

**Expenditure verification Report**  
**(based on agreed-upon procedures)**

**Interim Report**

**18 September 2025**

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

**External Actions of the European Union**

Preparatory activities to support progressive involvement of

Georgia, the Republic of Moldova and Ukraine

in the Transport Community

Under contract number: NDICI-GEO-NEAR/2023/452-688

**In accordance with the ISRS 4400 (Revised) the following specifications apply:**

- The Expenditure Verifier conducted the expenditure verification in accordance with the International Standards on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements;
- The Expenditure Verifier makes no representation regarding the appropriateness of the agreed upon procedures;
- The agreed-upon procedure is not an assurance engagement and accordingly the Expenditure Verifier does not express an opinion or an assurance conclusion;
- Had the Expenditure Verifier performed additional procedures, other matters might have come to their attention that would have been reported;
- The agreed-upon procedures involved the Expenditure Verifier performing the procedures set out in Annex 2 to the Terms of Reference that have been agreed with the Contracting Authority, and reporting the findings. Findings are the factual results of the agreed-upon procedures performed; the Contracting Authority acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement;
- The Reporting Entity as identified by the Contracting Authority is responsible for the subject matter on which the agreed-upon procedures are performed;
- The expenditure verification report is intended for the purpose specified in the Terms of Reference on which the Contracting Authority agrees to engage the Expenditure Verifier and may not be suitable for another purpose;
- The Expenditure Verifier carried out the engagement in accordance with the IFAC Code of Ethics for Professional Accountants and the fundamental ethical principles and independence requirements established therein, namely: integrity, objectivity, independence, professional competence and due care, confidentiality, professional behaviour and technical standards.
- The Expenditure Verifier applies the International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- Detailed specifications have been agreed between the Contracting Authority and the Expenditure Verifier and they have been stipulated in the 'Terms of Reference for an Expenditure Verification'. The Terms of Reference are an integral part of the contract concluded between the Contracting Authority and the Expenditure Verifier.

## 1. Background information

### 1.1. Short description of the action subject to verification

<b>Contract number and title:</b>	NDICI-GEO-NEAR/2023/452-688  <i>"Participation of Georgia, Republic of Moldova and Ukraine in the Transport Community"</i>
<b>Contract type</b>	Grant contract
<b>Financial Report(s) subject to verification</b>	01.01.2024 – 31.12.2024
<b>Coordinator and other Beneficiary(ies) and affiliated entity(ies)</b>	<b>Permanent Secretariat of the Transport Community</b>  The Transport Community is an international organization formed under Treaty of establishing the Transport Community. It has been established based on the Treaty signed between the European Union (Official Journal of the European Union No. L 278 p.3- 53) and the Republic of Albania, Bosnia and Herzegovina, the Republic of North Macedonia, Kosovo, Montenegro and the Republic of Serbia.
<b>Location(s) where the Contract is implemented</b>	Belgrade, Serbia
<b>Contract execution period</b>	January 1 <sup>st</sup> , 2024, to December 31 <sup>st</sup> , 2025  <i>(24 months)</i>
<b>Contract implementation status</b>	On going
<b>General and specific objectives of the Contract</b>	The overall objective of the project is to support progressive integration of Ukraine, Moldova and Georgia in the Transport Community in view of their closer association with EU transport markets and enlargement process.  The specific objectives of this project are: <ol style="list-style-type: none"> <li>1. Ukraine, Moldova and Georgia are progressively engaged in activities of the Transport Community in the field of road, rail, inland waterways and maritime transport on the basis of the relevant EU acquis for all modes of transport, excluding air transport.</li> <li>2. The process of development of the transport networks between Ukraine, Moldova and Georgia and the EU is supported.</li> </ol>

**Synthetic description of the activities, outputs and target group**

The project's main activities related to Outputs:

*1.1 Systemic involvement of Ukraine, Moldova and Georgia in TCT activities ensured*

- **Supporting the participation of Georgia, Moldova and Ukraine** in the working bodies of the Transport Community, such as Ministerial Council, Regional Steering Committee, Technical Committees (e. g' on Road Safety, Transport Facilitation, Dangerous Goods, Waterborne Transport and Rail, etc. ), and Social Form.
- **Provision of needed technical assistance to conduct studies** in various areas, such as railway, road, road safety, transport facilitation, waterborne transport and multimodality, Trans-European Transport Networks, transportation of dangerous goods, sustainable and smart mobility.

*1.2: Capability for the transposition of EU relevant acquis as provided by the Transport Community Treaty is increased,*

and

*1.3: Capability for the implementation of EU relevant acquis as provided by the Transport Community Treaty is increased:*

- The project will support **review of the legislation and provide recommendations** to facilitate the transposition and implementation of the EU acquis.

*1.4: Progress review ensured:*

- **Conducting review visits** where relevant **to support the process of establishing** the level of compliance with EU regulatory requirements and to verify progress in the transposition and implementation.
- **Collecting relevant data on the status of transposition** of the EU acquis as in the Annex I to the Transport Community Treaty and drawing up respective progress report.

*1.5: Building, where requested the capacities of Ukraine, Moldova and Georgia and their relevant national authorities in the view of gradual approximation with the EU transport-related acquis in the areas of the Transport Community, supported*

- **Developing and implementing** of a tailored-made capacity-building program per transport mode depending on priorities and needs of a particular observing participant.
- **Conducting workshops on EU acquis**, its impact and transposition requirements.
- **Conducting experience exchanges, study visits**, whether on-site and/or in an EU Member State and in the Western Balkan, to complement and upgrade knowledge of experts and allow participants from beneficiaries to gain knowledge from

experience and best practice, obtain access to working methods of competent authorities and establish good working relations with stakeholders.

*1. 6: The process of revision of the Transport Community Treaty to allow for full membership of Georgia, Moldova and Ukraine supported:*

- **Supporting**, where applicable the work of the Permanent Secretariat of the TCT, TCT working bodies, TCT Contracting parties and Georgia, Moldova and Ukraine **about the revision process** of the TCT and of other existing applicable rules of procedures associated with TCT working bodies in place.

*2. 1: The process of development of Trans-European Transport Networks (TEN-T) in Georgia, Moldova and Ukraine is supported:*

- **Collecting relevant data** on the status of implementation of the TEN-T and drawing up respective report.
- **Continuous monitoring of the on-going and in development projects** on the Core and Comprehensive TEN-T in relation to existing policy documents, including the Economic and Investment Plan for the Eastern Partnership and Indicative TEN-T Investment Action Plan

Target groups on the implementation of the activities of the project includes:

1. Relevant government authorities;
2. Relevant national sectoral agencies;
3. Civil society organisations;
4. International Financial Institutions and other donors;
5. Other relevant stakeholders, if needed, will be involved.

## **1.2. Basic financial information of the Contract (at the time of the verification)**

### **1.2.1 Expenditure**

<b>Budget Headings</b>	<b>Budgeted Expenditure (in EUR)</b>	<b>Budgeted Expenditure (Amendment)* (in EUR)</b>	<b>Reported Expenditure (in EUR)</b>
Human Resources	455,087	309,551	287,135
Travel	43,187	13,850	8,599
Equipment and supplies	29,448	27,860	8,115
Project office	14,520	5,400	3,023
Other costs, services	688,000	270,000	115,071
<b>Total direct eligible costs</b>	<b>1,230,240</b>	<b>626,661</b>	<b>421,944</b>
Indirect costs	-	-	-
Provision for contingency reserve	61,512	-	-
<b>Total</b>	<b>1,291,752</b>	<b>657,994</b>	<b>421,944</b>

*\*On November 20<sup>th</sup> 2024, a contract amendment was signed with the Contracting Authority introducing a new amended budget as per above.*

### **1.2.2 Contributions**

<b>Source of Contribution</b>	<b>Budgeted Contribution (amount)</b>	<b>Actual Contribution (amount)</b>
European Union	1,291,752	1,291,752
Other Donors	-	-
<b>Total</b>	<b>1,291,752</b>	<b>1,291,752</b>

### **1.2.3 Revenues**

*The Transport Community is an international organisation formed under Treaty of establishing the Transport Community. Its participation in this project does not generate revenue.*

## **1.3. Verified Financial Reports**

Please refer to annex 3.1

## **2. Risk analysis**

### ***2.1. Outcome of risk analysis***

Based on the risk analysis performed according to the Terms of Reference, provide succinct information about the identified risks possibly affecting the verified report, regarding the action, the context in which the latter is implemented, the beneficiaries and the target group.

Based on the risk analysis performed according to the Terms of Reference, we have identified the following risks:

**-Management override of controls**

There is a tendency that lower-level staff may disregard their limits of authority and bypass the decisions of senior management in pursuing their own financial interest. There can also be a risk of management fraud on posting journal entries without appropriate authorisation, in order to manipulate the results in the financial reports.

**-Improper revenue recognition**

There is a presumption of fraud risk related to revenue recognition. Revenue is a significant class of transaction and under the revised ISA 240, revenue recognition is presumed to be a specific financial statements fraud risk. Material misstatements due to fraudulent financial reporting often result from an overstatement of revenues but can also be perpetrated to give an understatement of revenue.

**-Expenditures manipulation**

There is a risk that the expenditures declared in the financial reports have not, in all material aspects, been incurred in conformity with the applicable contractual conditions or within the purpose of the donor funded project.

In addition, please identify possible mitigating factors:

**-There are various stages of the procurement to payment process that must be undertaken by separate individuals or groups to promote segregation of duties. There is a separation of duties between:**

(a) procurement officers and authorisers, who approve the processing of procurement requests. The current contract was benefiting from the procurements conducted by the Transport Community Permanent Secretariat.

(b) finance staff, who verify and process disbursements as well as recording the relevant journals; and

(c) signatories, who approve the disbursements.

**-Fund receipts are recognised and recorded into the accounting system when funds are received in the relevant bank account. A receipt voucher for the funds received is checked by the Finance Analyst and Chief Financial Officer as well as approved by the Director of Admin division before being recorded into the accounting system.**

**-Each expenditure must be linked to specific expenses where it is possible to track how funds received have been spent. A validation of expenditure voucher is issued for each expenditure which is checked by the Initiating Officer (delivery confirmation) and Financial Officer (financial**

verification), as well as approved by the Deputy Director (confirmation of expenditure) and Director as Authorizing officer (passed for payments), before being recorded into the accounting system and paid.

-Financial reports, including trial balance, bank reconciliations, budget vs actual report, are reviewed by Financial Officer and Deputy Director and finally approved by Director or the Coordinator.

## ***2.2 Implications on the sampling***

*Explain how the identified risk factors are reflected in the structure and size of the sample.*

Based on the identified risk factors, when determining the sample size for substantive procedures, we take into account the assurance we require from the procedures, the performance materiality relating to the transactions being examined, the assurance already obtained from other procedures relating to the financial statements area and assertion being tested and the risk that the sample is not reflective of the population.

Considering value of the population and number of sampling units in the population we have decided that it will be most appropriate and cost effective to examine the entire population.

The population consists of 728 transactions (of which 162 of them are netted transactions that were reviewed by us and excluded from the sampling population) recorded during the period 01/01/2024 to 31/12/2024. After excluding the netted transactions the remaining population consists of 566 transactions.

From the remaining population, we selected 432 transactions for testing. Selection was performed using unique document numbers, each of which contained multiple transactions, and all underlying booking lines under each document number were verified.

The coverage ratio is 93.12%, corresponding to EUR 392,918.62 and 594 transactions (including the 162 netted transactions) . We have also verified other connected GL entries presented within the general ledger.

## **3. Transaction population and sample**

### ***Sampling Highlights/Overview***

The sample size was determined based on a materiality threshold of 2% of the total amount of reported expenditure with a confidence level of 95% and considering the risk analysis presented above.

Report/invoice: <indicate the report/invoice number and cut-off dates>		
	Population	Verified sample
Number of transactions	728	594
Value of transactions EUR	421,944.20	392,918.62

A comprehensive list of all transactions within the population is provided in Annex 3.3.

## **4. Substantive testing**

### ***Short description of the testing process***

*Compliance with the Terms of Reference and with the International Standard on Related Services (ISRS) 4400 (Revised).*

Our engagement was undertaken in accordance with:

- (i) 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”); and
- (ii) IFAC Code of Ethics for Professional Accountants and the fundamental ethical principles and independence requirements established therein.

In relation to the above, we have performed the procedures listed in Annex 2 of Terms of reference for an Expenditure verification of a grant contract (see Annex 3.2 of this Report).

*Provide the key information about the testing process.*

The verification work took place at the implementing partner's premises, and qualified representatives of the auditee were present. The Coordinator’s staff were cooperative.

We have gathered evidence and prepared working papers to properly document the evidence to support our findings. We have also reviewed and evaluated the system of internal controls in order to gain an understanding of processes and controls within the Project.

All the supporting documentation was available in full. The original documents are archived and available for inspection at any time. Proof of receipts and payments have been properly furnished in the form of vouchers, the original vouchers have been presented structured in conformity with the items of the financing plan and in chronological order. The payments, for which evidence has been supplied, are in keeping with the appointed purpose as set out in the Financing plan

We have performed the agreed-upon procedures listed in Annex 2- *Guidelines for Risk Analysis and Verification Procedures* (Terms of reference for an Expenditure verification of a grant contract), and attached as Annex 3.2: *Procedures performed*, to this Expenditure Verification Report, in respect to the attached Financial report for the project “Preparatory activities to support progressive involvement of Georgia, the Republic of Moldova and Ukraine in the activities of Transport Community” (Annex 3.1- “Financial reports provided by the auditee “), prepared by the management of the Coordinator.

There were no scope limitations.

## **5. Summary of findings**

### ***5.1 Description of findings detected***

#### *Summary of findings*

We have audited the Financial Report of the Project on the basis of the terms of use made available to us, and we report our findings below:

With respect to Point 1 Annex 3.2, we have confirmed that the expenditures were incurred by and pertains to the coordinator.

During the expenditure verification, we performed transaction testing on a sample of 594 transactions selected from a total population of 728 transactions recorded during the period 01/01/2024 to 31/12/2024. The testing focused on verifying the accuracy, completeness, and compliance of recorded transactions against supporting documentation, applicable contractual requirements, internal policies, and relevant financial reporting standards. The scope of testing covered multiple categories of expenditures, including procurement, operating expenses, payroll, project-related costs etc.

Out of the tested transactions, we identified one finding representing deviations from expected controls and reporting requirements. This finding is related to a miscalculation made regarding the removal's expenses for one of the project staff members. The total financial impact of these findings amounted to approximately 120 EUR, representing an insignificant percentage of the total sample value tested. While these errors were noted in isolated instances, no systemic control weaknesses were identified during our testing.

For the remaining transactions, we confirmed that the amounts were accurately recorded, properly authorized, and adequately supported. A comprehensive summary of the identified findings, their financial impact, and the responses provided by management is presented in Appendix 3.4 of this report.

**5.2 Verification team**

1. Teit Gjini, Certified Auditor, Engagement partner

 **forvis  
mazars**

2. Irena Hoxha (Pulo), Certified Auditor, Quality Reviewer

Emin Duraku, Str. Binjaket Build,  
No.5, 1013, Tirane, Albania  
NUIIS: K32123006W

3. Nemanja Stojanović, Certified Auditor, Senior Manager

*Date, name and signature of the Verifier:*

In Tirana, September 18, 2025

**Forvis Mazars shpk**, registered Auditors

Rr. Emin Duraku, Pall. "Binjaket", Nr.5

Tirana, Albania

**Annex 3.1: Financial reports provided by the auditee**

**Annex 3.2: Procedures performed**

**Annex 3.3: Table of transactions - provided as Excel file**

**Annex 3.4: Table of errors - provided as Excel file**

**Annex 3.1: Financial reports provided by the auditee** – provided as Excel file



ANNEX 3.1 Draft  
Report 2024.xlsx

**Annex 3.2: Procedures performed - provided as Word file**



ANNEX 3.2  
Procedures performed

**Annex 3.3: Table of transactions - provided as Excel file**



ANNEX 3.3 Table of transactions

**Annex 3.4: Table of errors - provided as Excel file**



ANNEX 3.4 Table of errors