



AUDIT STRATEGY OF THE COURT OF ACCOUNTS FOR 2022-2024



Content:

PREAMBLE	3
STRATEGIC OBJECTIVES	4
AUDIT MANDATE	5
AVAILABLE RESOURCES.....	7
Human resources.....	7
Time resources.....	7
Informational resources.....	8
GENERAL PRIORITIES	9
PRIORITIES BY TYPE OF AUDIT	10
Financial audit.....	10
Compliance audit	11
Performance audit.....	11
COMBATING FRAUD AND CORRUPTION .	14
IMPLEMENTING THE STRATEGY	15
IMPACT	17
STRATEGY IMPLEMENTATION RISKS.....	18
MONITOEING	19

PREAMBLE

The Court of Accounts of the Republic of Moldova (CoARM) is the Supreme Audit Institution (SAI) of the state that contributes to the good governance and well-being of the citizens, by carrying out independent, credible, transparent and high quality audits.

Article 133 of the Constitution of the Republic of Moldova substantiates the Court of Accounts in its capacity as an audit institution with a sufficiently broad mandate, which exercises control over the formation, administration and use of public financial resources, the results of the activity being reported annually to Parliament.

Since its inception, our institution has sought to continually improve its work by reforming from a financial control structure to a Supreme Audit Institution. The role of the Court of Accounts is closely linked to promoting accountability, fairness and best practices in the management of **public finances**.

Vision - as an independent institution of external public audit, we contribute to the strengthening of good governance, being a **credible voice of change for the better in the life of the citizen**.

Mission - by promoting transparency and accountability in the field of public finance management, following the course of innovation and accessibility of the information presented, we will continuously assess whether public funds are properly managed and bring added value.

Values - by colliding with the fundamental principles of activity and the experience gained in our capacity as Supreme Audit Institution, in the new strategic period we will be guided by the following values:

relevance, evaluating the areas of major interest for the citizen and adapting promptly to the existing reality;

professionalism, increasing the accessibility of audit engagement results and contributing to the development of professional skills specific to the types of audits performed;

impact, truthfully presenting the realities of the audited areas, intervening with timely recommendations for improvement;

respect, promoting a climate of trust and understanding that every employee is important and everyone's work is valued at fair value.

STRATEGIC OBJECTIVES

The audit strategy of the Court of Accounts for the years 2022-2024 is elaborated starting from the role of the Court as a Supreme Audit Institution that exercises control over the formation, administration and use of public financial resources and public assets, by conducting public audit externally according to the International Standards of Supreme Audit Institutions, its role and purpose being enshrined in the Constitution of the Republic of Moldova and in the Law of the Court of Accounts of the Republic of Moldova no. 260 from December 7, 2017.

The strategy contains the general directions of the audit activity, including the main types of audit. The role of the Strategy is to prioritize audit activities based on areas of risk and increased interest for the citizen.

The audit strategy for the years 2022-2024 also marks the implementation of the Development Strategy of the Court of Accounts for the period 2021-2025, which focuses on the following strategic pillars:

- **PILLAR I:** Contributing to the sound management of public money by increasing the impact of the audit activity;
- **PILLAR II:** Sustainable development of the Court of Accounts in order to ensure high quality audits;
- **PILLAR III:** Improving communication with stakeholders to increase the impact of the work of the Supreme Audit Institution.

Thus, in order to increase the impact of the audit activity, the Court set for the reference period the following strategic objectives, which result from the Strategic Development Plan for the years 2021-2025:

- strengthening the planning of audit work based on risk analysis;
- enhancing the performance of performance auditing;
- further development of financial audit;
- developing the capacity to conduct compliance audits to address high-risk areas;
- increase the efficiency of communication and the quality of audit reports;
- increasing the quality and level of implementation of audit recommendations etc.

AUDIT MANDATE

Article 133 paragraph (1) of the Constitution identifies the general mandate of the CoARM, and the organic law amplifies it and provides details on the area and instruments of the mandate, the functions and responsibilities of the participants in the planning and implementation process, etc.

According to the Article 31 of Law no. 260/2017, the Court of Accounts performs the following types of audit: financial audit, compliance audit and performance audit.

The Court of Accounts **is obliged** to carry out an annual financial audit of the:

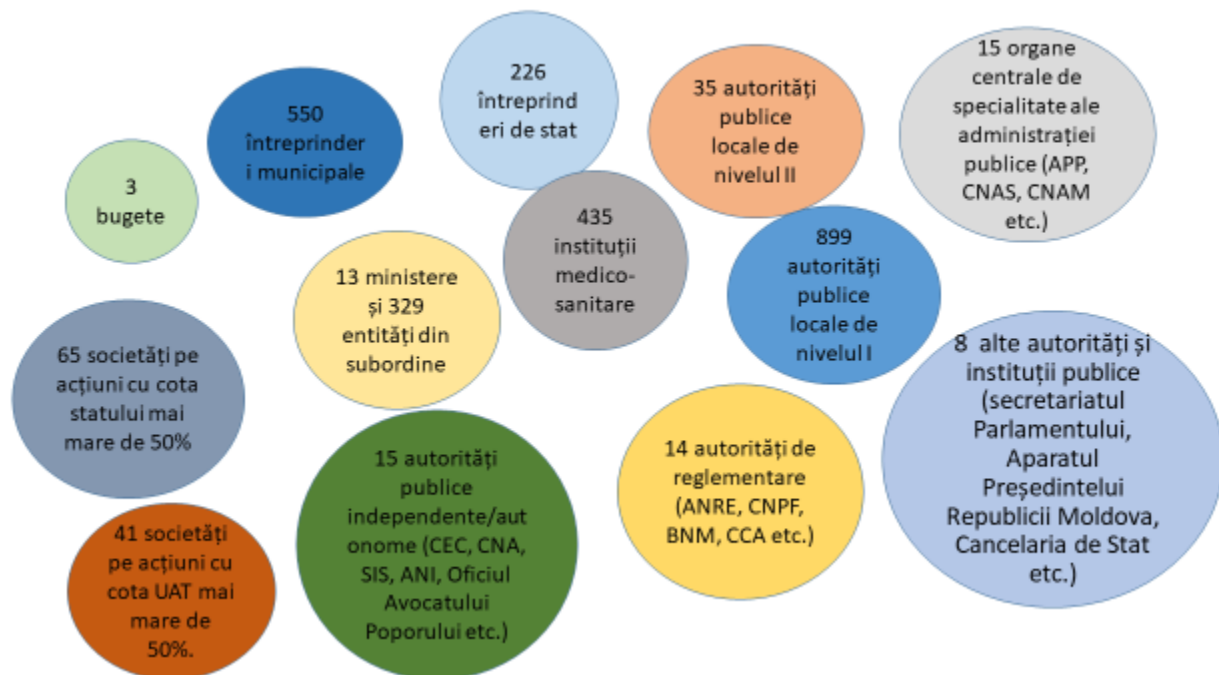
- the report of the Government on the execution of the state budget in the concluded budget year;
- the report of the Government on the execution of the state social insurance budget in the concluded budget year;
- the report of the Government on the execution of the funds of the compulsory health insurance in the concluded budget year;
- the reports of the ministries on the execution of the budgets in the concluded budget year.

In this way, the Court of Accounts:

- is the Supreme Audit Institution of the Republic of Moldova, which fulfills its constitutional mandate by conducting external public audit according to the international standards of the SAIs;
- has the right to audit all financial and administrative activities, other activities, programs and projects managed by the entities, including the process of sale, privatization or concession of assets and revenues derived from them;
- has the right to audit the use of public financial resources by any beneficiary, regardless of the type of ownership and legal form of organization, as well as by political parties;
- is empowered to perform all types of audits: financial, compliance and performance;
- has the right to carry out financial audits on state and municipal enterprises, on companies whose share capital belongs entirely to the state or administrative-territorial unit, or at least half of the share of the social capital;
- it independently determines its annual and triennial priorities. It is free from instructions or interference by the legislative or executive authorities in the choice of audit aspects, in their planning, organization and reporting. The interventions from the Parliament in the activity of the CoARM can take place only in the manner established by art. 6 paragraph

(5) of Law no. 260/2017, according to which “the Parliament is entitled to request, by decision, external public audit”.

Article 133 of the Constitution of the Republic of Moldova substantiates the role of the Court of Accounts in its capacity as an audit institution with a sufficiently broad mandate, which exercises control over the formation, administration and use of public financial resources, the results of its activity being reported annually to the Parliament.



The Court of Accounts has a comprehensive planning process, which allows to increase the impact of the external public audit activity by implementing a coherent system of prioritizing activities based on areas of high risk and interest for stakeholders. This process promotes the development of high-performance annual and multi-annual audit programs, but also ensures that the expectations of the governance and the general public are met in a timely manner.

AVAILABLE RESOURCES

The Court of Accounts is constantly evolving and changing, it is oriented towards increasing the quality level of the activity carried out, having for it limited human, material, informational and financial resources.

Human resources

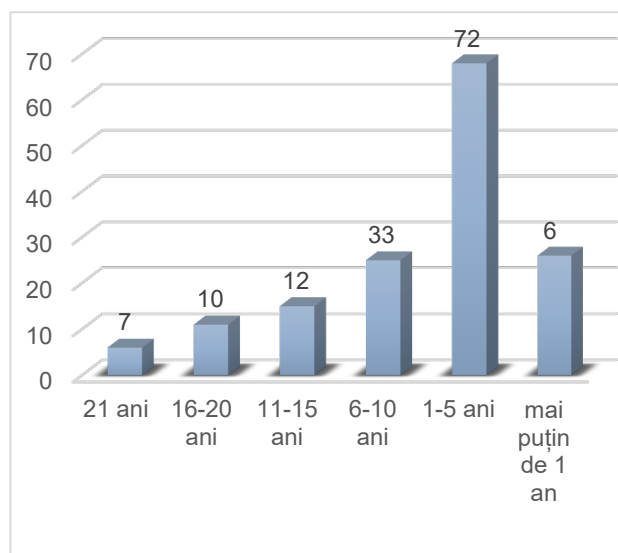
The Court of Accounts carries out its activity through the staff with public audit attributions, the specialized staff and the technical staff, in total number of 160 units, which remains unchanged since 2011. Out of the total staff employed, 112 are external public auditors.

The staff of the Court of Accounts is trained in the following areas: accounting - 38 (27%), legal - 31 (22%), economics - 28 (20%), finance - 18 (13%), IT and engineering - 7 (5%), other fields - 18 (13%).

Over 23.6% of the CoARM's employees have an experience of working within the institution from 6 to 10 years, another 20.7% have an experience of more than a decade.

In recent years, there has been a trend towards a predominant number of staff in the 30-40 age group (57 employees, or 41%). The average age of employees is 46 years.

In order to ensure a high level of quality of the audit activity, the Court of Accounts implemented the certification system of public auditors, as a result of which 76% of the employees with audit attributions were certified. Taking into account the international trends in external public audit, the Court will pay particular attention to the development and initiation of procedures necessary for the implementation of the public sector auditor's professional competence framework, including in the detection and assessment of fraud and corruption risk indices.



Time resources

Starting from the fact that an employee with audit duties works during the year, on average, 220 working days (250 annual working days - 30 working days of leave), the annual time budget that can be allocated to carry out the activity of audit, in total per institution, is about 23 thousand days/person. At the same time, taking into account the time resources required to train the audit staff, including in the context of certification, conducting ad hoc audits (requested by Parliament,

civil society, development partners, etc.) or follow-up audits, but also the probability of the existence of sick leaves, the time resources subject to the audit activity will be planned with a reserve of 10-15%. Thus, the annual time budget actually allocated for operational activity will be about 19.6 thousand days/person (186 days per employee), of which 4.8 thousand days/person (about 25%) will be allocated for the implementation of mandatory financial audits.

Informational resources

The use of information technologies in the audit activity will bring about changes in the Court of Accounts, respectively, more successes will be registered in the operational activity.

The CoARM has 20 licenses for the use of the *MkInsight* Automated Information System, intended for the management of audits, provides all stages of the audit (planning, implementation, reporting), including annual planning and monitoring of the implementation of recommendations by audited entities.

Employee use of audit software solutions will significantly increase the quality of the audit planning and execution process, including time management implementation, but most importantly, it will help increase quality and efficiency of the audit activity.

GENERAL PRIORITIES

During the last years, the stakeholders - the society and the Parliament of the Republic of Moldova - have indicated that they need to be provided more frequently with information on compliance and performance of public funds management. These types of audits allow the assessment of the legality of the use of public funds by public authorities, but also of the results obtained by them, through the cost-benefit ratio brought to the country's citizens.

The Court considers that the strategy of increasing the number of compliance and performance audits will add value to the audit activity, contributing to the efficiency of public funds expenditures and to the improvement of the services provided by state institutions. At the same time, emphasis will be placed on the relevance of the topics selected for audit based on the concerns of the citizens, the Parliament and the Government of the Republic of Moldova.

Carrying out the activity only according to the ISSAIs and good practices, will contribute to the consolidation of a sustainable external public audit in the Republic of Moldova and will ensure the improvement of public administration and good governance, in the context of the public administration reform and the integration strategy of the Republic of Moldova in the European Union.

PRIORITIES BY TYPE OF AUDIT

Financial audit

The financial audit is an independent activity carried out in order to obtain reasonable assurance as to the extent to which the financial statements as a whole do not contain material misstatement as a result of fraud or error, activity that ends with the expression of an opinion on whether the financial statements are presented, from all significant points of view, according to the applicable financial reporting regulatory framework. The main objective is to obtain reasonable assurance as to the extent to which the financial statements as a whole do not contain material misstatement due to fraud or error and to issue an audit opinion.

Basic goals pursued:

- contributing to the consolidation of good accounting and financial reporting practices in public entities, as well as to the continuous promotion of the necessary reforms, including in the aspect of improving the financial reporting of the state budget;
- maintaining progress in conducting financial audits according to the INTOSAI's international standards;
- optimizing the human and time resources allocated to audits so that we can provide reasonable assurance on the financial performance and financial condition of public entities.

The reality of the annual development of financial audits on the components of the national public budget, as well as on the consolidated financial statements of the ministries (3+13) is a normative obligation established throughout the Law no. 260/2017.

This provision is also conditioned by existing good practices at the state level, comparable in terms of development and trends in the public sector. As a next step in this process, it is the creation and implementation by the responsible entities of the financial reporting regulatory framework, capable of regulating the process of consolidating the national public budget.

From the perspective of the commitments assumed by the Republic of Moldova through the provisions of the Association Agreement with the European Union, the implementation of such a framework meant to ensure the normative regulation of the mechanisms for consolidating the financial reports is a long-term activity. The argument put forward by the national authorities points out that the gradual implementation of accounting standards is more efficient than the full implementation.

It is therefore necessary to develop all standards and to approve and implement them gradually, according to the established priorities, ensuring the development of related information systems and the training of public sector accountants.

In view of the above, the Court of Accounts, through its audits, will assess the progress made by the public authorities involved in this process, while ensuring, during this period, the continuous implementation of 3+13 financial audits, in order to strengthen financial discipline in the public sector.

Compliance audit

In carrying out its compliance audit, the Court of Accounts shall carry out independent work to ascertain whether the system, processes and operations of the audited public entities are in accordance with the laws, regulations and governing authorities, with a conclusion on them.

Basic goals pursued:

- identification of weaknesses and deviations from the regulatory framework, submitting proposals to remedy and avoid their recurrence in the future;
- assess the compliance of existing procedures and processes in the public system, paying particular attention to areas affected by the risk of fraud or frequent infringements of the law;
- promoting transparency and the principles of legality, aimed at elucidating the factors that favor fraudulent phenomena in the use of public funds.

In order to ensure the timeliness and relevance of Moldovan society, the audit work of the Court of Accounts should be adjusted to assess the compliance of existing phenomena and processes in the public system, auditing issues of interest such as: public-private partnerships, management of financial resources according to goals and objectives set etc.

In this regard, the CoARM intends to increase the share of compliance audits carried out annually or to maintain them, at least, at the level planned for 2020, by selecting audit topics and areas based on a risk assessment and areas of interest for legislator and the country's development partners.

For the next strategic period, we aim to align with internationally established trends as well as the intentions of our peer supreme audit institutions.

Particular attention should be paid to areas of major interest to the citizen, with high risks of fraud or frequent violations of legislation, such as: public procurement, subsidies, regular exercise by public authorities of delegated powers, compliance with public services, LPA etc.

Performance audit

Performance auditing is an independent, objective and reliable assessment of whether government companies, systems, operations, programs, activities or organizations are operating according to the principles of economy, efficiency and effectiveness and whether there is room for improvement through the issuance of an audit conclusion.

Performance auditing goes beyond traditional auditing practices. This audit is how taxpayers, legislators, citizens and the media can get details on the operation and results of various government activities.

The Court of Accounts has a broad mandate to perform performance audits. Performance audits provide taxpayers with a clear assessment of how their money is being spent, and also help to improve the management of public institutions and reduce the risk of misuse of public resources.

Basic goals pursued:

- development and implementation of mechanisms to strengthen the performance audit conducting, paying special attention to the issues related to the specialization of human resources involved;
- providing quality performance audits to help streamline public spending and improve the services provided by state institutions.

By conducting this type of audit, the Court aims to provide answers to such questions as: has value been added? has performance improved? Is it possible to spend money better or wiser?

At the same time, by conducting this type of audit, the Court proposes to focus limited audit resources on areas that have a major impact on citizens' lives. Improving the management of public resources by helping to increase the accountability and transparency of public authorities will also be one of the main areas for focus.

The focus of performance auditing is broader than financial management and may cover the efficient provision of public services or public administration in general, based on the specifics of this type of audit as well as the general expectations of the company.

In this regard, it is considered necessary to increase the share of annual performance audits by selecting audit topics and areas based on an assessment of risk and areas of interest to society.

For the next strategic period, we aim to align with internationally established trends as well as the intentions of our peer supreme audit institutions. In this regard, the CoARM will refocus on auditing the performance of national programs developed in order to achieve the Sustainable Development Goals, while focusing on assessing the effectiveness of public funds management by the competent authorities.

Particular attention should be paid to areas of major interest to the citizen, areas in which, in recent years, public authorities have invested substantial resources in ICT, aiming to obtain value for money/performance from the use of public funds and administration of services. In this regard, the management of public entities needs to be helped in order to raise awareness of the possibilities of optimizing and streamlining investments in ICT, to achieve the proposed goals and this support can be provided by the CoARM by conducting IT audit and offering recommendations for development and modernization of the IS.

Strategic priorities in performance auditing will be aimed at improving the work of public authorities and institutions, by assessing the performance of managed resources, with an emphasis on:

- social security, in particular health insurance, social protection and education;
- the economic field, especially the public-private partnership; privatization of public property, management of municipal and state enterprises etc.;
- environmental issues, in particular water, soil, air quality and disaster and disaster management;
- IT field, in particular on how to manage and streamline projects to digitize services and processes in the public sector, ensure interoperability and streamline data exchange between public sector information systems etc.

COMBATING FRAUD AND CORRUPTION

In order to implement this Audit Strategy, during our audits, regardless of their type, we aim to identify and immediately notify the relevant authorities and law enforcement agencies on suspicions of fraud and corruption.

Thus, the audit procedures will take into account the internal procedures for identifying and documenting by the auditors the cases of suspected fraud and corruption, as well as developing the capacity to identify and document those suspicions.

We also aim to improve cooperation and communication with investigative bodies in dealing with suspected fraud and corruption cases. To this end, we will increase the knowledge and skills of our auditors in the context of tackling fraud and corruption, in line with international standards.

IMPLEMENTING THE STRATEGY

This Strategy will be a reference point for the coherent preparation of the annual audit programs, taking into account the trends and changes that may occur in the decisions of state institutions. In order to ensure the successful implementation of the Strategy, it is appropriate to allocate resources according to the types of audit, in correlation with their importance in the context of the CoARM's mandate (see Table below).

Table

Share of resources allocated annually for the core activity

<i>Resources allocated for implementation of:</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>
<i>Financial audits</i>			
<i>from which:</i>			
<i>- mandatory</i>	<i>30%</i>	<i>30%</i>	<i>30%</i>
<i>- Others than those mandatory</i>	<i>15%</i>	<i>20%</i>	<i>20%</i>
<i>Compliance audits</i>	<i>45%</i>	<i>45%</i>	<i>40%</i>
<i>Performance audits</i>	<i>10%</i>	<i>15%</i>	<i>20%</i>
<i>Other activities*</i>	<i>15%</i>	<i>10%</i>	<i>10%</i>
<i>Total</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>

**other activities - resources needed to carry out ad hoc audits (requests from Parliament, civil society, development partners, etc.), follow-up missions, training and certification activities.*

Based on the available resources, the type of audit and the complexity of the tasks, the Court of Accounts aims to carry out approximately 55-65 audits annually.

In addition, in the context of the implementation of the Strategy we will ensure:

- addressing a significant topic or area for users of audit reports in all financial audits, e.g. public administration reform, payroll etc.;
- realistic annual planning of the audit activity based on available resources and compliance with the deadlines for carrying out the planned audits;
- when drawing up the annual audit programs, we will provide a reserve of resources from 15% (2022) to 10% (2024) annually, in order to ensure, if necessary, the flexibility of resources, the performance of ad-hoc audits, follow-up, certification during 2022 of staff with audit responsibilities etc.

For the implementation of the Strategy, as well as in the elaboration of the Annual Audit Programs, the following will be taken into account:

a) general principles:

- independence, impartiality and objectivity of the formulation of proposals, according to which the selection of audit activities and entities did not depend on external interests or any other type of group interests, being carried out impartially;
- realistic character, which implies the inclusion in the program of those audit actions that can be performed with the available resources of each General Audit department. To this end, will be carried out the assessment of existing human resources at the level of audit departments or territorial subdivisions;

b) specific issues and elements:

- the attributions incumbent on the Court of Accounts, according to the Law;
- high risk sectors/areas;
- amendments to the legislation on some organizational measures or on public administration;
- the experience in the audit activity previously accumulated by the Court of Accounts;
- the size and overall structure of the sector under review and certain specific areas within it;
- requests or initiatives of a general nature made by the Parliament of the Republic of Moldova;
- complaints and petitions to the Court of Accounts from natural and legal persons, including information from the media or other sources;
- assessment of material and human resources available at the level of audit departments and others.

IMPACT

By implementing the actions set out in this Strategy, we aim to provide accurate and objective assessments of the responsible and efficient management of public funds by the audited entities. Carrying out audits according to the high expectations of society, as well as with the generally accepted good practices, we aim to bring to light the existing fraudulent phenomena, participating in promoting the climate of integrity in the country. The auditors' task is not only to identify the failures of the audited entities, but also to provide independent and objective advice, by making perceptible and real-impact recommendations based on system analysis, thus contributing to improving the quality of decisions, which will ultimately strengthen good governance and make a difference in the lives of citizens.

Consistent implementation of the Strategy will help us:

- to better understand the expectations of the stakeholders and to respond to them in a timely manner and without compromising our independence;
- to develop and approve annual audit programs so that we can respond appropriately to the key issues affecting society;
- to assess and respond to risks in changing the audit environment through relevant activities that will address deficiencies in accounting and financial reporting and prevent fraud and corruption.

We will also continue to help build confidence in our activity, to become a credible voice in invigorating the public sector, including by soliciting stakeholder's opinion on our activity.

STRATEGY IMPLEMENTATION RISKS

The risks associated with the implementation of this Strategy may be both internal and external and may affect the proper achievement of the objectives set, as well as may jeopardize the achievement of the expected results. The major potential risks come down to:

- inadequacy and imperfection of the methodological rules related to the financial reporting framework in the budgetary system;
- lack of compliance with the budget calendar, respectively, non-approval within the established deadlines of the Government Reports, as well as of the annual financial reports of the ministries;
- elaboration of unobtrusive, complex and unbalanced annual audit programs;
- performing low-quality and irrelevant audit assignments.

In order to achieve a coherent management of the identified risks, we aim:

- to define the tolerance level/acceptable level of risk exposure;
- to assess the probability that the risks will materialize, to establish the impact and the exposure to it;
- to establish control measures for risk management and monitoring.

MONITORING

The implementation process of the Strategy will be accompanied by regular monitoring of the implementation of the proposed actions and the results obtained, if necessary the corresponding changes being made. We will report annually on the implementation of the Strategy, by including a separate section in the Activity Report of the Court of Accounts.

