

Report on the Accomplishment of the Action Plan on the Implementation of the Financing Agreement between the Government of the Republic of Moldova and the European Union, approved by the Government Decision no.921 of 12.11.2014

Program: *Support to Public Finance Policy Reforms in Moldova*

Component C: *Court of Accounts of RM (CC)*

Implementation period: *2017*

During the years 2015-2017, the Court of Accounts implemented the component of the Action Plan on the Implementation of the Financing Agreement between the Government of the Republic of Moldova and the European Commission regarding the Support Program to Public Finance Policy Reforms in the Republic of Moldova (approved by the Government Decision No.921 of 12.11.2014).

On December 6, 2017, the European Commission amended the Sub-Conditions referring to the Court of Accounts, from the 2017 budget support policy matrix as follows:

Under condition **C1 "Enhanced effectiveness of external audits"** Sub-Condition C 1.1. *"All audit reports published by the CoA of the RM in 2017 shall apply the regulatory framework approved and published in 2016, including, in particular, audit manuals (e.g. financial audit and performance audit manuals). CoA of the RM develops and approves the audit report templates (templates) and standardized opinions according to ISSAI."* The following actions have been accomplished:

- In order to ensure that the audit missions are carried out in compliance with the provisions of ISSAI, at the end of 2016 the Court of Accounts approved the Financial Audit and Performance Audit Manuals (Decision No. 54 of 5 December 2016 on the approval for testing of draft normative and methodological acts regulating the performance of audits), which were developed in accordance with the provisions of international auditing standards and were applied while carrying out financial and performance audits during 2017.
- During 2017, with the support of the European Union Delegation in Moldova, the Court of Accounts benefited from the initiation of the EU twinning project "Technical Assistance for Improvement of Regularity Quality and Audit of Performance Performed by the Court of Accounts of the Republic of Moldova". With

the assistance of a foreign expert four pilot financial audits have been launched, the purpose of which is to improve the normative-methodological framework of the CoA (Financial Audit Manual) in terms of financial and compliance audits in line with international audit standards and EU good practices and improve the professional skills of CoA auditors.

- Similarly, at the end of 2016, by the Decision of the Court of Accounts no. 52 of 5 December 2016, there were approved and implemented Methodological Rules on the structure, content and format of the Court of Accounts audit reports providing the minimum requirements regarding the structure of audit reports and contain recommendations on the content thereof, as well as technical requirements regarding drafting of audit reports. The methodological norms shall apply to all types of audits and the opinions/conclusions in respect thereof and are drawn up in accordance with the audit standards and manuals and other relevant regulatory and methodological acts of the Court of Auditors.
- During 2017 the CoA adopted 31 decisions on the approval of 36 audit reports (16 financial audit reports, 3 audit compliance reports, 15 performance audit reports, 2 follow-up reports). A more detailed information on the decisions adopted by the Court of Accounts is provided in Annex no. 1.
- It is also worth mentioning that all the sittings of the Court of Accounts on the examination of results of audit missions are reflected on the official website of the CoA (www.ccrm.md) where announcements are placed regarding the holding of sittings and the representatives of the mass media and of the civil society are invited. The sittings of the CoA of the RM are public and are transmitted online on the Court's official website www.ccrm.md. The decisions and audit reports can be accessed at the following link: <http://www.ccrm.md/hotariri-si-rapoarte-1-95> and are published in the Official Gazette of the Republic of Moldova.

Under Condition C2: “Increased transparency of external audits and improved management for results”, Sub-Condition C 2.1 *“At least 13 performance audits are finalized and published in 2017; the results thereof are presented in the Report on the Implementation of the Action Plan for 2017 of the Project on Social Development of the CoA of the RM.”* The following actions have been accomplished:

- In the Audit Activities Program for 2017, approved by the Decision of the CoA no. 47 of 05.12.2016 were included 13 performance audit missions. During 2017 (as of

08.12.2017) 12 audit missions were reported, another one will be reported according to the plan by the end of 2017.

- Performance audit missions were conducted in compliance with ISSAI and of the Performance Audit Manual (Decision No. 54 of 5 December 2016), and the CoA decisions on the approval of the corresponding Reports and the Performance Audit Reports were placed on the website www.ccrm.md. A more detailed information on performance audits is provided in Annex no. 2.
- All the sittings of the Court of Accounts on the examination of results of audit missions are reflected on the official website of the CoA (www.ccrm.md) where announcements are placed regarding the holding of sittings and the representatives of the mass media and of the civil society are invited. The sittings of the CoA of the RM are public and are transmitted online on the Court's official website www.ccrm.md. The decisions and audit reports can be accessed at the following link: <http://www.ccrm.md/hotariri-si-rapoarte-1-95> and are published in the Official Gazette of the Republic of Moldova. Separate summaries of each Performance Audit Report containing the main findings of the audit mission and its conclusions in respect thereof are provided in Annex no. 3.
- In order to ensure the achievement of development goals within the Court of Accounts there has been developed the Strategic Development Plan of the Court of Accounts for the years 2016-2020 (hereinafter referred to as PDS 2016-2020), approved by the Decision of the Court of Accounts no.39 of 10.11. 2015. Thus, in view to implement the PDS a particular Action Plan was enacted. According to the Action Plan for 2017 it was planned to carry out a series of activities related to the following three pillars:
 - Contribution to the strengthening of good governance;
 - Ensuring institutional sustainability;
 - Developing and maintenance of corporate and audit quality.

Out of the total number of activities planned, more than half are of permanent nature and have been carried out during 2017. A more detailed information on the implementation of the Action Plan on the achievement of PDS is provided in Annex no. 3.

Under Condition C3 "Increased transparency in the anti-corruption activities of the CoA",
Sub-Condition C 3.1 *"The Report on the Implementation of 2017 Action Plan includes a*

specific chapter on suspected fraud and corruption cases identified by the CoA of the RM throughout 2017". The following actions have been accomplished:

- The Court closely cooperates with the law enforcement authorities in fighting against fraud and corruption. Thus, the Court of Auditors transmits to the law enforcement authorities all suspicions of fraud, corruption or any other illegal activity that is being identified during the audit activity. These cases are then examined by the law enforcement bodies which decide whether to open an investigation inquiry or not. During the reported period, the Court of Accounts sent to the relevant law enforcement bodies materials presented in 8 decisions and audit reports, while other 4 materials are in the process of being handed over.
- The main cases identified by auditors that generated suspicions of fraud were related to: violations within procurement procedures, violations in the process of agricultural subsidiary, irregularities in the management of the road traffic surveillance system and provision of information related services, violations in the procedure of prescribing and releasing compensated medicinal products, deficiencies and deviations in the management of public property, as well as in the field of state veterinary supervision and control.
- During the reporting period (01.01.2017-31.12.2017) to the law enforcement bodies were transmitted materials related to the following decisions:
 - CoA Decision no. 1 of 24.01.2017
 - CoA Decision no. 12 of 05.04.2017
 - CoA Decision no. 18 of 18.05.2017
 - CoA Decision no. 20 of 26.05.2017
 - CoA Decision no. 22 of 30.05.2017
 - CoA Decision no. 30 of 04.07.2017
 - CoA Decision no. 32 of 05.07.2017
 - CoA Decision no. 43 of 22.09.2017

A more detailed information is provided in Annex no. 4.

- In the Activity Report for 2016 approved by CoA Decision no. 06 of 15.03.2017, a distinct chapter 2.4 "Activity related to fight against fraud and corruption" was included. The Report was placed on the CoA website and published in the Official Gazette. The report can be accessed at the following link:
<http://www.ccrm.md/storage/upload/reports/postari/139/pdf/5907c1ba3b2cb54029cc3e54cc61a307.pdf>

- The Report on the administration and use of public financial resources and public property (Annual Report for 2016), approved by CoA Decision no. 49 of 09.10.2017, also contains the Chapter "Prevention and Combating Fraud and Corruption". The report can be accessed at the following link:
<http://www.ccrm.md/storage/upload/reports/postari/166/pdf/408f1c0bd4d76dd699275f05adeb6ddf.pdf>
- The Report on Suspicions regarding fraud and conflict of interests for 2016 was approved by CoA Decision no. 51 of 05.12.2016 and can be accessed at the following link:
<http://www.ccrm.md/storage/upload/reports/postari/115/pdf/b4edc294f9217f075aed0c6e78132135.pdf>
- It should be mentioned that the Report on the cases of suspected fraud and corruption identified by the CoA during 2017 will be examined by the Plenum of the Court of Accounts by the end of 2017 (this information will be further submitted by the end of 2017).

List of decisions adopted by the Court of Accounts in 2017

No.	Title of the decision and date of adoption	No. of audit reports
1.	Decision no. 1 of 24 January 2017 "On the approval of the Audit Report regarding the evaluation of the degree of implementation of audit requirements and recommendations ordered by the Decision of the Court of Accounts no.55 of 08.12.2014"	1
2.	Decision no. 2 of 27 January 2017 "On the Financial Statements Audit Report as of 31.12.2015 of the Sub-Programs "Health Policies and Management" within the central apparatus of the Ministry of Health and "Special National Health Programs for Tobacco Control Activities""	1
3.	Decision no. 12 of 5 April 2017 "On the approval of the Audit Report "Management of Road Traffic Surveillance Systems""	1
4.	Decision no. 16 of 24 April 2017 "On the Audit Report regarding the Consolidated Financial Statements of the Ministry of Health and of the subordinated institutions performed on 31.12.2016"	1
5.	Decision no. 18 of 18 May 2017 "On Compliance Audit Reports combined with Performance Audit and Financial Audit on the Government Report on the Execution of the State Social Insurance Budget for 2016	2
6.	Decision no. 20 of 26 May 2017 "On the Review of the Audit Report on the Relevance of forced management instruments in respect of the tax/customs duties for 2014-2016"	1
7.	Decision no. 22 of 30 May 2017 "On Compliance Audit Reports combined with Performance Audit and Financial Audit on the Government Report on the Execution of Mandatory Health Insurance Funds in 2016"	2
8.	Decision No. 23 of 31 May 2017 "On the Audit Report on the Government Report on the Execution of the State Budget for 2016 and on the Performance Audit of Debt Management in the Public Sector for 2016"	2
9.	Decision No. 24-S of 14.06. 2017 "Authenticity and Trustworthiness of the Consolidated Financial Statements of the Ministry of Internal Affairs"	1
10.	Decision No. 27 of 19.06. 2017 "On the approval of the Audit Report on the assessment of the level of implementation of the audit requirements and recommendations ordered by the Decision of the Court of Accounts No. 57 of 5 November 2013"	1

11.	Decision No. 28 of 22.06.2017 on the Compliance Report related to the Performance Audit on hazardous and production waste management, additional Impact	1
12.	Decision No. 30 of 04.07.2017 "On Performance Audit Report "The efficiency of public property management by "Cricova" S.A Winery and "Cricova-Vin" Business and Tourism Center for the period 2015-2016"	1
13.	Decision No. 32 of 5 July 2017 "On the Audit Report of the Consolidated Financial Statements of the National Food Safety Agency and subordinated institutions for 2016 and the Audit Report on the Compliance of the Activities of the National Food Safety Agency and certain subordinate bodies in 2016 "	2
14.	Decision no. 34 of 20 July 2017 "On the Financial Audit Report on the Authenticity of Financial Statements relating to the implementation of "Moldova Education Reform Project" for the budget year 2016"	1
15.	Decision No. 39 of 19.09.2017 "On the Financial Audit Report of Financial Statements of the National Commission for Financial Markets as of 31 December 2016"	1
16.	Decision No. 43 of 22 September 2017 "On Performance Audit Report "Effectiveness of economic and financial management and property management by enterprises providing water supply services for the population"	1
17.	Decision No. 44 of 22 September 2017 "On the Audit Report of the Financial Statements of the National Integrity Authority for the budgetary year 2016"	1
18.	Decision No. 47 of 28.09.2017 "On the Performance Audit Report of the The Wine Sector Restructuring Program "Filiera Vinului"	1
19.	Decision No. 53-S of 16.10.2017 " On the Audit Report of the Financial Statements of the Security and Intelligence Service for the budgetary year 2016"	1
20.	Decision No.55 of 08.11.2017 "On the Performance Audit Report of the "Competitive Agriculture in Moldova" Project"	1
21.	Decision No. 58 of 15.11.2017 "On the Audit Report on the authenticity of the Financial Statements related to the implementation of the project "Strengthening the Capacities of the Education Management Information System""	1
22.	Decision No. 60 of 21 November 2017 "On Performance/IT Audit Report "Progresses and impediments / risks encountered in the process of implementation of the E-Transformation of Governance" Project"	1

23.	Decision No. 61 of 27 November 2017 "On the Audit Report of the Financial Statements for 2016-2017 (9 Months) at the Psycho-neurological Board School, Bălți"	1
24.	Decision No. 62 of 27.11.2017 "On the Audit Report of Financial Statements for 2016-2017 (9 Months) at the Republican Asylum for People with Disabilities and Pensioners, mun. Chisinau"	1
25.	Decision No. 63 of 28 November 2017 "On the Audit Report of Financial Statements for 2016-2017 (9 Months) at the Republican Center for the Rehabilitation of Invalids, Workers and Veterans of War, Cocieri village, Dubasari District"	1
26.	Decision No.64 of 29.11.2017 "On the Audit Report of Consolidated Financial Statements of the Central Electoral Commission related to the budgetary year ended on 31 December 2016"	1
27.	Decision No. 65 of 30 November 2017 "On the Environmental Audit Report on Air Quality in the Republic of Moldova"	1
28.	Decision No. 66 of 05.12.2017 "On Performance Audit Report "Is the Road Fund managed in an effective and efficient manner to ensure the development of qualitative road infrastructure?"	1
29.	Decision No.68 of 18.12.2017 Audit Report of the Financial Statements of the "Strengthening the Efficiency of the Social Assistance Network" Project for 2016	1
30.	Decision No.69 of 19.12.2017 Performance Audit Report "Does the National Food Safety Agency, through its controls, ensure that all imported food is safe and does not pose a threat to the health of consumers?"	1
31.	Decision no.71 of 20.12.2017 Performance Audit Report on Management of the Environmental Fund	1
32.	Decision No. 72 of December 20, 2017 Report on the audit of the Republican Fund and local funds for social support of the population	1

16 - Financial Audit reports;
3 - Compliance Audit reports;
15 - Performance Audit reports;
2 - Follow-up reports

Total Audit Reports – 36

Performance Audit reports

No.	Title of the audit report
1.	Compliance Audit Report combined with Performance Audit and Financial Audit on the Government Report on the Execution of the State Social Insurance Budget for 2016, approved by CoA Decision no. 18 of 18 May 2017
2.	Performance Audit Report on the Relevance of forced management instruments in respect of the tax/customs duties for 2014-2016, approved by CoA Decision no. 20 of 26 May 2017
3.	Compliance Audit Report combined with Performance on the Government Report on the Execution of Mandatory Health Insurance Funds in 2016 approved by CoA Decision no. 22 of 30 May 2017
4.	Performance Audit Report of Debt Management in the Public Sector for 2016, approved by CoA Decision no. 23 of 31 May 2017
5.	Performance Audit Report on hazardous and production waste management, additional Impact, approved by CoA Decision no.28 of 22.06. 2017
6.	Performance Audit Report "The efficiency of public property management by "Cricova" S.A Winery and "Cricova-Vin" Business and Tourism Center, approved by CoA Decision no.30 of 04.07.2017
7.	Performance Audit Report "Effectiveness of economic and financial management and property management by enterprises providing water supply services for the population", approved by CoA Decision no.43 of 22.09.2017
8.	Performance Audit Report of the "Wine Branch" Project at the Ministry of Finance, Ministry of Agriculture and Food Industry, Public Institution Consolidated Unit For Implementing and Monitoring The Wine Sector Restructuring Program”, approved by CoA Decision no.47 of 28.09.2017
9.	Performance Audit Report of the "Competitive Agriculture in Moldova" Project" at the Consolidated Unit For Implementing and Modernisation of Agricultural Projects, financed by the World Bank, Ministry of Agriculture and Food Industry”, approved by CoA Decision no.55 of 08.11.2017
10	Performance/IT Audit Report "Progresses and impediments / risks encountered in the process of implementation of the E-Transformation of Governance" Project", approved by CoA Decision no.60 of 21.11.2017
11	Performance Audit Report of the Road Fund at the Ministry of Transport and Road Infrastructure and certain subordinated institutions, approved by CoA Decision no.66 of 05.12.2017
12	Performance Audit Report of the environment related to the Air Quality in the Republic of Moldova, approved by CoA Decision no.65 of 30.11.2017

13.	Performance Audit Report „Whether the National Food Safety Agency ensures through its controls, that all imported food is safe and is not dangerous for consumers’ health?” approved by CoA Decision no.69 of 19.12.2017
14.	Performance Audit Report on Management of the Ecological Fund, approved by Decision no.71 of 20.12.2017
15.	Report on Performance Audit of the Republican Fund and Local Funds for Social Support of the Population, approved by Decision No. 72 of 20.12.2017

TOTAL NUMBER: Reports approved – 15

Extras from REPORT on the execution of the Action Plan on the implementation of the Court of Auditors' Strategic Development Plan for the years 2016-2020

According to the Action Plan on the implementation of the Strategic Development Plan of the Court of Accounts for the years 2016-2020 (hereinafter referred to as PDS 2016-2020), approved by the Court of Accounts Decision no. 39 of 10.11.2015, for the year 2017 there was provided the accomplishment of several activities related to the following three pillars:

- Contribution to the strengthening of good governance;
- Ensuring institutional sustainability;
- Developing and maintenance of corporate and audit quality.

The implementation of the SDP was provided in three stages, namely: 2016-2017, 2018-2019 and 2020.

The objective of the first stage (2016-2017) focus mainly on the elaboration / adjustment / development of the institutional-normative framework, which would serve as the basis for the Court of Accounts activity in accordance with internationally recognized international auditing standards (ISSAIs) and international best practices. At the same time, the emphasis is also set on reviewing the legal framework of the institution, strengthening the institutional structure, cooperating with international bodies and / or other Supreme Audit Institutions (ISAs), improving audit quality management, etc.

Pillar 1 *"Contribution to the strengthening of good governance"*

- *conceptualizing and implementing the modern audit according to ISSAI.*

In order to develop and strengthen the institutional capacities in the field of financial audit, General Direction Audit jointly with General Direction MPCCIP started the process of testing the Performance Audit Manual (revised) and the new Financial Audit Manual, including the set of standardized methodological norms for financial audit planning. Accordingly, all the shortcomings had to be identified during the period of testing of the methodological rules and subsequently these findings had to serve as basis for the adjustment / improvement of the manuals.

During this period were implemented methodological rules on the structure, content and format of audit reports that have been developed in compliance with the provisions of international auditing standards (CoA Decision No. 52 of 5 December 2016). These regulations have been revised in accordance ro the new ISSAI Financial Audit Standards, with modifications approved by CCRM Decision No.31 of 4.07.2017.

In the context of the gradual assumption of the requirement to conduct financial audits of all institutions of the Central Public Administration in 2017, 15 financial audit missions were carried out and reported. For comparison purposes, in 2016 a total of 5 missions were carried out.

Similarly, during the reference period, with the support of Swedish colleagues and with a view to take over the best practices a pilot audit was carried out on the consolidated financial statements of the Ministry of Health and of the subordinated institutions drawn up on 31.12.2016 (adopted by the CoA Decision No. 16 of 26 April 2017 "On the Audit Report of the Consolidated Financial Statements of the Ministry of Health and Subordinate Institutions drawn up on 31.12.2016").

In order to develop the capacities to conduct financial audits, the training session "Methodological rules on the Structure, Content and Format of the Audit Reports of the Court of Accounts, approved by the CoA Decision No.52 of 05.12.2016" was

held. Concurrently, several training sessions were organized and carried out jointly with SNA experts on the topic "Practical aspects of the financial audit planning phase in respect of the authenticity and trustworthiness of the consolidated statements of the Ministry of Health; ISSAI 1550, 1600, 1700, 1705 issues"; Communication within the audit process in the context of quality assurance; Communication within the audit process in the context of quality assurance .

Moreover, trainings were organized and conducted on "Performance Audit, theoretical aspects. Guide to Performance Audit under System Approach", as well as trainings on quality assurance, namely "Review of the Quality Control Guide. Practical procedures for quality control within the CoA. Quality Control Requirements according to ISSAI"; as well as "IT Audit Training" .

Another aspect in respect of which auditors were trained during 2017 was related to "Identification by the auditors of the Fraud Risk and "Corruption risk management.

During 2017 there were the web application of the SIA "Audit Missions Register" was developed and placed under testing, thus allowing the on-line remote placement and viewing of the information related to files on monitoring of CoA Decisions, thus facilitating the access of the Court's employees to the data and system resources. Moreover, in order to obtain the systematized information and data related to the implementation of the CoA decisions, the software was supplemented with new reports.

• Strengthening capacities on the conduct of audits in compliance with specific guidelines.

In this chapter were analysed activities related to the participation of the Court of Accounts' staff in international working groups on audits carried out in compliance

with the specific guidelines and the training of auditors in this field, as well as on the development of their capacities in auditing external funds.

Thus, during January-December 2017, the Court's employees participated in the following activities within the INTOSAI Working Groups related to audits in compliance with the specific Guidelines:

- 1) Working session on joint audit on air quality (Poland);
- 2) IT Self-Assessment Working Group (ITSA), IT Audit Self-Assessment (ITASA) (Switzerland);
- 3) Third Meeting of the Working Group on the Audit of funds allocated for Disasters and catastrophes (Italy).
- 4) EUROSAI Working Group on Air Quality (Luxembourg)

Also, based on international commitment, according to the EUROSAI Working Group Program for the years 2015-2017 on auditing of funds allocated for the prevention and liquidation of the consequences of catastrophes, the Court of Accounts has carried out and reported the Performance Audit on the management of hazardous and production waste, the additional impact (CoA Decision No.28 of 22.06.2017)

The training related to this chapter focused on the audit of the external assistance provided to the Republic of Moldova by the European Union, international organizations and donor countries (theoretical and practical aspects), with a training session being organized on 25.05.2017.

Based on the international engagement and according to the EUROSAI Working Group on Air Quality, the Court of Accounts has carried out and reported the environmental audit on air quality in the Republic of Moldova (CoA Decision No. 65 of 30.11.2017).

- ***Annual audit reporting***

In 2017 the General Direction has developed and approved 36 audit reports, of which:

16 Financial Audit reports,

3 Compliance Audit reports,

15 Performance Audit reports (Annexe no.1);

2 Follow-up reports.

- ***Cooperation with the Parliament***

The activity in this direction was focused on the transmission of the results of audit missions to the specialised parliamentary committees and to the Parliament as a whole and participation in the sittings of the specialized commissions.

Thus, in the period from January to December, 36 audit reports were submitted to the Parliament and the specialized Commissions. The Court's employees have also participated in six sittings of the specialized parliamentary committees, where there were discussed the results of audit missions (Report on the State budget, BASS, FAOAM, education audits) and the implementation of recommendations advanced by the Court of Accounts (in respect of Moldsilva Agency, the implementation of the Law no.229), as well as the Annual Report for 2016, which was examined by the Parliamentary Committee on Economy, Budget and Finance and in the plenary session of the Parliament.

Pillar 2 "Ensuring institutional sustainability"

- ***Result-oriented approach of the institution***

In 2017, the draft Regulation on the Certification of Auditors was developed, which shall be finalized and approved.

Also, the draft Regulation on the certification of auditors has been elaborated in 2017, to be finalized in the context of the provision of the new Law on the organization and functioning of the Court of Accounts and submitted, later on for approval in reasonable terms.

• ***Enhancing interaction with stakeholders***

In the period 01.01.2017-31.12.2017, with a view to implement the Communication Strategy 28 public sittings were conducted, and the approved audit reports were submitted to the Government and Parliament. At the same time, the CoA became a member of two working groups within EUROSAI: the Working Group on Municipal Audit; the Working Group on Audit and Ethics. A new website of the Court of Auditors has been launched. Moreover, the representatives of the CoA of the RM participated in the Round Table organized by Expert-Grup in respect of the study "How Public Money are Lost: Monitoring the Court of Accounts' Statements for 2016".

During the reported period the CoA also organized a meeting with external donors, where the consolidation and institutional development visions were discussed, with the participation of the EU delegation to Moldova, the World Bank in Moldova, UNDP Moldova, the SIGMA Program etc.

Under the Co-operation and Assistance Project for Armenia, Azerbaijan, Georgia, Moldova, Ukraine and the Republic of Belarus implemented by the Council of Europe and the European Union, a meeting with international experts took place and such topics as fight against corruption and the promotion of good governance, Anti-

Money Laundering were discussed. The discussions focused on aspects related to the assessment of risks of corruption in the public procurement sector.

During the reported period, a press conference was called on the occasion of the presentation of the CoA Activity Report for 2016, where institutional aspects related to the Court of Accounts were discussed, as well as the irregularities found during the audit missions and the measures ordered to improve the financial management of public funds.

On 7 November 2017 the meeting of the Consultative Council under the Court of Accounts of the Republic of Moldova took place, where the members of the Council discussed issues related to the activity of the CoA, the need for cooperation with the academic environment, successes achieved by the supreme audit institution in the context of external public audit, as well as the expectations of the Council members. During the meeting, the Concept of the Audit Program for 2018 was presented and discussed, including the normative basis of the planning process, criteria for the selection of audit activities, priorities and objectives of the Court of Accounts for 2018, planned audit areas for 2018 and the risks associated with the implementation of the Program.

• ***international co-operation with Supreme Audit Institutions and other organizations***

During the reported period, the Court signed a new memorandum on extending the cooperation with SNAO; the Court also signed a new Action Plan on the collaboration between ISA from the Republic of Moldova and Romania for the period 2017-2019.

Moreover, during the period from January to December 2017, the representatives of the CoA of the RM participated in the following activities within the INTOSAI and EUROSAI Working Groups:

EUROSAI:

- 1) Meeting of the Task Force on Municipal Audit (TFMA) EUROSAI (Lithuania)
- 2) Xth Congress of EUROSAI (Turkey)
- 3) Seminar on integrity (Hungary)
- 4) Workshop on the Integrity Project (Hungary)
- 5) EUROSAI-ECIIA (Belgium)
- 6) 3rd Young EUROSAI Conference (Estonia)
- 7) Meeting of the EUROSAI Working Group on Air Quality Subgroup on Environmental Audit (Luxembourg)
- 8) Working session on joint air quality audit (Poland)
- 9) ISA Training in the Visegrad Group within EUROSAI (V4 + 2) (Slovakia)

INTOSAI:

- 1) Working session on joint air quality audit (Poland)
- 2) IT Self-Assessment Working Group (ITSA), IT Audit Self-Assessment (ITASA) (Switzerland)
- 3) Third meeting of the Working Group on Audit of funds allocated for disasters and catastrophes (Italy)
- 4) Seminar "Implementation of ISSAI 300 - Fundamental Principles of Performance Audit" (Slovakia)
- 5) 24th UN / INTOSAI Symposium (Vienna)

6) IDI PMF Training Course (Portugal)

CIS:

- 1) Working Group on the elaboration of national standards (ISA Board of Governors of the CIS member states) (Kyrgyzstan)
- 2) The XVIIth session of the leaders of the CIS Governing Council (Azerbaijan)

OTHERS

- 1) Official meeting CoA of the RM – CoA of Romania (Romania)
- 2) The Accounting Reform and Institutional Strengthening (EU-REPARIS) and Strengthening of audit and reporting in Eastern Partnership Countries (STAREP) (Belgium)
- 3) Action Plan, EU-Moldova Association Agreement (Belgium)
- 4) Debt Management Performance Assessment (DeMPA) (Austria)
- 5) Practical course "Financial-Budgetary Management, Accounting of Public Institutions and Projects with European Financing" (Romania)
- 6) Practical course "Writing European Projects for Horizon 2020" (Romania)
- 7) Official visit of CoA management to ONAS (Sweden)
- 8) 11th UNCTAD Debt Management Conference (Switzerland)
- 9) 40th Anniversary of the Lima Declaration (Peru)
- 10) ISA Forum of the EU Eastern Partnership (Latvia), etc.

Pillar 3 *"Developing and maintenance of corporate and audit quality"*

• ***Ensuring audit quality management***

In respect of the quality management of the audit process during the first semester, several training sessions were held jointly with external experts (SNAO) on the following topics: "The concept of quality control in accordance with ISSAI standards" and "Quality control procedures within the CoA and requirements in the field of quality control according to ISSAI".

Together with the experts from the National Audit Office of Sweden (SNAO) in the period 14-16 November 2017 the CoA hosted a workshop on practical quality assurance processes, quality control system within the CoA and quality control requirements of the ISSAI, including the opportunity to review thereof. The workshop was organized in the form of presentations, discussions, group work and practical exercises.

Similarly, in early 2017 the Cold Review Plan was developed and the activities included therein were carried out during 2017. Thus, the "cold" review underwent 20 audit missions. Generalized report on the results of the "cold" review for 2017 will be elaborated by the end of the current year.

• ***Providing IT support***

During the reporting period, the following were provided: upgrading to the video surveillance system, upgrading to the audio system in the sitting room, installing the system on video and audio transmission in the Court hall, extending the maintenance of data storage systems (HITACHI) and the firewall (CeckPoint), improvement of the Court's IT Network, partial change of the IT park of laptops and printers. Also, the continuous development and improvement of the Intranet and of the external communication mechanisms was ensured.

• ***Financial management and performance***

The activities carried out during the reporting period in respect of this chapter aim at approving the Risk Register (in the new wording) by the CoA Ruling No. 60 of 22 March 2017, thus promoting the principles of good governance. Accordingly, self-evaluation was carried out and the Declaration of Good Governance was issued in accordance with the provisions of the normative framework. During the year, 26 general meetings with the members of the Plenum and the heads of subdivisions were organized, the communication being supported also through the Intranet, Outlook communication networks, etc.

At the REPORT on the execution of the Action Plan on the implementation of the Court of Auditors' Strategic Development Plan for the years 2016-2020

1. Compliance Audit Report combined with Performance Audit and Financial Audit on the Government Report on the Execution of the State Social Insurance Budget for 2016, approved by CoA Decision no. 18 of 18 May 2017

<p>Objective</p>	<p>According to the legal provisions, Court of Auditors makes control on administration and utilization of public financial resources, inclusively by annual audit of Government Report on budget expired exercise of state social insurance. Control on formation and utilization in 2016 of BASS resources has been inclusively performed by audit of performance aspects. Basic objective of audit mission was to check the significant transactions by performance principles that depend on expenses efficiency and economy in this purpose. Budget elaboration on programs has been analyzed and assessed, inclusively the result indicators, also they checked the functionality of CNAS informational system (SI „Social Protection”), under the aspect of plenitude and security of data.</p>
<p>Findings and main conclusions</p>	<p>Findings synthesis on activities and transactions for the checked state social insurance budget consists of:</p> <p>Issues identified in the management of informational system, that depends on identification and formation of BASS incomes (registration of BASS contributions payers and their obligations), also their report, thus not allowing the performances assessment for this chapter. Lacks in the informational system development expenses, by performances, have been found:</p> <ol style="list-style-type: none"> 1. CNAS, due to the lack of an analysis and rigorous argumentation, contracted and paid equipment services and practical informational system for all system component, inclusively those not critical; 2. Informational system development, in the lack of a sufficient documentation of configurations, does not assure the management independently from the system's supplier or the adjustment of the system to the ulterior requests of business process; 3. Reports' generation from the informational system by the informational technology personnel, without checking by other people, determines the risk of compromising the integrity and correctness of reports' data. 4. For expenses, certain deficiencies for planning the sub-programs expenses, also for purchasing the health recovery tickets, and investment/capital repairs have been found, as follows: 5. There was not a logical program frame for BASS elaboration, there was

not a connection between the budget expenses and programs and activities that determine the policies performance. As a result, purposes defined in the sub-programs referred to specific activities to be implemented, not to the expected result. Indicators set in the sub-programs have not been correlated to the objectives, their performance does not reflect the policies deployment or their impact, did not deliver information on efficiency and proficiency of the sub-program. In this regard, methodology and counseling within the budget process for programs have not been assured, inclusively correlating the sub-programs with the sector policies priorities, setting objectives and performance indicators. Respectively, there was not assured within CNAS the formation of database with financial and non-financial information for the sub-programs and their elements, in order to assure the continuity of programs budget planning, and the consistency of objectives setting. There was no consistency at sub-programs expenses allocation, in some cases, the report has been made according to beneficiary's name, other cases took into account the appointments and objectives;

6. Purchase process for health recovery tickets by sanatorium has violated the legal standard, without applying the performance principles. These situations determined the inefficient utilization, with fraud index, of a budget in amount of 1.9 million lei. Violation of principles of transparency and competition, efficient utilization of public means conditioned the acceptance of non-compliant offers, also the not grounded and unjustified award of public purchase contracts, in amount of 8.5 million lei. Assessment manner of services quality applied by CNAS does not have legal ground, nor show the quality of the offered services. Non-specification on the treatment tickets, issued by the sanatoriums, of purchased services determines that the beneficiary does not know the sanatorium services, also it does not assure the quality and quantity of the treatment, according to the purchased services;
7. Planning the expenses on investments and capital repairs was not enough/fully justified; there were lacks in the proposals analysis, also in the real necessities determination. For some objectives, the expenses have been unjustified emphasized, based on an incomplete analysis, without correlating the performed expenses with the effective ones. This fact generated the uneconomic utilization of the means, over the planning, for some objects from other field, or the expenses performance in lack of financial means, also reserves by sharing and reporting performed effective expenses at object level. Inadequate activity of projection and works expertise services, with the ulterior identification of some works not mentioned in the project, but mandatory, caused additional expenses on works additional projection, with their additional contracting;

Causes and impact

Main causes that determined the ascertained deficiencies depended on:

- Irrelevance of identification and set of purposes, objectives and result indicators, that are at the basis of BASS programs planning, does not assure the performance of field policies, also the assessment of their impact;
- Superficial approach of responsibilities for the budget authority for planning and managing the expenses caused, in some cases, the inefficiency of using the public means, also fraud index in services purchase processes (sanatorium health treatment tickets);
- CNAS did not assess the risks appeared when some suppliers of the informational system served it, that can generate bad consequences for the security and integrity of social insurance system data.

Audit general conclusion

In order to assess the performances achieved in the identification and formation of the State Social Security Budget (BASS) revenues, it is necessary to solve the problems related to the management of the information system, especially the registration and the records of the contributors to the BASS and their obligations, as well as their reporting.

The process of planning the BASS on programs has developed with some reservations, in the absence of a single continuity and compliance, which can cause risks at the reporting stage. The irrelevance of goals, objectives and performance indicators in the sub-programs determines the informative character only, with the impossibility of evaluating the performance of the budgetary means and the implementation of a well-defined budget allocation system according to the obtained results.

The deficiencies in the planning of means for investment and capital repairs, contract monitoring, and evidence of items lead to inefficient spending.

The management of the process of purchasing health rehabilitation tickets through sanatorium treatment and rehabilitation for insured persons was a flawed one, which led to inadequate performance of public procurement procedures with the contracting of non-compliant offers amounting to 8.5 million lei, ineffective use, with indexes of fraud, in some cases, of public finances, thus generating overpayments in the amount of 1.9 million lei.

2. Performance Audit Report on the Relevance of forced management instruments in respect of the tax/customs duties for 2014-2016, approved by CoA Decision no. 20 of 26 May 2017

Objective

Assessment of institutional systems functions within the responsible authorities for fiscal/customs obligations, taxes and other payments forced execution for the National Public Budget (NPB) and identification of

Findings and main conclusions

lacks that generate inefficiency and under-performance.

1. Current level of arrears at the payment of contributors` obligations towards the national public budget, managed by the fiscal bodies, compared to the previous years, registers a decrease, being 1,826.0 million lei on 31.12.2016. This decrease is a phenomenon determined by the inscription of the residual/owed fiscal obligations in the special evidence of 2590 contributors, in amount of 4717.8 million lei, representing approximately 2.1 times more in 2016 than in 2014. Thus, following that, according to the legal frame, there are not considered arrears during their special evidence status, creates the impression of situation improvement for contributors` arrears towards NPB. In these circumstances, general value of owed fiscal obligations, inclusively those in the special evidence, is of 6,543.8 million lei, those reported to the State Fiscal Service (SFS) as arrears are 1.826,0 million lei;
2. Application by fiscal bodies of 4 measures of forced execution, legally¹ provided, resumes mainly to the cashing from the bank accounts of residual contributors, who during 2014-2016 had the total amount of 1,844.3 million lei, or 79.0% of total sums, forcedly cashed (2,335.4 million lei). As a result of application of other 3 measures, 491.1 million lei have been cashed, or 21.0%, compared to the total sums forcedly cashed;
3. Deficiencies in the applications of embargoes by State Fiscal Service affect the results and efficiency of cashing the residual payments towards the NPB. Thus, (i) application of forced execution measures for long time (from 1 month to 3 years) and the application of embargoes on goods difficult to be capitalized; (ii) embargo, in some cases, by the fiscal bodies of goods that exceed considerably the arrears of contributors` fiscal obligations; (iii) lack of control on compliance with the provisions of Fiscal Code conditioned the alienation of goods embargoed by the contributors during 2014-2016; (iv) application of embargoes on future harvest involves increased alienation risks of the harvest, to sell it without issuance of invoices; (v) delayed lifting of embargoes in the cases of goods` alienation;
4. Low grade (0.4%) to cash the fiscal obligations, compared to those afferent to the applied embargoes, is determined by the limited, formal character of State Fiscal Service interest to sell the embargoed goods. Thus, (i) State Territorial Fiscal Inspectorates are not preoccupied to sell the goods, only 15.8% of expected auctions developed (338 of 2138 planned auctions); (ii) assessment and sale terms of embargoed goods are not sufficiently monitored, being delayed; (iii) embargoes are applied on goods with high risk of non-sale and/or unrequested by the market; (iv) insufficient collaboration between the sale process of embargoed goods caused the non-sale of

embargoed goods before the sale; (v) although the State Fiscal Service disposes of embargoes state securities, in the conditions of non-approval of applicable regulations, these cannot be sold to close the residual fiscal obligations;

- 5.** Arrears managed and reported by the Customs Service do not include the full volume of penalties afferent to the basic residual payments, generated by the non-update/non-calculation of residual customs obligations in SIA of the Customs Service. In these circumstances, there are risks not to fully cash the residual customs obligations;
- 6.** Limitation of Customs Service`s actions only to suspend the bank accounts of customs payers and to start insolvency legal action conditioned the non-application of other forced execution procedures (incasso orders, embargoes, cash lifting, following the goods of the customs payer). On the other hand, if applicable, the sums have not been completely cashed, that are unpaid customs obligations for the state budget by the residual customs payers;
- 7.** Lack of exhaustive regulations on sale of goods embargoed by the Customs Service omitted the opportunity of applying embargoes by the customs bodies;
- 8.** Non-monitoring and non-coordination by the Customs Service Central Authority of the forced execution activity organization process, also the non-assurance of reporting the forced execution actions;
- 9.** Insufficient application of forced execution measures and the non-constructive collaboration between the Customs Service and the bailiffs conditioned the formation of non-recoverable arrears, following opening the insolvency procedure;
- 10.** Arrears forced execution towards NPB by the bailiffs is faulty and compromised by more attempts. Thus, information submitted by the Bailiffs` National Union (BNU) does not assure the report, respectively the real arrears volume towards the budget, submitted to execution by the bailiffs, the transfer level, also the transfer to the budget;
- 11.** Result of forced execution by the bailiffs indicates a low level of cashing in the state benefit, constituted by: fiscal and customs obligations, unpaid in time, state taxes applied by the instances, fines, penalties etc. according to the audit systemic data, average level, during 2014-2016, of documents` execution, afferent to NPB, indicates 20.6% (or 177.7 million lei);
- 12.** Lack of supervision and control from responsible bodies (Justice Ministry, BNU, and SFS) determined the non-conformity of bailiffs` activity in the process of forced execution. Thus, 119 of 175 bailiffs or 68% have not been controlled since their appointment (year 2010) until now;
- 13.** Fiscal controls made at 30 bailiffs, following a request of the Court of Auditors, identified the following non-conformities: (i) exceeding the

legal distribution term of cashed sum into the budget (1 day – 5 years) and maintenance of forcedly cashed means in their special current accounts; (ii) non-transfer in legal time to the budget of means cashed from the residual obligations (state tax, fiscal/customs obligations, fines, penalties and other payments).

Audit concluded that authorities` mechanisms involved in the application process of forcedly executed measures, to cash the incomes in the benefit of state, do not assure efficient results, their performance is limited by the lack of organizational function, also by the incoherence in the inter-institutional actions in this field. In these circumstances, there is the request of increasing the responsibilities and capacities afferent to the process of forced execution.

Causes and impact

Thus, irregularities (5595.4 million lei) ascertained by the audit depend on violations and errors caused by: increase/inscription of approximately 2.1 times or 4,717.8 million lei, more than 2016, compared to 2014, of residual/owed fiscal obligation in the special evidence; alienation of goods embargoed by the contributors during 2014-2016, in amount of 5.4 million lei; application of embargoes on goods with increased risk of non-sale or unrequested on the market caused their non-sale, in amount of 55.8 million lei; the management of bailiffs registered on 31.12.2016 (identified at the request of the audit team) 113.9 thousand execution documents, in amount of 781.0 million lei; non-transfer by the bailiffs in legal time to the budget of means cashed from the residual obligations (state tax, fiscal/customs obligations, fines, penalties and other payments in 1941 cases, in amount of 2.2 million lei; laying up by the bailiffs of cashed/forcedly executed money, by submitting in the deposit account, in the amount of 30.5 million lei; getting the interest in their own honorary accounts, following the laying up the forcedly executed means, in amount of 2.7 million lei.

General conclusion

Current management system of forced execution, organized by the legal authorities, does not guarantee the conformity and efficiency of forced execution process of fiscal/customs obligations, taxes and other payments in PNB, its performance is affected by major issues, that persist during more years, having negative impact on state assurance results with resources, necessary to function. The assessment of mechanisms` function, applied to the forced execution measures, to cash incomes to PNB, indicates the necessity of revision and perfected, the field regularly frame must be updated. Thus, Court of Auditors ascertains that the efficiency of results, involved in the forced execution process, is limited by the organizational function, also by the incoherence in the inter-institutional actions, with attributions in this field. In these circumstances, audit opinion indicated the necessity to increase the managerial capacities

affluent to the forced execution process, and to examine the cashing opportunity of financial means in the benefit of state, by using treasury accounts at the respective positions in the budget Classification. Thus, the intermediary account will be excluded (special current account of the bailiff) and the immobilization/laying up on indefinite term of the forcedly cashed means and adequate to the PNB.

3. Compliance Audit Report combined with Performance on the Government Report on the Execution of Mandatory Health Insurance Funds in 2016, CoA Decision no. 22 of 30 May 2017

Objective	<p>Audit mission has been complex, included the establishment of more distinctive objectives, affluent to the performance aspects audit.</p> <p>Under performance, audit objective followed the FAOAM means management verification, also the confirmation of payments, based on result indicators, taking into account the complexity indicators, reported to total payments to public hospitals, also the assessment of applied mechanisms performance for the assurance of population accessibility to compensated medicines.</p>
Findings and main conclusions	<p>A series of violations and lacks have been identified within the audit mission, that affected the efficient administration assessment possibility of FAOAM mean, as:</p> <ol style="list-style-type: none"> 1. Transfers from state budget to perform the project „Modernization of health sector in the Republic of Moldavia” have been planned and approved in lack of justified calculations and transparency of this process (89.9 million lei); 2. Execution of incomes transferred from state budget, with special destination (142.7 million lei) has been made in lack of expenses delimited evidence, made for these incomes; 3. Reporting on programs and subprograms has been made based on general character of set performance indicators, that in some cases either reflect the allocated resources, the balance of resource executed for each subprogram, in report with the planned level, either they are not characteristic to the institution activity; 4. Application of different prices¹ at contracting of hospital medical services for 2 public sanitary and medical republic institutions, with their increase, in lack of criteria and justified calculations; 5. Significantly reduced execution of prevention measures fund means (2.5 million lei from 59.6 million lei initially approved), while the health indicators for the most significant diseases increase <i>(for 2016, compared</i>

to 2012, respiratory diseases increased, from 445.2 to 547.3 thousand people, chronic hepatitis and cirrhosis – from 80.2 to 85.0 thousand people, nutritional diseases and diabetes – from 71.6 to 97.0 thousand people, heart diseases – from 504.5 to 653.0 thousand people etc.);

6. Unclear delimitation of financing resources for the activities and expenses afferent to the prevention measures for the population.

Verification of functionality and efficiency of instruments applied by the institutional system at the means administration to assure the patients with compensated medicines indicates that in 2016 planned measures have been finalized. Thus, results on extension of compensated medicines list, increase of average reimbursement rate for the anti-hypertensive medicines from 50% to 70%, increase of financing volume for compensated medicines with 50%, compared to the planned level in 2015, have been got.

In the same time, the systemic process audit identified deficiencies that do not assure the uniformity, credibility and plenitude of data afferent to the prescription, issue and payment of medicines compensated by FAOAM. Thus, they set that:

7. The regularly existent frame is full of incertitude and needs adjustments;
8. Institutional system is complex and involves more responsible parties, existent applied mechanisms do not assure, in some cases, conform prescription of compensated medicines, registration of all justified data and integral verification of informational system data, determining fraud index (257.3 thousand lei for 2679 prescriptions) etc.

Also, in these circumstances, the audit ascertained o discrepancy between the expenses reported by CNAM for medicines partially/integrally compensated (424.9 million lei) and those extracted from the informational system (417.1 million lei). Thus, informational system “Compensated Medicines” does not completely justify the value of reported medicines (7.0 million lei).

About the audit independent assessment on results of progress indicators of project performance „Modernization of health sector in the Republic of Moldavia”, it has set that the balance of means contracted for hospital medical care, based on measurable complex indicators for 2016, reached the level of 83.4%, attesting the achievement of expected results in the third year of project deployment.

Causes and impact

Partial assurance of the internal control functionality within the mechanisms applied at the FAOAM means management caused systemic malfunctions and lacks that generated incomplete capitalization of FAOAM means; impossibility to assess the results following the FAOAM means management, also their administration, unjustifiably in some cases.

**General
conclusion**

The assessment of applied mechanisms efficiency set some deficiencies conditioned by uncertain provisions of the legal frame, that does not exactly delimit the attributions of institutions involved to interact with the control process at every step, non-compliance with the normative provisions on correct and exhaustive completion of prescriptions for compensated medicines, insufficient control between the involved parties (CNAM, IMSP, pharmaceutical services performers), also the delayed presentation of sums to compensation for the issued and registered medicines in the informational system.

Thus, all these factors affected the functionality and efficiency of mechanisms applied to medicines compensation for the population, serving as cause for appearance of non-justification indexed and non-conform payment of FAOAM means, did not assure the credibility of data registered in the automatic informational system „Compensated medicines”.

The audit findings revealed problematic situations that do not provide the evaluation of achieved performances, as well as the achievement of the policies in the field that were determined by: the planning of transfers from the state budget for the implementation of the project "Modernization of the health sector in the Republic of Moldova" in the absence of transparency and supporting calculations (90.0 million lei); the execution of the special-purpose revenues transferred from the state budget in the absence of their delineated account with separate expenditures (142.8 million lei); reporting on programs and sub-programs on the basis of a general and improper character of the performance indicators, as well as the failure to meet the objectives for the purpose of the sub-programs.

As a result of the "Modernization of the health sector in the Republic of Moldova" project, the performances were achieved by reaching the volume of contracted means for hospital care on the basis of measurable and complex indicators (DRG) in the year 2016 at 83.4%. Thus, the way of financing based on the performance and complexity of the cases and on the basis of the measurable indicators (the number of cases contracted, the complexity indices and the treatment of the case) offers the possibility to increase equity in the financing of health services and the development of payment mechanisms for the efficiency of the use public funds.

The purpose of health policies was achieved by increasing the number of beneficiaries of compensated medicines on the whole territory of the country, including in the rural area, as well as by increasing the volume of paid funds (425.0 million lei), or by 143.3 mil more than the level executed in 2015 (279.7 million lei). The audit findings revealed some shortcomings, such as: (i) the existing regulatory framework is accompanied by uncertainties and requires adjustments; (ii) the institutional system is complex and involves several responsible parties, and the existing and applied mechanisms do not

in some cases ensure the prescription of compensated medicines (139.3 thousand MDL for 715 verified recipes), the recording of all the supporting data, and full verification of the information system data (257.3 thousand lei, for 2679 recipes), etc. Therefore, these situations do not ensure the uniformity, veracity and completeness of data relating to prescription drug-free medicines issued and paid by the FAOAM.

4. Performance Audit Report of Debt Management in the Public Sector for 2016, approved by CoA Decision no. 23 of 31 May 2017

Evolution of public debt during more years registered constantly an ascendant tendency, its balance had a value at the end of the year 2016 of 59371.9 million lei, or increased compared to 2015 with 17.3% (+6,817.8 million lei).

As a GNP balance, state debt registered a significant increase compared to the previous year with 8.8 %, reaching the highest level in the last 3 years (44.2%). The increase of public sector debt has been conditioned by the increase of state debt balance (+17.3 billion lei), determined mostly by State Securities emission to execute the payment obligations, resulted from the state guarantees (+13.34 billion lei).

Within the public sector debt structure, major balance has the state debt (85.5%, or 50,785.8 million lei), followed by MNB debt (9.8%, or 5,839.9 million lei), administrative and territorial unity debt, also the enterprise`s debt from the public sector have 4.7% (2,746.1 million lei).

Objective	Assessment of administration and management of public sector debt by the Finance Ministry, under the aspect of state debt portfolio structure.
Findings and main conclusions	<p>According to the rigorous assessments, the external audit attests:</p> <ol style="list-style-type: none"> 1. A significant increase of public sector debt, also of balance of GNP public sector debt. In 2016, compared to the previous year, public sector debt increased with 16.1 billion lei (+37.2%), being 59,371.9 million lei. Increase of public sector debt has been conditioned by the increase of state debt (+17.3 billion lei), mostly determined by State Security emission for execution of payment obligations, resulted from the state guarantees. Following the significant increase of public sector debt, GNP balance increased in 2016 compared to the previous year with 8.8%, being 44.2% at the end of the year. The outrunning of increase rhythm of public sector debt (+37.2%) compared to the GNP increase rhythm (+9.7%) with 27.5 % can influence in the future the Government`s payment capacity. In 2016, compared to 2015, a positive tendency is attested, being registered a more rapid increase of reserve official assets (+25.6%), compared to the increase of public sector external debt (+4.5%) with 21,1%;

2. State debt continues to register an ascendant trend, inclusively as GNP balance. Compared to the previous year, state debt registered an increase with 17,276.6 million lei (+51.6%), being 50,785.8 million lei, being registered an increase of external state debt (+2982.4 million lei/+11.3%), that, at the end of 2016, was 29,266.2 million lei, also of internal state debt (+14294.2 million lei/+197.8%), that, at the end of 2016, was 21519.6 million lei. As GNP balance, state debt registered an increase, compared to the previous year, with 10.4 %, being 37.8%, the increase is conditioned by the State Securities emission for execution of payment obligations resulted from the state guarantees (+13.34 billion lei);
3. Internal state debt increased three times compared to the previous year, registering the historical maximum. Internal state debt framed in the limit set by the State Budget Law for 2016¹ (21,762.1 million lei), being at the end of budget year 21,519.6 million lei. Compared to the previous year, internal state debt increased with 14,294.2 million lei (+197.8%), inclusively based on increase of State Securities emission on the primary market (+953.0 million lei), also from the State Securities emission in the state guarantees account issued for emergency credits given by MNB to the banks that were in course of insolvency („Banca de Economii” SA, BC „Banca Socială” SA and BC „Unibank” SA). Maintenance at the same level or insignificant increase of debts for State Securities issued on the primary market (+953.0 million lei) indicates the presence of the re-financing risk; re-emissions are made in the new conditions of the financial market. In contrast to the previous year, tendency to outrun the interest rates of trade banks for the credits given to the real sector, also the State Securities interest rates issued on the real market is attested, there is also a tendency of situation improvement on the internal financial market, decreasing the basic rate applied by MNB, also the State Securities interest rates issued on the primary market, descendent trend is more accentuated in the second semester of the year 2016;
4. State debt registers a continuous increase tendency, and the capitalization of external sources to the projects` deployment unities, financed by external sources, attests some reserves. In 2016, external state debt increased compared to the indicator of previous year with 127.7 million US dollars (+9.6%), being at the end of the year 1,464.7 7 million US dollars (equivalent of 29,266.2 million lei), framing into the limit set by the State Budget Law for 2016 in US dollars, also in the limit set in lei (32.422, 5 million lei). There are situations of non-compliance with the disbursement graphics and the non-capitalization of external resources by the responsible authorities to implement the projects financed by external sources, main causes are the non-performance in term of disbursement

¹ Art.7 of State Budget Law for 2016 no.154 on 01.07.2016.

pre-conditions provided in the loan contract, also the delay of deployment procedures with the pending projects;

5. Debts of re-credited beneficiaries registered a decrease compared to the previous year, following their close. Debt of re-credited beneficiaries at the end of 2016 was 4,959.9 million lei, decreasing compared to 2015 with 277.7 million lei (-5.3%). In the total of debts of re-credited beneficiaries, debts with expired payment term were 342.9 million lei, registering a decrease, compared to the previous year, with 232.6 million lei. Decrease of debts with expired payment term of the re-credited beneficiaries explains by closing some debts, following the removal from State Register of some economic agents, beneficiaries of re-credited loans. In the total of debts with expired payment term, 217.0 million lei (63.3%) are registered by enterprises and organizations in course of insolvency, and 79.1 million lei – after the potentially bankruptcy enterprises and organizations. Maintenance of debts with expired payment term for more years are highly unrecoverable, according to their structure;
6. In the total of debt of guaranteed debtors, significant balance is for debts with expired payment term. Debt of guaranteed debtors at the end of 2016 was 461.3 million lei, decreasing with 23.7 million lei, compared to the previous year. In the total of debt of guaranteed debtors, major balance is for the debts of external guaranteed loans (458.9 million lei/99, 5%). Debts of guaranteed debtors with expired payment term were 455.6 million lei, or 98.8%, representing an increase risk of non-recovery.

Causes and impact

Increase of arrears at the loans of public sector and the ascendant trend of public sector debt increase rhythm, compared to the economy's increase rhythm, can influence in the future the Government's payment capacity. Although the state debt portfolio registered a decrease tendency at all component instruments, major balance in the state total debt has the long-term state debt, being registered the largest indicators in the last 3 years.

General conclusion

State Securities emission for the state guarantees given by MNB for emergency credits, given to the bank system (13.34 billion lei) affected the sustainability of public finances. Following this fact, public sector debt, as GNP balance, registered the indicator of 44.2% that reaches the sustainability risk zone. Thus, long-term consequences at additional fiscal exposures are emphasized, also the long-term burden of state budget. Also, the maintenance of situation, while public sector debt increase rhythm outrun the economic increase rhythm, can influence in the future Government`s payment capacity. In the mentioned conditions, it is necessary to develop the public sector debt management, supervising and limiting the sustainability and vulnerability risks.

As a result of audit, it confirms that the Report on public sector debt situation, state guarantees and state re-credit in 2016, as part of Government`s report on state budget execution for 2016, has been elaborated according to data registered in the State reports on state debt, state guarantees and state re-credit, data generated by SI DMFAS, also data on state budget domestic execution from the State Treasury system.

5. Performance Audit Report on hazardous and production waste management, additional Impact, approved by CoA Decision no.28 of 22.06. 2017

Court of Account performed the audit *on dangerous and production waste management*, according to the audit activity Program in 2016, also in order to perform the international commitments.

External public audit concludes that current system of management of dangerous and production waste in Republic of Moldavia is not integrated, nor based on activities conform to the “waste hierarchy”, but on a mechanism of producer`s extended responsibility for waste management.

Court of Account reveals that, to create an integrated waste management system, it has not been approved in the last years legal and normative frame in the field, insufficient financial means from the special funds have been allocated and capitalized, negatively influencing the achievement of set objectives, according to the policies and field national strategies. In these circumstances, the audit indicates the necessity of increasing the efforts to move from a line economy in Republic of Moldavia to a circular economy, based on recycling, it is thus advisable to speed the transfer of community legislation into the national legislation, also the increase and allocation of sufficient financial resources to create an integrated waste management system, to reduce risks on environment and population health.

Objective

Starting from the significance of environment and its impact on human development, Court of Auditors initiated the audit, having as main objective the answer to the following general question: „Is the dangerous and production

**Findings and
main
conclusions**

waste management system in Republic of Moldavia integrated, also does it assure the minimization of potential threats on environment and population? If not, what changes are necessary?"

The audit has been performed at the Ministry of Environment, Ministry of Health, Ministry of Regional Development and Buildings, taking samples from 9 municipality councils, 25 district councils and the Territory of Găgăuzia, as part of dangerous and production waste management system.

Although some progress has been registered, the audit mission found ambiguities and significant vulnerabilities on function of dangerous and production waste management system in the Republic of Moldavia, such as:

1. Current system of dangerous and production waste management is not integrated and based on activities conform to the "waste hierarchy", but on a mechanism of producer`s extended responsibility for waste management, similar to the community one, thus not assuring the minimization of potential threats for environment and population;
2. approximately 80% from the production waste, generated annually in the country, are removed in repositories and waste storages, along with the household waste; the exception is the dangerous waste, that is stored on the territory of economic agents, in the lack of enterprises endowed with special technologies and tools to destroy/remove it;
3. law and normative frame for waste is not by now connected to the international provisions, not assuring the performance of environment and population health protection measures, the prevention or reducing the adverse effects, determined by generating and waste management, also the reduce of negative effects caused by the utilization of resources and increase of their utilization efficiency;
4. In the field of management of waste, chemical substances and industrial pollution, and industrial risks, from a total of 18 actions provided to be performed during 2014-2016, according to the National Planning of Actions to implement the Association Agreement Republic of Moldavia – European Union, 11 actions have not been performed, performance level is 39.0%;
5. A negative impact on achievement of set objectives in the documents of policies and strategies for waste management was the non-allocation from the special funds of necessary financial means, some of the allocated funds have been used contrary to the proposed purpose (94.7 million lei);
6. 99.7% or 1147 repositories/waste storages are not authorized and do not correspond to the national and international legislation, there is no infrastructure for waste repositories, classified according to the community categories, that assure the protection of environment and population;
7. approximately 98% of municipality waste generated in the country are removed to the waste storages, that are their only removal option, and 80.2%, or 1164 villages and cities, from 1451 questioned by the audit, are not assured with sanitation services;

8. nowadays, only 10% from the recyclable waste is recovered, the rest of 90% is transported to the waste storages, risking to prejudice the environment;
9. dangerous waste resulted from the medical activities are removed at the repositories of solid household waste, due to the lack of regional centers and installations to store/remove the waste resulted from medical activities, conform to the community requirements, influencing the sanitary and epidemiologic situation of the country;
10. radioactive waste management needs consolidation by implementing the technologies for definitive storage, to reduce the volume of radioactive waste stored in the repositories, also by exercising an adequate control on this waste, to assure the radiologic security and population radioprotection;
11. the legal frame has not been adopted, nor an efficient system of chemical security has been created, according to the set policies objectives, attesting large quantities of fields contaminated by pesticides, that are very dangerous for environment and population;
12. non-polluting technologies have not been implemented for utilization, neutralization and removal of waste, to prevent and limit the negative influence of dangerous waste on environment and population;
13. local authorities have not taken measure of civil protection at the economic plants that generate dangerous waste, those existent are not sufficient and will be revised;
14. current system of state ecologic control is not efficient because of non-performance of controls, based on risks, the consolidation of institutional and technical capacities in this field is necessary;
15. A reduced level of actions of ecologic population and economic agents' awareness on waste management is ascertained, also the insufficiency of promotion of issues, programs and environment actions.

Causes and impact

Weak issues that generated significant impediments on creating an integrated dangerous and production waste management system, also the irregularities ascertained by the audit mission, have the following features:

- low level of performing the performance indicators, also the set policy objectives within the Actions Plans on deployment of waste and environment management Strategies, with term during 2013-2016, also the National Plan of Actions to implement the Association Agreement Republic of Moldavia – European Union during 2014-2016;
- non-adjustment of legal national frame for waste to the provisions of international legislation and standards, elaborating state policy and protection measures for environment and population health;
- precarious situation on financing the projects of waste management is determined by lack of a clear mechanism on distribution limits on fields for the means of National Ecologic Fund and Local Ecologic Fund;
- limited institutional capacity of all responsible parties in waste management, for deployment of an integrated waste management system, inclusively those

dangerous and production, influencing the development of waste collecting capacities, the risk on environment and population health is imminent;

- non-creation and non-endowment of regional infrastructure for management of dangerous and production waste with assortment and procession stations, dumpsters, platforms and special cars to remove the waste, determining the significant increase of volume of generated/stored waste, also a low level of their recycling;
- non-adjustment of national frame to the community provisions on regulation of responsibilities of waste generators, according to the principle “polluter pays” or, if applicable, of producers, according to the principle “extended responsibility of the producer”;
- Non-reformation of current system of supervision and state ecologic control, to perform environment controls, based on risks, to reduce the dangers on the environment and population health.

Non-solution of deficiencies and irregularities ascertained within the current system of dangerous and production waste management will have a negative impact on environment and population health. Also, the quantifiable irregularities ascertained by the audit are 192 million lei, from which: 94.7 million lei, approved by the budget for the Program of waste management, have been used, according to the legal norms, to finance projects of other fields; financial and accountant violations determined errors in the accountant registration, also in the report of financial situation, namely 86.9 million lei, and 5.0 million lei – and advances irregularly paid etc.

**General
conclusion**

Based on the performed activities, it is revealed that current system of dangerous and production waste management in the Republic of Moldavia is not integrated or based on activities conform to the “waste hierarchy”, also on a mechanism of producer`s extended responsibility on waste management. In this regard, it is necessary to harmonize the national waste frame to the international provisions, elaborating the state policy and environment and population health protection measures, to assure the prevention or reduction of adverse effects, determined by generation and management of waste, reduction of negative effects generated by the utilization of resources, also the increase of their efficient utilization. Thus, Court of Auditors reveals that, to create an integrated waste management system, it has not been approved in the last years legal and normative frame in the field, insufficient financial means from the special funds have been allocated and capitalized, negatively influencing the achievement of set objectives, according to the policies and field national strategies. In these circumstances, the audit conclusion indicates the necessity of increasing the efforts to move from a line economy in Republic of Moldavia to a circular economy, based on recycling, it is thus advisable to speed the transfer of community legislation into the national legislation, also the increase and allocation of sufficient financial resources to create an integrated

waste management system, to reduce risks on environment and population health.

6. Performance Audit Report "The efficiency of public property management by "Cricova" S.A Winery and "Cricova-Vin" Business and Tourism Center, approved by CoA Decision no.30 of 04.07.2017

Objective

Audit mission has been initiated by „Cricova” S.A. Wine Factory and „Cricova-Vin” S.A. Business and Travel Center, to identify the existent issues and causes, submitting the improvement recommendations of public property management activity, by empowering and involving the state representatives within the companies, also assuring an efficient management system, which guarantees their lasting development.

Audit's general objective consisted of determining whether „Cricova” S.A. Wine Factory and „Cricova-Vin” S.A. Business and Travel Center assured during 2015-2016 efficient management of public patrimony.

In this regard, audit team quantified the following specific objectives:

- *Did the control and financial management system within „Cricova” S.A. Wine Factory and „Cricova-Vin” S.A. Business and Travel Center contribute to the efficient management of the public patrimony?*
- *Were financial and patrimony resources of, Cricova” S.A. and, Cricova-Vin” S.A. managed to get measurable indicators for development and profit?*
- *Were efficient and balanced the managers' actions of „Cricova” S.A. and „Cricova-Vin” S.A. regarding the claims and debts management?*

Findings and main conclusions:

Findings summarizing in the audit report indicates some deficiencies/irregularities/reserves that affected the general companies' activity, as follows:

1. Non-elaboration and non-approval of organizational and functioning regulations for the structural subdivisions of the audited companies;
2. Non-elaboration of appointment instructions for some categories of employees, according to the functions within the companies;
3. Non-establishment of hierarchy relations in the instructions, also the competences, responsibilities, non-determination of functions position in the companies organigrams;

4. Non-harmonization and non-update of job descriptions, according to the changes within the companies structure, also the update according to new requirements in the field;
5. Non-concluding the individual labor contracts with some employees;
6. Non-identification/non-elaboration/non-approval of companies' financial and economic activities;
7. Non-definition of all elements necessary for an activity of „Cricova-Vin” Business and Travel Center, non-argumentation by calculation of the business prognosis, incomes and expenses from the operational activity, also the non-foundation of mentioned indicators according to the evolution in the precedent periods;
8. Non-description within the Accountancy Policy of „Cricova” Wine Factory of recognition conditions and products' initial assessment, pending production, also the share of production indirect costs;
9. Non-delivery of other annotations according to the "Presentation of financial reports", also to other applicable standards, the transparency principle is compromised;
10. Non-removal of some deficiencies ascertained and exposed in the audit reports regarding the financial reports concluded on December 31, 2014 and December, 31 2015 of „Cricova” Wine Factory;
11. Non-assurance of quantity, exhaustive/integral and value authentication of assets elements and debts managed by „Cricova” S.A. Wine Factory;
12. Non-disposal of internal regulations, approved by the councils of those companies, that would stipulate the manner and procedures to fulfill the procurements, some specific aspects related to the contracts execution, also to assure the coherent deployment of defined/accepted principles for public purchases, determined by the legal applicable frame;
13. Non-disposal of sufficient means to perform the current payments and taking additional credits from the trade banks for long term.

Causes and impact

The audit determined the following causes:

- Non-elaboration by the Ministry of Agriculture and Food Industry of a strategy/program for wine development did not allow the prioritization of companies next development directions, by concentrating the necessary resources to achieve the set purposes;
- Insufficient performance of activities by the companies councils, some of them being mainly representative, had too little benefic effects on companies' economic and financial activity;

- The founder did not set the performance indicators for Council members of „Cricova” S.A. Wine Factory and conditioned their pay with 1.1 million lei;
- Non-identification and non-management of general risks for the economic and financial activity of „Cricova” S.A. Wine Factory conditioned in 2015 unsatisfactory situations for development, losses in total amount of 16.9 million lei have been registered;
- Non-determination of internal control procedures for the companies, by defining all elements of financial and control management system, caused deficiencies (financial indiscipline, inadequate performance of purchases of goods/works/services; non-conform accountancy by „Cricova-Vin” S.A. Business and Travel center of performed services costs; non-elaboration of formation methodology of costs/prices of the productions and services; incoherent management by „Cricova” S.A. Wine Factory of claims and debts etc.), that affected the activity efficiency and their lasting development;
- Inadequate assurance of procedures of planning, registration, monitoring and transparency on purchase contracts conditioned the perpetuation of irregularities during the purchase process;
- „Cricova” S.A. Wine gave to the economic agents its goods in advertising purpose, the marketing policy did not stipulate clear selection criteria, thus generating additional expenses in amount of 1.3 million lei;
- Non-calculation by „Cricova” S.A. Wine Factory of provisions in amount of minimum 4.9 million lei determined the non-assurance of company’s capitalization, to cope with depreciations, expenses or ulterior risks;
- Delivery of wine products by „Cricova” S.A. Wine Factory at smaller prices than the set prices conditioned losses of approximately 0.4 million lei;
- Non-diminishing the costs of own raw material per unit, at the level of raw material price from other producers, during 2015-2016, lead to losses of costs of minimum 9.4 million lei;
- Investment in grapevine plantations, in total amount of 7.5 million lei, in lack of feasibility studies, did not contribute to harvest increase, becoming inefficient;
- Lack of actions from „Cricova” S.A. Wine Factory regarding the recovery of financial means afferent to the claims, caused inefficient expenses in amount of 1.05 million lei;
- Non-legalization of land relations by „Cricova” S.A. Wine Factory with the Chisinau City Hall lead to the non-calculation and non-registration of debt on land lease, in amount of 0.4 million lei;

General conclusion

- Inadequate monitoring of production delivery contracts of „Cricova” S.A. Wine Factory conditioned the non-calculation and non-registration of penalties afferent to the unpaid claims in the pre-set terms, in total amount of 0.6 million lei, respectively of 0.3 million euro;
- Bank credit contracting by „Cricova” S.A. Wine Factory generated, during 2015-2016, additional financial expenses in amount of 40.9 million lei, thus becoming own capital consumer;
- Non-registration of interest in the corresponding period, in total amount of 1.4 million lei, afferent to the credit destined to procure fixed means by „Cricova” Wine Factory;
- „Cricova-Vin” S.A. Business and Travel Center gave the borrow of 2.1 million lei without interest to an economic agent, thus having a negative impact on company`s economic and financial aspect.

Public patrimony administration by „Cricova” S.A. Wine Factory and „Cricova-Vin” S.A. Business and Travel Center has been adequately performed. The companies proved a good performance in 2016, compared to the previous period, by registering considerable profits. Despite the ascertained improvements, financial and control management system has not been entirely implemented in the companies, that is oriented to the efficient administration and cost-benefit economic and financial management. By the factors that generated the abovementioned situations, we can cite: non-deployment of an efficient management in the decisional process; non-assurance of a lasting activity and efficient utilization of material and financial means, destined to the pending activities; non-assurance of efficient utilization of own capital, resulted from non-compliance with obligations cost-efficiency coherence.

Thus, to optimize companies` lasting development, it is necessary to intensify their control and financial management system. A deeper involvement of MAIA is needed, to assure, support, protect and promote the national and cultural patrimony, also to exercise attributions efficiently by state representatives.

7. Performance Audit Report "Effectiveness of economic and financial management and property management by enterprises providing water supply services for the population", approved by CoA Decision no.43 of 22.09.2017

General objective

assessment of quality and cost-efficiency for water supply public service.

Findings and main conclusions:

Local Public Authorities (LPA) and Central Public Authorities (CPA) do not have exhaustive information on water supply and sewage services area, also the causes of this situation. Lack of financial resources to develop the water supply and sewage services impose to the physical and legal entities, which require these services, to invest in the building of water supply alternative systems (mine fountains/artesian wells) also for sewage (waste holes), that leads finally to their loss as potential consumers, also the decrease of investments profitability within the water supply and sewage sector.

We should mention that the existent law frame do not provide mechanisms to forbid the utilization of non-qualitative water by the population, also its duty to connect to the existent aqueducts with qualitative water.

Critical financial situation of water supply and sewage enterprises is generated by more factors, such as:

1. LPA and CPA do not assure the compliance of regulation for the economic entities, according to an efficient corporate management principles, inclusively: lack of exhaustive legal provisions, also in the enterprises statutes, on rights and duties of the founder, administration council and administrator; delegation of local counselors, who are politically involved, within the enterprises' management bodies; non-approval of development and investment strategies, business plans/ devices of incomes and expenses, also their non-connection to the real available financial resources; non-assurance of monitoring and control on patrimony managed by these economic entities.

So, water losses, also water technological consume are in 2016 until 58% of the captured water volume, and increased, compared to the previous years;

2. Performance of non-efficient investments, inclusively from credit sources. For example,

- Investment of 69.78 million lei, performed to build ZUC Clearance Station from Orhei city, financed by the sources of National Ecologic Fund, European Union and World Bank, proved to be non-substantiated, economically and technically. Thus, if in 2016, the clearance cost at the old station was 3.04 lei/m³, then the price for the new station is 16.75 lei/m³, during 2015-2016 3.2 million lei have been lost by using this station;

- Also inefficient were the investments from SA SC Florești, of approximately 33.0 million lei, to purchase the equipment and reading system of water gauge data, that can be recovered in 21 years, while the equipment exploitation term varies between 3 to 10 years;

- Following the commissioning of aqueduct „Prut – Nisiporeni” in 2016, the investments begun in the previous years became useless in the water supply system from Nisiporeni city, in amount of approximately 36.8 million lei;

- ”Project Water North Moldavia”, that provides the merging between ÎS „Acva Nord”, ÎM Regia Apă Canal Bălți, SA Regia Apă Canal Soroca (cummulated debts of approximately 255 million lei, while the claims are approximately 30.0 million lei), also „Program for water supply and treatment of torn waters in Chisinau” (for which SA „Apă-Canal Chișinău” until 31.12.2016 did not benefit of

any disbursement of contracted credits, but supported expenses in amount of 18.2 million lei) are not economically substantiated;

- The Enterprises "Apă-Canal" (EAC) have non-productive goods that are no longer necessary for the basic activity, whose expenses are in amount of over 15.0 million lei;

- EAC froze circulating assets, forming stocks of materials, spare parts and tools that aren't used for many years. Thus, value of the material stock without circulation more than 1 year is approximately 40.0 million lei, the value of pending assets is 179, 7 million lei (from which 24, 2 million lei are those, whose necessity decreased). Until 31.12.2016, EAC supported store, guarding costs, credits interest, depreciation of national currency, afferent to the indicated stocks and assessed by the audit at over 15 million lei, while the market value of these goods diminish, following the physical and moral ageing;

3. Performance of non-argued expenses, also inefficient and non-regularly.

Non-approval by EAC of provisions that regulated the initiation, contracting and performance of purchases that would assure their transparency and efficiency, generated in 2016 inefficient expenses of approximately 8 million lei.

Over-sized and non-founded wage expenses of EAC in 2016 were over 16 million lei, conditioned by: amplification of EAC wage registrations (following the non-foundation of work real volume and non-approval of work normative); non-assurance of time and effective work volume for the cumulated appointments; lack of financial resources for financing some exaggerated commitments, included in the labor working contracts etc.;

4. No measures to cash the claims that, on 31.12.2016, were approximately 450 million lei, from which approximately 270 million lei are claims with expired payment term, approximately 152 million lei – claims with expired prescription term, also compromised ones.

Non-compensation by Orhei City Council and Soroca City Council of incomes lost by EAC since the establishment of diminished prices for some consumers categories, in amount of 3.1 million lei (during 2015 - 2016) respectively of 2,7 million lei (during 2013-2016);

5. Non-performance of water supply and sewage service. For example,

- EAC lost incomes assessed by the audit for 2016 over 20 million lei, following the non-compliance with the provisions of the art.19 par.(5) of the Law no.303 on 13.12.2013 , that forbids the exploitation of existent artesian wells in the localities that have public water supply systems, with the provisions of the art.25 of the Water Law no.272 on 23.12.2011 , according to which press release is requested on exploitation authorization of those wells. This situation is facilitated also by the fiscal permissive policy in the field, thus 1m3 of captured water is 0.3 lei, also by the inactivity of State Ecologic Inspectorate;

- EAC lost important incomes also because of non-performance of transportation services for torn waters from the consumers who are not connected to the central sewage. In fact, these services (drain) are performed

by other physical and legal entities who, due to the lack of a contract with EAC, remove the torn waters in the central sewage system or in public places, polluting the environment. Although some EAC and the Court of Auditors have informed the investigation bodies on these illicit activities, no answer came from them until the completion of the audit;

- Another cause of incomes loss/expenses increase of EAC is the non-assurance of compiling the sewage and torn waters removal services contracts, taking into account the provisions of the art.22 par.(5) of the Law no.303 on 13.12.2013 and of the point 19 of the Regulation approved by the Government Decision no.950 on 25.11.2013 . Thus, the contracts concluded with the legal entities do not indicate the flows and maximum admitted concentrations of the pollutants from the torn waters, removed in the control point; eventual restrictions of removal at certain hours; measure to standardize the flows and concentrations of pollutants etc.;

- Also, contrary to the provisions of pct.42 and pct.43 of the Regulation approved by the Government Decision no.802 on 09.10.2013, State Ecologic Inspectorate did not assure an adequate monitoring of torn waters parameters discharged by the holders of water special utilization authorizations;

- Non-adjustment by the local councils of prices for water supply and sewage services, at the level supported by EAC, generated significant loss for these;

6. VAT imposition of commune services for domestic consumers is unevenly. Thus, water supply and sewage services for the population are VAT exempt, delivery of electric energy, thermal energy and hot water applies zero VAT, in the first case it is not allowed to register VAT into account, determining the increase of EAC expenses, respectively the prices increase; in the second case, it is allowed to register VAT into account, so the suppliers' expenses and prices increase are not influenced;

7. Calculation manner of water and sewage consume by domestic consumers from the buildings is discriminating, compared to other consumers. Thus, economic agents, who have their headquarters in the buildings, do not participate to the volume difference distribution. Concluding the water supply and sewage services contract between the supplier and the building manager is not regularly, because they do not correspond to the notion of "Consumer", provided in the art.4 of the Law no.303 on 13.12.2013, namely they do not consume the services to fulfill their personal interests.

There is a difference between the consumed water volume, according to the indication of building water gauge, and the indications amount from the flats water gauges, determined by:

- Not counting all consumers (10.2 thousand, respectively 26.0 thousand flats that benefit of drinking water and hot water, from 148.4 thousand, respectively 116.1 thousand flats served by ÎM „Infocom” in Chişinău), allowing to some consumers to skive from the payment of real performed consume;

- Non-submitting the water gauge data or indicating no consume (approximately 17.0 thousand flats – for the consume of drinking water, and 20.0 thousand flats – for the consume of hot water);

8. EAC did not assure a separate registration of incomes and expenses for each type of service, so it is not allowed to objectively set prices for the performed services.

Also, EAC do not have an uniforme registration of goods received from the founder to be managed. This situation is generated by non-deployment of provisions of the art.11 par.(2) of the Law no.121-XVI on 04.05.2007 by the Finance Ministry, by which would have approved the manner of different accountant registration for the public goods, managed by legal entities;

9. Existent legal frame does not exhaustively set the property field for the goods that are part of technical and urbanity infrastructure, afferent to the performance of water supply and sewage public service, which do not offer juridical protection, necessary to these goods and determines the risk to lose the rights of public property on these social goods.

Also, local councils, as founders of EAC, did not assure determination and delimitation of the field (public or private) to whom the patrimony transmitted to the enterprises administration belongs.

The provisions of Prices determination method, approved by ANRE Decision no.741 on 18.12.2014 (pct.22, pct.45 etc.), complicate the situation, because it does not take into account the legal provisions on public property of administrative and territorial unities (art.3 par. b) of the Law no.523-XIV on 16.07.1999), and inexcusably provides the exclusion from the expenses, taken into consideration at the determination of prices of amortization and repairs of goods that do not belong to the operator, inclusively those given by the founder for management. Thus, when the goods are no longer used, EAC will not have resources to rebuild the goods received for management (mainly, water supply and sewage networks), the budget will take over the charge (locally or stately). Thus, EAC financial situation is critical. 12 from 15 EACs had registered loss in 2016. Moreover, 4 EACs have negative active assets (own capital), and 5 EACs have smaller net assets that their social capital. Also, there are insolvency procedures for ÎS „Acva Nord”, ÎM AC Basarabasca and SA RAC Soroca. There is a high risk to strip the public authorities of the water supply and sewage infrastructure. Total value of credits balance contracted by the Finance Ministry, also the interests on 31.12.2016, is 423.2 million lei, from which the value of credits and interests not paid in time – 26.3 million lei, which is a risk for the state budget on supporting unexpected expenses to fulfill these duties.

**Causes
impact** and

**General
conclusion**

Audit mission concluded that the founder of EAC did not efficiently manage the public service for water supply and sewage, also did not take concrete actions to supervize the economic and financial activity of the enterprises, EAC management did not completely perform their statute competences and did not contribute to the streamline of enterprises' economic

and financial activity, determining the bankruptcy of some enterprises in the field.

Legal frame (legal and normative) that regulates the water supply and sewage services performance is ambiguous, non-uniformly implemented and inconsistent.

Prices for delivered services do not correspond to the supported expenses, but their adjustment is compromised by lack of some registrations for incomes and expenses for each performed service.

If we synthetise the lacks, public external audit insists also on a possible solution to repair, mainly on changing the legal and normative frame, in the sense of their connection to the consumers' protection principles, also to improve the services enterprises activity.

8. Performance Audit Report of the "Wine Branch" Project at the Ministry of Finance, Ministry of Agriculture and Food Industry, Public Institution Consolidated Unit For Implementing and Monitoring The Wine Sector Restructuring Program", approved by CoA Decision no.47 of 28.09.2017

Objective

Audit proposed to answer to the following general question: ***Was the Wine sector restructuration Program "Wine Branch" efficiently managed, assuring the utilization of financial means, economically and efficiently borrowed?*** In this regard, 3 specific questions have been formulated: ***(I) Did MAIA, as Promoter, take enough measures to assure the Program's efficient deployment? (ii) Did the responsible take adequate actions to achieve the proposed results?, (iii) Have the Program's progresses been correctly measured and reported by monitoring mechanisms and efficient assessment?***

Audit had as objective the assessment of efficiency of activities and measures made by the institutions responsible with the successful deployment of the Wine sector restructuration Program "Wine Branch", also the economy and efficiency of using the financial means and goods purchased within it. Program's deployment grade during 2010-2017 (6 months) has been assessed by: results; monitoring and coordination level; efficient utilization of allocated means, also actions of responsible institutions.

Program's Purpose was to facilitate the access of the potential beneficiaries from the wine sector of Republic of Moldavia to the financial resources offered by BEI by credit and leasing operations, according to the provisions of Financing Contract, also to modernize and technologize the whole value chain of wine sector of Republic of Moldavia.

Findings and main conclusions

Allocations for Program's beneficiaries have been directed by 4 different components. For the component I „Credit Line”, BEI disbursed 32.0 million euro, component II „ Credit Line – grapes purchase” – 6.98 million euro, component III „Financial leasing operations” – 0.42 million euro and for component IV

„Laboratories, education, formation and development of food security ” -4.94 million euro.

Since the date of Program's initiation until 30.06.2017, effective financial means disbursed by BEI were 44.34 million euro or 59% of the borrow value (75.0 million euro).

Although the audit assessments indicate that the Program activities have supported the producers, also encouraged the wine production under the "protected origin name", also under "Protected geographic area", offering the possibility to export the wines to other sale markets, the extension of grapevines, high quality wines production, also very competitive on the international market, the audit has ascertained some lacks and dysfunctions, like:

- Equipment procured by the Unity for the beneficiaries of investment projects, in total amount of 3.6 million lei (equivalent to 0.2 million euro) is not used, being stored until 18 months; allocation of financial means, in lack of justified/reasoned calculations on equipment necessary, caused the inefficient use of financial means, in amount of 3.4 million lei (equivalent to 0.2 million euro);

- Goods procured, in amount of 1.63 million euro, will not contribute to the efficient performance of the Program, because the goods value is 0.3 million euro, unused equipment – 1.13 million euro, used equipment contrary to its destination– 0.2 million euro;

Delayed launch of Component III „Leasing operations” limited the access of potential beneficiaries to credit resources offered within the Program, approximately 4 years;

- Insufficient monitoring of Ministry of Agriculture, Food Industry and Consolidated unity for Deployment and Monitoring the restructuring Program of Wine Sector generated also inefficiency of using the financial means, destined to Program deployment;

- Re-credited borrow reimbursement warranty was not assured by Finance Ministry, old and torn goods and tools have been accepted as collateral, in amount of 1.5 million euro.

Causes and impact

Non-compliances are consequences of non-taking sufficient measures by the responsible institutions, not monitoring completely the Program's results, determining in some cases the inefficient and non-compliant utilization of financial borrowed means.

To achieve the pre-set objectives, and to perform the assumed commitments, recommendations have been formulated to repair the issues identified by the audit.

General conclusion

In the context of the above-mentioned, audit concludes that MAIA, as promoter, did not take sufficient measures to encourage the Program by benefits that can be obtained following its deployment. In the same time, the responsible people to implement the Program did not completely monitor the real results, determining the inefficient, uneconomic utilization of the borrowed financial means.

9. Performance Audit Report of the "Competitive Agriculture in Moldova" Project" at the Consolidated Unit For Implementing and Modernisation of Agricultural Projects, financed by the World Bank, Ministry of Agriculture and Food Industry", approved by CoA Decision no.55 of 08.11.2017

Objective

The audit aimed to answer to the following general question: ***Did the project contribute to achieve the set objectives; also did they assure the management of financial means given in economy, efficiency and proficiency?*** For that purpose, 2 specific questions have been formulated: *(i) Have the Project's result indicators been achieved? (ii) Did MAIA, MM, AIPA and UCIMPA take measures to assure the management in conditions of economy, efficiency and proficiency of Project's means?*

The audit had as purpose the measures and activities' efficiency assessment, performed by entities responsible to successfully implement the Project, also the economy and efficiency of using the financial means and goods purchased within the Project.

The Court of Auditors have assessed the Project's implementation grade during 2013-2017 (9 months) in terms of: *(i) results; (ii) deployment and monitoring mechanism; (iii) actions' accomplishment level; (iv) efficient and proficient use of given means.*

Project's main objective consisted in supporting the Government's reformation agenda in the following aspects: *(i) food security and quality, (ii) efforts to improve the market opportunities for agriculturalists, by investment support to modernize the post-harvest infrastructure, (iii) support for institution development by creating and consolidating the producers' groups, (iv) efforts to integrate the good agricultural practices and fields' lasting management.*

To accomplish these objectives, the Financial Agreement between Republic of Moldavia and International Association for Development has been concluded on May 28, 2015, in order to perform the Project "Competitive Agriculture", later another two additional financing agreements have been concluded, also external sources from other donators have been found. Total value of Project's financing, in U.S. dollars, is around 45.32 million dollars U.S.A., on October 2, 2017. Project's deployment has been initially calculated until 30.06.2017, and then extended until 30.06.2019. Project's resources have been redirected by 5 different components, according to Agreements; each component has its own purposes. Disbursements in U.S. dollars during Project's deployment have been around 32.5 million U.S. dollars, 32.1 millions U.S. dollars or 98.8% have been actually used: (i) for Component I „Food security management consolidations” – 8.2 millions U.S. dollars; (ii) for Component II „Increase of access potential to the markets” – 9.8 millions U.S. dollars, (iii) for

**Findings and
main
conclusions**

Component III „Fields' productivity increase by MDT” – 5.2 millions U.S. dollars; (iv) for Component IV „Project management” – 1.4 millions U.S. dollars and (v) for Component V „Compensations to support the sales” - 7.4 millions U.S. dollars.

Audit assessments indicate that the activities provided in the Project contribute to the modernization of food security management system, creation and support of agricultural producers groups to sell the high value fruit-growing production, and the increase of institutional capacities and agricultural producers, afferent to the fields' lasting management. Although Project's results indicators have been greatly performed, results impacts on food security management system and on agro-industrial products competitiveness increase, pursuant to investments within the producers' groups, generate themselves late; their full capitalization is not assured. The audit has shown lacks in the deployment and monitoring processes, also in the efficient, proficient and economic conditions of given resources, namely:

- Non-use of equipment purchased within the Project, to perform the rehabilitation works of protection forests, also the endowment of two points of customs inspection, with a total value of 3.7 mil.lei, also the performance of additional expenses, in amount of 2.0 mil.lei to adjust equipment's real necessities;

Causes and impact

General conclusion

- Presumption with approximately 4.6 million U.S. dollars for the financial support for the agricultural producers, resources contracted by financing agreement, the amount was then reallocated to other components of the Project;
- Increase with approximately 12.3 mil.lei of renovation and reconstruction works for the buildings of the Food Security National Agency, comparing to the prices initially contracted, as pursuant of works performance terms extension;
- Financing of non-eligible beneficiaries with the amount of 7,13 mil.lei, as pursuant of non-compliance of eligibility criteria in the compensations request files examination step;
- Non-assurance by special local and central Commission of the process, according to the compensations request files examination step, also issuance by the first level local public administration of untruthful documents on multiannual plantations surface, thus determining financial support to the non-eligible beneficiaries.
- Full non-assurance by the Agriculture Payments and Intervention Agency of the compliance of grants request files verification procedures, thus generating the risk of means allocation to the beneficiaries who do not fulfill the Project's requirements;
- Non-quantification of 2 key-indicators that did not allow the assessment of progress performed by the producers groups, supported by Project sources, also the impact of compensations given to the agricultural producers, as an answer to the trade restrictions imposed by Russian Federation during 2013-2014;
- Delays of producers groups investment projects deployment, their progress is unequivocal, and investments impact is still low;
- Delay over 10 months to get the international certification by 2 laboratories, thus limiting the potential risks prevention capacity increase, that can affect population health;
- Not integral deployment of informational systems „Laboratories Management Informational System” and „Strategic, veterinary and sanitary measures Management”, that need development and adjustment to the necessities of Food Security National Agency, generating additional costs.

Nonconformities and ascertained deficiencies are consequences of the fact that institutions responsible to implement the Project did not take sufficient measures and did not completely monitor the Project's measures, determining in some cases the non-efficient use of the borrowed financial means.

Although progress has been reported by Project deployment, non-adequate identification of necessities, delays, non-coordination or non-adequate deployment of some actions, non-adequate capitalization of the performances affect the reliability of results, also can damage their effect on food security management system modernization, also on increase of quality and competitiveness of agro-industrial products. In order to integrally achieve the Project's objectives and maintaining their effects, it is necessary to consolidate the control and monitoring

system, to perform and measure the progress and impact by relevant indicators and reliable data, also to assure the compliance of good financial management within the Project actions deployment. As a result of the exposed ones, we summarize that the responsible institutions did not take sufficient measures to integrally get results and expected effects within forecast terms, also did not adequately monitor actions deployment, determining delays of measures deployment, non-economic and inefficient use, for some cases, of the financial means within the Project, for the construction works, non-use of goods, allocation of grants and financial support to the non-eligible beneficiaries, determining, in some cases, the delay of impact generation from the Project actions.

10. Performance/IT Audit Report "Progresses and impediments / risks encountered in the process of implementation of the E-Transformation of Governance" Project", approved by CoA Decision no.60 of 21.11.2017

Objectiv

Considering the importance of the field submitted to audit and the impact thereof, the audit **aimed primarily** at assessing the performance of the E-Transformation of Governance Project by establishing the results and progresses encountered as well as problems/risks that may negatively influence its subsequent impact. Thus, in order to provide a respond to the goal set up, the audit identified the following specific objectives:

- *Does the institutional framework related to the e-Transformation of Governance Project ensure its effectiveness?*
- *Does the fulfilment of performance indicators of the Project reflect the achievement of objectives and efficiency of the activities within it?*
- *Are the governmental platforms and electronic services developed within the Project functional and effective?*

**Main findings
and
conclusions**

The project was conceived and implemented during the period 2011-2016 by the Government of the Republic of Moldova with the assistance of the World Bank; the Executive has signed for this purpose a loan in the amount of 12.7 million Special Drawing Rights (the equivalent of US \$ 20.0 million at the time of signing of the Financing Agreement) and contributed with another US \$ 3.0 million. The overall Project budget amounted to US \$ 23.1 million, of which the Government of Moldova contributed with US \$ 3.2 million. E-Transformation of Governance was meant to boost public sector modernization and services provided by public authorities.

Following the verifications carried out, the audit finds the achievement of the objectives set forth by Project, namely the variety of activities and products implemented, including the Joint Governmental Technological Platform - MCloud, 5 Governmental Electronic Services (*Government E-Payment Gateway - MPay, Governmental Authentication and Access Control Service - MPass, Governmental Service of The Electronic Signature - MSign, MLog, Government Platform of Registers*

and Permissive Documents - PGRAP and the Interoperability Platform - Mconnect), as well as 17 public electronic services (SIGEDIA – Informational Management System of Documents and Authorities Registrations, 16 public electronic services, of which 14 provided by central public authorities to the citizens (G2C), the business environment (G2B) or to the governmental structures (G2G), as well as partial digitization of 2 state archives: Civil Status Archive and S.E "Cadastru" Archive.

At the same time, the audit found certain problems, deficiencies in the e-Transformation process as well as the factors that had a major impact on the efficiency and effectiveness of the Project and could negatively influence its durability and sustainability in the future. Thus it has to be emphasised that the activities carried out so far failed to have visible / tangible results. Among the most significant shortcomings the following may outlined:

- management system of the Project which included numerous bodies involved in implementing, monitoring and coordinating the implementation of the Project, including in public entities was largely inoperable and inefficient;
- established indicators and, where appropriate, the data collection methodology (rules) were not relevant enough to measure the degree of achievement of the overall Project objective;
- multiple shortcomings related to the regulatory rules and procedures, poor management and insufficiency of competent staffing, insufficient / lack of leadership in public entities have determined failure to capitalize in full the opportunities offered by the platforms and services implemented, and in some cases, disregard of electronic services developed;
- benefits of the Joint Governmental Technological Platform - MCloud as well as of the government services (*Government Platform of Registers and Permissive Documents - PGRAP and the Interoperability Platform - Mconnect, etc.*) are still not fully exploited due to the fragmented use of services provided by the Electronic Governance Center, thus diminishing the effectiveness of investments made;
- public authorities have created / developed new infrastructures, have purchased their own equipment and software solutions, failing to coordinate these processes with the Ministry of Information Technology and the State Chancellery in the due manner;
- existence and parallel operation of public authorities' own data centers and of the Government Platform MCloud; the opportunity for the operation of consolidated data centers has not been approached and explored;
- process of identifying and selecting certain public services for digitization did not fully comply with the established rules, manifested a sporadic and non-transparent character. Thus, only certain services used by a relatively small number of beneficiaries / citizens have been digitized;
- development of public electronic services did not result in the technological modernization of all internal processes, and some internal processes of major importance have not been digitized;

- although significant investments were made, 4 out of 17 Information Systems in the total amount of 13,490.00 million MDL developed under the Project (SIGEDIA, the Agricultural Digital Register, the e-Transport Authorization, e-Integrity) were not operational at the time of the audit and the use thereof in future is uncertain;

- malfunctions found in respect of particular e-services developed under the Project, which were due including to inadequate testing and inappropriate maintenance, limit the effectiveness and utility thereof;

- inability of entities to ensure the sustainability of public services due to the insufficiency of qualified IT staff;

- non-compliance in full with the requirements on the protection of personal data, as well as insufficient normative and regulatory framework for the e-services developed, etc.

Reasons and impact

The impediments, problems and malfunctions emphasised in the Audit Report are due, in principle, to the insufficient development of the Project, which increased during its implementation by failing to accomplish the measures set out in the regulatory framework and which were absolutely necessary for the sustainability of the products created within the Project.

The shortcomings identified are mainly caused by cumulative systemic factors, including: insufficient preparation of the Project; malfunctioning of the management system in respect of the general monitoring of the Project as well as coordination of activities within public entities; shortcomings of the regulatory and legislative framework in the field; use of irrelevant performance indicators in relation to the project objective and activities carried out; insufficient risk management of the Project and of the related sub-projects; lack / insufficiency within the public entities of leadership and IT staff, etc.

General conclusion

Having analysed the results obtained following the audit, it appears that overall, with some reserves for improvement, the necessary conditions for obtaining the expected results of the e-Transformation of Governance Project were ensured and this fact was also emphasised through the accomplishment of Project objectives, establishment of a relevant regulatory and legislative framework and of the national authorities responsible for monitoring and controlling the management of its implementation; setting up IT solutions, etc. Moreover, although the Project's objective was achieved, with some tangible progress due to cumulative systemic factors at the time of the audit, this failed to meet in full the expected impact on the process of technological modernization of governance. Effective involvement of responsible bodies and ensuring effective cooperation among the actors involved, including by undertaking appropriate actions to eliminate the deficiencies identified by the audit carried out by the Court of Accounts will contribute to further enhancement of the expected impact of the Project, its sustainability and insurance of the conditions necessary for the successful implementation of future projects in this field.

The series of factors outlined in the Audit Report is aimed at motivating the Government to intervene in due course through appropriate examinations of the new IT service delivery model, with appropriate corrections / interventions, if required.

11. Performance Audit Report of the Road Fund at the Ministry of Transport and Road Infrastructure and certain subordinated institutions, approved by CoA Decision no.66 of 05.12.2017

Objective

Audit proposed to answer to the following general question: **Is RD efficiently and proficiently managed, to develop the quality road infrastructure, to produce expected impact?"** In this regard, 2 specific questions have been formulated: *(1) Is it assured the formation of RF means, by efficient and transparent means? And (2) Are RF means used efficiently and proficiently to rehabilitate, repair/maintain the public roads?*

Audit has as purpose the assessment of the efficiency and proficiency to apply existent mechanisms by parts responsible with the formation and utilization of RF means, also the determination of lacks, impediments that influence performance achievement in this field, submitting recommendations to remove them. The audit result indicated activities oriented to RF resources during 2014-2016, under the aspect of efficient and transparent constitution of results, after using the RF means.

Findings and main conclusions

Audit ascertained some deficiencies and problems that undermine the efficient functioning of RF, to get progress, determined by:

- Non-assurance by the responsible bodies (Finance Ministry, Transportation and Roads infrastructure Ministry) of the efficiency to exhaustively assess the possible resources destined to the fund;
- Inefficiency and non-transparency of Road Fund resources, allocated by the institutional decision factors;
- Non-assurance of an efficient data exchange under the aspect of fiscal tax exhaustive registration, influenced by the inefficiency of existent informational systems;
- Inefficiency of tax cashing for sale of natural gas destined as fuel for road transportation unities;
- Non-assurance of getting results for constitution of the Road Fund, by inefficiently monitoring the reported transportation unities;
- Non-achievement of result indicators, by inadequately and inefficiently monitoring of the responsible subjects;

	<ul style="list-style-type: none"> • Purchase of works and services by the State Enterprise „Roads' State Administration” with deficiencies and irregularities, affecting the efficient management of Road fund means (105.5 million lei); • Establishing the guarantee by the beneficiary (State Enterprise „Roads' State Administration”) attested the inefficiency of using public money, following the performed works (2.4 million lei); • Non-assurance of performed works quality, the reception of repair works for public roads, violating the legislation on building quality (148.4 million lei); • Inefficiency of financial management of stock companies, that generated additional expenses (47.4 million lei); • Irregularly management of road fund resources, that lead to the inefficient utilization of the road fund means for maintenance and repair works for access roads to the social and cultural institutions (2.4 million lei); • Lack of an adequate normative frame, that determined the non-achievement of expected quantity and quality results.
<p>Causes and impact</p>	<p>Non-performance of delegated tasks and the insufficiency of communication at the level of authorities responsible to constitute and use the Road fund means lead to an incomplete achievement of the expected objective, afferent to the assurance of roads' infrastructure quality, identifying the improvement reserves within planning and allocation of fund's resources, also assurance of means utilization efficiency, according to the destination.</p>
<p>General conclusions</p>	<p>Mechanisms on accumulation, utilization and monitoring of using the road fund means by the actors involved in this process took place inefficiently, without achieving a performing management, reserves in the process of administration and utilization, also in the monitoring of fund's means have been also ascertained.</p>

12. Performance Audit Report of the environment related to the Air Quality in the Republic of Moldova, approved by **CoA Decision no.65 of 30.11.2017**

<p>Objective</p>	<p>Within the 13th Meeting of Working Group for EUROSAI ² Environment Audit, the Court of Auditors of Republic of Moldavia decided, together with other ISAs, the performance of cooperative audit on atmosphere³. Audit results will offer a useful reference source to the political decision factors at European</p>
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² Annual Reunion of Working Group for environment audit of EUROSAI on October 2015 from Malta.

³ Page 13 of the Report on the 13th Meeting of Working Group for environment audit of EUROSAI, http://www.eurosaiwgea.org/meetings/Documents/13%20AM/13AM_REPORT_final_updated.pdf

level, to improve the community frame and to increase the life quality in the ecologic aspect.

Purpose of collaboration is not only to elaborate a common report on a reliable image of the situation on air quality in different countries, also to mention the good practices and efficient field solutions.

Audit has as purpose the assessment of policies efficiency in the air protection field, also the efficiency of institutional potential for managing the air field.

During this mission, the audit proposed to answer to the following general questions: ***Do the existent national policies assure an integrated management system of air quality? Are these effective and efficient compared to the community legal frame?"***

In this regard, audit team formulated the following specific questions, as follows:

(1) Is the Republic of Moldavia submitted to the risk of air pollution?

(2) Does the government take adequate measures to prevent risks, also to dilute the effects of air pollution, inclusively to prevent the main pollution sources?

(3) Are there national efficient policies dedicated to air quality? Are these correlated to the external field commitments?

(4) Is it assured the achievement of strategic objectives on creating an integrated management system of air quality?

(5) Is it assured the monitoring and reporting of air pollution real level?

Main vulnerabilities on air quality in the Republic of Moldavia, identified in the audit mission, are as follows:

Findings and main conclusions:

1. Lack of an integrated management system of air quality, that would assure the absolute compliance of the principle "polluter pays";
2. Non-adjustment to the current requirements of field management legal mechanisms;
3. Inefficiency of the current system to monitor the air quality;
4. Non-performance of international commitments because of partial reporting;
5. Limited accessibility to the information on air quality;
6. Non-result cooperation between field responsible;
7. Loss of some pecuniary payment for pollution, because of the incomplete registration of economic agents who generate pollution (1.4 million lei for 2016);
8. Non-allocation of financial means to develop the field;
9. Non-assessment of air pollution impact on health state;
10. Non-restriction of pollutants;
11. Untruthful information on air pollutants volume, from the fixed and mobile sources;
12. Non-assurance of pollution prohibition principle, in the conditions of ration pollution payment – impact on environment;

Causes and impact

13. Exhaustive non-regulation of the fine applied in the same conditions, for exceeding the admissible emissions;
14. Non-regulation of ecologic factor at introduction and placing in temporary admission customs regime, on the territory of the republic of Moldavia, of cars;
15. Inefficiency of pollution control existent procedures in unfavorable weather;
16. Lack of self-monitoring network and automatic registration of pollutants emissions in the air.

Current management system of air quality does not function and is inefficient, being sensitive on:

- delivery of real data in real time on air pollutants emissions volume;
- health state assessment compared to the air pollution level;
- fund concentrations coordination for the assessment of limited admissible emissions;
- finances attraction to modernize the monitoring system and the ecologic control equipment;
- organization of controls on procurement of technical testing stations with tools that determine the ecologic indicators of mobile sources;
- reporting to the positions of "ecologic factor";
- setting the criteria on amount and value of fine applied to empower the polluters;
- determination of payment value for pollution in different country regions;
- balancing the report *payment for pollution – prejudice caused to the environment*;
- national restriction of pollutants emissions;
- air pollution level control in unfavorable weather;
- source monitoring of air pollutants emissions.

General conclusion

Main challenges of the Republic of Moldavia on air policies depend on the lack of legal frame on air quality, thus delaying the compliance with the European Union legislation in this matter.

Air quality in the Republic of Moldavia is a real concerning reason, especially in the lack of an air integrated management system that can assure a good coordination and functioning of the institutions, generally, also of monitoring, information and empowerment system of polluters, taking into account the situation.

13. Performance Audit Report „Whether the National Food Safety Agency ensures through its controls, that all imported food is safe and is not dangerous for consumers’ health?“, approved by CoA Decision no.69 of 19.12.2017

Objective

The National Agency for Food Safety has the status of central public health authority under the Government's responsibility and is responsible for the implementation of the veterinary and food safety policies and strategies, being able to organize, supervise and control the compliance with the legal provisions and other normative acts in the field. Also, the Agency is the competent authority responsible for controlling imports of food, feed, plants and live animals on the territory of the Republic of Moldova.

The overall objective of the audit was to determine if: "Is the current institutional and control system in the field of food safety effective for import of food, feed, animals and feed?" In this respect, two specific questions were formulated: (1) Has the actions taken by the ANSA responsible for the implementation of policy documents effectively contributed to the strengthening of institutional capacities? and (2) Is the control of compliance with the legal requirements on food safety in the import of food, feed, animals and feed provided to ensure their safety?

The audit objective was assessing the effectiveness of activities and measures undertaken by ANSA during the period 2014-2017 (10 months) in order to meet the objectives set in the food safety policy papers as well as establishing the effectiveness of the functioning of the management and control over the import of food.

Findings and main conclusions:

Although the evaluations made by the audit show that National Agency for Food Safety has made some progress in implementing the measures set out in the EU-Moldova Association Agreement, which is expressed by putting into operation 4 points of sanitary-veterinary and phytosanitary control and their endowment with the necessary equipment, implemented the TRACES integrated computerized veterinary information system and developed some operational procedures related to controls on the import of goods, the audits have revealed the following shortcomings:

no Action Plan to implement the Food Safety Strategy for 2011-2015 has been developed,

the Food Safety Strategy for the years 2017-2022 was not approved,

there were modest progress in implementing the measures set out in the EU-Moldova Association Agreement;

the internal control system for the Agency's import procedures requires improvements;

investments amounting to 60 million MDL in endowment of 4 Sanitary-Veterinary and Phytosanitary Controls did not reach the expected effect and the capacity of Giurgiulesti Post is not used efficiently;

no sufficient action has been taken to reduce the risk in the veterinary and phytosanitary sector, and there is no single information system for the

Causes and impact

registration and monitoring of products subject to phytosanitary import control;
the collaboration between the National Agency for Food Safety and the Customs Service requires improvement;
ANSA has failed to establish effective activities for the import of genetically modified products and does not subsequently monitor their use;
the imported consignments, from which samples have been taken, are exposed to commercialization until laboratory results are obtained, generating the risk of marketing non-compliant products;
the audit shows a very low level of implementing of control plans, which does not ensure the imminent risks related to food safety to public health for imported products and consumers are not completely sure that the products they buy are safe for consumption.

General conclusion

The non-compliances found are consequences of non-assurance of good governance by the National Food Safety Agency's decision makers, the lack of human resources, as well as the low concern of authorities empowered to promote fundamental changes in the field of food safety, which made it unnecessary to anticipate the expected results in food safety policy documents. At the same time, the lack of efficient mechanisms for strictly supervising the rules required to ensure compliance with the legal requirements on food safety in the import of food, feed, animals and feed for their harmlessness affects the credibility of the institution as a whole guarantee that imported food is safe and does not pose a health hazard to consumers.

In the context of the above, it is concluded that the measures taken by the controls carried out by the National Food Safety Agency to ensure the safety of the imported food are inferior and ineffective, and the control duties on food safety supervision from import, not fully exercising control duties on food safety on oversight from import to provide citizens with access to sufficient and quality food.

To eliminate the identified problems, prompt action is needed to remedy the identified shortcomings by strengthening institutional capacities, which will allow alignment with the European quality standards and the early recognition of the pre-established benefits in the policy documents.

Extras from REPORT on cases of suspected fraud and conflicts of interest established by the Court of Account during the audit missions for 2017

Sent materials – 8 + 4 pending;

Refuse to start the criminal case – 1

Started criminal cases – 3

Closed criminal cases – 0

Verification of refuse ordinance legality – 1

Materials in course of examination – 5

Materials examined within the cooperation inter-department Council with the law enforcement agencies -1

1. **Decision of Court of Auditors no. 1 on January 24, 2017 regarding the approval of Audit report on deployment grade assessment of audit recommendations and requirements, according to the Decision of the Court of Auditors no.55 on 08.12.2014**, relegated to the General Prosecution for information and examination, according to the competence, of the actions` legality of SA "Aidin" for accessing the grants from the Grants` Fund for year 2013 (section 2.7 of the decision); relegated also to the Anticorruption National Center for information and examination, according to the competence, of the non-actions of responsible representatives from the Ministry of Agriculture and Food Industry, who omitted the prescription term for recovery of compensations afferent to the damages supported by the agricultural producers, following the natural calamities (drought, hail) in the years 2012 and 2013, given irregularly (in amount of 1107.5 thousand lei), section 2.6. Of the decision. Additionally, ANC received the copies of audit evidence, that is at the basis of establishment of compensations` total amount, afferent to the damages supported by the agricultural producers, following the natural calamities in years 2012 and 2013, given irregularly, in amount of 1107.5 thousand lei.

General Prosecution informed that the facts ascertained by the prosecutors were the examination object of a criminal case, previously started by the Prosecution of Taraclia District, following the investigation that disposed the close of the criminal case, because the fact does not meet the component elements of a crime.

ANC communicated that the facts invocated in the materials of the Court of Auditors were previously the object of the criminal case no. 2014928354, managed by the Financial and Economic Investigations Section of the General Prosecution, which received the materials accumulated from the Court of Auditors for examination and decision making, according to the applicable legislation, within the mentioned criminal case.

- 2. Decision of Court of Auditors no.12 on 05.04.2017 regarding the approval of Audit report “Management of road traffic supervise systems”**, relegated to the General Prosecution, Information and Security Service, Anticorruption National Center, for information and examination, according to the competences.

We should mention that, during the audit mission, following the auditors` ascertainments, the meeting of cooperation inter-department Council between the Court of Auditors and the law enforcement agencies has been organized on 09.12.2016, and then the relegation of all evidence to the law enforcement agencies has been relegated, for legal frame of ascertained facts.

ANC communicated that materials of audit performed at the local public authorities from Ungheni District, during the accumulation of associated audit evidence at the Informational Technological Service of MAI, also the audit report „Management of road traffic supervise systems” are examined within the criminal case no. 2015970460, started because public people from the Informational Technological Service exceeded their professional attributions, crime provided by the art.328 par. (3) Let. d) Criminal Code that investigates more aspects, inclusively those mentioned in the materials of the Court of Auditors. Currently, prosecution actions have been performed for investigating, under all complete and objective aspects, the case circumstances.

Anticorruption Prosecution communicated an answer to the CCRM addresses, following the audit materials examination, that 3 criminal cases have been started by DGUP of ANC. It has been also mentioned that a large part of the materials have been annexed to the criminal case no. 2015970460, previously started.

SIS communicated that examined, by competence attributions, the suspicious circumstances of reference project deployment process. The subject is targeted until the definitization of measures by the authorized bodies.

Investigations and other actions, according to the Law, will be disposed for identifying the susceptible aspects to prevent and counteract by the Service.

3. **Decision of Court of Auditors no.18 on 18.05.2017 regarding the Conformity audit reports, combined with the performance and financial audit on Government Report on state social insurances budget execution during 2016**, relegated to the General Prosecutions, according to the section 2.7., annexing the materials afferent to the situations ascertained by the audit, to examine, according to the competence and qualification under the aspect of criminal law, the actions/non-actions of people responsible and/or involved in the purchase procedures of sanatorium health recovery tickets, that generated inefficient utilization, overpayments and fraud index in amount of 1.9 million lei.

Materials are still examined.

4. **Decision of Court of Auditors no.20 on 26.05.2017 regarding the examination of Audit report on forced management instruments relevance of fiscal/customs obligations during 2014-2016**, relegated at the request of Anticorruption National Center, also the authenticated copies of documents that attest the situations reflected in subsection 3.3 of the Report are attached. Materials are still examined.

5. **Decision of Court of Auditors no.22 on 30.05.2017 regarding the Conformity audit reports, combined with the performance and financial audit on Government Report on medical care mandatory insurance funds execution for 2016**, relegated to the General Prosecution, according to the section 2.2., attaching the materials afferent to the situation ascertained by the audit, to examine, according to the competence and qualification under the aspect of criminal law, the actions/non-actions of people responsible and/or involved in the procedures of prescription, issue and payment of compensated medicine, that generated non-conform and unjustified utilization, with fraud index (257.3 thousand lei).

Anticorruption Prosecution informed that disposed on July 14, 2014 the refuse to start the prosecution within the criminal process, registered in the R-1 of the Anticorruption Prosecution, under no.1-248 pr/17.

Court of Auditors sent in the PG address a request on refuse ordinance legality verification to start the prosecution since July 14, 2017, in order of superior hierarchical control.

General Prosecution answered that the decision is legal and motivated; there are no grounds that would determine its annulment. Violations found during audit of Court of Auditors for the prescription of compensated medicines by the general physicians are not crimes, the Ministry of Health; also the Insurances National Company will solve the situation.

6. **Decision of Court of Auditors no.30 on 04.07.2017 regarding the Performance audit report „Efficiency of public patrimony administration by „Cricova” S.A. Wine Factory and „Cricova-Vin” S.A. Business and Travel Center during 2015-2016,** relegated to the General Prosecution, attaching the materials afferent to the situations ascertained by the audit, according to the section 3, for information and examination according to the competences, regarding the assets` sale on long term (11 unities), giving the right of property on „Cricova” trademark to a physical entity from another country, restaurant building in the underground city by „Cricova” S.A. Wine Factory, also the borrow given to an economic agent by „Cricova-Vin” S.A Business and Travel Center.

Materials are still examined.

7. **Decision of Court of Auditors no.32 on 05.07.2017 regarding the Audit report of Food Security National Agency consolidated financial situations and of other subordinated institution for year 2016, also the audit Report on Food Security National Agency activity conformity and of some subordinated entities for year 2016,** relegated to the General Prosecution, attaching the named Decision and audit Report on Food Security National Agency activity conformity and of some subordinated entities for year 2016, (annex no.2 at HCC no.32 on 05.07.2017) for juridical frame of actions/non-actions that lead to the situations attested in the subchapters 3.3 and 3.4 of the mentioned audit Report, also for enterprising the necessary measures.

Materials are still examined.

8. **Decision of Court of Auditors no.43 on 22.09.2017 regarding the Performance audit Report „Efficiency of economic and financial management and patrimony administration by the population water supply enterprises”,**

relegated to the General Prosecution, according to section 2.8, for information and examination, according to the competences, of audit materials, inclusively those regarding the building of Clearance Station from Orhei city; purchases by ÎM „Apă-Canal Ungheni”; municipality patrimony management, also of financial means by the responsible people from ÎM „Regia Apă Canal Bălți” etc. (attached materials according to 7 registers) and Integrity National Authority, according to the section.2.9. Attached materials according to the register.

Anticorruption Prosecution communicated that audit materials have been sent to ANC for examination in the order of the art.274 CPP.

Decisions and Audit Reports in course of relegation to the General Prosecution:

9. **Decision of Court of Auditors no.55 on 08.11.2017** regarding the Project performance audit report „Competitive agriculture in Moldavia”, according to the section 2.8, for legal frame of actions/non-actions of responsible people from central, local commissions, also from public local administration authority, that issued confirmation certificates of land surfaces and/or disposed beneficiaries` eligibility, by approving for payment the financial support, determining the situations attested in the subsections 3.2.3 and 3.2.6 from the audit report, also unjustified expenses, made from external sources that will be reimbursed by the Government.
10. **Decision of Court of Auditors no.61 on 27.11.2017** regarding the Audit report of psycho-neurological boarding house financial situations from Bălți city, according to the section 2.7., for the legal frame of actions/non-actions of responsible people, that lead to the situations attested in the section 4.1. of the Audit report during 2016-2017 (9 months).
11. **Decision of Court of Auditors no. 62 on 27.11.2017** regarding the Audit report of pensioners and invalids Republic Asylum financial situations from Chișinău city, according to the section 2.7., for the legal frame of actions/non-actions of responsible people, that lead to the situations attested in the sections 4.2; 4.4 and 4.6.3 of the Audit report.
12. **Decision of Court of Auditors no. 63 on 28.11.2017** regarding the Audit report of war and labor veterans, invalids rehabilitation Republic Central financial situations from Cocieri commune, Dubăsari district, according to

the section 2.6., for the legal frame of actions/non-actions of responsible people, that lead to the situations attested in the sections 4.1.2 and 4.3 of the Audit report.