses	Package	20	2,000.00	39,800.00	
3.5.3 Startup package Goat rearing	Package	20	750.00	15,000.00	
3.5.4 Prov.of add. Supp. to Greenhouse. Start Up package	Package	8	512.50	4,100.00	
Total Equipment and supplies				89,897.00	
4. Local Transport					
4.3.1 Office (Applicants and Co Applicants) Office material	Per month	16	143.05	2,288.75	
4.4.1 Office (applicant and Co Applicants) PTT Electricity and utilities	Per month	16	173.39	2,774.25	
Subtotal Local office				5,063.00	
5. Other costs, services					
5.1 Publications	pcs	100	15.00	1,500.00	
5.3 Expenditure verification/Audit	Activity	1	2,000.00	2,000.00	
5.4 Evaluation costs	activity	1	1,000.00	1,000.00	
5.5 Translation, interpreters	pcs	200	9.70	1,940.00	
Total Other costs				4,440.00	
7. Subtotal direct eligible costs of the Action (1-6)				154,392.00	
8. Provision for contingency reserve (maximum 5 % of 7, subtotal of direct eligible costs of the Action)					
9. Total eligible costs of the Action (7+ 8)				154,392.00	
10. Indirect cost (maximum 7 % of 9, subtotal of direct eligible costs of the Action)				10,807.40	
11. Total eligible costs (9+10)				165,199.40	
12. - Taxes - Contributions in kind					
13. Total accepted costs of the action (11+12)				165,199.40	



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Annex 2 Terms of Reference Expenditure Verification

Financial Report and expenditure verified for the project "Socio Economic Empowerment for vulnerable groups living in Kosovo", Prizren, Dragash, Viti (Dabelde), Mitrovica (Stanterg-Shalë) and Vushtrri (Qiqavica) Contract number 2014-354/891 for the period 01 January 2015 - 30 April 2016

Rapport of Expenses list of the project by budget lines								
Expenses' Categories	Unit	No of unit	Cost per unit in Euro	Total expenses	Balance	Budget	Expenditures verified	Expenditures verified
1. Human Resources								
1.1.1.1 Project coordinator (30%, 16 months)	Per month	4.80	1,500.00	7,200.00	-	7,200.00	5,904.00	82
1.1.1.1 Project officir (70%, 16 months)	Per month	11.20	1,500.00	16,800.00	-	16,800.00	16,800.00	100
1.1.1.3 Trainer Kosovo	Per day	30.00	100.00	3,000.00	-	3,000.00	3,000.00	100
1.1.2.1 Project assistant (40% of time 16 months)	Per month	6.40	880.00	5,632.00	-	5,632.00	5,632.00	100
1.1.2.2 Co Aplicants assistant (40% of time 16 months)	Per month	6.40	1,200.00	7,680.00	-	7,680.00	7,680.00	100
1.1.2.3 Financial Officer	Per day	90.00	50.00	4,500.00	-	4,500.00	2,790.00	62
Total Human Resources`				44,812.00	-	44,812.00	41,806.00	
1.3 Per diems for					-	0.00	-	
missions/travel					-	0.00	-	
1.3.1.1 Project team coordination meetings	Per diem	12.00	70.00	840.00	-	840.00	705.60	84
1.3.1.2 Kick off planning workshop -Gostitje gjatë planifikimit nga grupet punuese	Per diem	6.00	70.00	420.00	-	420.00	420.00	100
1.3.2.1 Trainer (assistance + training)	Per diem	100.00	10.00	1,000.00	-	1,000.00	610.00	61
1.3.3.1 Training on Beekeeping, practical part 1 days	Per diem	25.00	40.00	1,000.00	-	1,000.00	620.00	62
1.3.3.2 Training on Greenhouses practical part 1 days	Per diem	25.00	40.00	1,000.00	-	1,000.00	600.00	60
1.3.3.3 Training on Milk Goats	Per diem	25.00	40.00	1,000.00	-	1,000.00	820.00	82



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1.3.3.4 Final closing conference	Per diem	15.00	40.00	600.00	-	600.00	552.00	92
Total per diems				5,860.00	-	5,860.00	4,327.60	
2.2 Local transportation					-	0.00	-	
2.2.1 Local transportation for Project Coordinator	Public transport	16.00	100.00	1,600.00	-	1,600.00	976.00	61
2.2.2 Training on Beekeeping, practical part	Public transport	20.00	12.00	240.00	-	240.00	144.00	60
2.2.3 Training on Greenhouses, practical part	Public transport	20.00	12.00	240.00	-	240.00	96.00	40
2.2.4 Training on Goats rearing, practical part	Public transport	20.00	12.00	240.00	-	240.00	124.80	52
Total local Transport				2,320.00	-	2,320.00	1,340.80	
3. Equipment and supplies					-	0.00	-	
3.2.1 Laptop Computer	pcs	1.00	570.00	570.00	70.00	500.00	570.00	100
3.2.2 Camera	pcs	1.00	427.00	427.00	(73.00)	500.00	427.00	100
3.5.1 Start up package Beehives	Package	20.00	1,500.00	30,000.00	-	30,000.00	30,000.00	100
3.5.2 Start up package Greenhouses	Package	20.00	1,990.00	39,800.00	(200.00)	40,000.00	39,800.00	100
3.5.3 Start up package Goat rearing	Package	20.00	750.00	15,000.00	-	15,000.00	15,000.00	100
3.5.4 Prov.of add. Supp. to Greenh. Start Up package	Package	8.00	512.50	4,100.00	-	4,100.00	2,460.00	60
				-	-	0.00		
Total Equipment and supplies				89,897.00	(203.00)	90,100.00	88,257.00	98
4. Local Transport					-	0.00	-	
4.3.1 Office (Aplicant and Co Applicants) Office material	Per month	16.00	143.05	2,288.75	48.75	2,240.00	686.63	30
4.4.1 Office (Aplicant and Co Applicants) PTT Electricity and utilities	Per month	16.00	173.39	2,774.24	214.24	2,560.00	776.79	28
Subtotal Local office				5,062.99	262.99	4,800.00	1,463.41	
5. Other costs, services					-	0.00	-	
5.1 Publications	pcs	100.00	15.00	1,500.00	-	1,500.00	525.00	35
5.3 Expenditure verification/Audit	activity	1.00	2,000.00	2,000.00	-	2,000.00	2,000.00	100

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5.4 Evaluation costs	activity	1.00	1,000.00	1,000.00	-	1,000.00	1,000.00	100
5.5 Translation, interpreters	pcs	200.00	9.70	1,940.00	(60.00)	2,000.00	582.00	30
Total Other costs				6,440.00	(60.00)	6,500.00	4,107.00	
7. Subtotal direct eligible costs of the Action (1-6)				154,391.99	0.01	154,392.00	141,301.81	
8. Provision for contingency reserve (maximum 5 % of 7, subtotal of direct eligible costs of the Action)				-	(243.00)	243.00	60.00	
9. Total eligible costs of the Action (7+ 8)				154,391.99	(243.01)	154,635.00	141,361.81	
10. Indirect cost (maximum 7 % of 9, subtotal of direct eligible costs of the Action)				10,807.40	(16.60)	10,824.00	1,296.89	12
11. Total eligible costs (9+10)				165,199.39	(259.61)	165,459.00	142,658.70	
12. - Taxes					-	0.00	-	
- Contributions in kind				-	-	0.00	-	
13. Total accepted costs of the action (11+12)				165,199.39	(259.61)	165,459.00	142,658.70	

