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REPORT OF THE EXPENDITURE VERIFICATION

ACTIVITY OF THE MUNICIPALITY OF MITROVICA

REGARDING THE GRANT CONTRACT

7 Arte

**Report for an Expenditure Verification of a
Grant Contract**

**“Strengthening Mitrovica community toward
drafting the Municipal Development Plan”**

External Actions of the European Union

No: EUOK-10

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REPORT OF FACTUAL FINDINGS

7 Arte

Mr. Lulzim Hoti, Executive Director
Str. Mehë Uka, 4th Floor of Bibloteka e Qytetit, Mitrovica, Kosovo

8 November 2017

Dear Mr. *Lulzim Hoti*,

In accordance with the terms of reference dated 17 August 2016 that you agreed with us, we provide our Report of Factual Findings (“the Report”), with respect to the accompanying Financial Report for the period covering 3 October 2016 to 15 October 2017 (Annex 1 of this Report). You requested certain procedures to be carried out in connection with your Financial Report and the European Union financed Grant Contract concerning “Strengthening Mitrovica community toward drafting the Municipal Development Plan” No: EUOK-10, the ‘Grant Contract’.

Objective

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. 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.

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;

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.



Sources of Information

The Report sets out information provided to us by you in response to specific requests and questions or as obtained and extracted from your accounts and records.

Factual Findings

The total expenditure which is the subject of this expenditure verification amounts to 19,016.62 Euro.

The Expenditure Coverage Ratio is 100%. 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.

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

Use of this Report

This Report is solely for the purpose set forth above under 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 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.

Yours sincerely,

BDO Kosovo L.L.C.

BDO Kosovo L.L.C.
Str. Pashko Vasa, No.46, 10000 Prishtina Kosovo
8 November 2017

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Actual to Budget Grant Statement Comparisons
For the period 3 October 2016 to 15 October 2017

	Expenditures	Budgeted Amount	Allowed reallocation	Budgeted Amount after reallocation	Actual Amount	Variation in absolute value	Variation in %
1	Burimet Njerezore	5,400.00		5,400.00	5,400.00	-	0%
1.1	Menaxher i projektit	3,000.00		3,000.00	3,000.00	-	0%
1.2	Asistent Financiar	3,000.00		3,000.00	3,000.00	-	0%
1.3	Asistent projekti						
	Nëntotali për burime njerëzore	11,400.00		11,400.00	11,400.00	-	0%
	Aktivitetet - shpenzimet e drejtpërdrejta të projektit						
2	Punëtori dhe fokus grupe						
2.1	Punëtori dhe fokus grupe	1,280.00		1,280.00	1,279.90	0.10	0%
2.1.1	Punëtoritë	800.00		800.00	800.00	-	0%
2.1.2	Fokus Grupe	400.00		400.00	400.00	-	0%
2.1.3	Fasititimi i grupeve punuese	240.00		240.00	240.00	-	0%
2.1.4	Fasititimi i fokus grupeve						
2.2	Debate dhe konferenca						
2.2.1	Debate publike në nivel lokal	260.00		260.00	224.08	35.92	14%
2.2.2	Konferenca	500.00		500.00	500.00	-	0%
2.3	Publikime, vlerësim dhe raportim						
2.3.1	Dizajnimi dhe mirëmbajtja e webfaqes	250.00		250.00	250.00	-	0%
2.3.2	Shërbime përkthimi	500.00		500.00	335.00	165.00	33%
2.3.3	Promocion në TV & Radio	500.00		500.00	500.00	-	0%
2.3.4	Vullnetarë	200.00		200.00	200.00	-	0%
2.3.5	Shërbime printimi, dizajnimi dhe vizibiliteti	1,200.00		1,200.00	1,193.80	6.20	1%
	Nëntotali për aktivitete	6,130.00		6,130.00	5,922.78	207.22	3%
3	Shpenzimet administrative dhe të zyrës						
3.1	Shërbime publike	140.00		140.00	90.00	50.00	36%
3.2	Komunikim	240.00		240.00	205.79	34.21	14%
3.3	Shpenzime transporti	300.00		300.00	298.51	1.49	0%
3.4	Materiali për zyre	432.00		432.00	432.46	(0.46)	0%
3.5	Shpenzime për mirëmbajtje	700.00		700.00	667.08	32.92	5%
	Nëntotali i shpenzimeve administrative	1,812.00		1,812.00	1,693.84	118.16	7%
	Total Shpenzimet e buxhetuara	19,342.00		19,342.00	19,016.62	325.38	2%

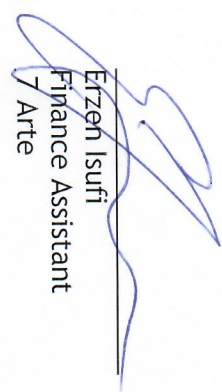
7 Arte
 Actual to Budget Grant Statement Comparisons
 For the period 3 October 2016 to 15 October 2017

Expenditures	Budgeted Amount	Allowed reallocation	Budgeted Amount after reallocation	Actual Amount	Variation in absolute value	Variation in %
4. Revizija						
1. Troškovi revizije*	618.94					
UKUPNI TROŠKOVI PROJEKTA	19,960.94		19,342.00	19,016.62		

Authorized for issue by the management of 7 Arte in Kosovo on October 25, 2017



Lulzim Hoti
 Executive Director
 7 Arte

Erzen Isufi
 Finance Assistant
 7 Arte

7 Arte

**Information about the Grant Contract
For the period 3 October 2016 to 15 October 2017**

INFORMATION ABOUT THE GRANT CONTRACT

7 Arte is a non-profit organization founded and officially registered on May 2, 2006, with the registration number 5114389-2 address Str. Mehë Uka, 4th Floor of Bibloteka e Qytetit, Mitrovica, Kosovo.

Main objectives

The organization is founded with the purpose of supporting young Kosovar artists (especially filmmakers) develops and promotes a common European culture.

In order to fulfill its purpose, the organization will undertake, but will not be restricted to, the following activities:

- Seminars and workshops on local and international level
- Film festivals and script contest
- Supporting on non formal education
- Publication and promotion of young arts
- Performing on dramatic and music arts

The European Union Office in Kosovo through the project "Community Leadership" - implemented by the Foundation for Civil Society in Kosovo (KCSF) - provides financial support for advocacy initiatives of community-based organizations.

The total approved budget for this project is 19,016.62 EUR.

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Procedures performed and Factual Findings

For the period 3 October 2016 to 15 October 2017

PROCEDURES PERFORMED AND FACTUAL FINDINGS

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

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 the ToR for this expenditure verification.

The total expenditure verified by us amounts to 19,016.62 Euro and is summarized in the table below. The overall Expenditure Coverage Ratio is 100%

No.	Expenditures	Amount reported	Amount verified	Percentage covered
1	Burimet Njerezore			
1.1	Menaxher i projektit	5,400.00	5,400.00	100%
1.2	Asistent Financiar	3,000.00	3,000.00	100%
1.3	Asistent projekti	3,000.00	3,000.00	100%
	Nëntotali për burime njerëzore	11,400.00	11,400.00	100%
	Aktivitetet - shpenzimet e drejtpërdrejta të projektit			
2	Punëtori dhe fokus grupe			
2.1	Punëtoritë	1,279.90	1,279.90	100%
2.1.1	Punëtoritë	800.00	800.00	100%
2.1.2	Fokus Grupe	400.00	400.00	100%
2.1.3	Fasilitimi i grupeve punuese	240.00	240.00	100%
2.1.4	Fasilitimi i fokus grupeve			
2.2	Debate dhe konferenca			
2.2.1	Debate publike në nivel lokal	224.08	224.08	100%
2.2.2	Konferenca	500.00	500.00	100%
2.3	Publikime, vlerësim dhe raportim			
2.3.1	Dizajnimi dhe mirëmbajtja e webfaqes	250.00	250.00	100%
2.3.2	Shërbime përkthimi	335.00	335.00	100%
2.3.3	Promocion në TV & Radio	500.00	500.00	100%
2.3.4	Vullnetarë	200.00	200.00	100%
2.3.5	Shërbime printimi, dizajnimi dhe vizibiliteti	1,193.80	1,193.80	100%
	Nëntotali për aktivitete	5,922.78	5,922.78	100%
3	Shpenzimet administrative dhe të zyrës			
3.1	Shërbime publike	90.00	90.00	100%
3.2	Komunikim	205.79	205.79	100%
3.3	Shpenzime transporti	298.51	298.51	100%
3.4	Materiali për zyre	432.46	432.46	100%
3.5	Shpenzime për mirëmbajtje	667.08	667.08	100%
	Nëntotali i shpenzimeve administrative	1,693.84	1,693.84	100%
	Total Shpenzimet e buxhetuara	19,016.62	19,016.62	100%

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Procedures performed and Factual Findings

For the period 3 October 2016 to 15 October 2017

PROCEDURES PERFORMED AND FACTUAL FINDINGS (CONTINUED)

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 3.5 of Annex 2A of the ToR for this expenditure verification. We report our factual findings resulting from these procedures below.

1. General Procedures

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.

Financial Report for the Grant Contract

We have verified that:

- The Financial Report Model is prepared conform to the model in Annex VI in the Grant Contract.
- The Financial Report covers Project No EUOK-euok 10 as a whole.
- The Financial Report is drawn up in the English language, which is the language of the Grant Contract

'No factual findings have arisen from this procedure'

Rules for Accounting and Record keeping

Upon examination of accounting records we did not become aware of any noncompliance with the Grant Contract regarding accuracy and timeliness of the accounts.

'No factual findings have arisen from this procedure'

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

'No factual findings have arisen from this procedure'

Exchange Rates

'No factual findings have arisen from this procedure'

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

Budget of the Grant Contract

The variances in budget to actual are within the limits allowed as per Grant Contract.

'No factual findings have arisen from this procedure'

Amendments to the Budget of the Grant Contract

All the amendments to the budget of the contract were carried out with consent from Contracting Authority European Union.

'No factual findings have arisen from this procedure'

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Procedures to verify selected expenditure

For the period 3 October 2016 to 15 October 2017

2. PROCEDURE 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 EU 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 EU contribution.

'No factual findings have arisen from this procedure'

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.

(1) Actual costs incurred

'No factual findings have arisen from this procedure'

(2) Simplified cost option

'No factual findings have arisen from this procedure'

(3) Cut-off - Implementation period

'No factual findings have arisen from this procedure'

(4) Budget

'No factual findings have arisen from this procedure'

(5) Necessary

'No factual findings have arisen from this procedure'

(6) Records

'No factual findings have arisen from this procedure'

(7) Applicable legislation

7 Arte calculated the budgeted amount as Gross Salary, the same amount was paid and declared. Therefore, net salaries paid less in total amount are 39.91 Euro while withholding tax and pension contributions paid more in total amount are 129.01 Euro.

(8) Justified

'No factual findings have arisen from this procedure'

(9) Valuation

'No factual findings have arisen from this procedure'

(10) Classification

'No factual findings have arisen from this procedure'

7 Arte
Procedures to verify selected expenditure
For the period 3 October 2016 to 15 October 2017

Eligibility of Direct Costs

'No factual findings have arisen from this procedure

In kind contributions

'No factual findings have arisen from this procedure'

Non-eligible costs

7 arte did pay and include in the financial report VAT expenses in amount of 24.93 Euro.

Revenues of the Action

'No factual findings have arisen from this procedure'

7 Arte
ANNEX 1 - Financial Report for the Grant Contract
For the period 3 October 2016 to 15 October 2017

Emërtimi i organizatës (shkurtesa)		Buxheti (Shtojca B)		7Arte		"Faqizimi i komunitetit mitrovicas drejt hartimit të Planit Zhvillimor Komunal"				
Emërtimi i projektit				info@7-arte.org; +386 (0) 49 211 771						
Informatat për kontakt (email dhe telefoni)				€19,960.94						
Buxheti i kërkuar për këtë projekt										
Nr.	Kategoria	Njësia	Nr i njësive	Cmimi për njësi	Gjithsej shuma	Buxheti i shpenzuar	Bilanci i mbetur	Përqindja e shpenzuar		
1.0	Burimet njerëzore									
1.1	Lulzim Hakaj - Menaxher i projektit	muaj	12	€450.00	€5,400.00	€5,400.00	€-	100.00%		
1.2	Erzen Isufi - Asistent Financiar	muaj	12	€250.00	€3,000.00	€3,000.00	€-	100.00%		
1.3	Azra Nuka - Asistent projekti	muaj	12	€250.00	€3,000.00	€3,000.00	€-	100.00%		
	Nëntotali për burime njerëzore			58.94%	€11,400.00					
2.0	Aktivitetet - shpenzimet e drejtpërdrejta të projektit									
2.1	Punëtori dhe fokus grupe									
2.1.1	Punëtoritë	event	8	€160.00	€1,280.00	€1,279.90	€0.10	99.99%		
2.1.2	Fokus Grupe	event	8	€100.00	€800.00	€800.00	€-	100.00%		
2.1.3	Fasilitimi i grupeve punuese	event	8	€50.00	€400.00	€400.00	€-	100.00%		
2.1.4	Fasilitimi i fokus grupeve	event	8	€30.00	€240.00	€240.00	€-	100.00%		
2.2	Debate dhe konferenca									
2.2.1	Debate publike në nivel lokal	event	4	€65.00	€260.00	€224.08	€35.92	86.18%		
2.2.2	Konferenca	event	1	€500.00	€500.00	€500.00	€-	100.00%		
2.3	Publikime, vlerësim dhe raportim									
2.3.1	Dizajnimi dhe mirëmbajtja e webfaqes	vit	1	€250.00	€250.00	€250.00	€-	100.00%		

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ANNEX 1 - Financial Report for the Grant Contract
For the period 3 October 2016 to 15 October 2017

2.3.2	Shërbime përkthimi	pako /aktivitet	1	€500.00	€500.00	€335.00	€165.00	67.00%
2.3.3	Promocion në TV & Radio	pako /aktivitet	1	€500.00	€500.00	€500.00	€-	100.00%
2.3.4	Vullnetarë	person	10	€20.00	€200.00	€200.00	€-	100.00%
2.3.5	Shërbime printimi, dizajnimi dhe vizibiliteti	pako/ aktivitet	1	€1,200.00	€1,200.00	€1,193.80	€6.20	99.48%
3.0	Nëntotali për aktivtete			31.69%	€6,130.00			
	Shpenzimet administrative dhe të zyrës (qiraja, shpenzimet komunale, komunikimi, udhëtimi lokal, materiali për zyrë, pajisje, etj)							
3.1	Shërbime publike	muaji	12	€20.00	€140.00	€90.00	€50.00	64.29%
3.2	Komunikim	muaji	12	€20.00	€240.00	€205.79	€34.21	85.75%
3.3	Shpenzime transporti	muaji	12	€25.00	€300.00	€298.51	€1.49	99.50%
3.4	Materiali për zyrë	muaji	12	€36.00	€432.00	€432.46	€(0.46)	100.11%
3.5	Shpenzime për mirëmbajtje	muaji	12	€50.00	€700.00	€667.08	€32.92	95.30%
	Nëntotali i shpenzimeve administrative			9.37%	€1,812.00			
	NËNTOTALI I PROJEKTTIT				€19,342.00			
4.0	Auditimi							
4.1	Shpenzimet e auditimit*		3.2%		€618.94			
	SHUMA TOTALE E PROJEKTTIT				€19,960.94	€19,016.62	€325.38	

* Shpjegimet e paraqitura me ngjyrë të hirit brenda rubrikave duhet të fshihen dhe të plotësohen me informata të projektit tuaj dhe të hijëzohen me të zejë.

7 Arte
ANNEX 1 - Financial Report for the Grant Contract
For the period 3 October 2016 to 15 October 2017

** Llogaritimi shpenzimet e auditimit për buxhetin e kërkuar në bazë të vlerës aktuale të tregut

*** Sipas nevojës mund të shtoni apo të fshini rubrikat.



Projekt I financuar nga BE-ja dhe i menaxhuar nga
Zyra e Bashkimit Evropian në Kosovë

ANNEX 2

TERMS OF REFERENCE FOR AN EXPENDITURE VERIFICATION OF A GRANT CONTRACT - EXTERNAL ACTIONS OF THE EUROPEAN UNION -

The following are the terms of reference ('ToR') 7 Arte as Implementer of the Project 'the Beneficiary' agrees to engage BDO Kosova L.L.C 'the Auditor' to perform an expenditure verification and to report in connection with a European Union financed grant contract for external actions concerning "Strengthening Mitrovica community toward drafting the Municipal Development Plan", No: EUOK-10 (the 'Grant Contract'). Where in these ToR the 'Contracting Authority' is mentioned this refers to **the European Union, represented by the European Union Office in Kosovo** which has signed the Grant Contract with the Beneficiary and is providing the grant funding. The Contracting Authority is not a party to this agreement.

1. Responsibilities of the Parties to the Engagement

'The **Beneficiary**' refers to the organization that is receiving the grant funding and that has signed the Grant Contract with the Contracting Authority.

- The Coordinator 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 can be reconciled 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 Coordinator accepts that the ability of the Auditor to perform the procedures required by this engagement effectively depends upon the Beneficiary, and as the case may be his partners, providing full and free access to the Beneficiary's staff and its accounting and bookkeeping system and underlying accounts and records.
- 'The **Auditor**' is responsible for performing the agreed-upon procedures as specified in these ToR, and for submitting a report of factual findings to the Beneficiary. 'Auditor' refers to the audit firm contracted for this engagement and in particular to 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 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 firm is a member of a national accounting or auditing body or institution. Although this organization 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 state¹).
- 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).

2. Subject of the Engagement

The subject of this engagement is the final Financial Report in connection with the Grant Contract for the period covering 3 October 2016 to 15 October 2017 and the action entitled "Strengthening Mitrovica community toward drafting the Municipal Development Plan" No: EUOK-10, the 'Action'. Annex 1 to these ToR contains information about the Grant Contract.

3. Reason for the Engagement

The Beneficiary is required to submit to the Contracting Authority an expenditure verification report produced by an external auditor in support of the payment requested by the Beneficiary under Article 15 of the General Conditions of the Grant Contract. The Authorizing Officer of the Commission requires this report as he makes the payment of expenditure requested by the Beneficiary conditional on the factual findings of this report.

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 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 Beneficiary and compares it with the terms and conditions of the Grant Contract. 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.

¹ Directive 2006/43 of the European Parliament and of the Council of 147 May 2006 on statutory audits of annual accounts and consolidated, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253 EEC.

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 behavior 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 and complies with the independence requirements of the IFAC Code of Ethics for Professional Accountants.

6. Procedures, Evidence and Documentation

The Auditor plans the work so that 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 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.

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 in order to enable the 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.

8. Other Terms

The fee for this engagement shall be 524.53 Euros.

7 Arte
ANNEX 2 - Terms of Reference for an Expenditure Verification of a Grant Contract
For the period from 3 October 2016 to 15 October 2017

- Annex 1 Information about the Grant Contract
- Annex 2A Listing of specific procedures to be performed
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For the Beneficiary:

For the Auditor:

Signature

Lulzim Hoti, Executive Director

7 Arte



8 November 2017

Signature

BDO Kosova L.L.C

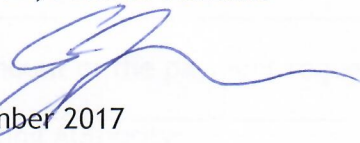


8 November 2017

Signature

Erzen Isufi, Finance Assitant

7 Arte



8 November 2017

7 Arte
 ANNEX 2 - Terms of Reference for an Expenditure Verification of a Grant Contract
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Annex 1 Information about the Grant Contract

Information about the Grant Contract	
Reference number and date of the Grant Contract	No: EUOK-10, 3 October 2016
Grant contract title	"Strengthening Mitrovica community toward drafting the Municipal Development Plan"
Country	Kosovo
Beneficiary	7 ARTE, Str. "Mehë Uka", 4 th Floor of Bibloteka e Qytetit, Mitrovica, Kosovo
Budget line Contract	
Legal basis for the Contract	Contract Reference No: EUOK-10
Start date of the Action	3 October 2016
End date of the Action	15 October 2017
Total cost of the Action	19,342.00 EUR
Grant maximum amount	19,960.94 EUR
Total amount received to date by the Beneficiary from Contracting Authority	14 October 2016 9,671.00 EUR 3 May 2017 9,671.00 EUR
Total amount of the payment request	- EUR
Contracting Authority	
Kosovar Civil Society Foundation (KCSF)	4/A Fazli Grajqevci 10000 Prishtina, Kosovo Phone/FAX: +381 38 248 643
Auditor	BDO Kosova L.L.C. Str. Pashko Vasa No.46, 10000 Prishtina Kosovo

Annex 2A Listing of Specific Procedures to be performed

1. General Procedures

Terms and Conditions of the Grant Contract

The Auditor obtains 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 Coordinator. The Auditor obtains a copy of the original Grant Contract (signed by the Beneficiary and the Contracting Authority) with its annexes. The Auditor obtains and reviews the Report (which includes a narrative and a financial section) as per Article 2.1 of the General Conditions. The Auditor verifies whether the Grant Contract is mono or multi-beneficiary (see Grant Contract introduction part; in case of a multi-beneficiary grant the term 'Coordinator' is used).

Financial Report for the Grant Contract

- The Auditor verifies that the Financial Report complies with the following conditions of the Grant Contract:
- The Financial Report must conform to the model in Annex III of the ToR;
- The Financial Report should cover the eligible costs Action as a whole, regardless of which part of it is financed by the Contracting Authority;
- The Financial Report should be drawn up in Albanian, English and upon request in Serbian language;

Rules for Accounting and Record keeping

- The Auditor examines - when performing the procedures listed in this Annex - whether the Beneficiary has complied with the following rules for accounting and record keeping of the Grant Contract:
- The accounts kept by the Beneficiary for the implementation of the Action must be accurate and up-to-date;
- The Beneficiary must have one of those book-keeping system: a) double-entry, bash basis;
- The accounts and expenditure relating to the Action must be easily identifiable and verifiable;

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

The Auditor reconciles 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

The Auditor verifies that amounts of expenditure incurred in a currency other than the Euro have been converted at the monthly Infoeuro on the date of payment or according to its usual accounting practices if so provided for in the Special Conditions.

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

Budget of the Grant Contract

The Auditor carries out an analytical review of the expenditure headings in the Financial Report.

The Auditor verifies that the budget in the Financial Report corresponds with the budget of the Grant Contract (authenticity and authorization 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

The Auditor verifies whether there have been amendments to the budget of the Grant Contract. Where this is the case the Auditor verifies that the Beneficiary has:

- Requested an amendment to budget and obtained an addendum to the Grant Contract if such an addendum was required based on Grant Contract.
- Informed the Coordinator about the amendment if the amendment was within the scope of the Grant Contract, and an addendum was not requested.

3. Procedures to verify selected Expenditure

Eligibility of Costs

The Auditor verifies, for each expenditure item selected, the eligibility criteria set out below.

(1) Actual costs incurred

The Auditor verifies that the expenditure for a selected item was actually incurred by and pertains to the Beneficiary. The Auditor should take into account the detailed conditions for actual costs incurred as set out in Grant Contract. For this purpose the Auditor examines supporting documents (e.g. invoices, contracts) and proof of payment. The Auditor also examines proof of work done, goods received or services rendered and verifies the existence of assets if applicable.

(2) Simplified cost options

The auditor is not required to verify the actual costs on which lump sums, unit costs or flat-rate financing are based.

(3) Cut-off - Implementation period

The Auditor verifies that the expenditure for a selected item was incurred during the implementation period of the Action.

(4) Budget

The Auditor verifies that the expenditure for a selected item was indicated in the Action budget.

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For the period from 3 October 2016 to 15 October 2017**

(5) *Necessary*

The Auditor verifies 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.

(6) *Records*

The Auditor verifies that expenditure for a selected item is recorded in the Beneficiary'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.

(7) *Applicable legislation*

The auditor verifies that the expenditure complies with the requirements of tax and social security legislation where this is applicable (for example: employer's part of the taxes, pension premiums and social security charges).

(8) *Justified*

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

(9) *Valuation*

The Auditor verifies 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.

(10) *Classification*

The Auditor examines the nature of the expenditure for a selected item and verifies that the expenditure item has been classified under the correct (sub) heading of the Financial Report.

Eligibility of Direct Costs

If the expenditure for a selected item is recorded under one of the direct costs headings of the Financial Report, the Auditor verifies that this type of expenditure is covered by the direct costs as defined in by examining the nature of the expenditure items. The auditor verifies that the duties, taxes and charges, including VAT which are recorded under direct costs are not recoverable by beneficiary and its affiliated entities.

In kind contributions

The Auditor verifies that costs in the Financial Report do not include contributions in kind. Contributions in kind are not eligible costs.

Non-eligible costs

The Auditor verifies that the expenditure for a selected item does not concern an ineligible cost as described in the Grant Contract. These costs include *inter alia* currency exchange losses.

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Revenues of the Action

The Auditor examines whether revenues which should be attributed to the Action (including inter alia grants and funding received from other donors and other revenue generated by the Beneficiary have been allocated to the Action and disclosed in the Financial Report. For this purpose the Auditor inquires with the Beneficiary and examines documentation obtained from the Beneficiary. The Auditor is not expected to examine the completeness of the revenues reported.

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ANNEX 3 - Minutes of the meeting
For the period from 3 October 2016 to 15 October 2017

Minutes of the Closing Meeting

*Audit of statement of sources and uses of funds of related to granting scheme
European Union Office in Kosovo (EUOK)*

Held on Prishtina

November 4, 2017

Present:

Representatives of 7 ARTE:

Lulzim Hoti - Executive Director

Erzen Isufi - Finance Assitant

Representatives BDO Kosova:

Sami Tahiraga

Liridona Januzi

Agenda

- Draft Expenditure Verification
- Non-eligible expenses / VAT expenses after 1 March 2017
- Salary expenses calculation

1. Draft Expenditure Verification Report

Representatives of BDO Kosova presented the Draft Expenditures Verification Report where it states that BDO Kosova apart the matters described in the Expenditure Verification Report is satisfied with level of internal controls and procedures implemented by 7 ARTE.

Representatives of 7 ARTE comments:

Since, 7 Arte is on the process of the institutionalization, it is putting lot of effort on proper management of internal processes.

2. Non-eligible expenses / VAT expenses after 1 March 2017

According to ToR VAT expenses after 1 March 2017 are non-eligible expenses. 7 arte did pay and include in the financial report VAT expenses in amount of 24.93 Euro.

Representatives of 7 Arte comments:

Considering that it was challengeable for the organization and the businesses to meet on time with bills without VAT expenses, and therefore not possible to modify the invoice.

3. Salary expenses calculation

Budgeted monthly salary amount are in Gross + 5% pension contributions of employer. 7 Arte calculated the budgeted amount as Gross Salary, the same amount was paid and declared. Therefore, net salaries paid less in total amount are 39.91 Euro while withholding tax and pension contributions paid more in total amount are 129.01 Euro.

Representatives of 7 Arte comments:

Since in the beginning of the project, we have used old forms from ATK for the declaration of taxes, it came to this misbalance for taxes and contributions, an issue that we managed to fix after we noticed the problem.

Representatives of 7 ARTE:

Lulzim Hoti - Executive Director

Erzen Isufi - Finance Assistant

Representatives BDO Kosova:

Sami Tahiraga

Liridona Januzi