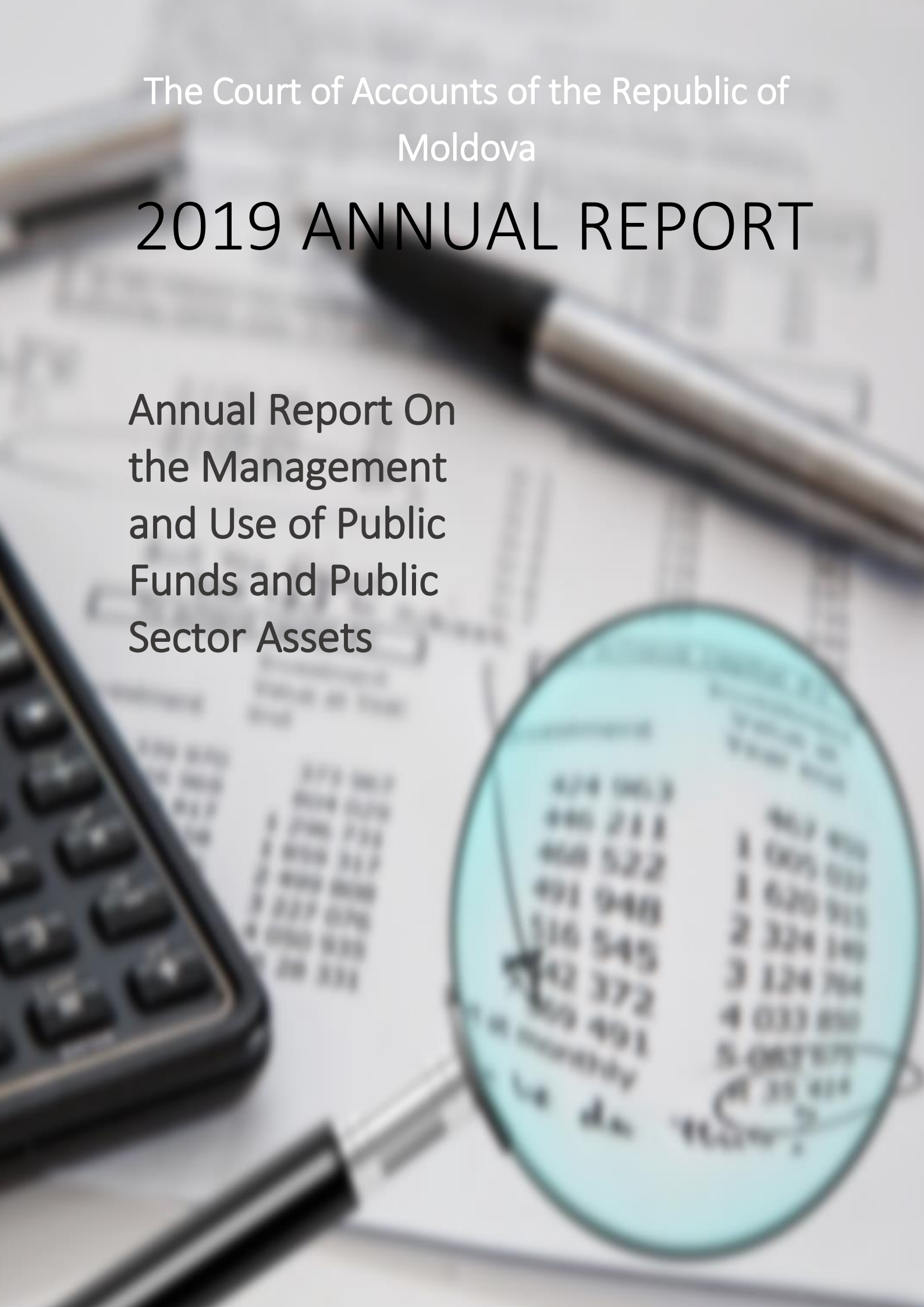


The Court of Accounts of the Republic of  
Moldova

# 2019 ANNUAL REPORT

Annual Report On  
the Management  
and Use of Public  
Funds and Public  
Sector Assets



## ACRONYMS

LPAА	Local public administration authorities
AIPA	Agency for Intervention and Payments in Agriculture
NFSA	National Food Safety Agency
NIA	National Integrity Authority
CPA	Central public authorities
LPA	Local public authorities
PPA	Public Property Agency
ODP	Office of the District President
ASM	Academy of Science of Moldova
SSIB	State social insurance budget
CB	Commercial bank
WB	World Bank
NBS	National Bureau of Statistics
NPB	National Public Budget
SB	State budget
BATU	Budgets of administrative-territorial units
CEC	Central Electoral Commission
IMC	Internal managerial control
NAC	National Anti-corruption Center
NHIC	National Health Insurance Company
NSIH	National Social Insurance House
DG PTWC	Division General for Public Transport and Ways of Communication
CHIF	Compulsory Health Insurance Funds
TI	Tax Inspectorate
GPI	General Police Inspectorate
PHCF	Public health care facility
INTOSAI	International Organisation of Supreme Audit Institutions
SOE	State-owned enterprise
ME	Municipal enterprise
MD	Ministry of Defence
MIA	Ministry of Internal Affairs
MFAEI	Ministry of Foreign Affairs and European Integration
MARDE	Ministry of Agriculture, Regional Development and Environment
MECR	Ministry of Education, Culture and Research
MEI	Ministry of Economy and Infrastructure
MJ	Ministry of Justice
MF	Ministry of Finance
MHLSP	Ministry of Health, Labour and Social Protection
FMC	Financial Management and Control
ODIMM	Organisation for Small and Medium Enterprises Sector Development
GDP	Gross Domestic Product
PPP	Public-private partnership
RM	Republic of Moldova
TCO	Territorial cadaster office
JSC	Joint Stock Company
IS	Information system
STS	State Tax Service
CS	Customs Service
ATU	Administrative Territorial Unit
EU	European Union
IT	Information technology
TIKA	Turkish Cooperation and Coordination Agency
VAT	Value added tax
SS	State securities

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## Introduction

The 2019 annual report considers and communicates the conclusions and observations of the Court of Accounts regarding the formation, administration and engagement of financial resources and public sector assets throughout the 2019 financial year, while other relevant periods were also covered in respect to some particular entities, in compliance with the Audit Programs on the annual audit cycle (September 2019 - September 2020).

The annexes are part of the Report and provide the summaries of audit engagements carried out by the Court of Accounts throughout the year subsequently to the date on which the previous year report was approved.

Thanks to the conducted audit engagements, the Court of Accounts managed to outline an overall picture of public funds management and public sector governance.

The purpose of this Report is to bring to the attention of the Parliament, Government, auditees and society the key systemic issues, findings and conclusion arrived at by the public external public audit.

Ensuring the sustainability of public funds, the efficient administration of public sector assets must be the major priorities on the agenda of those charged with governance.

## External Public Audit

External public audit is an indispensable part of a regulatory system the purpose of which is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management to make those charged with governance in the public sector fulfil their responsibilities correctly.

As Supreme Audit Institution, the Court of Accounts tackles the risk of public funds and assets being mismanaged and/or misused, which could undermine the efficiency of the public sector.

Therefore, abiding by its organic law, the Court of Accounts scrutinises the formation, administration and engagement of public financial resources and public sector assets, contributing this way to strengthening the good management of public funds and to promoting managerial accountability in public entities.

Under its legal mandate, the Court of Accounts reports on an annual basis to the Parliament on the results of its work, informs the government and the society of its role as a Supreme Audit Institution and brings to attention the findings from the audit reports.

The *global pandemic* has impacted the way in which the Court of Accounts carried out its planned work because of the restricted access to the headquarters of authorities and to meeting with people in charge of certain areas and operational processes and of drafting financial reports/statements. The new circumstances demanded reconsidering audit activities and procedures in terms of collecting sufficient appropriate audit evidence. The Court had to alternate communication ways, which required integrating and accommodating fast to the new working environment.

Hence, to ensure the constant quality of audit engagements, the Court of Accounts exercised a spirit of pragmatism by taking a number measures, including:

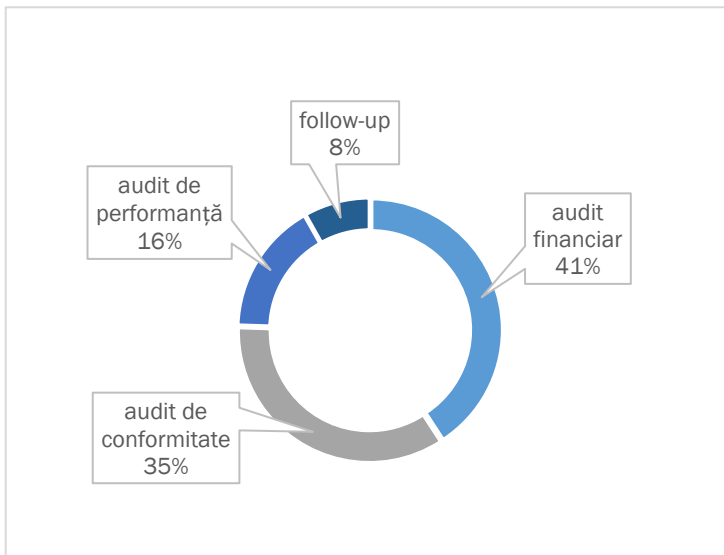
- setting up a special work regime;
- changing the reporting deadlines for the mandatory financial audit engagements, under Item 14, Sub-items 1-4 of the Decision of the Commission for Emergency Situations of the Republic of Moldova No 17 of 13 April 2020;
- initiating discussions with the management of auditees to ensure that sufficient information is obtained in due time both in electronic format and in other formats, as the case may be or require;

- using advanced information technology, like VPN (Virtual Private Network), which is a secured connection between CoA computers and servers/applications, which allows auditors work remotely efficiently;
- endowing audit teams with laptops and ensuring remote access to all necessary files and work-related documentation, etc.

During the reporting period, the Court of Accounts carried out its activity in an objective and independent manner, in accordance with the legal framework and International Standards of Supreme Audit Institutions<sup>1</sup>, conducting financial, performance and compliance audits.

According to the annual audit programs<sup>2</sup>, 49 decisions approving audit engagement results were issued.

The CoA carried out 20 financial audits, 17 compliance audits, 8 performance audits and 4 follow-up audits.



The summaries of the decisions approved by the Court of Accounts during the reporting period are provided in Part II of this Report. Also, detailed information on audit reports may be found on the official website of the Court of Accounts: ([www.ccrm.md](http://www.ccrm.md)) following this link:

<http://www.ccrm.md/hotariri-si-rapoarte-1-95>.

As a result of audit engagements, the Court of Accounts issued 20 opinions on financial statements and formulated 29 conclusions on the compliance and/or performance of public funds and public sector asset management. Of all opinions issued, 4 were clear, while 16 were modified, including: 14 qualified opinions and 2 adverse opinions.

The areas audited between September 2019 and September 2020 related mainly to the formation and use of the resources of the national public budget, including of the state budget, state social insurance budget, and compulsory health insurance funds.

<sup>1</sup> Decision of the Court of Accounts No 2 of 24 January 2020 on INTOSAI Framework of Professional Pronouncements.

<sup>2</sup> Court of Accounts Decision No 100 of 21 December 2019 approving the 2019 Audit Work Program of the Court of Accounts (with further amendments and addenda) and Court of Accounts Decision No 77 of 27 December 2019 approving the 2020 Audit Work Program (with further amendments and addenda).

Also, during the reported period, the Court of Accounts focused on other important areas such as: privatisation of goods in the period 2013-2019; public procurement; management of public funds and public sector assets by some state-owned enterprises and public institutions; transfers from the state budget to local budgets; information technologies; the functionality of financial management systems and the degree of their connection to performance principles, etc.





## Part I. Summary of Key Findings and Issues

The audit engagements carried out by the Court of Accounts found many issues, irregularities and systemic failures in the formation, administration and engagement of public funds and public sector assets.

In this report we emphasise the most important findings and issues that the stakeholders need to know about in relation to the priorities of implemented policies.

They were grouped and described in the sub-chapters:

- ❖ Public funds;
- ❖ Public sector assets;
- ❖ Corporate sector;
- ❖ Foreign funds;
- ❖ Fraud and corruption;
- ❖ Parliamentary oversight;
- ❖ Follow-up;
- ❖ Impact of external public audit;
- ❖ Strengthening external public audit sustainability.

The Court of Accounts has thus identified complex and systemic issues regarding:

- *poor management of human resources across CPAs, including in terms of ensuring the operation of financial-and-accounting services and of internal audit, which are limited;*
- *failure to register the ownership rights over land plots and buildings;*
- *non-compliances in the public procurement process;*
- *failure to record in accounting books the value of land plots and buildings;*
- *failure to collect the full amount of budget revenue;*
- *non-functionality and lack of interconnection / interoperability of state IS;*
- *inconsistency of methodological rules and budgetary classification in terms of differentiating 'expenses for subsidies' and their economic content;*
- *poor administration of public property in relation to privatisation and public-private partnerships;*
- *limited administrative capacity of LPAs to ensure their own efficient organisation and operation;*
- *insufficient participation of the government in the corporate sector;*
- *failure to fully harness and properly implement projects funded from external sources, etc.*

## Public Funds Management

An efficient and transparent public funds management is based on: (i) modernising the process of budget development, execution and reporting; (ii) improving accounting record-keeping; (iii) implementing a modern internal audit and control system in the public sector; (iv) establishing an integrated public funds management system.

Over the last years, the Republic of Moldova has started implementing an ambitious project to reform public funds management<sup>3</sup>, by modernising budgetary institutions and by adjusting the legal framework to the requirements and standards of the European Union.

*(i) The modernisation of budget development, execution and reporting requires an advanced financial management system, based on principles and rules that ensure overall fiscal discipline, and on transparent procedures on the formation and administration of the national public budget and its components.*

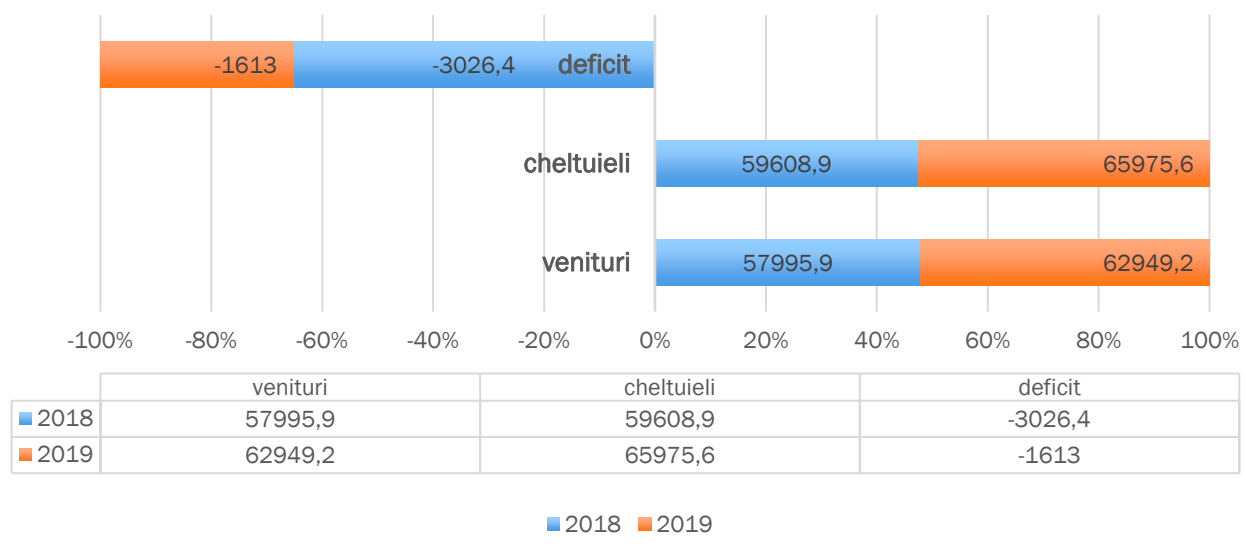
According to the Report on the Execution of the 2019 National Public Budget<sup>4</sup>, the revenues raised amounted to MDL 62,949.2 million, which represents 29.9% of the GDP. Compared to the adjusted indicators, the NPB revenues decreased by 0.9%, which is equivalent to MDL (-565.0) million. At the same time, compared to 2018, NPB revenues increased by 8.5%, i.e. by MDL 4,953.3 million.

**Public funds management** is the system whereby financial resources are planned, directed and controlled to allow for and influence the efficient and effective achievement of public services objectives, *the essential goal being to provide quality public services.*

<sup>3</sup> The 2013-2020 Public Funds Management Development Strategy, approved by Government Decision No 573 of 6 August 2013; the 2016-2020 Public Administration Reform Strategy, approved by Government Decision No 911 of 25 July 2016; the National Decentralisation Strategy, approved by the Law No 68 of 5 April 2012.

<sup>4</sup> Form No 14 'Report on the Execution of the National Public Budget', approved by MoF Order No 18 of 27 January 2020.

### Fulfilment of the key NPB indicators, 2018-2019 (MDL million).

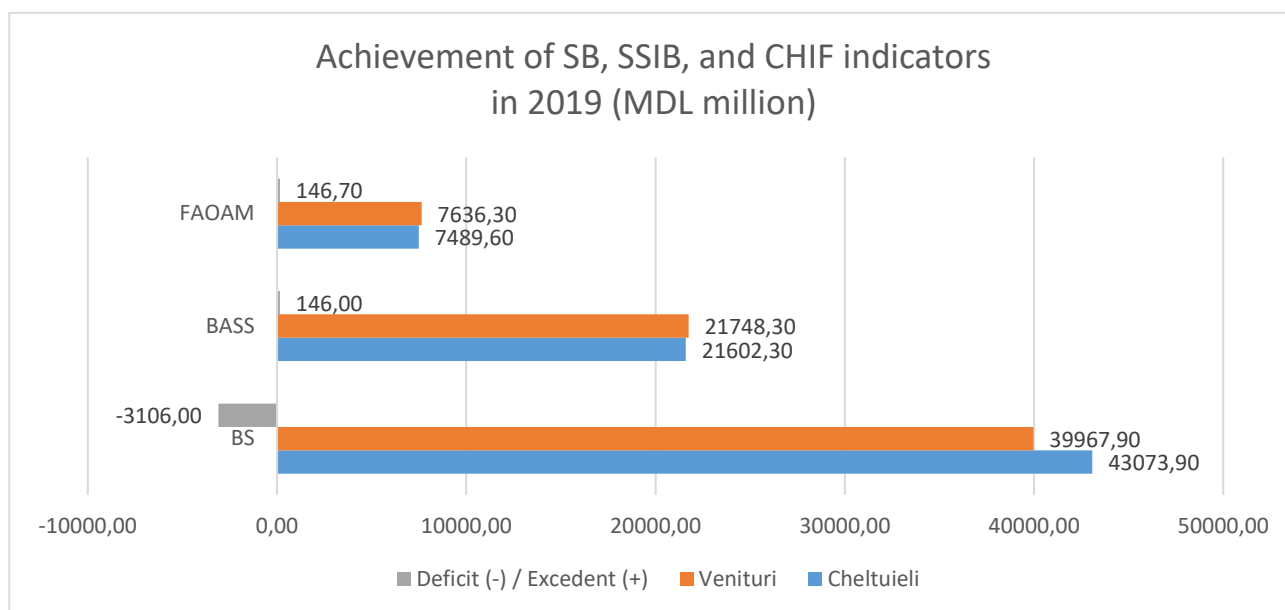


According to the reported data, the revenues collected to all budgets in 2019 did not reach the adjusted level: SB under-collected MDL 675.0 million, SSIB under-collected MDL 121.6 million, BATU – under-collected MDL 337.7 million, and CHIF – MDL 73.5 million).

The NPB deficit in the closed financial year was MDL 3,026.4 million, although it was forecast at MDL 7,117.1 million. The deficit, as a share in GDP, constituted 1.44% or by 1.98 p.p. less than the adjusted forecast. Under these circumstances, the budget balance, excluding grants, reflects the fiscal rule, particularly that the NPB deficit must not exceed 2.5% of the GDP.

The 2019 smaller-than-forecast deficit is explained by the greater tax-based revenue and the smaller current expenditure, including the failure to fully implement projects funded from external sources because of the protracted public procurement procedures and overlong execution of works.

The most significant focus of public external audit (every year) falls on the NPB components: the government reports on the execution of the *state budget (SB)*, *state social insurance budget (SSIB)* and *compulsory health insurance funds (CHIF)* in the closed financial year.



The data above communicates that 3 out of 4 NPB components made up together MDL 72,165.8 million. Most of the public funds were used via the state budget. The SB expenditure is distributed across central public authorities, by the sectors the latter are responsible of.

The key findings regarding the execution of SB, SSIB, CHIF had to do with:

- failure to observe the budget calendar in terms of the 2019 SB formation and approval, which leads to uncertainties and tension both for the state institutions, and for the corporate one;
- inconsistency of methodological rules and budgetary classification in terms of differentiating ‘expenses for subsidies’ and their economic content, which affected the good administration of public funds in the amount of MDL 3,894.95 million, i.e. 9.7% of total executed expenses;
- no interconnection between the information systems of the NSIH and ‘Posta Moldovei’ SOE, which led to thousands of beneficiaries having to show up repeatedly at the post offices to collect their benefits, which also caused the accumulation of debt in the amount of more than MDL 111.5 million for social benefits falling under SSIB;
- limited functionality of information systems in which all treated cases – including the ones paid for by the patients themselves, are registered, which did not allow for the clear delimitation of hospital-based healthcare services covered from the CHIF, worth MDL 1,625.0 million;
- allowing for incorrect data in the issued prescriptions (662 thousand prescriptions) for which MDL 76 million were appropriated;
- failure to report revenues and expenses, as well as loans received and reimbursed, by implementation units of projects funded from external sources, which

affected both the execution of the line ministry, and the cash execution of the state budget, etc.

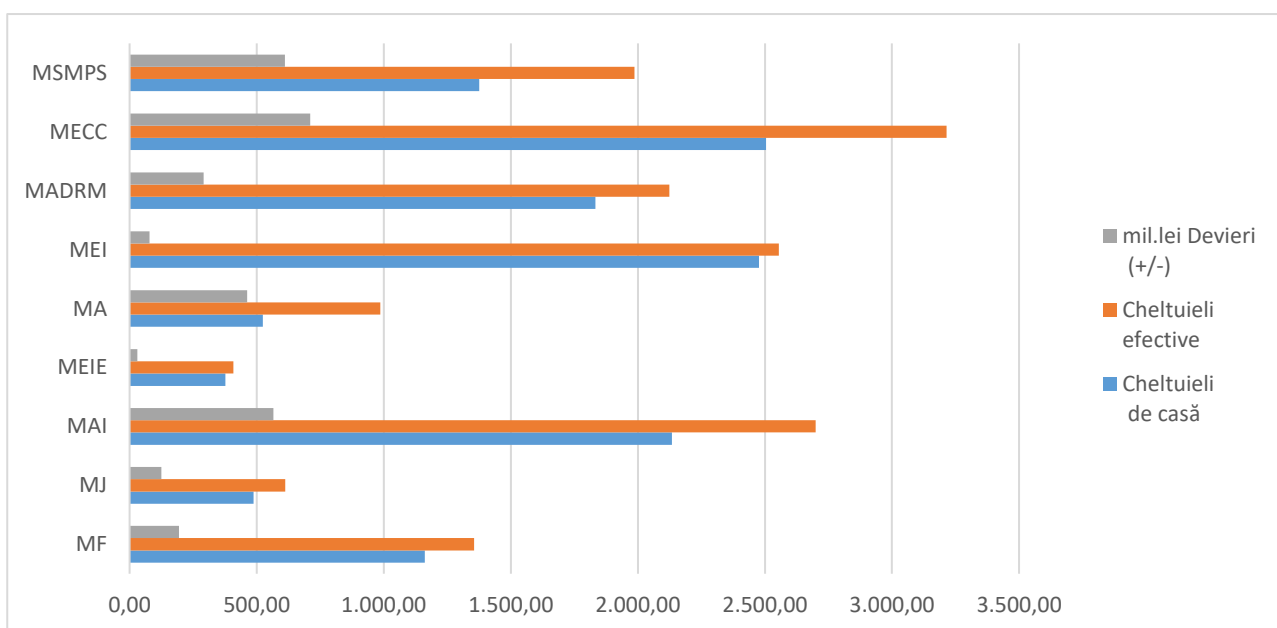
**Note:** *The identified flaws have a major impact and affect the most sensitive categories of the population. Thanks to the recommendations of the Court of Accounts, the issues of no interoperability between the two information systems of 'Posta Moldovei' SOE will have been solved by the end of the current year, and hence there will be neither balances of uncollected social benefits, nor the need for the beneficiaries to go repeatedly to the post offices.*

With regards to BATU, the Court of Accounts reiterates that there are systemic issues around earmarked transfers from the SB to local budgets and particularly around their closing balances and misuse.

*The issues found by the audit were caused by the inconsistencies in and misinterpretations of the framework on record-keeping and financial reporting, by the insufficiency of regulations, calculations and substantiations, and by the fact that the information systems weren't interoperable.*

*These issues are systemic, persistent and served as grounds for audit opinions.*

The expenditure of line ministries represents the greatest share in SB cash expenditure – about 30% (MDL 12,876.2 million), i.e. by MDL 3,067.4 million less than accrued expenses (MDL 15,943.6 million).



The financial statements of budgetary institutions, including ministries, disclose financial information on accrued expenses. Thus, having audited the 2019 consolidated financial statements of the nine ministries, the Court of Accounts issued opinions on whether the financial statements were, in all material aspects, in accordance with the applicable financial reporting regulatory framework. Of the issued opinions, one was clear, eight were modified (seven qualified opinions and one adverse opinion), as you can see in the table below.

### Dynamics of audit opinions given on the consolidated financial statements of the nine ministries regarding the reporting years of 2018 and 2019

Public authority	Audit opinion	
	2018	2019
Ministry of Foreign Affairs and European Integration	clear*	qualified
Ministry of Internal Affairs	qualified	qualified
Ministry of Agriculture, Regional Development and Environment	adverse	qualified
Ministry of Defence	adverse	qualified
Ministry of Economy and Infrastructure	qualified	qualified
Ministry of Education, Culture and Research	adverse	adverse
Ministry of Finance	clear	clear
Ministry of Justice	qualified	qualified
Ministry of Health, Labour and Social Protection	adverse	qualified

\* For 2018, the financial statements of the administration of the MFAEI only were subject to financial audit.

The audit opinions were determined by the failure to implement certain key recommendations that were meant to address the flaws highlighted in the basis for modified opinion for the prior year. This led to the qualification of 2019 opinions, the following issues having been identified:

- non-compliant entry of land plots in the accounting records, in the amount of MDL 2,860.4 million, and of buildings, in the amount of MDL 5,043.6 million (MD, MECR, MHLSP, MFAEI, MJ);
- overstatement of assets transferred as contribution to share capital, in the amount of MDL 2,074.5 million (MD, MJ, MFAEI, MECR);
- miscalculation of fixed assets' depreciation, in the amount of MDL 1,471.9 million (MJ, MFAEI, MECR);
- not having registered ownership rights over public sector assets: 2,970.6 ha of land and 1,180 buildings (MD, MECR, MARDE, MF, MIA);
- prior year financial results misstated by MDL 4,230.0 million (MECR);

- inaccurate recording of economic operations amounting to MDL 128.2 million (MA);
- misclassification of certain expenses, in the amount of MDL 70.7 million (MIA) etc.

The causes of identified flaws include: the lack of and/or low qualification of the staff in public entities involved in the financial-and-accounting process; persistent insufficiency of funds and time for completing the recording and delimitation of public property; gaps in the regulatory-and-methodological financial reporting framework applicable to the public sector, etc.

It is worth mentioning that although the audit opinions on financial statements did not change over the last 2 years, most of the entities did progress in different areas of public funds management, particularly in terms of public sector assets and accounting records. However, despite the fact that identified misstatements decrease from year to year, there still are material misstatements that modify opinions.

*(ii) The goal behind improved bookkeeping – by ensuring there is quality financial-and-accounting data – is to make certain that the financial statements/reports provide a true and fair view.*

Thanks to the recommendations made by the Court of Accounts on the drafting of true, fair and reliable financial statements, the Ministry of Finance made progress in these areas:

- a module on reporting in the PFMIS<sup>5</sup> was drafted, which made it possible to leave out operations subject to consolidation. The public authorities were sent a circular letter informing them about how to leave out sub-accounts from generalising statements. Methodological rules were also drawn up with regards to the drafting of the narrative report on the execution of budgetary authorities/institutions' budgets, which also provided for the requirement to describe the operations subject to consolidation;
- reporting on public sector assets; amendments were made to the methodological rules on bookkeeping and financial reporting in the budget system as regards reflecting the appropriate sub-accounts of goods received/handed over gratuitously inside the budget system and outside of it, and as regards adjustments to Chapter '1.4.5. General valuation (recognition) and re-valuation rules', meant to make consistent the methods of valuation and re-valuation of assets.

<sup>5</sup>Public Funds Management Information System, managed by the 'Center of Information Technologies in Finance' Public Institution.



Although some issues were solved, and a regulatory framework on bookkeeping was developed and implemented, it needs to be further developed in order to remedy all issues found by the audits, which mainly have to do with:

- protracted drafting of the national public sector accounting standards based also on the international IPSAS standards;
- non-regulation of valuation/re-valuation of land and buildings, as no procedures on consistent valuation in all public institutions were developed;
- no regulatory-and-methodological requirements on returning to the state budget the unused transfers or the transfers used for purposes other than the one they were meant for, to ensure thus the accurate reflection of debt to the hierarchically higher budgets;
- non-regulation of the manner and periodicity of valuation/re-valuation of shares and forms of participation in the share capital of certain entities in terms of updating the founder's share on the basis of the net value of assets;
- no rules in place on valuation and book entry in the accounts of plants and vegetation (trees, bushes, forests, etc.) for drawing up the National Forestry Inventory covering all the vegetation across Moldova, etc.

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*The lack of said rules and regulations, as well as the non-compliant application of the existing regulatory framework impact directly proper bookkeeping and the drafting of true and fair financial statements that are supposed to inform decision of users and decision-makers.*

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Government authorities undertook to solve the aforementioned issues. However, changes and reforms are only possible if there's support from development partners and if sufficient appropriate financial, human and time resources are dedicated.

*(iii) The implementation of a modern internal audit and control system in the public sector is supposed to ensure the efficient and transparent use of public funds, in compliance with good governance principles.*

As pointed out in previous annual reports too, the Court of Accounts found that almost ten years into the implementation of the internal managerial control system and of internal audit in the public sector – more often than not – IMC and internal audit are not fully mainstreamed into the organisational culture of public entities. Their advantages are also not completely grasped yet. Therefore, the internal managerial control system is perceived as an extra-activity, not as a link in the operational chain of an entity.

Though the IMC system is partially understood in central public authorities, IMC coordinators having even been appointed to contribute to strengthening this system, the situation is considerably worse among institutions subordinated to central public authorities and among level-one and level-two public authorities.

The Court of Accounts assess auditees' internal managerial control system and internal audit.

The audit engagements also found that following the central public administration reform, internal audit divisions were reorganised into internal audit services, with two members of staff on average, which is too little to cover the audit universe. Therefore, internal audit doesn't contribute meaningfully to improvements in public entities.

In its external audit reports, the Court of Accounts reiterates the need for concrete actions to strengthen the current internal control systems that would ensure the efficient and effective management of public funds and public sector assets, as well as the compliant fulfilment of missions and objectives of public entities, which, then again, would lead to the provision of quality public services.

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*The audits focused on the reporting period highlighted that most of the public entities perform the annual internal managerial control self-assessment, however this self-assessment culminates only in the managerial accountability declaration. More often than not, there aren't any action plans developed to address identified non-compliances, which should actually be an ongoing process.*

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It is worth-mentioning that IMC flaws, as well as the stagnant internal audit development, can have a significant impact on the transparency of and accountability for the management of public funds in line with the good governance principles.

*(iv) The implementation of modern information technologies dedicated to supporting users engaged in the budget process and to providing a wide range of financial and non-financial information that is essential for decision-making is absolutely indispensable for a high-performance financial management system.*

To modernise public funds management systems, the Public Funds Management Information System (PFMIS) was implemented, an integrated system that supports the planning, approval and execution of the budget, accounting operations and financial reporting.

Also, the aim of PFMIS implementation is to ensure the interoperability with other information systems and to assimilate electronic services and digital platforms of the government (M-Connect, M-Pay, M-Cloud).

The important progresses made in terms of implementing information technologies in the public sector of the Republic of Moldova were during the reference period too a priority issue assessed by the public external audit.

The audit identified various systemic problems and non-compliances<sup>6</sup> in this area, including:

- lack of appropriate centralised records of state-owned information systems countrywide, as well as poor coordination, monitoring and control during of development, which led to the 'chaotic' process of computerisation/automation of the public sector.
- improper operation of certain information systems implemented throughout the years in public authorities, including in their subordinated institutions, which limited the opportunity to make the most out of them;
- multiple deficiencies in terms of rules and regulatory procedures in the ICT field, as well as the development of IS, alongside the superficial application of the ICT law and their non-compliance with government platforms (MCloud, MConnect, MPass, MSign, etc.), which led to incompatibility of IT solutions, difficulties in ensuring the interoperability of state-owned IS, as well as to additional costs associated with the

The public institution 'Center for Information Technologies in Finance' (CTIF) ensures, in cooperation with the professionals of the Ministry of Finance, the continuous development of PFMIS.

Network administrators ensure the operation of PFMIS in all the local public authorities and institutions, by setting up and implementing the data transmission networks connecting regional treasuries and mayoralties with the help of MCloud System, by installing software programs meant to ensure the operation of PFMIS modules, by solving the operation issues of the remote system of account servicing, etc.

<sup>6</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1011>

need to ensure their compliance with requirements (maintenance costs, development costs);

➤ reduced institutional capacity of public authorities to manage the IS development projects and to manage/maintain IS, which demanded the outsourcing of such services. At the same time, the lack of IS compliance assessment system, as well as the lack/insufficiency of qualified IT professionals in public authorities generates a high dependence of the quality of provided services on the diligence of the provider or on the level of cooperation with the latter.

It also very important to support the efforts of public authorities by ensuring the active involvement of the Parliament and Government in all stages (adjustment of regulatory framework, appropriation of funds, etc.) in order to identify the best solutions concerning the administration, management and development of IS in the public sector, so as to ensure their sustainability and continuity.

## Public Sector Assets Management

The key issues identified by the Court of Accounts concerning public sector assets management are related to the deficiencies in terms of record keeping and poor management, which increase the risk of alienation and loss.

Despite the findings and recommendations reiterated by the Court of Accounts<sup>7</sup>, the measures taken by the responsible authorities both at central and local levels did not ensure assets management in line with the principles of legality and efficiency, although there is a quite well organised regulatory and legislative framework in place.

According to the results of the audit engagements carried out by the Court of Accounts, *the delimitation of public property according to ownership rights was not finalised*<sup>8</sup>. So far, there is no express appointment of the local public administration assets to the public or the private field, although the provisions of the law in force clearly stipulate that the records of the local public administration assets are to be kept not only according to the form of ownership, but according to their field and legal regime.

*The failure to register and record a public asset with the cadastre*<sup>9</sup> is an issue for which a solution hasn't been found yet. This results into non-compliances regarding the asset record-keeping, asset accounting and asset reporting. The biggest backlogs were found in the entities that manage the public property.

According to the audit reports<sup>10</sup> of the Court of Accounts, responsible public authorities did not always carry out all the stock taking procedures and, respectively, did not own accurate and updated information about the surfaces of land plots and buildings, the total value of the managed assets and other data necessary to ensure an efficient management of public property.

*The failure to assess and recognise the value of land plots and public real estate is still a deficiency that was not fully addressed by the responsible entities.*

*According to the National Property Register, as of 1 January 2020, the balance sheet value of public sector assets of the Republic of Moldova amounted to MDL 97.8 billion, including the value of public sector assets managed by central public authorities – MDL 40.6 billion (41.5%), and the value of public sector assets managed by the administrative-territorial units – MDL 57.2 billion (58.5%).*

<sup>7</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1015>

<sup>8</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1015>

<sup>9</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1041>, and under other audit missions

<sup>10</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1041>; <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1033>; <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1032>

Although public entities have nothing but economic benefits to win out of the efficient management of public sector assets (land plots and buildings), they seem to be less interested in their good management, the impact of the irresponsibility of decision-makers being expressed in the failure to identify, assess and register such assets accordingly, and in the generation of risks to the integrity of public sector assets concerned.

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*The financial impact of the misstatements and irregularities regarding the incomplete and non-compliant bookkeeping of assets due to the lack of consistent criteria for establishing the value of buildings and land plots, the inconsistency of methods and procedures of valuation and re-valuation, the failure to ensure that true and fair data is provided in ministries' financial statements, amounted to MDL 7,904.0 million.*

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With regards to the administration of public sector assets<sup>11</sup>, the Court of Accounts focused on the denationalisation<sup>12</sup> of government property, a number of issues having been identified:

- non-compliant privatisation of government equity stake, as the value of net assets hasn't been established at market value, including that of securities and real estate, which caused a decrease in equity and in the values of privatised shares, respectively;
- the selected inappropriate privatisation methods brought prejudice to the attractiveness of assets available for privatisation, which resulted in a significantly smaller number of participants in the privatisation procedure;
- delays in open outcry auctions because of an imperfect legal framework as regards the procedures of sale of government equity stake via open outcry auctions on the Moldova Stock Exchange and via commercial contest, and as regards the explicit description of the process of moving from one procedure to another, as well as of the mechanism on the calculation of the initial price of government securities, in case of successive application of the different procedures;
- inefficient government representatives, boards' members, audit committees and managers of enterprises as regards advocating and protecting the interests of the government, which has a detrimental effect on trading companies etc.

*Public-private partnerships* (PPPs) are a way to denationalise public sector assets. For PPPs to be successful, considerable administrative capacity is required, which can be

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<sup>11</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1020>; <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1010>

<sup>12</sup> Transferring something from state to private ownership (privatisation) or by concession, fiduciary, transfer of state-owned enterprises under the ownership of administrative-territorial units; other activities aimed at reducing public participation in property management.

ensured via an appropriate legal and institutional framework and by making the most of a long experience in this area.

Audit engagements<sup>13</sup> identified certain deficiencies in this area:

- the private partner selection criteria for granting the concession contract were not observed, which – in consequence – led to selecting a private partner that did not have the capacity to make the required investments.
- insufficiency and superficiality of the Concession Contract Monitoring Committee, because of which investments ended up being made only from operating revenue, without having attracted major investments;
- the limited capacity of central and local administration authorities to implement PPP projects generates major risks for public funds and public sector assets;
- the tendency of the private sector to not comply with transparency rules and to not cooperate in a mutually advantageous way with the public sector, which resulted in missing anticipated gains, with the initially set objectives not having even been achieved at all in many cases;
- using PPP for projects to which this mechanism doesn't typically apply, or the other way around – not calling certain PPPs as such to by-pass, this way, the procedures prescribed by the applicable legal framework etc.

The Court of Accounts arrived at the conclusion that although PPPs have the potential to implement the government policy in a particular area by attracting private investments, it is not always that they are managed efficiently and that they reach an optimal benefit-cost ratio. PPPs often did not allow for obtaining potential gains because – just as with traditional projects – they were riddled with delays, costs greater than anticipated, with projects' outcomes ending up underexploited.

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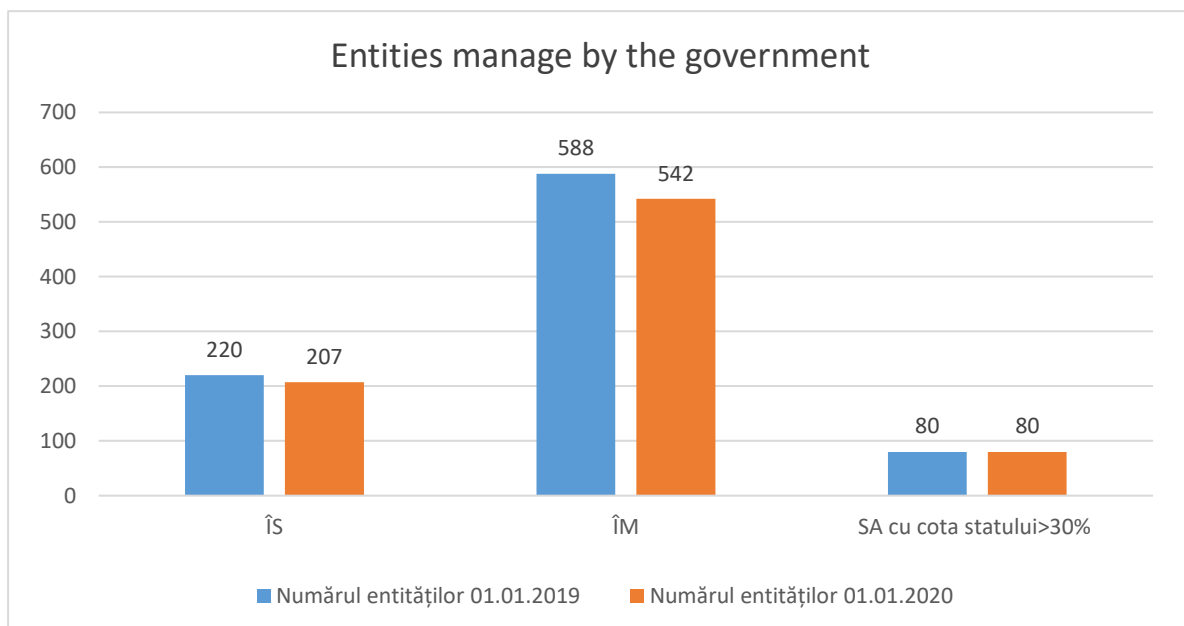
<sup>13</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1019>

## Government Participation in the Corporate Sector

There are several types of economic activities<sup>14</sup> in any economy. *State-owned enterprises* too carry out entrepreneurial activity.

The importance of public enterprises for the economy of a state cannot be disregarded, especially as some of the services they provide are difficult for the private sector to provide, most of the times because of their important social purpose. The assets managed by state-owned enterprises also have a strategic value, besides the real one, such as infrastructure, without which the economy of a state cannot do.

As of 1 January 2020, the central public authorities were managing 287 entities – business entities, of which 207 were state-owned enterprises, and equity stakes in 80 JSCs with the government stake greater than 30%. At the same time, 542 municipal enterprises were registered in the National Property Register.



Last years' experience shows that in terms of public property management, the government is not the most efficient 'business entity' and not the best asset administrator, with the system of public entity management requiring reconsideration and changes.

In 2019, the dividends gained out of the public shares in joint stock companies and the deductions from the *net profit* of state-owned enterprises amounted to MDL 137.4

<sup>14</sup> Activities that are profitable for private entities and that are, therefore, provided by the private sector; activities that are socially beneficial, but not profitable for the private sector to carry out, which is why they are provided by the public sector; activities that would be profitable for the private sector, however the private sector does not have the capacity to carry them out, so they are carried out by the state with or without support from the private sector; activities that are in the scope of natural monopoly and that the government safeguards.



million, including MDL 93.7 million in *dividends* from JSCs, and MDL 43.7 million in *deductions* from SOEs, which is by MDL 65.2 million less compared to the previous year (dividends – MDL 152.6 million; deductions – MDL 50.0 million).

Although the Republic of Moldova undertook the SOE reform, the Court of Accounts drew the conclusions that the citizens haven't perceived any improvements in terms of their governance and transparency.



*'Precarious economic and financial situation, and poor quality services'* are expressions used to describe the value of state-owned enterprises.

In terms of earned profits and return on equity, managing public capital enterprises is problematic.

Only 'leaders' earn profits, their results being due to a great extent to the legal advantages they have thanks to their leading position.

To put it differently, the efficiency of state-owned enterprises is greatly based on limitation of competition and on non-sharing of the profit earning capacity with private businesses in the same sector. A competition policy in relation to private companies would fuel the business risk in operational terms for all state-owned enterprises providing services at reasonable prices to citizens – potential customers. The lack of sustainable investments contributes to preconditions for financial instability and exacerbates the dependence of state-owned enterprises on financial institutions or other external sources of funds. State-owned enterprises play an important role in the services sector and in other key sectors such as utilities, healthcare, transportation and energy, and contribute to the fulfilment of certain administrative duties of the Government.

*One of the key responsibilities of an administrator is to monitor the quality of provided services.* In this respect, the Court of Accounts flags up that there are some poor practices in terms of appointment and discharge or responsibilities, as well as in terms of monitoring boards' performance. The applicable legal framework doesn't require open and competition-based processes of identification and merit-and-skill-based appointment of board members.

The audit engagements also found scattered instances of generous financial privileges bestowed upon members of boards, even where they hardly participated in working meetings<sup>15</sup>.

To make *economically important SOEs* eligible and attractive for external investors, *they are not classified as public interest entities* and are therefore subject to the National Accounting Standards (NAS) instead of the International Financial Reporting Standards. In such circumstances, the financial statements drawn up in compliance with the NAS do not provide a complete disclosure of information and are not found reliable by potential investors. Consequently, the public entrepreneurial sector has a very small capacity to attract funds from external sources, which could otherwise be used to make the most out of own assets and to modernise production technologies.

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*The Court of Accounts highlights that there are significant resource leakage risks in SOEs.*

*In the absence of a sound procedure for the selection and appointment of board members and CEOs in SOEs, conflicts of interests can occur.*

*If the disclosed financial information is incomplete, the capacity to attract external funds is critically compromised.*

*In 2019, the audit of annual financial statements of SOEs and municipal enterprises that fit the definition of medium and large entities and of public interest entities was mandatory.*

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<sup>15</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1029>

*These risks could be mitigated by improved public procurements oversight, clear delimitation of responsibilities among the boards and the management, and by addressing conflicts of interest.*

*Public procurement oversight needs to be subject to a rigorous periodic analysis by the boards, management, internal audit and external audit.*

One of the issues tackled by the Court of Accounts, as well as by other stakeholders<sup>16</sup>, but unresolved nonetheless by central public administration authorities as founders, is the *considerable gap between the number of state-owned enterprises registered in the State Register of Legal Entities<sup>17</sup> and the number of state-owned enterprises registered in the National Property Register<sup>18</sup>*. There is some lack of clarity as to the number and forms of state-owned enterprises. Thus, as of 1 January 2019, there were more than 442 state-owned enterprises in the State Register of Legal Entities, that were not managed by the central public administration authorities that founded them. Virtually all of these state-owned enterprises have not been working for many years as they had *no current assets, no own real estate, their production/services competitiveness was low, etc.*

Generally, state-owned enterprises are bigger, more rigid and less transparent. The Court of Accounts highlights that *there are problems of compliance with the legal requirements on transparency and disclosure of information* in this respect. Although the legal framework<sup>19</sup> requires enterprises to post on their websites information about their number of employees, average salary, membership of the board, annual financial statements, as well as other information, the problem is that most of the state-owned enterprises do not even have a website, and those that have one – post only partial information, limiting thus the access of the public to more-than-general information.

The Court of Accounts reported that many organisations<sup>20</sup> of the Republic of Moldova are alarmed at the limited access to state-owned enterprises' information and consider that increasing transparency is the simplest and most important step in increasing the efficiency of the SOEs.

<sup>16</sup>2019 PPA Activity Report; the 'Support to State-owned Enterprises' Study, developed by the World Bank, in collaboration with the Good Governance Fund.

<sup>17</sup> Kept by the Public Services Agency.

<sup>18</sup> Kept by the Public Property Agency, on the basis of reports of central public administration authorities.

<sup>19</sup> Article 18 of the Law No 246 of 23 November 2017 on State-owned and Municipal Enterprises.

<sup>20</sup> [www.viitorul.md](http://www.viitorul.md); [www.transparency.md](http://www.transparency.md); [www.cpr.md](http://www.cpr.md)

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*The Court of Accounts mentions that the most important tool for the optimisation of state corporate management in the national economy is not necessarily the privatisation of enterprises, but reconsidering of the public property administration system as a priority, selecting motivated managers, attracting local and foreign investments, developing modern standards in order to assess, ensure the transparency and monitor the public sector assets.*

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## External Funds

The rhythm of economic development in the Republic of Moldova depends to a considerable extent of the quantity and quality of external assistance provided by the international community. The exact amount of the resources provided by external partners is directly determined by the absorptive capacity of the country.

The amount of external financial contributions allocated to the Republic of Moldova, either in the form of *grant*, or in the form of *loan*, is estimated at EUR 4.3 billion, the main development partners and foreign donors of the country being: the European Union, the World Bank, the United States of America, the European Investment Bank, etc.<sup>21</sup>

**External financial support  
in a total amount of  
EUR 4.3 billion**

<http://amp.gov.md/portal/>

Most of the donors' money was allocated for roads, health, agriculture, business development and other sectors. At the same time, the Republic of Moldova was provided from assistance for the implementation of structural and economic reforms. The auditors identified successful instances of use of external funds in the sectors of health<sup>22</sup> and education<sup>23</sup>.

However, issues were found with the use of external funds in the sectors of agriculture<sup>24</sup> and justice<sup>25</sup>.

*The underutilization of appropriated external funds was mainly due to:*

- failing to meet disbursement preconditions set out in the loan/grant agreements by the set deadlines;
- restructuring of projects or changes to their components;
- delays in project activities implementation, especially due to protracted goods and services procurements;
- poor project management capacity in some areas;
- slow execution of works by local contractors, etc.

<sup>21</sup> EU – EUR 1.16 billion; WB – EUR 696 million; USA – EUR 575 million; EIB – EUR 368 million; UN – EUR 231 million, etc.

<sup>22</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1036>

<sup>23</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1003>

<sup>24</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1026>

<sup>25</sup> <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=1040>

The audits found that the balance of funds from projects funded from external sources (loans and/or grants) unspent until the end of 2019 amounted to MDL 1,150.5 million, and will be accessible for use in the next budget year.

Thus, *the underspending of external funds* disbursed from grants results in non-fulfilment of clauses set out in Grant Agreements, and in having to return unspent balances.

*The real challenge* for the Republic of Moldova is having the capacity to absorb as much

### Absorptive Capacity

The absorptive capacity is determined by:

- (i) macroeconomic absorptive capacity;
- (ii) financial absorptive capacity;
- (iii) administrative absorptive capacity;

as possible the funds that have already been or will be allocated in the future.

*The macroeconomic framework* of development assistance addresses aspects related to long-term prospects regarding the sustainability of the long-term debt, so that the external resources flows could influence the sustainability of debt when the inflows come as loans, as well as related to the prudent level of dependence on external assistance.

*External assistance* is rather regarded as an opportunity to cover the current 'consumerist approach' to budget deficit, than as a conscious strategy of gradual strengthening of the national economic capacity in order to cope with persistent fiscal deficits and to continue the reforms.

*Financial absorptive capacity* is the capacity of central and local authorities to co-finance donor supported programs and projects. The co-financing requirements submitted by the donors represent an important pressing factor and a critical element which determines authorities' financial absorptive capacity. While in most cases central authorities can contribute with financial resources to external assistance projects, *local authorities' have almost no capacity to co-finance* programs and projects supported by foreign donors.

*The administrative capacity* to absorb external funds is important from the point of view of Moldova's accession to the EU, as well as in the general process of its economic and social development. The analysis of the administrative absorptive capacity revealed that *the absence of skilled staff is a common cause of the reduced capacity to*

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*absorb external assistance.* While experts with experience and expertise in external assistance projects can be found at CPA level, LPAs are in a bad position.

Therefore, in order to identify opportunities to develop the administrative capacity and the expertise of central authorities, with effect on the local ones, the Office for the Management of External Assistance Programs, the mission of which is to coordinate and organise activities meant to ensure the implementation of the external assistance projects/programs in line with the provisions of regulations or external assistance agreements concluded with foreign development partners.

The non-disbursement of contracted financial resources increases the risk of incurring additional expenses, as a result of the commissions charged for the non-disbursed resources.

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*The Court of Accounts warns about the late disbursement of certain loans, which determines the payment of commissions set out in the loan agreements from the amount contracted and/or non-disbursed of the loan, additional expenditure being generated as a result.*

*Thus, between 2010-2019, commissions worth USD 13.15 million for 32 loans, of which USD 3.42 million in 2019.*

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## Combating Fraud and Corruption

According to INTOSAI standards, it is the management of the entity that is charged the most with preventing and detecting fraud.

Addressing fraud is a challenge in audit engagements, because fraud is designed in a way as not to be detected.

In order to strengthen the mechanism of collaboration with law enforcement bodies, the Interdepartmental Council was established at the CoA initiative, jointly with the General Prosecutor's Office, Ministry of Internal Affairs, National Anti-corruption Center, Security and Intelligence Service, National Integrity Authority and National Center for Personal Data Protection.

This Council was set up so that law enforcement bodies could to respond immediately via specific proceedings of collecting and documenting the required evidence, as well as by ensuring the integrity of the evidence if the Court of Accounts auditors identify fraud indicators.

The Council examines the cases of suspected fraud and submits them to law enforcement bodies according to their legal powers, which – in their turn – inform the Court of Accounts about developments and the results of their work.

The interests of the Court of Accounts were represented in court in three lawsuits<sup>26</sup> during the reference period.

### MATERIALS SUBMITTED TO LAW ENFORCEMENT BODIES


During the reporting period (*September 2019 – September 2020*), as a result of the assessment of fraud and corruption risks in the management of public funds and public sector assets, the Court of Accounts submitted to the law enforcement bodies materials on *18 audit engagements*. On their grounds, *8 criminal cases* were opened, *a refusal* to initiate criminal prosecution was issued, and *13 audit reports* are being reviewed.

<sup>26</sup> 1. SRL 'Avia Invest' vs Court of Accounts regarding the annulment of the Court of Accounts Decision No 1 of 24.01.2020. The case is under examination at Chisinau Court. 2. Mitcul Alexandu vs the Court of Accounts on the initiation of an audit engagement. The case is under examination at the Court of



At the same time, on the basis of the previous audit reports, the law enforcement/criminal prosecution bodies handled 23 criminal cases, including: 7 criminal cases from 2018, 7 criminal cases from 2017, 5 criminal cases from 2016 and 4 criminal cases from 2015.

**THE LAWSUITS INVOLVING THE COURT OF ACCOUNTS WENT IN ITS FAVOUR, THE COURT DECISIONS BEING FINAL AND IRREVOCABLE.**



To strengthen the position of the Court of Accounts, as well as to hold the auditees accountable, proposals to amend the legislative framework were submitted in order to attract the public auditors as specialists in the criminal proceedings initiated on the basis of materials submitted by the Court of Accounts.

The cases were the auditors found fraud indicators had to do particularly with:

- procurement procedures;
- implementing public-private partnerships;
- sale and purchase of government shares;
- management of the public sector assets by privatisation;
- subsidising the agricultural producers;
- management of public funds and public sector asset, etc.

Indisputably, the public procurement area is one of the most vulnerable, considering its economic and social importance<sup>27</sup>.

The Court of Accounts has always kept an eye on this area. Thus, as a result of previous audit work, non-compliances in planning, awarding and executing public procurement contracts were identified.

In this regard, the Court of Accounts identified some risk areas, such as:

- development of technical specifications favouring particular bidders;
- bid division, in order to avoid competitive bidding;

Appeal No 3. Mitcul Alexandru vs the Center Police Inspectorate and Court of Accounts on applying a contravention sanction for violating the legislation on access to information and on petitioning. The case is under examination at Chisinau Court.

<sup>27</sup> In 2018, the value of the procurements was 5.5% of the GDP or MDL 10.5 billion; in 2019, the value of the procurements was 4.2% of the GDP or MDL 8.9 billion.

- conflicts of interests affecting various stages of the procedure;
- unjustified exclusion of bidders from procedures;
- unjustified use of fast-track procedures;
- lack of an appropriate analysis of the lowest bid prices;
- risk of over-reliance on the lowest bid criterion at the expense of quality.

Considering the multitude of problems typical of public procurements, and having analysed their impact, it is imperative for the Court of Accounts to audit this area. Thus, the Court planned for 2020 and initiated compliance audits in public procurements in all ministries. Their results will be presented in the next Annual Report.

## Collaboration with the Parliament

The Court of Accounts and the Parliament are the two main stakeholders overseeing the use of public funds.

CoA reports reflect a review of the auditees situation and are intended for use by the Parliament in drafting and approving the budget laws, in order to ensure the compliant and efficient management of the public funds.

‘A fundamental role of a parliament is to authorise the budget of the government, ensuring on behalf of the citizens and users of public services that it uses resources legally and responsibly, for the purposes intended, and economically, efficiently and effectively. To do this effectively, members of parliament need objective and fact-based information about how well the government collects and spends public funds.’

*[SIGMA Paper No. 54 ‘Developing Effective Working Relationships Between Supreme Audit Institutions and Parliaments’, p. 9]*

Parliamentary oversight is also expressed in the examination of the Court of Accounts reports, including by Parliamentary Committees.

In the second semester of 2019, the CoA started developing professional relationships with a new expert Committee of the the Parliament of the Republic of Moldova – Public Finance Control Committee. The parties established a reliable working mechanism under a quarterly public meetings schedule coordinated by the parties.

The COVID-19 pandemic disrupted this schedule for March-April this year, but starting with 5 May 2020, the Committee resumed the examinations and adjusted the schedule of public meetings that were organised and held on ZOOM.

Thus, until 1 September 2020, the Court submitted to the Committee the results of 25 audit engagements (compliance, performance and financial audits) and 2 compulsory annual reports to the Committee: 2019 Activity Report of the Court of Accounts, and

The Court of Accounts provides independent and objective audit reports regarding the reliability of Government’s financial statements, the use of resources, protection of assets and resources entrusted to those charged with governance, compliance with the laws and regulatory acts.

the Annual Report on the Management and Use of Public Funds and Public Sector Assets, in the audit cycle September 2018 – September 2019.

On the basis of all public meetings, the Committee approves reports with recommendations to the auditees. The Court of Accounts informs periodically the Committee about the actions taken and the level of implementation of recommendations mentioned in the audit reports.

The reports submitted to the PFCC are the foundation of the relationship between the Court of Accounts and the Parliament. The Court is open to becoming involved in initiatives aimed at establishing good working relations with the Parliament, and also welcomes the involvement of other Parliamentary Committees in the examination of the audit reports, in order to enhance the impact of audit and strengthen PFCC work.

## Follow-up

In its reports, along with the communication of audit results to stakeholders, the Court of Accounts makes recommendations meant to remedy and improve the identified circumstances.

The submitted recommendations are likely to help significantly address the weaknesses or issues identified by the audit, optimise the management of resources under the good governance principles and keeping in mind what is best for the society.

The auditees are required to report on the implementation of the recommendations or the reasons why they were not implemented, by the deadline set by the Court.

To this end, the Court of Accounts set its own recommendation follow-up mechanism, which is based on (i) desktop reviews, (ii) setting a separate objective for audit engagements and (iii) follow-up engagements.

Recommendation follow-up encourages auditees to take actions to remedy the identified issues, and provides useful feedback on the impact of the audit.

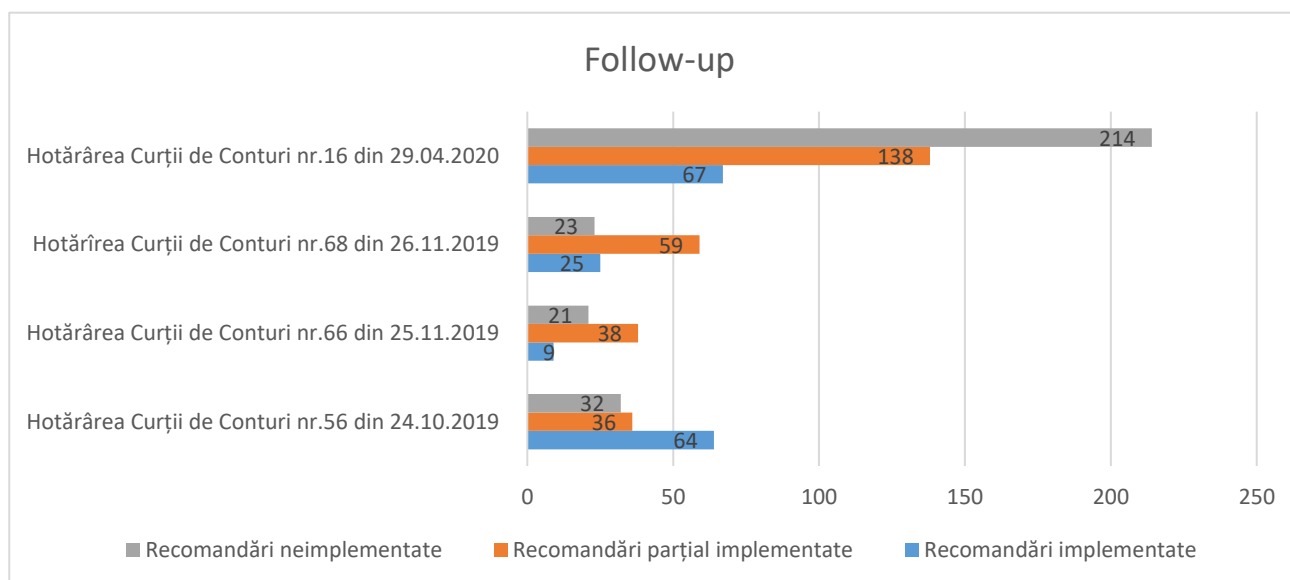
The Court notifies the entities on the expiry of recommendation deadlines via the Information System (IS) 'Audit CCRM' – interconnected with CoA website – whereby it monitors the execution deadlines of CoA decisions, views in real time the information on actions taken by auditees regarding audit recommendations.

*The annual financial audits at the ministries* revealed that CPAs made efforts to implement audit recommendations, as it was found in several instances that the level of implementation was above 55%: MD – 69%; MARDE – 56.6%; MFAEI – 85%; MIA – 41%; MECR – 17%; MEI – 62%; MF – 79%; MJ – 71%, and MHLSP – 60%.

The recommendations that were either partially implemented or not implemented at all were reiterated in the CoA Decisions approving the audit reports.

To check how the CoA recommendations were addressed and implemented, and gauge the impact thereof, the auditors carry out post-audit verifications – i.e. follow-up audits.

Four follow-up audits were conducted during reporting period, aimed at assessing the degree of implementation of recommendations concerning annual audits.



The follow-up audits disclosed that the entities concerned were not taking all measures required to address the irregularities and deficiencies identified by the audits. The follow-up audits were confronted with an alarming state of affairs as the share of recommendations that were partially implemented and not implemented at all stays large.

Unfortunately, the extent to which the auditees' management implement the measures set out in the CoA decisions, or audit recommendations is low. There is lack of interest in addressing the identified deficiencies, which can be told by the attitude of auditees' representatives to not implement recommendations even though in conciliation meetings they had agreed with the findings and the recommendations.

We reiterate that the actual implementation of CoA recommendations by the auditees remains a difficult process, far from being prudent and owned.

The situation can change only if some legislative amendments were made to involve both the Government and the Parliament in bringing auditees' managers to account.

Following some in-depth analyses into the causes determining the low level of audit recommendations implementation and/or creating impediments to institutions' well-functioning, the Court of Accounts submitted to the Parliament a set of proposals meant to enhance audit performance and impact.

## Audit Impact

Public external audit is an indispensable element of the good governance system, the purpose of which is to promptly report the deviations from the accepted standards of accounting and financial reporting or the infringement of regularity, efficiency, effectiveness and economy principles in public funds management, so that those charged with governance would assume the responsibility for addressing in due time the reported deficiencies, or prevent them, or at least make it less likely for them to occur again.

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*The achievement of plausible results in the future depends on the extent to which the management of each public entity will focus on compliance with legal regulations defining specific tasks in terms of substantiation, planning, approval and execution of the budget; management of public and private assets; and the principles of economy, efficiency and effectiveness that need to underpin the engagement of their material, human, financial and information resources.*

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In this respect, the auditees have properly addressed the identified problems, some of them becoming actively involved. As a result, *during the audit engagements, auditees:*

- recorded in the books land plots worth about MDL 410.4 million (6,339.4 ha);
- entered in the books the Government's stake in the share capital of the managed entities, valued at about MDL 120.8 million;
- ensured proper bookkeeping of tangible assets worth around MDL 262.8 million (299 real estate properties);
- carried out bookkeeping corrections worth about MDL 94.4 million (6,339.4 ha);

However, the fair value of the impact of the implementation of the recommendations made by the auditors of the Court of Accounts cannot be always quantified, because the recommendations are meant to contribute to the protection of public interest through the improvement of the economic and social environment.

In order to contribute to good governance by annual audit engagements and by submitting their results until the review of the draft annual budget law, the Court of Accounts provides to the Parliament an objective and independent review on the use

of the budget resources in the closed financial year. The reports are a source of reliable information and may serve for future decision-making.

The audit reports are also addressed to legal bodies that, together with the control bodies, are responsible for the protection of government's financial interests. In this respect, the Court provides support and guidance in reviewing the cases started on the basis of public external audit materials.

To provide the deliberative body of LPAs professional and independent information and to contribute to a more efficient collaboration between the executive body and the deliberative one in the process of audit recommendations implementation, the LPAAs requested, for the first time, the participation of CoA auditors in the examination of audit reports at the meetings of municipal councils. This is a very good practice that will ensure the transparency of the public funds management and would be welcome in the cooperation and communication processes with other auditees as well. In this context, the Court of Accounts appreciates the efforts and the willingness of LPAAs to improve the situation.

The Court of Accounts is constantly directing its efforts towards strengthening the good governance and the accountability of auditees. To this end, it initiated in 2019 a far-reaching review of the legal framework regulating the institution's activity, as well as of other related legislative acts, in order to identify deficiencies that limit the impact of the public external audit. As a result, an important package of legislative amendments was proposed. The proposals of CoA were included in two legislative initiatives.

These legislative initiatives are aimed at setting up well-functioning mechanisms of managerial accountability for good governance and the increase of audit reports' impact with real effects on the management of public funds and the use of public sector assets. The implementation of these legislative amendments will contribute to the adoption of high standards for financial management in the public sector.



## Strengthening External Public Audit Sustainability

The mission of the Court of Accounts is to report and provide assurance on the use of public resources by government, and as a result, contribute to a well-functioning accountability system.

The Court of Accounts is discharging its duties in pursuit of ensuring an impact of the external public audit. The last decade shows that the improvement of public funds management, the strengthening of the mechanism of administrative and managerial accountability for the optimal and efficient management of public sector assets and funds are below the expected level in relation to public policy, and do not meet the expectations of the Court of Accounts of the Parliament and of the entire society.

The Court of Accounts, in its capacity of parliamentary oversight tool, opts for strengthening the cooperation with the Parliament in order to eradicate the deficiencies in the management of the public funds and to improve the legal framework of public external audit, as well as in other related areas, in order to encourage and regulate the proper administration of public funds and public sector assets.

Therefore, we believe it propitious to consolidate efforts for the development of the following:

- maintaining the examination of Court of Accounts reports by the expert parliamentary committee, as well as by specialised parliamentary committees, as may be required, to provide them relevant information for decision-making;
- improving the mechanism of holding accountable the managers of budgetary authorities/institutions for inefficient administration of the budget and public sector assets and for obstructing external public audit;
- increasing the impact of external public audit, ensuring the continuity and transparency of the work of the Court of Accounts;
- strengthening the financial independence of the Court of Accounts;
- refining the procedure of notification of criminal prosecution bodies by the Court of Accounts.

The aforementioned would contribute to an increased impact of external public audit thanks to filling out the legislative gap as regards measures and recommendations made by the auditors, and would also support the efforts centred on regulatory flaws and inconsistencies, which would help tackle the issue of management accountability in auditees, while ensuring the continuity and transparency of the work of CoA and

boosting the impact of the audit reports and simplifying the procedure of notification of criminal prosecution bodies. By corroboration, all of these would ultimately lead to better functional managerial accountability mechanisms, which would support good governance and would have real effects on the use of public funds and administration of public sector assets

Ultimately, the actual improvement of public funds management and of the administrative and managerial accountability mechanism dedicated to an optimal and efficient engagement of public funds and public sector assets would lead to efficient use of public funds for general welfare and would improve citizen's quality of life and the set the good governance standards higher.

# Budget



**ANNEXE**

**9**

## Part II. ANNEXES

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Auditul performanței privind funcționalitatea și eficacitatea Sistemului Informațional Automatizat „e-Integritate” (Hotărârea nr.70 din 28 noiembrie 2019) ..... **Error! Bookmark not defined.**

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Auditul performanței privind realizarea Programului național de combatere a hepatitei (Hotărârea nr.4 din 30 ianuarie 2020) ..... **Error! Bookmark not defined.**

Auditul performanței privind realizarea Programului național de reducere a poverii tuberculozei (Hotărârea nr.5 din 30 ianuarie 2020) ..... **Error! Bookmark not defined.**

Auditul performanței privind activitatea Instituției Publice Directoratul Liniei de Credit, în care Ministerul Finanțelor are calitatea de fondator (Hotărârea nr.40 din 28 iulie 2020)..... **Error! Bookmark not defined.**

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Evaluarea implementării cerințelor și recomandărilor aprobate prin Hotărârea Curții de Conturi nr.12 din 5 aprilie 2017 cu privire la aprobarea Raportului auditului „Managementul sistemelor de supraveghere a traficului rutier” (Hotărârea nr.56 din 24 octombrie 2019). **Error! Bookmark not defined.**

Evaluarea implementării cerințelor și recomandărilor înaintate prin Hotărârea Curții de Conturi nr.11 din 11 aprilie 2018 privind Raportul auditului conformității asociat auditului performanței „Managementul serviciilor publice de transport urban și impactul fiscal-bugetar al acestora” (Hotărârea nr.66 din 25 noiembrie 2019) ..... **Error! Bookmark not defined.**

Evaluarea implementării cerințelor și recomandărilor înaintate prin Hotărârea Curții de Conturi nr.2 din 13 februarie 2018 cu privire la Raportul auditului conformității evidenței, înregistrării și gestionării patrimoniului public, precum și a impozitării bunurilor imobile (Hotărârea nr.68 din 26 noiembrie 2019) ..... **Error! Bookmark not defined.**

Evaluarea implementării recomandărilor din Hotărârea Curții de Conturi nr. 43 din 22 septembrie 2017 cu privire la Raportul auditului performanței „Eficiența gestiunii economico-financiare și administrării patrimoniului de către întreprinderile care prestează servicii de aprovizionare cu apă a populației ” (Hotărârea nr.16 din 29 aprilie 2020) ..**Error! Bookmark not defined.**

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# Compulsory audit engagements

## Government Reports

### Financial Audit of the Government Report on the Execution of the 2019 State Budget (Decision No 38 of 28 July 2020)

The Ministry of Finance (MF) is the specialised central public authority in Public Administration that ensures the implementation of the government policy in the areas of competence, having the mission to conduct the public funds and state budget managements.

MF reviews the budget proposals of central public authorities, develops and submits to the Government the draft state budget law for the respective year and, if necessary, the draft laws on its amendment.

The State Budget parameters were approved by the 2019 State Budget Law,<sup>28</sup> and increased by MDL 9.4 million following the further review of the macroeconomic indicators and the requirements for the implementation of the Law on Unitary Salary System in the Budgetary Sector.

#### 2019 State Budget Execution versus the approved and indicated amounts for 2019

(MDL million)

Summary indicators	Approved budgetary provisions*	Provisions amended by Law	Adjusted budgetary provisions	Executed	Executed versus approved		Executed versus adjusted	
					amount (+/-)	execution level (%)	amount (+/-)	execution level (%)
1	2	3	4	5	6=5-2	7=5/2*100	8=5-4	9=5/4*100
Income	42 125,5	40 633,5	40 642,9	39 967,9	-2 157,6	94.9	-675.0	98.3
Expenditures	47 664,2	46 336,8	46 346,2	43 073,9	-4 590,3	90.4	-3 272,3	92.9
Deficit	-5 538,7	-5 703,3	-5 703,3	-3 106,0	-2 432,7	56.1	-2 597,3	54.5

Source: Data generalised by the audit team according to the Report on the Execution of the 2019 State Budget.

\* Budgetary provisions approved by the 2019 State Budget Law

<sup>28</sup>2019 State Budget Law.



Having analysed the data concerning the 2019 State Budget Execution against the adjusted indicators, from the perspective of the MF to always maintain an appropriate balanced budget, the audit found that:

- the revenues collected in the amount of MDL 39,967.9 million are by MDL (-675.0) million (1.7%) lower than the adjusted budgetary provisions;
- the cash-based expenses in the amount of MDL 43,073.9 million are by MDL (-3,272.3) million (7.1%) lower than the adjusted budgetary provisions;
- the budget deficit amounting to MDL (-3,106.0) million is by (-2,597.3) million, (45.5%) below the final budget provisions because of an underspending of MDL 3,272.3 million and an under-collection of revenues of MDL 675.0 million.

The audit also found that taxes and duties took up the biggest share in total revenues to the state budget – 91.1%, as the amount of these totalled MDL 36 417.2 million (17.3% in GDP), i.e. by MDL 612.9 million above the adjusted level. The main amendments to the legislation for 2019 referred to the individuals income tax (changed from 7%/18% to 12%) and social insurance contributions wired by employers, which determined here incomes lower by MDL 40.5 million. At the same time, according to actual Tax Code provisions, came into force the increased excise duties for the excise products for the year 2019, which led to SB incomes increased by MDL 537.4 million against the previous year.

In terms of components, SB expenditures in 2019 were executed below the adjusted level. Thus, the executed expenditures constituted 94.5% or less with (MDL -2,317.2 million). According to the functional classification, the major share of the SB expenses belongs to ‘Education’ – 25.6%, i.e. MDL 11,045.6 million, followed by ‘Social protection’ – 20.3%, i.e. MDL 8,762.7 million, and ‘General Government Services’ – 16.6%, i.e. MDL 7,147.8 million.

### Goal

To provide reasonable assurance that the Government Report on the Execution of the 2019 State Budget, compiled by the Ministry of Finance and submitted to the Government for approval, was developed, in all material respects, in line with the legal provisions and reflects cash execution information based on the data from the treasury system’s records and the data consolidated in the authorities’/budgetary institutions’ reports, and that the operations are fair and in line with the law, as well as the issuing of an opinion.

### Opinion

The audit evidence gathered during the audit engagement led to a **unqualified opinion** on the cash execution of 2019 state budget.

### Basis for the opinion

The Government Report on the 2019 State Budget Execution, compiled by the Ministry of Finance for the budget year concluded on 31 December 2019 provides, in all material respects concerning the cash execution, a true and fair view in accordance with the applicable financial reporting framework<sup>29</sup>.

<sup>29</sup> Article 31 of the Law on Public Finance and Budgetary-Fiscal Accountability No 181 of 25 July 2014.

## Other matters

Findings and conclusions that did not affect the opinion:

- failure to comply with the budgetary time-line in developing and approving the 2019 SB, and the limit approved in MTBF didn't serve as a reference point in estimating the budgetary cycle baseline.
- 4 times amendment of the annual budget law in 2019, 3 times being amended by 15 July, while the MF had to ensure budget monitoring and carry out procedures to amend the annual budget law, as a rule, not more than twice a year, not earlier than 15 July and no later than 15 November in the budget year. This situation affects the credibility level of the approved budget, which doesn't ensure the compliance with the budgetary principles and identifies reserves in the budgeting precision.
- the execution rate of SB revenues at the end of the budget year constituted 98.3% of the annual provisions, the net shortfall from the proceeds constituted MDL 675.0 million, and the execution rate of SB expenditures was 92.9% (MDL - 3,272.3 million), and different types of income / expenses were unevenly executed; unconfirmed revenues (1.6%) reported by administrators responsible for calculating public revenues;
  - the incomplete implementation of external sources expenditures (loans and/or grants) creates cash balance from projects funded from external sources (MDL 1,150,5 million);
  - cash-based expenses for subsidies to 14 institutions/budgetary authorities amount to MDL 3,894,95 million or, 9.7% of the total executed expenses. Financing by means of subsidies, contradicting the concept of 'subsidies' and its defined goal, does not ensure transparency and good administration of public funds;
  - appropriation of financial resources amounting to MDL 21.2 million (on 31 December 2019) by MF to an enterprise for the subsidisation of job creation of heading 'General actions', while Article 70 (1) of the Law No 181 of 25 July 2014 states that in the last budget year's working day payments shall not be executed, only internal transactions and budget year-end closing operations.
  - reporting under the requirements of the budgetary system and the corporate sector by 3 institutions that benefited from subsidies in the total amount of MDL 157.4 million ('Moldsilva' Agency - MLD 11.2 million, IP 'National Vine and Wine Office' - MDL 23.5 million, IP 'National Company "Teleradio-Moldova"' - MDL 122.7 million);
  - discrepancies between data from different reporting forms submitted to MF, with possible distorting effect on data submitted in the Government Report concerning the 2019 state budget execution; these are caused by the lack of methodology for recording and reporting economic

- transactions of budgetary institutions located abroad, taking into account the specific activity of diplomatic service bodies;
- the execution of capital expenditures is maintained at a low level of capitalization due to the absence of an active working group which has to be responsible for reviewing and confirming the eligibility of projects, as mentioned and reiterated in the Court of Accounts' Audit reports of previous years, whereas the estimated costs of some capital investment projects significantly increase. Execution of inter-governmental transfers reveal an increasing trend. Due to the fact that budgetary authorities / institutions financed from the local budget did not submit the payment documents, the MF did not fully finance the allocations approved in the Annual Budget Law in the amount of MDL 378.7 million.
  - The total cost for the implementation of the new Law on unitary salary system in budgetary sector amounted to MDL 1,296,2 million, unused budget resources because of the inconsistency of the limits approved and adjusted in the 2019 Law on SB totalling MDL 228.0 million.
  - the balances of receivables and debts are increasing, while debts with an expired payment term are registered, although budgetary authorities / institutions have to make payments within the limits of the approved budgetary allocations only after their settlement;
  - taking into account the value and quality significance threshold, the users of SB's financial statements consider the nature of the transactions in the amount of MDL 760.1 million related to the sale-purchase operation of the newly issued shares of BC „Moldindconbank” SA to be sensitive. Hereby, under Article 541 of the Law No 121 of 04 May 2007 and according to GD No 51 of 30 January 2019 PPA bought on behalf of the Government (on 13 February 2019) newly-issued shares of BC „Moldindconbank” SA in number of 3,173,751 units, amounting to MDL 760.1 million, in order to sell them by open outcry auction as a single package. The respective transaction was reflected in deficit funding sources when purchasing blocks of shares: code ECO 415131 with the sign (-) and the sale of the code ECO 415236 with the sign (+);
  - MF does not have information regarding the total of arrears in the full structure of the types of revenues and managers of these payments, in order to increase the budget revenues. The arrears reported by STS and CS remain significant even in spite of fiscal stimulus measures (fiscal amnesty). The institutions/budgetary authorities responsible for setting fines and sanctions do not monitor the collection of these and of the outstanding amounts in the SB.
  - The emergency funds of the Government were executed with some exceptions.
  - nu au fost executate integral mijloacele aprobate pentru Programul activităților de reintegrare a țării;

## Causes and impact

- plățile cotizațiilor în organizațiile internaționale al căror membru este RM au fost efectuate în limitele aprobate în Legea bugetară anuală, însă cu unele excepții față de limitele din Hotărârea Guvernului;
- auditul a agregat erorile misiunilor de audit la cele 9 ministere, care deși nu influențează indicatorii privind executarea de casă a BS, prezintă un aspect-cheie de audit de care MF, prin prisma responsabilităților ce îi revin în calitate de administrator al BS, urmează să ia atitudine;
- neasigurarea promovării și implementării unui management eficient al resurselor umane, ceea ce a condiționat acumularea numărului semnificativ de zile de concediu anual nefolosite: MADRM – (15 402 zile, 460 angajați), MEI – circa 7,1 mil. lei (12 807 zile), MAI – circa 72,6 mil. lei (3000 angajați, 266 490 zile). Obligațiile în cauză urmează a fi realizate în exercițiile financiare viitoare, nefiind acoperite cu resurse financiare bugetare, ceea ce va condiționa perturbarea echilibrului bugetar.
- asumarea doar a unei părți din responsabilități creează impedimente în activitatea instituțiilor/autorităților publice, iar lipsa monitorizării corectitudinii încasării veniturilor urmare a prezentării informațiilor de către instituțiile responsabile de calcularea veniturilor a cauzat devieri de 82,6 mil. lei față de datele raportate de MF, deoarece prin Ordinul MF nr.205 din 21.12.2018, în calitate de administrator de venituri la 12 coduri economice, a fost desemnat MF, iar la alte 12 coduri economice – SFS, Registrele veniturilor nefiind întocmite pentru toate veniturile executate în BS. Astfel, MF și SFS, prin asumarea doar a unei părți din responsabilități, creează impedimente în activitatea instituțiilor/autorităților publice;
- procesul îndelungat de desfășurare a achizițiilor de bunuri și servicii în cadrul proiectelor, capacitățile modeste de management al proiectelor în unele sectoare, nerespectarea termenelor de prezentare a documentelor pentru debursare, au generat la finele anului 2019 solduri de mijloace bănești neutilizate provenite din proiecte finanțate din surse externe (împrumuturi și/sau granturi) în sumă de 1 150,5 mil. lei;
- incoerența normelor metodologice și a clasificăției bugetare<sup>30</sup> referitor la noțiunea distinctă „cheltuieli pentru subsidii”<sup>31</sup> și a conținutului economic al acestora afectează totalitatea operațiunilor la planificarea, executarea și raportarea BS. Modul actual de finanțare prin intermediul subsidiilor limitează accesul APC la informații exhaustive privind utilizarea „subsidiilor” în condițiile nereglementării cerinței de gestiune, de ținere

<sup>30</sup> Conform art.29 din Legea nr.181 din 25.07.2014, pct.4.2.3 și pct.4.3.5 din Ordinul MF nr.216 din 28.12.2015<sup>30</sup>, cheltuielile bugetare includ „subvenții”, iar potrivit pct.3.2.1 din Ordinul MF nr.216 din 28.12.2015, clasa 2 „cheltuieli” cuprinde doar subclasa 25 „Subsidii”.

<sup>31</sup> Conform Ordinului MF nr.208 din 24.12.2015, *subsidiile reprezintă plăți nerambursabile achitate întreprinderilor producătoare sau prestatoare de servicii, cu scopul de a influența procesul de producere sau prețurile de livrare.* Subsidiile includ transferurile către întreprinderile de stat pentru compensarea pierderilor suportate de către acestea în procesul de producție, ca rezultat al menținerii prețurilor la un nivel mai jos de costuri atunci când politicile economice și sociale au fost stabilite de stat, pentru compensarea parțială a contribuțiilor de asigurări sociale de stat obligatorii, pentru procurarea utilajului și materiei prime.

a evidenței și de raportare distinctă a acestora. Ca urmare, reflectarea subsidiilor aferente entităților beneficiare în rapoartele financiare consolidate ale organului ierarhic superior nu se supune unei norme/abordări unice, fiind limitată monitorizarea eficientă de către APC și MF. Astfel, la executarea mijloacelor din contul subsidiilor s-a admis imobilizarea resurselor financiare la instituțiile beneficiare de la BS, la situația din 01.01.2019 – în sumă de 21 172,7 mil. lei, iar la situația din 31.12.2019 – în sumă de 269,2 mil. lei. În aceste circumstanțe, se relevă imobilizarea resurselor financiare ale BS pe un termen nedeterminat, dar care pot fi potențiale surse de finanțare pentru alte scopuri stringente ale statului în condițiile bugetului deficitar.

### Measures taken by the auditees throughout the audit engagement

#### Remedy measures

- definitivarea cadrului normativ în vigoare și aducerea în concordanță cu prevederile Legii nr.181/2014 referitor la noțiunea de „subsidiu/subvenții”;
- completarea/dezvoltarea cadrului legal cu prevederi exhaustive privind utilizarea mijloacelor financiare aferente proiectelor finanțate din surse externe;
- asigurarea ajustării cadrului regulator cu privire la planificarea resurselor și cheltuielilor bugetare în concordanță cu cadrul legal;
- reglementarea, în comun cu alte organe cu atribuții de administrare a veniturilor bugetului de stat, a normelor regulatorii cu privire la obligativitatea, modul și periodicitatea raportării restanțelor către Ministerul Finanțelor, pentru includerea informației respective în Raportul Guvernului privind executarea bugetului de stat;
- reglementarea modului de ținere a Registrului debitorilor și modului de evidență a executării sancțiunilor și amenzilor.

### Viewpoint of the auditee management

Echipa de audit a comunicat observațiile de audit și pe măsură a ținut cont de motivațiile și documentele suplimentar prezentate.

Conducerea entităților nu a avut obiecții la Raportul de audit final și a acceptat recomandările auditului.

### Recommendations to the Parliament

Require the Government to:

- modificarea cadrului normativ privind finanțarea de la bugetul de stat a instituțiilor publice, fondurilor și proiectelor investiționale prin intermediul subsidiilor, cu conformarea la prevederile Legii nr.181 din 25.07.2014<sup>32</sup>;

<sup>32</sup> Legea finanțelor publice și responsabilității bugetar-fiscale nr.181 din 25.07.2014.

- dezvoltarea capacităților de monitorizare a nivelului de valorificare a investițiilor capitale finanțate de la bugetul de stat, cu asigurarea funcționalității grupului de lucru responsabil de examinarea și confirmarea eligibilității proiectelor de investiții capitale.

## Auditul performanței managementului datoriei de stat, garanțiilor de stat și recreditării de stat în anul 2019 (Hotărârea nr.39 din 28 iulie 2020)

Datoria sectorului public reprezintă totalitatea datoriei de stat, a datoriei unităților administrativ-teritoriale, a datoriei Băncii Naționale a Moldovei, a datoriei ce rezultă din împrumuturile interne și externe ale întreprinderilor de stat/municipale și ale societăților comerciale cu capital integral sau majoritar public<sup>33</sup>.

Conform datelor din Raportul privind situația în domeniul datoriei sectorului public, garanțiilor de stat și recreditării de stat pe anul 2019, soldul datoriei sectorului public, la situația din 31.12.2019, a constituit 57 604,8 mil. lei. Datoria de stat este componenta cea mai semnificativă, care deține circa 91% din totalul datoriei sectorului public. Soldul datoriei de stat în anul 2019 a constituit 52 494,3 mil. lei, inclusiv datoria de stat internă – 23 168,2 mil. lei, și datoria de stat externă – 29 326,1 mil. lei (echivalentul a 1 704,1 mil. dol. SUA), încadrându-se în plafonul stabilit prin Legea bugetului de stat pe anul 2019. Ca pondere în PIB, în anul 2019 datoria de stat a înregistrat o descreștere, față de anul 2018, cu 2,0 p.p., constituind 25,0%.

<b>Goal</b>	Evaluarea performanței managementului datoriei de stat, garanțiilor de stat și recreditării de stat de către Ministerul Finanțelor, prin prisma atribuțiilor care îi revin.
<b>Concluzia</b>	<p>Evaluarea managementului datoriei de stat, garanțiilor de stat și recreditării de stat realizat de către MF pe parcursul anului 2019 denotă dezvoltarea pieței interne a VMS, contractarea împrumuturilor de stat externe noi ținând cont de raportul cost-risc, reducerea cheltuielilor de deservire a datoriei de stat externe prin conversiunea împrumuturilor dintr-o valută în alta, gestionarea riscului operațional asociat datoriei de stat etc.</p> <p>Totodată, evidențiem unele problematice și aspecte semnificative ce țin de: <i>i)</i> lipsa prevederilor autorizării MF de creare a rezervei de lichidități prin emiterea VMS și <i>ii)</i> delegarea către ODIMM a dreptului de a emite garanții în numele și pe contul statului pentru beneficiarii din cadrul Programului de stat „Prima casă”. Aspectele expuse, precum și prezența riscului major de nerecuperare a datoriilor băncilor supuse lichidării, a datoriilor beneficiarilor recreditați și garantați de stat ar putea influența semnificativ rezistența întregului sistem bugetar, cu posibil impact major prin generarea unor cheltuieli suplimentare pentru bugetul de stat.</p>
<b>Constatările și concluziile principale</b>	<p>Concluzia de audit a fost determinată de:</p> <ul style="list-style-type: none"> <li>- majorarea cu 481,8 mil. lei a soldului datoriei de stat în anul 2019 față de soldul anului precedent, din cauza creșterii atât a datoriei de stat externe, cât și a datoriei de stat interne;</li> <li>- nivelul redus de debursare a resurselor de finanțare din contul împrumuturilor externe, debursarea cu întârziere a unor împrumuturi,</li> </ul>

<sup>33</sup> Legea nr.419 din 22.12.2006 cu privire la datoria sectorului public, garanțiile de stat și recreditarea de stat.

## Causes and impact

- acumularea comisioanelor prevăzute în acordurile de împrumut din suma contractată și/sau nedebursată a împrumutului;
- pe parcursul anului 2019, pentru deservirea datoriei de stat au fost achitate 15 045,2 mil. lei, inclusiv 13 425,6 mil. lei pentru rambursarea sumei principale și răscumpărarea VMS ajunse la scadență și 1 619,6 mil. lei – pentru plata dobânzilor și comisioanelor;
- situația privind încadrarea parametrilor de risc și de sustenabilitate în limitele stabilite prin Programul „Managementul datoriei de stat pe termen mediu (2019-2021)”<sup>34</sup> denotă că, deși aproape toți indicatorii s-au încadrat în limitele stabilite, portofoliul datoriei de stat rămâne expus față de riscul valutar, riscul ratei de dobândă și riscul de refinanțare;
- delegarea către Organizația pentru Dezvoltarea Sectorului Întreprinderilor Mici și Mijlocii a dreptului de emisie a garanțiilor în numele și pe contul statului<sup>35</sup>;
- majorarea cu 493,3 mii euro a soldului datoriei debitorilor garantați față de Ministerul Finanțelor;
- datoria cu termen expirat a beneficiarilor recreditați constituie 267,86 mil. lei, sau 5,9% din suma datoriilor totale și prezintă un risc înalt de nerecuperare.

Aspectele problematice identificate, precum și prezența riscului major de nerecuperare a datoriilor băncilor supuse lichidării (12 090,35 mil. lei), a datoriilor beneficiarilor recreditați (4 562,6 mil. lei) și garantați de stat (1 359,7 mil. lei) ar putea influența semnificativ rezistența întregului sistem bugetar, cu posibil impact major prin generarea unor cheltuieli suplimentare pentru bugetul de stat, care ar putea fi estimate la circa 18,0 mlrd. lei.

## Measures taken by the auditees throughout the audit engagement

Pentru încasarea datoriilor expirate, Ministerul Finanțelor, prin intermediul Serviciului Fiscal de Stat, aplică măsuri de executare silită față de beneficiarii reacreditați care dețin arierate pe împrumuturile reacreditate. În așa mod, pe parcursul anului 2019, la bugetul de stat au fost încasate 23,7 mil. lei.

## Remedy measures

- continuarea asigurării controlului asupra expunerii portofoliului datoriei de stat la riscurile de rată a dobânzii, de refinanțare și valutare;
- asigurarea diversificării canalelor de vânzare a instrumentelor de contractare a datoriei de stat interne către potențialii investitori;
- continuarea analizei condițiilor financiare ale împrumuturilor externe noi ce urmează a fi contractate, în vederea acceptării condițiilor optime în funcție de raportul cost-risc;

<sup>34</sup> Hotărârea Guvernului nr.1250 din 19.12.2018 „Cu privire la aprobarea Programului „Managementul datoriei de stat pe termen mediu (2019-2021)””.

<sup>35</sup> Art.7 alin.(1) lit.b) din Legea nr.293 din 21.12.2017 privind unele măsuri în vederea implementării Programului de stat „Prima casă”.



**Viewpoint of the  
auditee  
management**

- asigurarea monitorizării și recuperării împrumuturilor acordate ca garanții de stat;
- asigurarea întreprinderii măsurilor în vederea recuperării la bugetul de stat a datoriilor cu termenul de achitare expirat.

Echipa de audit a comunicat observațiile de audit și pe măsură a ținut cont de motivațiile și documentele suplimentar prezentate.

Conducerea entității nu a avut obiecții la Raportul de audit final și a acceptat recomandările auditului.

**Recommendations to the  
Parliament**

Require the Government to:

- consolidarea cadrului legal privind emiterea valorilor mobiliare de stat pentru crearea rezervelor de lichidități, precum și reglementarea exhaustivă a situațiilor de creare și de utilizare a acestora;
- asigurarea monitorizării portofoliului garanțiilor de stat acordate în cadrul Programului de stat „Prima Casă”, pentru neadmiterea majorării datoriei de stat interne și suportării unor costuri suplimentare de către bugetul de stat.

## Financial Audit of the Government Report on the Execution of the 2019 State Social Insurance Budget (Decision No 29 of 15 July 2020)

The National Social Insurance House is the central public authority subordinated to the Government, that administers and manages the public pension system and the public social insurance system.

According to the report in state social insurance budget execution, drawn up by the National Social Insurance House, the social insurance budget execution included own resources, expenses for social security benefits,

### Execuția veniturilor bugetului asigurărilor sociale de stat pe anul 2019

mil. lei

Indicatorii	Anul 2018, executat	2019			Ponderea în suma totală (%)	Executat 2019, față de			
		aprobat	precizat	executed		executat 2018		precizat 2019	
						(+/-)	%	(+/-)	%
A	1	2		4	5	6	7	8	9
<b>VENITURI, TOTAL</b>	19,790.3	21,427.4	21,869.9	21,748.3	100	1958.0	109.9	-121.5	99.4
<b>1. Resurse proprii ale BASS</b>	13,120.1	12,852.0	13,711.4	13,791.4	63.4	671.3	105.1	80.0	100.6
1.1. Contribuții și prime de asigurări sociale de stat obligatorii, inclusiv	13,037.9	12,770.0	13,583.6	13,635.8	98.9	597.8	104.6	52.2	100.4
1.2. Alte venituri	82.1	82.0	127.8	155.6	1.1	73.5	189.4	27.8	121.8
<b>2. Transferuri primite în cadrul bugetului public național</b>	6,670.2	8,575.3	8,158.5	7,957.0	36.6	1,286.8	119.3	-201.5	97.5
2.1. Transferuri curente primite cu destinație specială între bugetul de stat și bugetul asigurărilor sociale de stat	5,556.4	5,735.7	6,020.8	5,969.3	75.0	412.9	107.4	-51.5	99.1
2.2. Transferuri curente primite cu destinație generală între bugetul de stat și bugetul asigurărilor sociale de stat	1,113.9	2,839.7	2,137.7	1,987.7	25.0	873.9	178.5	-150.0	93.0

In 2019, the total revenues in the state social insurance budget amounted to MDL 21,748.3 million, which represents 99.4% of the total revenues that need to be raised, that is, MDL 21,869.9 million, by 9.9% y-o-y.

The own revenues actually raised in 2019 in the state social insurance budget amounted only to MDL 13 791,4 million (by 5.1% more compared to actual revenues from the previous year), given that the transfers in the budget in the amount of MDL 7,957.0 million are subtracted from the total revenues amounting to MDL 21,748.3 million.

MDL million

Indicators	2019					Deviations			
	approved	adjusted	executed	actual	share in total (%)	executed compared to adjusted		executed compared to approved	
						(+/-)	%	(+/-)	%
A	2	3	4	5	6	7	8	9	10
TOTAL EXPENSES, of which:	21,427.4	21,886.9	21,602.3	21,681.8	100	-284.6	98.7	174.90	100.8
1. Social benefits, including:	21,048.6	21,428.4	21,206.2	21,282.1	98.2	-222.2	99.0	157.60	100.7
1.1. Social insurance benefits	15,436.9	15,532.7	15,344.3	15,404.7	71.0	188.4	99.8	-92.60	99.4
1.2. Social aid benefits	5,610.2	5,893.7	5,860.3	5,875.8	27.1	-33.4	99.4	250.10	104.5
1.3. Social benefits of employers	1.5	1.9	1.6	1.6	0.0	-0.3	84.2	0.10	106.7

The total executed expenses in the amount of MDL 21,602.3 million, reported by the National Social Insurance House comprised the payments related to social insurance, in the amount of MDL 15,344.3 million, and the payments related to social benefits in the amount of MDL 5,860.3 million.

### Goal

Provide a reasonable assurance regarding the fact that the Government Report on the Execution of the 2019 State Social Insurance Budget does not contain, as a whole, material misstatements because of fraud or errors, as well as to issue an opinion.

### Opinion

#### Basis for the opinion

The audit evidence gathered during the audit led to a **qualified opinion** on the execution of 2019 state social insurance budget.

The opinion was determined by the:

- incorrect assessment of the expenses of MDL 21 280,5 million related to social benefits of persons entitled to them, by reducing them with the value of the uncollected benefits;
- partial calculation and presentation of the value of debts in the amount of MDL 111.5 million to the beneficiaries of social benefits, in the accounting records and in the Reports on the Execution of the State Social Insurance Budget.

### Other matters

Findings and conclusions that did not affect the opinion:

- non-reporting in the Reports on the Execution of the State Social Insurance Budget of all the factors that had an impact on the result of the budget execution (change in the assessment method of the expenses and in the presentation of debts);
- failure of the beneficiaries to collect all the social benefits, including the allowances for temporary incapacity to work and the one-off support,

which is directed for payment by types of benefits in different days of the month, with the creation of debts and failure to achieve the objectives of the policies in the field.

- incorrect establishment and declaration, performed by the taxpayers in the agricultural field, by decreasing the contributions due by the employer by MDL 0.2 million and by increasing by MDL 0.2 million of those incurred by the State Budget;
- occasional provision of unqualified work, without the conclusion of the compulsory social insurance contract, led to the failure to include this category of payers in the formation of the revenues in the state social insurance budget in the possible amount of MDL 3.5 million.
- incorrect determination of the pension size for 10 former employees of the enforcement authorities that are fully funded from the State Budget, led to unjustified expenses in the amount of MDL 0.33 million.
- fragmented process of obtaining social aid and/or the aid for the cold period of the year, which lack an exchange of information between the authorities, as well as the incorrect establishment of the constant parameters in the information system, determined the understatement by MDL 2.5 million of the amounts that are to be collected from the beneficiaries who received improper payments.

### Causes and impact

Existence of inconsistencies and interpretations between the framework on record-keeping and financial reporting of SSIB execution as well as the lack of interaction between the bookkeeping system and the system that provide analytical data per beneficiaries and benefits limited the possibility to substantiate and follow the expenses and the debts to social benefits.

Deficient budget, monthly availability of the own revenues to cover the counter-value of social benefits; availability of financial means in the State Budget to cover the counter-value of social benefits; availability of financial means in the State Budget to cover the temporary cash gap of own revenues or to contract a loan from the State Budget and the payment in stages of financial means for social benefits require the beneficiaries to come repeatedly to post offices in order to collect their benefits.

Another cause is related to the payment of social benefits organised at the service provider 'Posta Moldovei' SOE assisted by the information systems that need to interact and be adjusted in order to ensure the payment of all the benefits directed by the National Social Insurance House.

### Measures taken by the auditees throughout the

The measures ordered and taken by the National Social Insurance House targeted certain compliance aspects related to the pensions of the former employees of enforcement institutions and to the correction of the amounts of the benefits paid from the State Budget.

## audit engagement

### Remedy measures

The performed audit revealed certain deficiencies and irregularities in the administration and use of public resources and the need to further take measures to improve the management of public finances and develop accordingly the institutional capacity to execute the state social insurance budget and to remove the identified errors and irregularities.

### Viewpoint of the auditee management

According to the National Social Insurance House, certain risks can materialize upon the full coverage of expenses and debts to beneficiaries (the expenses and debts to beneficiaries will increase); this will determine a high difference between the amounts planned, executed, paid and calculated; NSIH will request a funding in high amounts from the State Budget in order to pay the social benefits; the means requested from the State Budget will be neutralised and the debts to the State Budget will be very high.

### Recommendations to the Parliament

- show a strong and real will of the Government and of the Parliament in order to impose the compliant application of the legal requirements by the institutions in charge that are involved in the management of public means;
- develop certain regulatory acts or impose the development of certain regulatory acts to ensure a better steering/payment of social benefits to those who are entitled to receive them.

## Financial Audit of the Government Report on the Execution of the 2019 compulsory health insurance funds (Decision No 30 of 16 July 2020)

The compulsory health insurance funds are part of the national public budget and represent all the revenues, expenses and funding sources intended for fulfilling the duties and managing the compulsory health insurance system.

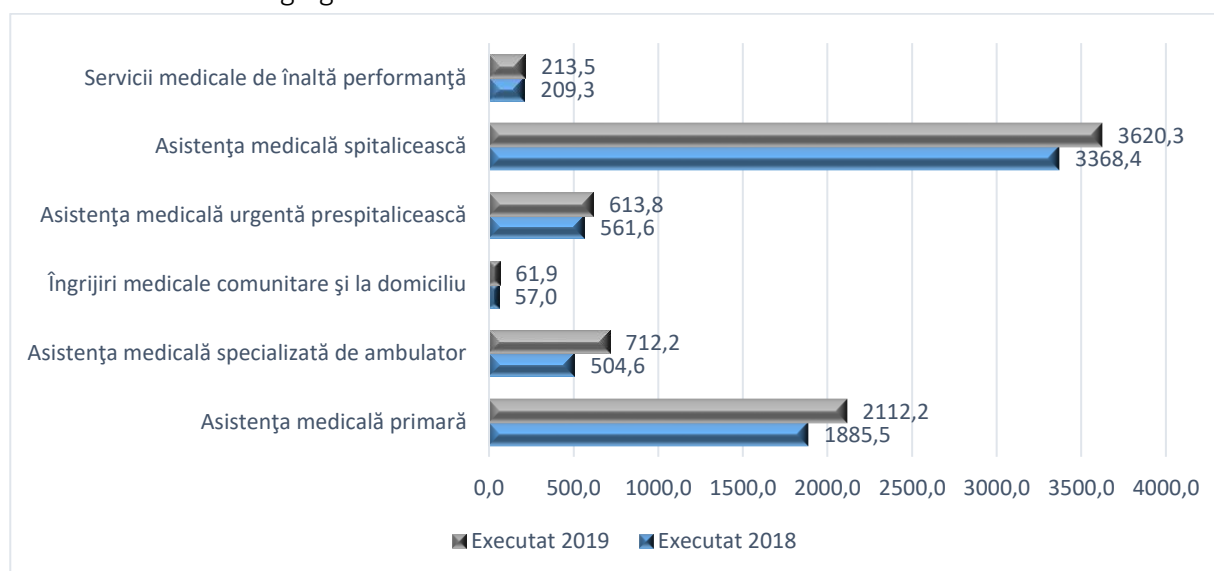
In this context, the Company organises and keeps the accounting records, in line with the legal framework, of CHIF execution according to the rules approved by the Minister of Finance. As regards the reporting, NHIC compiles the Annual Report on MHIF Execution and submits it to the Government and further, to the Parliament, for approval.

The fund for the payment of medical services (base fund) is used to cover the expenses necessary to implement the Single Program for Compulsory Health Insurance. To ensure the access of the population to the volume of quality health services and compensated medicines, in 2019, the Company contracted 452 health care facilities and 229 pharmaceutical institutions.

The expenses of the base fund were oriented to implement 6 subprograms for primary out-patient, hospital, of high-performance, pre-hospital and community health care services.

At least 94% of CHIF are allocated in the fund for the procurement of current health services (base fund). Thus, during the reporting period, the expenses on base fund amounted to MDL 7,333.7 million or 98.0% of the total expenses, by MDL 747.4 million (10%) than in 2018.

The dynamics of the expenses executed from the fund for the procurement of current health services, by types of health care in 2019, compared to the previous period, has increased, according to the data included in the following figure:

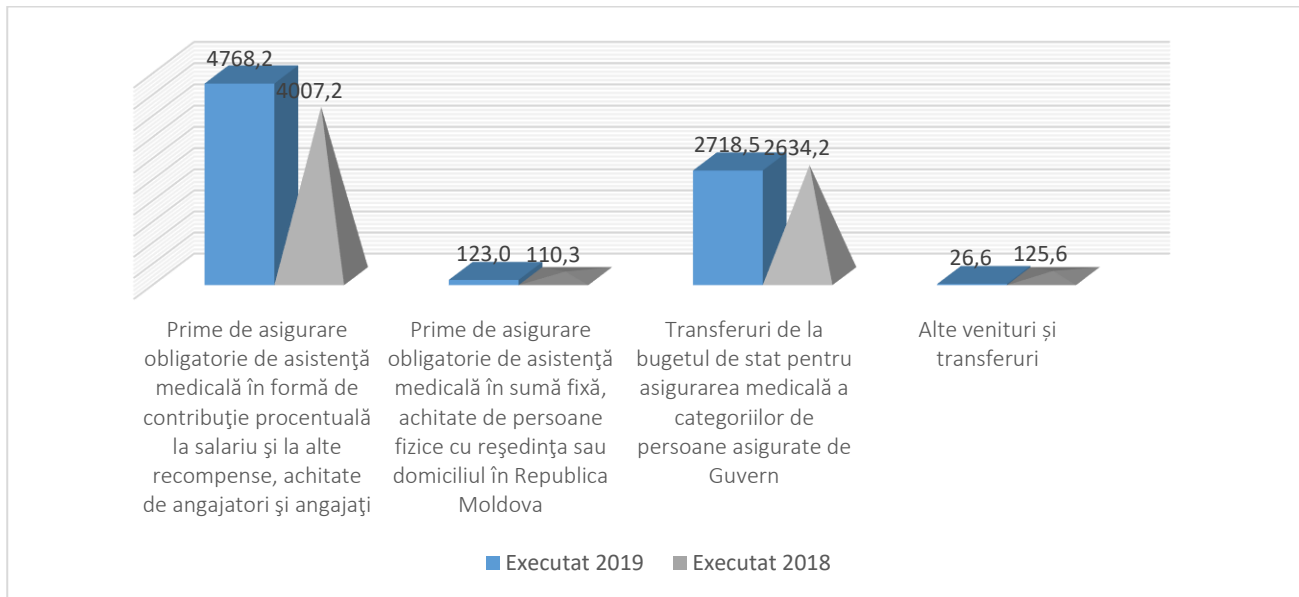


Source: Developed by the auditor on the basis of the Form No 4 of NHIC;  
Execution of CHIF expenses, 2018-2019

As regards the expenditure sub-programs, structured by types of healthcare, we found that like in the previous years, the highest share is represented by hospital-based health care in the amount of MDL 3,620.3 million or 48.3% of the total expenses, followed by primary healthcare – MDL 2,112.2 million (28.2%), emergency pre-hospital healthcare – MDL 613.8 million (8.2%), out-patient healthcare – MDL 712.2 million (9.5%), etc.

The National Health Insurance Company collected, in 2019, in the compulsory health insurance funds revenues in the amount of MDL 7,636.3 million, that is, 99% of the specified amount.

The dynamics of the execution of revenues in the compulsory health insurance funds, as well as their structure are presented in the following figure:



Source: Developed by the auditor on the basis of the Form No 4 of NHIC;  
Sources of CHIF revenues, 2018-2019

The compulsory health insurance premiums as percentage share in the salary and other rewards paid by employees and employers have a significant share in CHIF revenues that constitute 61% (MDL 4,645.1 million), and respectively, the transfers in the State Budget for the health insurance of people insured by the Government – 35% (MDL 2,719.9 million), followed by the compulsory health insurance premiums, in fixed amounts (MDL 123.0 million).

### Goal

Provide a reasonable assurance regarding the fact that the Government Report on the Execution of the 2019 Compulsory Health Insurance Funds does not contain, as a whole, material misstatements because of fraud or errors, as well as to issue an opinion.

### Opinion

The audit evidence gathered during the audit led to a **qualified opinion** on the execution of 2019 compulsory health insurance funds.

### Basis for the opinion

The audit opinion was determined by the impact of the deficiencies related to:

- the assessment of the level of transaction for hospital care services and the prescriptions for compensated medicines, which are registered in the information systems of the Company and serve as grounds for making the payments. These aspects were determined by the impossibility of the auditors to assess these category of expenses, namely:

- ✓ payment of hospital-based care services in the amount of MDL 1,625.0 million, which were not delimited clearly because all the treated cases are registered in and reported

## Other matters

by the Information System of NHIC. Both the Company and the health facilities are not able to monitor and delimit them at the stage when hospital-based services are paid;

- ✓ allocation of financial means in the amount of MDL 76 million for 662.0 thousand prescriptions for citizens that contain incorrect data.

Other aspects that did not influence the audit opinion:

- assessment of the process of contracting and reporting the primary and specialized ambulatory services does not allow the audit to determine the single individuals served in accordance with the contracting principle 'per capita', as well as the analysis of the reported data related to primary healthcare services (MDL 1,351.1 million) and out-patient healthcare services (MDL 291.2 million);
- granting of subsidies to public health facilities to cover the increase in the staff costs in the amount of MDL 273 million, without having adjusted the tariffs applied when contracting or financing healthcare services to the actual costs of healthcare services;
- health facilities reported and provided to citizens services in the amount of MDL 97 million, thus exceeding the volume of the contracts with NHIC. The impact generated by the provision of services outside the contract cannot be assessed because health facilities do not reflect the expenses generated by the costs of services, including by the over-executed services in the accounting records;
- insured individuals did not have access to 192 high-performance medical investigations guaranteed by the state, including to ophthalmologic investigations;
- although over 32,000 individuals wait and need surgeries to get knee or hip endoprostheses, cataract surgical procedures and cardiac surgeries, health facilities did not provide services and did not conduct 1,411 planned surgeries;
- failure to ensure the transparency of the processes concerning the expensive treatments in terms of keeping records of those who are on the waiting list that contains errors, old and incomplete data, etc.
- failure to use the financial means in the amount of MDL 7.5 million to implement the projects;
- medical equipment was delivered beyond the set deadline and the penalties in the amount of MDL 410.0 million were not calculated on regular basis;
- failure to train the staff to use the equipment according to its intended purpose within the set deadline, under the investment project aimed to endow the pre-hospital emergency care service with



<b>Causes and impact</b>	<p>telecommunication equipment, which does not ensure the operation of the entire system in the amount of MDL 25 million.</p> <p>The issues found were caused by the insufficiency of regulations, calculations and substantiations when contracting and financing health facilities, of measures of monitoring and exact delimitation of the quantum of reported and paid services.</p> <p>Poor operation and lack of interconnection of information systems endangers the accurate assessment of reported and paid healthcare services, the identification of single individuals served and the elimination of registered errors linked to the prescriptions.</p> <p>The aspects found are systemic and have a permanent character.</p> <p>These circumstances are generated by the fact that the Company uses information systems that register the healthcare services provided to the population that serve as ground to pay the medical or pharmaceutical service providers.</p>
<b>Measures taken by the auditees throughout the audit engagement</b>	<p>To mitigate the found drawbacks and issues, the necessary recommendations were made, which aim at improving the management and use of public resources and the contracted processes, the reporting and payment of healthcare services, which are complex. Also, the recommendations made aim at increasing the access to healthcare services guaranteed by the state, by ensuring a better accountability of the institutions involved in providing healthcare services and using public financial means.</p>
<b>Viewpoint of the auditee management</b>	<p>The audit team communicated the audit observations and took into account the motivations and the documents additionally submitted.</p> <p>The management of the auditees did not have objections to the Final Audit Report, accepted the recommendations of the audit and developed in this respect, an action plan containing the deadlines and the appointment of persons in charge of implementing the recommendations.</p>
<b>Recommendations to the Parliament</b>	<p>Ask the public authorities involved in the execution of CHIF to present the information about the measures taken to implement the recommendations, including to promote an advanced degree of managerial accountability in order to conduct the management of public means, by ensuring the access of the population to quality healthcare services.</p>



## Central public authorities

### Audit of Consolidated Financial Statements of the Ministry of Finance, closed on 31 December 2019 (Decision No 36 of 24 July 2020)

<b>Goal</b>	Provide a reasonable assurance related to the fact that the consolidated financial statements of the Ministry of Finance closed on 31 December 2019 are developed and presented in accordance with the applicable financial reporting framework and do not contain, as a whole, material misstatements because of fraud or errors, as well as to issue an opinion.
<b>Opinion</b>	The audit evidence gathered during the audit led to a <b>clear audit opinion</b> on the consolidated financial statement of the MF closed on 31 December 2019.
<b>Other matters</b>	<p>Other aspects that did not influence the audit opinion:</p> <p>MF and subordinated institutions:</p> <ul style="list-style-type: none"> <li>- did not apply the general rules of recognition and classification of non-financial assets in the amount of MDL 3.1 million;</li> <li>- riddled and reported irregularly certain identical assets to different groups of accounts, in the amount of MDL 2.1 million;</li> <li>- did not apply general rules of recognition and assessment of 28 real estate goods with the surface of 1,132.7 m<sup>2</sup>;</li> <li>- did not apply general rules of assessment of 13 of land plots with the total surface of 1.44 ha;</li> <li>- made errors when recognising and classifying the expenses, which led to their overstatement by MDL 4.8 million;</li> <li>- did not register the ownership right on 10 real estate goods of 315.3 m<sup>2</sup> and on a land plot of 0.0025 ha;</li> <li>- recorded in the accounting records various buildings, annexes and premises under one inventory number, including: Financial Inspection (FI) – administrative building, annexe with 4</li> <li>- a contabilizat separat la grupa mijloace fixe unele lucrări efectuate în perioadele precedente anului 2019, inclusiv SFS – reparația clădirii administrative în sumă de 0,2 mil. lei, Biroul Vamal Nord – adaosul la parcare auto de la Punctul Vamal Criva în sumă de 0,8 mil.lei, și Serviciul Vamal (SV) – modificarea SI „Economist” în sumă de 0,09 mil. lei;</li> <li>- nu au valorificat și nu au executat unele proiecte de investiții în sumă de 3,9 mil. lei, precum și nu au achiziționat microscopul necesar activității Laboratorului Vamal, fapt care a condiționat nevalorificarea în anul 2019 a mijloacelor financiare alocate în cadrul Proiectului IMPEFO în sumă de 0,8 mil. lei;</li> </ul>

## Causes and impact

- creanțele executorilor judecătorești față de stat raportate de către SFS la 31.12.2019 au constituit 2,5 mil. lei, inclusiv 1,3 mil. lei formate în perioadele precedente, cu risc major de nerecuperare.

The situations found by the external public audit did not impact the consolidated financial statements, being caused by:

- rezervele privind modul de organizare și funcționare a sistemului de control intern managerial (CIM), ceea ce a condiționat apariția unor neconformități;
- neîntreprinderea măsurilor în vederea evaluării tuturor terenurilor și clădirilor din gestiune, circumstanțe în care pot apărea riscuri de integritate a bunurilor patrimoniului public și eventuale litigii privind apartenența acestora;
- incorectitudinea recunoașterii, clasificării și înregistrării în evidența contabilă a unor cheltuieli și active nefinanciare;
- lipsa cadrului normativ intern care să reglementeze procesul și metodologia de recunoaștere și clasificare a activelor nefinanciare;
- determinarea incorectă a duratei de funcționare utilă a unor imobile și calcularea incorectă a amortizării, fapt care a generat erori în aplicarea uzurii mijloacelor fixe și amortizarea activelor nemateriale;
- evidența neconformă a unor proiecte investiționale;
- neaplicarea conformă a regulilor de efectuare a inventarierii, nu a contribuit pe măsură la atingerea scopului principal al acesteia privind stabilirea și evaluarea reală a elementelor de activ și pasiv;
- lipsa unei metodologii care să reglementeze sursele de finanțare a cheltuielilor pentru serviciile de stat cu destinație generală.

## Measures taken by the auditees throughout the audit engagement

Pe parcursul misiunii, MF și instituțiile din subordine au întreprins măsuri în vederea remedierii unor deficiențe constatate, și anume:

- Aparatul central al MF a corectat înregistrările contabile aferente activelor în sumă de 0,3 mil. lei și a cheltuielilor de reconstrucție în sumă de 0,3 mil. lei;
- Aparatul central al SV a corectat valoarea activelor cu 0,6 mil. lei, a atribuit la valoarea activelor cheltuielile în sumă de 0,7 mil. lei, a înregistrat în evidența contabilă terenul în valoare de 0,2 mil. lei, a evaluat și a reflectat în evidența contabilă 8 imobile cu valoarea de 1,7 mil. lei. Birourile vamale Nord și Centru au efectuat contabilizarea corespunzătoare a activelor în sumă de 0,6 mil. lei și, respectiv, de 0,2 mil. lei;
- IF și SFS au corectat înregistrările contabile aferente activelor în sumă de 0,02 mil. lei și, respectiv, de 0,2 mil. lei. Totodată, SFS a efectuat corectările corespunzătoare, prin recalcularea sporului pentru performanță persoanelor noi angajate (debutanți);

- Agenția Achiziții Publice a inclus cheltuielile de montare a climatizatorului de 0,002 mil. lei în valoarea activului. Totodată, a corectat înregistrarea contabilă aferentă cheltuielilor în sumă de 0,07 mil. lei, cu atribuirea acesteia în corespundere cu Clasificația bugetară. De asemenea, au fost întocmite actele contabile necesare pentru transmiterea cheltuielilor privind lucrările de reparație a oficiului în sumă de 0,3 mil. lei de către proprietarul imobilului pentru a fi majorată valoarea oficiului închiriat.

### Remedy measures

Ca rezultat al misiunii de audit, au fost dispuse măsuri în vederea consolidării sistemului CIM în cadrul MF și instituțiilor din subordine la gestionarea riscurilor financiar-contabile aferente întocmirii rapoartelor financiare.

### Viewpoint of the auditee management

The auditees did not have any objections and accepted auditors' recommendations

### Recommendations to the Parliament

Să solicite Guvernului, de comun cu MF:

dezvoltarea normelor metodologice privind evidența contabilă și raportarea financiară în aspectul surselor de finanțare a cheltuielilor pentru serviciile de stat cu destinație generală.

## Auditul rapoartelor financiare consolidate ale Ministerului Economiei și Infrastructurii încheiate la 31 decembrie 2019 (Hotărârea nr. 23 din 25 iunie 2020)

Goal	Oferirea unei asigurări rezonabile cu privire la faptul că rapoartele financiare consolidate ale Ministerului Economiei și Infrastructurii încheiate la 31 decembrie 2019 sunt întocmite și prezentate în conformitate cu cadrul de raportare financiară aplicabil, și nu conțin, în ansamblul lor, denaturări semnificative cauzate de fraude sau erori, precum și emiterea unei opinii.
Opinion	Probele de audit acumulate pe parcursul misiunii au determinat exprimarea <b>opinie de audit cu rezerve</b> asupra rapoartelor financiare consolidate ale Ministerului Economiei și Infrastructurii încheiate la 31 decembrie 2019.
Basis for the opinion	Opinia de audit a fost determinată de: veniturile anticipate (aferele încasării în anul 2018 a garanțiilor de bună execuție a angajamentelor contractuale nesoluționate) au fost reflectate eronat în rapoartele financiare consolidate, valoarea acestora fiind diminuată cu 211 406,1 mii lei. Totodată, a fost raportat rezultatul financiar, a cărui valoare a fost majorată cu suma respectivă. Denaturările menționate s-au reiterat din exercițiul bugetar precedent, ca urmare a neimplementării recomandării Curții de Conturi înaintate anterior în acest sens.
Causes and impact	Controlul intern redus care nu a asigurat realizarea integrală a recomandărilor înaintate anterior de către Curtea de Conturi.
Measures taken by the auditees throughout the audit engagement	Unitatea de Implementare a Grantului acordat de Guvernul Japoniei a operat, până la data raportării, corectările/ modificările în evidența contabilă a tranzacțiilor de leasing financiar, astfel fiind prezentate veridic în rapoartele financiare consolidate: cheltuielile privind ieșirea activelor, în sumă de 12 368,4 mii lei; alte venituri pentru proiectele finanțate din surse externe, în sumă de 12 368,4 mii lei; granturile curente acordate altor beneficiari în interiorul țării, în sumă de 258,1 mii lei.
Remedy measures	<p>Conducătorul Î.S. „Administrația de Stat a Drumurilor” să asigure corectarea în evidența contabilă și raportarea corespunzătoare a datoriilor interne (veniturilor anticipate aferente încasării în anul 2018 a garanțiilor de bună execuție a angajamentelor contractuale nesoluționate), precum și a rezultatului financiar;</p> <p>Conducătorul Autorității Aeronautice Civile să asigure identificarea și realizarea oportunităților pentru depășirea situației de impas aferente „Pistei de decolare/aterizare pentru elicoptere de clasa MI-8 cu drum de acces în s. Giurgiulești, r-nul Cahul”, precum și eliminarea riscului de suportare a cheltuielilor din contul bugetului de stat.</p>

**Viewpoint of the  
auditee  
management**

**Recommendatio  
ns to the  
Parliament**

The auditees did not have any objections and accepted auditors' recommendations

## Auditul rapoartelor financiare consolidate ale Ministerului Sănătății, Muncii și Protecției Sociale încheiate la 31 decembrie 2019 (Hotărârea nr.24 din 26 iunie 2020)

<p><b>Goal</b></p>	<p>Oferirea unei asigurări rezonabile cu privire la faptul că rapoartele financiare consolidate ale Ministerului Sănătății, Muncii și Protecției Sociale încheiate la 31 decembrie 2019 sunt întocmite și prezentate în conformitate cu cadrul de raportare financiară aplicabil, și nu conțin, în ansamblul lor, denaturări semnificative cauzate de fraude sau erori, precum și emiterea unei opinii.</p>
<p><b>Opinion</b></p>	<p>Probele de audit acumulate pe parcursul misiunii au determinat exprimarea <b>opinie de audit cu rezerve</b> asupra rapoartelor financiare consolidate ale Ministerului Sănătății, Muncii și Protecției Sociale încheiate la 31 decembrie 2019.</p>
<p><b>Basis for the opinion</b></p>	<p>The audit opinion was determined by the impact of the deficiencies related to:</p> <ul style="list-style-type: none"> <li>- subevaluări valorii grupei de conturi 371 „Terenuri” cu 29,3 mil. lei în urma necontabilizării și prezentării incomplete în rapoartele financiare a situațiilor patrimoniale, prin nerespectarea prevederilor de recunoaștere a valorii terenurilor și neevaluarea valorii terenurilor cu suprafața de circa 42,0 ha<sup>36</sup>.</li> </ul>
<p><b>Other matters</b></p>	<p>Other aspects that did not influence the audit opinion:</p> <ul style="list-style-type: none"> <li>- subsidiile în valoare de 10 mil. lei, alocate IMSP Institutul Oncologic pentru achiziționarea utilajului medical, au fost transferate ulterior în avans Agenției Internaționale pentru Energie Atomică (04.11.2019), fără temei juridic și economic la data viramentului. Mijloacele alocate nu au realizat scopul propus și au fost imobilizate pe o perioadă nedeterminată, fiind întârziată considerabil inițierea procedurii de achiziție publică, care la moment (iunie 2020) nu este finalizată;</li> <li>- subsidiile în valoare de 3,8 mil. lei, alocate IMSP Institutul Mamei și Copilului, și de 2,5 mil. lei, alocate IMSP Spitalul de Dermatologie și Maladii Comunicabile, au fost valorificate, dar nu au fost prezentate documente justificative și contabile pentru operațiunile efectuate. Astfel, pentru mijloacele publice alocate la fortificarea bazei tehnico-materiale, lucrările de reparație pentru Unitățile de Primire Urgente nu au fost prezentate procesele-verbale de executare a lucrărilor;</li> <li>- subsidiile în valoare de 1,8 mil. lei, alocate IMSP Policlinica Stomatologică Republicană, au fost utilizate în alte scopuri decât cele indicate în documentația de solicitare a subsidiilor în proporție de 55%. Astfel, 1,0</li> </ul>

<sup>36</sup> Centrul Republican de Reabilitare pentru Copii – nu a înregistrat în evidența contabilă un teren cu suprafața de 0,64 ha și în valoare de 0,8 mil. lei asupra căruia, potrivit datelor organelor cadastrale, deține dreptul de folosință; Centrul de Plasament pentru Persoane Vârstnice și Persoane cu Dizabilități, mun. Chișinău – nu a asigurat reevaluarea terenului (4,09 ha) cu 5,3 mil. lei, care în evidența contabilă este de 0,01 mil. lei; Centrul de Medicină Legală – nu a asigurat reevaluarea terenului cu 0,3 mil. lei; Agenția Națională pentru Ocuparea Forței de Muncă – nu a asigurat reevaluarea terenului cu 0,03 mil. lei; Agenția Națională pentru Sănătate Publică – nu a asigurat reevaluarea terenului cu 8,1 mil. lei; Centrul de Recuperare pentru Copii, or. Ceadâr-Lunga – nu a asigurat reevaluarea terenului cu 14,8 mil. lei.



mil. lei au fost utilizați pentru lucrări de renovare și mobilier și doar 0,8 mil. lei au fost utilizate conform destinației;

- nejustificarea soldurilor aferente creanțelor, în sumă de 1,5 mil. lei, reflectate la contul 419 „Alte creanțe ale autorităților/instituțiilor bugetare”, prin neîntocmirea listelor de inventariere și actelor de conformare a decontărilor reciproce cu terțele părți, cu confirmarea soldurilor la 31.12.2019;
- datoriile reflectate la contul 519 „Alte datorii ale autorităților/instituțiilor bugetare” în sumă de 6,6 mil. lei nu au fost asigurate justificativ prin liste de inventariere la situația din 31.12.2019, precum și acte de verificare cu părțile implicate, acestea fiind recunoscute parțial prin acte de verificare;
- neconformități aferente transmiterii spațiilor publice unui agent economic, cu necalcularea și neînregistrarea veniturilor în baza acordului din anii precedenți în sumă de 0,6 mil. lei;
- nevalorificarea efectivă a investițiilor capitale în sumă de 81,0 mil. lei, care au fost efectuate pentru construcția unui bloc al Spitalului de Ftiziopneumologie din satul Vorniceni, raionul Strășeni. Din anul finisării lucrărilor de construcție (2015) și până în prezent, acesta nu se utilizează conform destinației, totodată fiind suportate cheltuieli anuale de întreținere a acestui bloc. Neutilizarea acestui imobil conform destinației este condiționată de nerespectarea de către antreprenor a unor cerințe tehnice;
- neutilizarea SIA „Sistemul de supraveghere epidemiologică a gripei aviare și altor maladii infecțioase” (7,0 mil. lei), achiziționat în anul 2011 cu suportul financiar al Băncii Mondiale. În perioada 2011-2015, ANSP a adresat solicitări dezvoltatorului de sistem pentru punerea în funcțiune a acestuia, fiind creat și un grup de lucru pentru clarificarea situației, dar problema rămâne nesoluționată.

Ultimele două aspecte au determinat Curtea de Conturi să remită organelor de drept documentele aferente pentru elucidarea faptelor.

## Causes and impact

Situațiile constatate de audit au fost determinate de lipsa reglementărilor aferente subsidiilor: criteriile de planificare, selectare a instituțiilor beneficiare și a procedurilor de monitorizare a utilizării conform destinației, insuficiența proceselor sistemice de control intern, precum și lipsa misiunilor de audit intern în perioada auditată.

Sub aspectul impactului produs de neregulile constatate de audit, situațiile financiare consolidate au fost eronat diminuate, unele mijloace financiare publice au fost imobilizate pe o perioadă nedeterminată, iar altele au fost utilizate contrar destinației.

## Measures taken by the auditees

Entitățile auditate au întreprins măsuri de remediere, cum ar fi:

throughout the  
audit  
engagement

- 5 instituții publice (Centrul de Medicină Legală, Agenția Națională pentru Sănătate Publică, Agenția Națională pentru Ocuparea Forței de Muncă, Centrul de Recuperare pentru Copii din or. Ceadâr-Lunga și Centrul Republican de Reabilitare pentru Copii) au majorat și au ajustat în evidența contabilă valoarea terenurilor subestimate;
- MSMPS a prezentat repetat MF datele, cu suplinirea și raportarea cheltuielilor în sumă de 8,8 mil. lei, la executarea subsidiilor (contul 254);
- MSMPS a prezentat informația privind acțiunile realizate în acest sens, care urmează a fi exercitate și în continuare MSMPS a elaborat și aprobată strategia de management al riscurilor.
- Centrul de Medicină Legală a prezentat la 15.06.2020 informația privind elaborarea proceselor de control intern, precum și a publicat declarația de răspundere managerială, iar șeful Serviciului audit intern, în comun cu coordonatorul CIM, au elaborat un plan de acțiuni privind implementarea și dezvoltarea sistemului de control intern managerial, care ulterior a fost aprobat.

Remedy  
measures

MSMPS, de comun cu entitățile auditate, urmează să intensifice și să contribuie la eficientizarea proceselor de control intern sistemic, prin remedierea problemelor stabilite la toate nivelurile, inclusiv prin implementarea recomandărilor înaintate de misiunea de audit.

Aspectele aferente gestionării defectuoase a patrimoniului public au fost remise organelor de drept pentru examinare conform competențelor.

Viewpoint of the  
auditee  
management

The auditees did not have any objections and accepted auditors' recommendations

Recommendations to the  
Parliament

## Auditul rapoartelor financiare consolidate ale Ministerului Afacerilor Interne încheiate la 31 decembrie 2019 (Hotărârea nr.34 din 22 iulie 2020)

Goal	Oferirea unei asigurări rezonabile cu privire la faptul că rapoartele financiare consolidate ale Ministerului Afacerilor Interne încheiate la 31 decembrie 2019 sunt întocmite și prezentate în conformitate cu cadrul de raportare financiară aplicabil, și nu conțin, în ansamblul lor, denaturări semnificative cauzate de fraude sau erori, precum și emiterea unei opinii.
Opinion	Probele de audit acumulate pe parcursul misiunii au determinat exprimarea <b>opinie de audit cu rezerve</b> asupra rapoartelor financiare consolidate ale Ministerului Afacerilor Interne încheiate la 31 decembrie 2019.
Basis for the opinion	<p>Opinia de audit a fost determinată de efectul deficiențelor aferente următoarelor:</p> <ul style="list-style-type: none"> <li>- două instituții din subordinea Ministerului Afacerilor Interne<sup>37</sup> au admis subevaluarea imobilizărilor corporale cu suma de 95,3 mil. lei, cauza fiind neevaluarea și necontabilizarea regulamentară a unor bunuri imobile, iar altele – supraevaluarea mijloacelor fixe cu 10,2 mil. lei, din cauza ținerii în evidența contabilă a unor active demolate și inexistente;</li> <li>- soldul contului „Investiții capitale în active în curs de execuție” din raportul financiar consolidat la 31.12.2019 al Ministerului este subevaluat cu suma de 27,2 mil. lei, cauza fiind nepregătirea documentației de proiect în modul stabilit, neaprobarea finanțării proiectului de investiții capitale prin Legile bugetare anuale, neclasificarea și necontabilizarea regulamentară în contul distinct a cheltuielilor aferente reconstrucției bazinului de înot;</li> <li>- unele poziții din raportul financiar consolidat au fost afectate în aspectul clasificării și atribuirii cheltuielilor cu suma de 70,7 mil. lei, inclusiv 48,6 mil. lei aferente indemnizației pentru activități speciale de combatere a terorismului și 22,1 mil. lei – cheltuieli speciale de investigație și urmărire penală;</li> <li>- soldurile conturilor reflectate în bilanțul contabil consolidat sunt afectate de valoarea mijloacelor fixe și a stocurilor de materiale circulante învechite moral sau uzate integral în mărime de 109,1 mil. lei și neutilizate în procesul operațional în ultimii 3 ani, situație care afectează raportarea fidelă și reală a situațiilor financiare.</li> </ul>
Other matters	<p>Other aspects that did not influence the audit opinion:</p> <ul style="list-style-type: none"> <li>- în lipsa unui proiect și deviz general de cheltuieli pentru reconstrucția bazinului de înot, expertizat în mod regulamentar, Clubul Sportiv Central „Dinamo” și-a asumat neregulamentară angajamente în sumă de 17,8 mil. lei, neavând aprobate regulamentară alocații la capitolul investiții capitale în legile bugetare pe anii 2016-2019;</li> <li>- creanțele a două instituții formate în anii 2016-2019, în sumă de 16,0 mil. lei, sub formă de partajare de costuri în proiect sunt supraevaluate din</li> </ul>

<sup>37</sup> IGP - 48 de clădiri (7,6 mii m<sup>2</sup>), un teren (0,25 ha); IGSU - 83 de clădiri (9,9 mii m<sup>2</sup>), un teren (0,061 ha).

- cauza tergiversării transmiterii lucrărilor real executate la situația din 31.12.2019, privind reconstrucția bazinului de înot al Clubului Sportiv Central „Dinamo”, ceea ce a determinat majorarea creanțelor, precum și defaectarea resurselor financiare publice pe un termen nedeterminat;
- fără a organiza o licitație publică și în lipsa unei hotărâri de Guvern, Clubul Sportiv Central „Dinamo” a transmis în locațiune, contrar legii, la doi agenți economici două terenuri proprietate publică cu suprafața totală de 2,234 ha pentru construcții pe un termen de 10 ani și, respectiv, 25 ani, persistând riscul înstrăinării terenurilor date în locațiune, iar în cazul privatizării fiind posibilă cauzarea unor prejudicii bugetului în sumă de circa 2,8 mil. euro (56,0 mil. lei);
  - nu a fost atins obiectivul privind construcția Centrului Integrat de Pregătire pentru Aplicarea Legii al MAI, iar mijloacele în sumă de 17,8 mil. lei provenite din suportul bugetar comunitar au fost cheltuite neeficient și administrate defectuos la achiziția studiului de fezabilitate, documentației de proiect și expertizelor tehnice, din cauza selectării unui teren pentru construcția Centrului cu risc geotehnic major, supus alunecărilor de pământ, fiind depistate ape subterane, ulterior fiind abandonat;
  - soldul stocului real al rezervelor materiale de stat raportat la finele perioadei de gestiune este afectat indirect de nerambursarea regulamentară Ministerului Finanțelor timp de 11 ani a datoriei pentru împrumutul financiar acordat (98,2 mil. lei) pentru completarea rezervelor materiale de stat cu grâu alimentară;
  - neînregistrarea drepturilor patrimoniale la organul cadastral asupra a 505 imobile cu suprafața de 123,9 mii m<sup>2</sup> și a 57 de terenuri cu suprafața de 37,9 ha, deficiență care poate duce la pierderea bunurilor proprietate a statului, în condițiile existenței unor dispute juridice;
  - netransmiterea în termenele stabilite a întreprinderilor de stat fondate de MAI la balanța Agenției Proprietății Publice a afectat cu suma de 11,8 mil. lei soldul contului „Acțiuni și alte forme de participare în capital în interiorul țării” din bilanțul contabil consolidat;
  - soldul contului „Creanțe privind decontările cu titularii de avans” din raportul financiar consolidat al MAI a fost supraevaluat cu suma de 3,1 mil. lei, din cauza nerespectării de către unii titulari de avans a reglementărilor privind operațiunile cu numerar aferente cheltuielilor speciale de investigație și urmărire penală.

## Causes and impact

Funcționalitatea redusă a sistemului de control intern managerial a cauzat unele deficiențe aferente domeniilor: planificarea, executarea și raportarea veniturilor, cheltuielilor bugetare și activelor nefinanciare, gestionarea patrimoniului public, inclusiv a investițiilor capitale și a rezervelor materiale

<b>Measures taken by the auditees throughout the audit engagement</b>	de stat, ca urmare fiind denaturate situațiile financiare consolidate încheiate la 31 decembrie 2019.
<b>Remedy measures</b>	Pe parcursul misiunii de audit, numerarul dezafectat de titularii de avans în sumă de 3,1 mil. lei a fost restituit în casa Ministerului și transferat în bugetul de stat; Inspectoratul General pentru Situații de Urgență a evaluat și a contabilizat 53 de bunuri imobile la valoarea de piață în sumă de 94,8 mil. lei, iar Inspectoratul General de Poliție a evaluat și a contabilizat 10 bunuri imobile în sumă de 0,5 mil. lei.
<b>Viewpoint of the auditee management</b>	Pentru remedierea situațiilor constatate, entităților auditate le-au fost înaintate recomandări în vederea intensificării controlului intern managerial și redresării constatărilor identificate de audit.
<b>Recommendations to the Parliament</b>	<p>Instituțiile din subordinea Ministerului Afacerilor Interne sunt de acord cu constatările auditului și întreprind măsuri de remediere a neregulilor și abaterilor constatate, cu îmbunătățirea sistemului de control intern managerial.</p> <p>Require the Government to:</p> <ul style="list-style-type: none"> <li>- examinarea sistematică a rapoartelor financiare ale executorilor primari de buget privind raportarea reală și fidelă a elementelor patrimoniale și a indicatorilor bugetari;</li> <li>- responsabilizarea managerilor din cadrul entităților auditate privind gestionarea fondurilor publice alocate în scopul atingerii obiectivelor strategice și operaționale în condiții de transparență, economicitate, eficiență, eficacitate, legalitate, etică și integritate.</li> </ul>

## Auditul rapoartelor financiare consolidate ale Ministerului Afacerilor Externe și Integrării Europene încheiate la 31 decembrie 2019 (Hotărârea nr.35 din 23 iulie 2020)

<p><b>Goal</b></p>	<p>Oferirea unei asigurări rezonabile cu privire la faptul că rapoartele financiare consolidate ale Ministerului Afacerilor Externe și Integrării Europene încheiate la 31 decembrie 2019 sunt întocmite și prezentate în conformitate cu cadrul de raportare financiară aplicabil, și nu conțin, în ansamblul lor, denaturări semnificative cauzate de fraude sau erori, precum și emiterea unei opinii.</p>
<p><b>Opinion</b></p>	<p>Probele de audit acumulate pe parcursul misiunii au determinat exprimarea <b>opinie de audit cu rezerve</b> asupra rapoartelor financiare consolidate ale Ministerului Afacerilor Externe și Integrării Europene încheiate la 31 decembrie 2019.</p>
<p><b>Basis for the opinion</b></p>	<p>The audit opinion was determined by the impact of the deficiencies related to:</p> <ul style="list-style-type: none"> <li>- neaplicării prevederilor Ordinului ministrului finanțelor nr.216 din 28.12.2015 la clasificarea ca un singur obiect de inventar a bunurilor imobile compuse din terenuri și construcții, a 5 bunuri<sup>38</sup> cu valoarea de 144,6 mil. lei, dintre care terenuri aferente cu suprafața de 9 667,49 m<sup>2</sup>, a determinat supraevaluarea semnificativă a valorii grupei de conturi 311 „Clădiri” și subevaluarea semnificativă a valorii grupei de conturi 371 „Terenuri” cu cel puțin 22,7 mil. lei;</li> <li>- la stabilirea normei uzurii, instituțiile nu au aplicat corect regulile stabilite<sup>39</sup> și au calculat eronat uzura pe categorii a bunurilor aflate în gestiune, considerând data procurării ca data dării în exploatare, iar 2 instituții<sup>40</sup> au clasificat clădirile drept uzate integral, fiind subevaluată grupa de conturi 391 „Uzura mijloacelor fixe” cu cel puțin 5,4 mil. lei;</li> <li>- neînregistrarea în evidența contabilă, la subcontul extrabilanțier 822100 „Active luate în locațiune/arendă”, a terenului cu suprafața de 0,29 ha, arendat pe o perioadă de 49 de ani pentru construcția sediului Ambasadei Republicii Moldova în Republica Belarus;</li> <li>- lipsa metodologiei de înregistrare și raportare a operațiunilor economice pentru instituțiile bugetare amplasate peste hotare, având în vedere specificul de activitate al instituțiilor serviciului diplomatic, a cauzat neidentitatea datelor din diferite forme de raportare<sup>41</sup> prezentate Ministerului Finanțelor, cu efect posibil de</li> </ul>

<sup>38</sup> Ambasada Republicii Moldova în Regatul Belgiei, Reprezentanța Permanentă a Republicii Moldova pe lângă ONU, New York; Ambasada Republicii Moldova în Republica Federală Germania; Ambasada Republicii Moldova în Republica Cehă; Consulatul Republicii Moldova la Odesa (Ucraina).

<sup>39</sup> Hotărârea Guvernului nr.338 din 21.03.2003 „Cu privire la aprobarea Catalogului mijloacelor fixe și activelor nemateriale”.

<sup>40</sup> Ambasada Republicii Moldova în Statele Unite ale Americii, Consulatul Republicii Moldova la Odessa (Ucraina).

<sup>41</sup> Raportul privind executarea bugetului (Formularul FD-044); Raportul privind executarea bugetului în afara sistemului trezorerial (Formularul FD-040, forma scurtă, Org1 0799); Bilanțul contabil (Formularul FD-041).

denaturare a datelor prezentate în Raportul Guvernului privind executarea bugetului de stat pe anul 2019 cu cel puțin 4,1 mil. lei, după cum urmează: 0,5 mil. lei – venituri din realizarea activelor de către instituții, 2,3 mil. lei – rambursarea mijloacelor bugetare din anii precedenți, 1,3 mil. lei – restituirea cauțiunii etc. Totodată, există incertitudini la reflectarea cauțiunilor în sumă de 11,1 mil. lei, precum și la înregistrarea corectă în evidența contabilă a creanțelor de 3,3 mil. lei.

### Causes and impact

Situațiile constatate de auditul public extern au avut impact asupra rapoartelor financiare consolidate, fiind cauzate de:

- controlul intern managerial implementat parțial;
- decalajul între resursele necesare și cele disponibile ale Serviciului audit intern pentru buna funcționare a acestuia;
- lipsa metodologiei de înregistrare și raportare a operațiunilor economice pentru instituțiile bugetare amplasate peste hotare, având în vedere specificul de activitate al instituțiilor serviciului diplomatic;
- lipsa normelor de reglementare privind: limitele de asigurare cu transport de serviciu a instituțiilor, angajarea persoanelor prin contract, asigurări medicale achitate peste hotare, închirierea sediilor etc.;
- Regulamentul privind activitatea administrativ-financiară a instituțiilor serviciului diplomatic al Republicii Moldova peste hotare nu este completat și ajustat la cadrul legal în vigoare, iar unele reglementări nu mai sunt actuale;
- denaturarea Rapoartelor financiare ale MAEIE, cu efect posibil de denaturare a Raportului Guvernului privind executarea bugetului de stat pe anul 2019.

### Measures taken by the auditees throughout the audit engagement

În perioada derulării misiunii de audit, responsabilii de gestionarea finanțelor publice din cadrul aparatului central și instituțiile din subordine au întreprins unele măsuri de remediere în sumă totală de 28,4 mil. lei, și anume:

- divizarea în evidența contabilă a costului clădirii de terenurile aferente, în valoare de 22,7 mil. lei;
- recalcularea uzurii mijloacelor fixe și a amortizării activelor nemateriale în sumă de 5,4 mil. lei;
- înregistrarea în evidența contabilă a activelor nemateriale în sumă de 0,3 mil. lei;
- înregistrarea în evidența contabilă a terenului pentru construcția sediului Ambasadei Republicii Moldova în Republica Belarus, cu suprafața de 0,29 ha.

<b>Remedy measures</b>	Ca rezultat al misiunii de audit, au fost dispuse măsuri în vederea consolidării sistemului CIM la aspectul evidenței contabile și raportării financiare.
<b>Viewpoint of the auditee management</b>	The auditees did not have any objections and accepted auditors' recommendations
<b>Recommendations to the Parliament</b>	Să solicite Guvernului, de comun cu Ministerul Finanțelor, identificarea posibilelor resurse pentru asigurarea cu spații a instituțiilor serviciului diplomatic.



## Auditul rapoartelor financiare consolidate ale Ministerului Justiției încheiate la 31 decembrie 2019 (Hotărârea nr.33 din 21 iulie 2020)

<p><b>Goal</b></p>	<p>Oferirea unei asigurări rezonabile cu privire la faptul că rapoartele financiare consolidate ale Ministerului Justiției încheiate la 31 decembrie 2019 sunt întocmite și prezentate în conformitate cu cadrul de raportare financiară aplicabil, și nu conțin, în ansamblul lor, denaturări semnificative cauzate de fraude sau erori, precum și emiterea unei opinii.</p>
<p><b>Opinion</b></p>	<p>Probele de audit acumulate pe parcursul misiunii au determinat exprimarea <b>opinie de audit cu rezerve</b> asupra rapoartelor financiare consolidate ale Ministerului Justiției încheiate la 31 decembrie 2019.</p>
<p><b>Basis for the opinion</b></p>	<p>The audit opinion was determined by the impact of the deficiencies related to:</p> <ul style="list-style-type: none"> <li>- neaplicării regulilor generale de evaluare în cazul a 83 de terenuri cu suprafața totală de 144,8 ha de către MJ și unele instituții din subordine, fapt ce a condiționat denaturarea semnificativă a rapoartelor financiare consolidate cu suma de 160,4 mil. lei;</li> <li>- nerespectării de către unele instituții din subordinea MJ a reglementărilor privind calcularea uzurii și amortizării, care a dus la denaturarea semnificativă a rapoartelor financiare cu suma de 6,4 mil. lei;</li> <li>- netransmiterii de către MJ a valorii capitalului social aferent întreprinderilor de stat din cadrul sistemului penitenciar către Agenția Proprietății Publice care a preluat funcțiile de fondator al acestora, ceea ce a denaturat rapoartele financiare consolidate cu 9,2 mil. lei;</li> <li>- neaplicării regulilor generale de recunoaștere, clasificare și înregistrare a activelor nefinanciare de către unele instituții din subordinea MJ, fapt ce a determinat denaturarea semnificativă a rapoartelor financiare consolidate în aspectul unor grupuri de conturi cu suma de 8,9 mil. lei.</li> </ul>
<p><b>Other matters</b></p>	<p>Alte aspecte care nu au afectat opinia de audit.:</p> <ul style="list-style-type: none"> <li>- formarea creanțelor de către Administrația Națională a Penitenciarelor (ANP), în sumă de 8,8 mil. lei, față de întreprinderile de stat fondate în cadrul sistemului penitenciar, care includ și sumele aferente contribuțiilor de asigurări sociale de stat și primelor de asigurare obligatorie de asistență medicală în mărime de 1,7 mil. lei, cu termenul de achitare expirat;</li> <li>- neaplicarea regulilor generale de evaluare a mijloacelor fixe de către MJ și unele instituții din subordine pentru 75 de imobile cu suprafața totală de 8542,8 m<sup>2</sup>, fapt care a afectat, prin context, rapoartele financiare consolidate;</li> </ul>

## Causes and impact

- lista bunurilor imobile proprietate a statului, aflate în administrarea MJ, nu reflectă adecvat proprietatea administrată de către instituțiile din subordine;
- dezafectarea mijloacelor bugetare în sumă de 3,6 mil. lei, cu formarea și menținerea creanțelor pentru circa 3 ani de către Centrul Național de Expertize Judiciare (CNEJ) din subordinea MJ față de Programul Națiunilor Unite pentru Dezvoltare, pentru efectuarea reparațiilor capitale a clădirii CNEJ;
- nivelul redus de executare a unor investiții capitale în cadrul MJ, auditul identificând unele problematice și deficiențe în procesul de construcție și reconstrucție a unor obiective investiționale, nefiind valorificate resurse bugetare în sumă totală de 216,2 mil. lei, fapt ce a afectat implementarea în termen a unor politici guvernamentale în domeniul justiției.

Neregulile și deficiențele constatate de auditul public extern au avut impact asupra rapoartelor financiare consolidate și gestiunii resurselor financiare publice, fiind cauzate de:

- preocuparea insuficientă a MJ și a instituțiilor din subordine în vederea organizării și implementării sistemului CIM conform prevederilor Legii nr.229 din 23.09.2010 la gestionarea riscurilor financiar-contabile aferente întocmirii și consolidării reale și fidele a rapoartelor financiare;
- neîntreprinderea măsurilor în vederea evaluării tuturor terenurilor și clădirilor din gestiune, circumstanțe în care pot apărea riscuri de integritate a bunurilor patrimoniului public și eventuale litigii privind apartenența acestora;
- necontabilizarea regulamentară a mijloacelor fixe și a unui activ nematerial, determinarea incorectă a perioadei de funcționare utilă a unor imobile, fapt ce a generat erori în aplicarea uzurii mijloacelor fixe și amortizarea activelor nemateriale;
- nedocumentarea procesului de transmitere a întreprinderilor de stat fondate în cadrul sistemului penitenciar către Agenția Proprietății Publice cauzează raportarea neveridică în situațiile financiare ale MJ a valorii capitalului social care nu-i aparține;
- nefuncționalitatea procesului de recuperare a creanțelor creează riscuri înalte de nerecuperare a creanțelor care ar putea fi achitate ulterior din mijloace bugetare, din cauza faptului că unele întreprinderi fondate în cadrul sistemului penitenciar nu mai activează;
- neelaborarea propunerilor de modificare a Listei bunurilor imobile proprietate a statului aflate în administrarea MJ generează impedimente la înregistrarea drepturilor patrimoniale aferente la organele cadastrale;
- neaplicarea conformă a regulilor de efectuare a inventarierii nu a contribuit pe măsură la atingerea scopului principal al acesteia privind

<b>Measures taken by the auditees throughout the audit engagement</b>	<p>stabilirea și evaluarea reală a elementelor de activ și pasiv, în vederea întocmirii și consolidării situațiilor financiare reale și fidele;</p> <ul style="list-style-type: none"> <li>- gestionarea și monitorizarea insuficientă de către MJ a investițiilor capitale din domeniile de competență, fapt care afectează implementarea în termen a unor politici guvernamentale în domeniul justiției și duce la tergiversarea realizării construcției și reconstrucției obiectelor investiționale;</li> <li>- neimplementarea recomandărilor înaintate anterior MJ și instituțiilor din subordine determină perpetuarea unor abateri semnificative.</li> </ul>
<b>Remedy measures</b>	<p>Pe parcursul misiunii, instituțiile din subordinea ANP au remediat erorile constatate la recunoașterea, clasificarea și atribuirea activelor nefinanciare în sumă de 3,7 mil. lei. Totodată, au fost supuse inventarierii la fața locului 29 de terenuri cu suprafața totală de 74,4 ha de către instituțiile din subordinea ANP.</p> <p>În urma realizării misiunii de audit, au fost dispuse măsuri în vederea consolidării sistemului CIM la întocmirea și consolidarea rapoartelor financiare și gestionarea resurselor financiare publice.</p>
<b>Viewpoint of the auditee management</b>	<p>The auditees did not have any objections and accepted auditors' recommendations</p>
<b>Recommendations to the Parliament</b>	<p>Să solicite Guvernului, de comun cu MJ:</p> <ul style="list-style-type: none"> <li>- elaborarea și înaintarea propunerilor de modificare a Hotărârii Guvernului nr.351 din 23.03.2005<sup>42</sup>, asigurând ajustarea datelor aferente bunurilor imobile proprietate a statului în corespundere cu situația reală;</li> <li>- intensificarea acțiunilor de monitorizare a realizării în termen a politicilor guvernamentale în domeniul justiției și valorificarea mijloacelor financiare alocate pentru investiții capitale;</li> <li>- perfecționarea mecanismului de transmitere a terenurilor proprietate publică a statului și a întreprinderilor de stat în administrarea APP, în aspectul normelor metodologice privind evidența contabilă și raportarea financiară;</li> <li>- asigurarea întreprinderii măsurilor necesare în vederea înregistrării și evaluării bunurilor patrimoniului public gestionate de către entitățile publice.</li> </ul>

<sup>42</sup> Hotărârea Guvernului nr.351 din 23.03.2005 „Cu privire la aprobarea listelor bunurilor imobile proprietate a statului și la transmiterea unor bunuri imobile”.

## Auditul rapoartelor financiare consolidate ale Ministerului Apărării încheiate la 31 decembrie 2019 (Hotărârea nr.27 din 30 iunie 2020)

<b>Goal</b>	Oferirea unei asigurări rezonabile cu privire la faptul că rapoartele financiare consolidate ale Ministerului Apărării încheiate la 31 decembrie 2019 sunt întocmite și prezentate în conformitate cu cadrul de raportare financiară aplicabil, și nu conțin, în ansamblul lor, denaturări semnificative cauzate de fraude sau erori, precum și emiterea unei opinii.
<b>Opinion</b>	Probele de audit acumulate pe parcursul misiunii au determinat exprimarea <b>opinie de audit cu rezerve</b> asupra rapoartelor financiare consolidate ale Ministerul Apărării încheiate la 31 decembrie 2019.
<b>Basis for the opinion</b>	<p>The audit opinion was determined by the impact of the deficiencies related to:</p> <ul style="list-style-type: none"> <li>- recunoașterii eronate a veniturilor în sumă de 368,77 mil. lei și a cheltuielilor în sumă de 44,78 mil. lei, fapt ce a determinat supraevaluarea grupei de conturi 721 „Rezultatul financiar al instituției din anul curent” și a grupei de conturi 722 „Rezultatul financiar al instituției din anii precedenți” cu 324,0 mil. lei;</li> <li>- înregistrării eronate a operațiunilor de corectare în sumă de 216,13 mil. lei, precum și neaplicării contului la corectarea erorilor constatate la veniturile și cheltuielile aferente perioadei precedente în sumă de 334,34 mil. lei, ceea ce a condiționat subevaluarea grupei de conturi 723 și a grupei de conturi 722 cu 128,21 mil. lei;</li> <li>- nedeterminării valorii de recunoaștere a 12 terenuri conform prevederilor Legii privind prețul normativ și modul de vânzare-cumpărare a pământului nr.1308-XIII din 25 iulie 1997, fapt ce a condiționat subevaluarea valorii grupei de conturi 371 „Terenuri” cu 73,2 mil. lei;</li> <li>- limitării în cuantificarea valorii denaturării semnificative a grupei de conturi 391 „Uzura mijloacelor fixe”, determinată de imposibilitatea confirmării uzurii calculate eronat pentru tehnica militară. Luând în considerare că valoarea raportată a uzurii mijloacelor de transport este semnificativă, considerăm că posibila valoare a denaturării va avea un caracter semnificativ;</li> <li>- limitării în cuantificarea valorii denaturării semnificative a grupei de conturi 415 „Acțiuni și alte forme de participare în capital în interiorul țării”, determinată de imposibilitatea confirmării bunurilor transmise întreprinderilor fondate. Luând în considerare că valoarea raportată a bunurilor depuse ca aport în capitalul social al Î.S. este semnificativă pentru bilanțul contabil (22,87 mil. lei), considerăm că posibila valoare a denaturării va avea un caracter semnificativ.</li> </ul>

<b>Causes and impact</b>	Erorile constatate au fost condiționate de aplicarea eronată a Legii contabilității și Ordinului MF nr.216, precum și de carențele în politica de contabilitate, insuficiența personalului calificat în domeniul contabilității și de neautomatizarea procesului de evidență contabilă.
<b>Measures taken by the auditees throughout the audit engagement</b>	A fost elaborat și aprobat Ordinul ministrului apărării nr.021 din 22.05.2020 referitor la Clasificarea și codificarea armamentului, tehnicii militare și mijloacelor tehnico-materiale, în scopul reglementării evidenței bunurilor materiale ale Armatei Naționale.
<b>Remedy measures</b>	Au fost înaintate 12 recomandări, dintre care 4 cu impact asupra opiniei de audit și 8 recomandări ce vor contribui la buna gestiune a fondurilor publice.
<b>Viewpoint of the auditee management</b>	Conducerea entității auditate nu a avut obiecții și a acceptat recomandările auditului.
<b>Recommendations to the Parliament</b>	

## Auditul rapoartelor financiare consolidate ale Ministerului Agriculturii, Dezvoltării Regionale și Mediului încheiate la 31 decembrie 2019 (Hotărârea nr. 26 din 29 iunie 2020)

<b>Goal</b>	Oferirea unei asigurări rezonabile cu privire la faptul că rapoartele financiare consolidate ale Ministerului Agriculturii, Dezvoltării Regionale și Mediului încheiate la 31 decembrie 2019 sunt întocmite și prezentate în conformitate cu cadrul de raportare financiară aplicabil, și nu conțin, în ansamblul lor, denaturări semnificative cauzate de fraude sau erori, precum și emiterea unei opinii.
<b>Opinion</b>	Probele de audit acumulate pe parcursul misiunii au determinat exprimarea <b>opinie de audit cu rezerve</b> asupra rapoartelor financiare consolidate ale Ministerului Agriculturii, Dezvoltării Regionale și Mediului încheiate la 31 decembrie 2019.
<b>Basis for the opinion</b>	<p>The audit opinion was determined by the impact of the deficiencies related to:</p> <ul style="list-style-type: none"> <li>- subevaluării cu 373,6 mil. lei a valorii terenurilor gestionate ca urmare a neevaluării și necontabilizării a 449 loturi<sup>43</sup> de teren cu suprafața totală de 7,1 mii ha<sup>44</sup>. Supraevaluarea valorii terenurilor cu 95,1 mil. lei, ca urmare a menținerii în evidența contabilă a 92 loturi de teren<sup>45</sup> cu suprafața totală de 0,8 mii ha<sup>46</sup> care conform înscrisurilor în Registrul cadastral al bunurilor imobile aparțin persoanelor terțe. Eroarea totală agregată reprezintă 278,5 mil. lei<sup>47</sup>, ceea ce constituie o denaturare semnificativă a rapoartelor financiare în ansamblu;</li> <li>- supraevaluării cu 231,0 mil. lei a soldurilor aferente cotei statului în capitalul social al întreprinderilor de stat și societăților pe acțiuni, ca urmare a neexcluderii din evidența contabilă a cotelor-părți în capitalul social al întreprinderilor de stat și societăților pe acțiuni al căror fondator au devenit alte persoane sau urmare a lichidării întreprinderilor respective;</li> <li>- subevaluării valorii mijloacelor fixe, ca urmare a limitării auditului în obținerea probelor de audit suficiente și adecvate pentru cuantificarea</li> </ul>

<sup>43</sup> Serviciul Special pentru Influențe Active asupra Proceselor Hidrometeorologice (20 loturi de teren/21,7 ha/24,3 mil. lei), Comisia de Stat pentru testarea soiurilor de plante (2 loturi de teren/0,25 ha/0,3 mil. lei), IP Institutul Științifico-Practic de Horticultură și Tehnologii Alimentare (38 loturi de teren/766,44 ha/77,6 mil. lei), IP Institutul de Pedologie, Agrochimie și Protecție a Solului „Nicolae Dimo” (2 loturi de teren/1,23 ha/0,6 mil. lei), Agenția „Apele Moldovei” (376 loturi de teren/6271,88 ha/267,7 mil. lei), Inspectoratul pentru Protecția Mediului (11 loturi de teren/5,66 ha/3,1 mil. lei).

<sup>44</sup> Suprafața totală a terenurilor constituie 7 067,12 ha.

<sup>45</sup> Serviciul Special pentru Influențe Active asupra Proceselor Hidrometeorologice (APL - 7 loturi de teren/10,08 ha), Comisia de Stat pentru testarea soiurilor de plante (APL - 1 lot de teren/0,16 ha), IP Institutul Științifico-Practic de Horticultură și Tehnologii Alimentare (APP - 29 loturi de teren/544,14 ha, aparțin altor persoane terțe - 1 lot de teren/0,19 ha), IP Institutul Științifico-Practic de Biotehnologii în Zootehnie și Medicină Veterinară (APP - 6 loturi de teren/131/86 ha), IP Institutul de Pedologie, Agrochimie și Protecție a Solului „Nicolae Dimo” (APP - 2 loturi de teren/1,23 ha), Serviciul Hidrometeorologic de Stat (APL - 1 lot de teren/0,34 ha, APP - 1 lot de teren/4,63 ha), Agenția „Apele Moldovei” (APL - 3 loturi de teren/3,55 ha, aparțin structurilor vechi reorganizate - 29 loturi de teren/37,36 ha), Inspectoratul pentru Protecția Mediului (APL - 6 loturi de teren/1,46 ha, aparțin structurilor vechi reorganizate - 5 loturi de teren/3,59 ha), Ministerul Dezvoltării Regionale și Mediului (APP - 1 lot de teren/5,18 ha).

<sup>46</sup> Suprafața totală a terenurilor constituie 796,0796 ha.

<sup>47</sup> Calculul: 373,6 mil. lei - 95,1 mil. lei = 278,5 mil. lei.

## Other matters

impactului asupra rapoartelor financiare<sup>48</sup>, a neevaluării și necontabilizării a 122 de bunuri imobile<sup>49</sup>. Considerăm aceste deficiențe ca fiind semnificative<sup>50</sup>, întrucât doar valoarea a 18 din aceste bunuri imobile, înregistrate la Oficiul Cadastral, au valoarea cadastrală de 7,9 mil. lei, iar valoarea a 52 de bunuri imobile indicată în Darea de seamă prezentată Agenției Proprietății Publice constituie 16,9 mil. lei.

Other aspects that did not influence the audit opinion:

- misstatement th value of particular expenses following their misclassification, some expenses being overstated<sup>51</sup>, and others – understated<sup>52</sup> with MDL 64.4 million;
- overstating the expenses on reimbursement of funds from the previous years with MDL 5.2 million, following their erroneous reporting. Thus, the value of the financial result of this year was diminished, and the amount of the correction results of the previous years was increased by that amount.

During the audit engagement, the attention was drawn also to drawbacks, which although did not influence the audit opinion, revealed that the registration and management of the institution's property are not compliant with the relevant laws and regulations. Thus, here are the issues found with property management:

- ownership rights were not registered over 155 real estate (buildings), 86 of which are recorded in the books with the value of MDL 58.7 million, as well as over 156 plots of land covering an area of 1810.0 ha, a situation that can lead to major risks in terms of the integrity of the assets managed by the Ministry of Agriculture, Regional Development and Environment and by its subordinate entities;
- failure to report or misreporting of data related to the managed goods, 91 real estate and 5 plots of land covering an area of 57.2 ha were not reported at the Public Property Agency, as well as the understatement of real estate value by MDL 61.2 million and by MDL 38.3 million for the plots. In addition, we found out situations when:
- out of 123 informational systems registered in the accounting records with a total amount of MDL 40.9 million, 37 systems (MDL 4.6 million) are not

<sup>48</sup> Conform pct.1.4.5.1. din Ordinul MF nr.216 din 28.12.2015 „Cu privire la aprobarea Planului de conturi contabile în sistemul bugetar și a Normelor metodologice privind evidența contabilă și raportarea financiară în sistemul bugetar”, valoarea justă a bunurilor neevaluate se determină de către o comisie creată de către autoritatea/instituția bugetară sau de către un evaluator independent.

<sup>49</sup> Serviciul Special pentru Influențe Active asupra Proceselor Hidrometeorologice (43 de bunuri imobile), Comisia de Stat pentru testarea soiurilor de plante (1 bun imobil), IP Institutul de Cercetări pentru Culturile de Câmp „Selecția” (2 bunuri imobile), IP Institutul Științifico-Practic de Horticultură și Tehnologii Alimentare (3 bunuri imobile), IP Institutul Științifico-Practic de Biotehnologii în Zootehnie și Medicină Veterinară (1 bun imobil), IP Institutul de Fitotehnie „Porumbeni” (14 bunuri imobile), IP Institutul de Pedologie, Agrochimie și Protecție a Solului „Nicolae Dimo” (1 bun imobil), Agenția „Apele Moldovei” (47 de bunuri imobile), Inspectoratul pentru Mediu (10 bunuri imobile).

<sup>50</sup> Sumar, denaturările constituie estimativ cel puțin 24,8 mil.lei, ceea ce depășește pragul de semnificație stabilit.

<sup>51</sup> ECO 254000 ‘Subsidies granted to self-managed public institutions’ with MDL 10.6 million, and ECO 282900 ‘Capital expenses not assigned to other expenses’ – with MDL 54.2 million.

<sup>52</sup> ECO 263110 ‘Current grants awarded to self-managed public institutions’ – MDL 10.6 million, and ECO 263210 ‘Capital grants not awarded to self-managed public institutions’ – with MDL 54.2 million.

<b>Causes and impact</b>	<p>used<sup>53</sup>, a system <sup>54</sup>is not functional and a system<sup>55</sup> is not measured and accounted;</p> <ul style="list-style-type: none"> <li>- failure to register the ownership rights on the property of the Republic of Moldova located abroad lead to the demolition of the wooden houses of 'Selectia' recreation facility form Zatoka city, Ukraine by the former lessee, who built two level real estate on that place.</li> </ul>
<b>Measures taken by the auditees throughout the audit engagement</b>	<p>The identified flaws reveal that the internal managerial control set up within the MARDE and subordinated institutions is not linked to the good practices on resource and public sector asset management and need to be strenghten in order to exclude the further occurrence of irregularities and non-compliances noted within the audit engagements.</p> <p>During the audit mission:</p> <ul style="list-style-type: none"> <li>- a plot covering an area of 5.2 ha (MDL 58.3 million) and the shares in the social capital of 17 SOE amounting MDL 120.8 million were excluded from the accounting records;</li> <li>- a share of 359 plots of land covering an area of 6,245.9460 ha were entered in accounting records at the normative price of MDL 252.14 million.</li> </ul>
<b>Remedy measures</b>	<p>Based on what was found, specific recommendations to remedy the identified non-compliances and flaws have been provided to the management of the Ministry:</p> <ul style="list-style-type: none"> <li>- appropriate and rational management of the public funds;</li> <li>- strengthen the internal managerial control within the management/administration of the public sector asset;</li> <li>- registrate the ownership rights on managed assets at TCO;</li> <li>- appropriate organisation of the financial and accounting record;</li> <li>- ensure the assessment and reflect the quantity and value in the accounting records of the managed assets.</li> </ul>
<b>Viewpoint of the auditee management</b>	<p>The management of the Ministry and the auditees did not have any objections and accepted auditors' recommendations.</p>
<b>Recommendations to the Parliament</b>	<p>Develop clear and exhaustive criteria<sup>56</sup> with respect to the need for staff in direction/servises in charge for financial and accounting field and management of the assets within the line ministries.</p>

<sup>53</sup> 'GIS' Information System designed for keeping the ecosystem record related to the Nature Reserve 'Prutul de Jos' SOE and the 'Human Resources' Information System designed to collect and generalise the information within the subordinated enterprises.

<sup>54</sup> State Hydrometeorological Service – MDL 9.0 thousand.

<sup>55</sup> POP Sustainable Management PMT PI.

<sup>56</sup> Time sheet for each position.



## Audit of Consolidated Financial Statements of the Ministry of Education, Culture and Research and some subordinate institutions, closed on 31 December 2019 (Decision No 32 of 20.06.2020)

### Goal

Provide a reasonable assurance related to the fact that the consolidated financial statements of the Ministry of Education, Culture and Research closed on 31 December 2019 are developed and presented in accordance with the applicable financial reporting framework and do not contain, as a whole, material misstatements because of fraud or errors, as well as to issue an audit opinion.

### Opinion

The audit evidence gathered during the audit engagement led to the an **adverse audit opinion** on the consolidated financial reports of the Ministry of Education, Culture and Research closed on 31 December 2019.

### Basis for the opinion

The audit opinion was determined by the impact of the deficiencies related to:

- understatement of the land plots value by MDL 452.12 million because of the failure to register 402.2 ha and understatement of the plots;
- understatement of the buildings value by MDL 94.1 million because of having not settled since 2012 the handover of MDL 69.9 million from the Academy of Sciences of Moldova to the High-school Aristotel, and failure to capitalise the investments of MDL 7.8 million, etc.
- overstatement of the buildings value by at least MDL 4.52 million because of a settlement failure of the assets that do not belong to the institutions and/or were privatised;
- failure to record 307 land plots covering an area of 2255 ha and 1096 buildings and constructions – public property in the public domain – being used by the self-managed entities founded by MECR. However, according to Article 5(2)(a) of Law No 29 of 05.04.2018<sup>57</sup>, they were to be recorded in the accounting records of MECR. This caused the understatement of the land plots value between MDL 575.5 million and MDL 1842.2 million, of the buildings – by about MDL 4929.2 million, as well as led to the increase of shares value and other forms of participation in the share capital inside the country – by MDL 1778.4 million;
- overstatement of the shares value and other forms of participation in the share capital within the country by MDL 113.16 million, particularly because of the failure business entities to submit the capital equity stakes taken over by PPA (MDL 100.94 million);
- understatement of the value of shares and other forms of participation in the share capital inside the country by MDL 57.31 million as a result

<sup>57</sup> Law No 29 of 5.04.2018 on Public Property Border Delimitation.

of failure to capitalise the investments made along the years, as well as the MEI not transferring the state investments in the infrastructure of the Engineering College in Straseni (MDL 29.88 million) over to the founder (MECR);

- overstatement of the value of 'Capital Investments in Assets under Construction' by MDL 43.3 million because of double-entry bookkeeping of investments made in the Mainstream School from Rabnita by MECR and Evrika High-school (MDL 13.3 million), as well as for 7 assets (MDL 14.5 million) recorded in the books of LPA and for 3 assets sold by LPA (MDL 15.5 million)<sup>58</sup>;
- understatement of 'Other Fixed Assets' value by at least MDL 106.1 million, as a result of failure to register the textbook fund fit into the rental scheme as MECR property;
- understatement of the cultural heritage assets value by at least MDL 180.63 million because of the failure to record: monument buildings worth at least MDL 180.3 million (Capriana Monastery – MDL 87.8 million, Curchi Monastery – MDL 92.5 million (2 of the 634 monuments/buildings state-owned and -protected<sup>59</sup>)) etc;
- overstatement of expenses for scientific research by MDL 32.84 million and because of the failure to register results of scientific researches as intangible assets;
- understatement of the claims by MDL 30.59 million as a result of the: irregular reporting<sup>60</sup> of MDL 27.2 million unused until 31 December 2019, as expenses related to the educational services by self-managed educational institutions; failure to perform invoiced construction works (MDL 3.15 million); increase of expenses from 2019 (MDL 122.9 thousand) and 2018 (MDL 63.1 thousand) from the resources allocated for social aid benefits were not used; unfounded increase by MDL 57.5 thousand of the expenses related to the unsubstantiated increase in top-level athletes' stipends.

## Other matters

Other aspects that did not influence the audit opinion:

- MECR contracted educational services for implementing the higher education plan amounting MDL 674.9 million against the provisions of Article 206 of the Civil Code (2003 edition), the object of the contract not being established (type, quantity and quality of the service). Funding of the higher education institutions is not correlated with the number of students. While the amount of funding is increasing (from MDL 595.2 million in 2018 to MDL 674.9 million in 2019 (+11.2%)), the number of

<sup>58</sup> LPA from Rascani town: kindergarten – MDL 3355.4 thousand and the school – MDL 6493.8 thousand; LPA Siret, Straseni district: school – MDL 5622.0 thousand.

<sup>59</sup> Government Decision No 740 of 11.06.2002 on Buildings And Places Of Worship.

<sup>60</sup> MF Order No 216 of 28.12.2015.

students funded by the state budget is decreasing by 855 students (17,740 in 2018; 16,855 in 2019);

- allocating additional budget funds for VET institutions, MECR didn't take into account the regulatory provisions and didn't adjust the initial average education cost applied, the allocated funds having been based on the needs identified by every institution;
- the executed expenses within the education/training process covered from the state budget and own revenues are not used and reported proportionately to the number of existent budgetary and contract-based places in the higher education and VET. As a result, approximately MDL 391.7 million related to the 'State Order' were used to compensate the costs for contract-based education. At the same time, these institutions registered MDL 223.0 million on 31.12.2019;
- MECR and the educational institutions did not report having clear internal procedures meant to ensure the employment of graduates and the implementation of the mechanism of return to the state budget of resources spent for the education of students who refused mandatory employment and of those who were expelled. As many as 2545 pupils/students<sup>61</sup> were expelled in 2019. The resources spent for their education were not recovered;
- article 145(1) of the Education Code was not observed upon establishing and approving the ceilings for state budget allocations needed for the maintenance of secondary general education institutions (high-schools/gymnasiums), that are directly under the MECR and funded by it. The provisions that weren't applied were about education financing on the basis of standard cost per capita and adjustment coefficient. In addition, the provisions of the Government Decision No 868 of 8.10.2014 were not applied<sup>62</sup>. This caused the over-financing of institutions in comparison with institutions subordinated to the LPAs;
- subsidies meant for theatre and concert organisations in the amount of MDL 159.1 million were granted without linking their amount to activity indicators set out in the regulatory framework, which was also mentioned in the previous audit engagements.

MECR has no information on the use of the results of scientific researches. Despite the fact that in 2019, 18 scientific research institutions incurred expenses amounting MDL 259.61 million, the value of recorded intangible assets amounted only MDL 0.08 million, while, as stated by AGEPI, as of 31 December 2019, as many as 341 patents for invention were registered with the scientific research institutions, including 157 awarded in 2019.

<sup>61</sup> A total of 2545 students/pupils (2015 in higher education and 530 in post-secondary and non-tertiary VET).

<sup>62</sup> Government Decision No 868 of 08.10.2014 regarding the financing on a standard cost basis per pupil of primary and secondary general education institutions subordinated to the local public authorities of the second level.

<b>Causes and impact</b>	The identified flaws are caused by the lack of an operational internal managerial control system, including the
<b>Measures taken by the auditees throughout the audit engagement</b>	MECC și instituțiile din subordine au efectuat corectări financiar-contabile de 49,64 mil. lei; au format garanții de bună execuție a contractelor de 1,0 mil. lei; prin Hotărârea Guvernului nr.343 din 10.06.2020, a fost aprobată „Metodologia de finanțare bugetară a instituțiilor publice de învățământ superior”, care urmează a fi pusă în aplicare și pilotată de la 01 ianuarie 2021; Universitatea de Stat din Comrat și 5 instituții profesional-tehnice <sup>63</sup> au diminuat cu suma de 1,85 mil. lei cheltuielile pentru serviciile educaționale raportate neregulamentar.
<b>Remedy measures</b>	Măsurile dispuse spre remediere sunt îndreptate spre implementarea procedurilor de control intern, care să asigure respectarea cadrului legal-normativ în toate activitățile desfășurate de MECC și entitățile din subordine, precum și pentru elaborarea și ajustarea cadrului regulator intern, dar și în vederea completării documentelor normativ-metodologice de evidență contabilă cu reglementări privind modul de reflectare în evidență a activelor materiale și nemateriale formate în cadrul entității bugetare.
<b>Viewpoint of the auditee management</b>	The auditees did not have any objections and accepted auditors' recommendations.
<b>Recommendations to the Parliament</b>	Revizuirea cadrului legal-normativ în scopul asigurării eliminării cheltuielilor ineficiente aferente studiilor elevilor/studentilor exmatriculați și celor care nu s-au prezentat la locul de muncă conform repartizării.

<sup>63</sup> Școala Profesională Ciumai (alimentația) – 160,3 mii lei; Școala Profesională Ungheni (bursa) – 29,6 mii lei; Colegiul tehnic feroviar (bursa) – 39,8 mii lei; Colegiul Politehnic mun. Bălți (comanda) – 165,2 mii lei; Școala Profesională Orhei (comanda) – 1 339,2 mii lei.



# Financial audit engagements

