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**Republic of Moldova
Ungheni Tier I Local Public Administration
Authority
(Ungheni Municipality)**

**2022 PUBLIC EXPENDITURE AND FINANCIAL
ACCOUNTABILITY (PEFA) ASSESSMENT REPORT**

January 2023

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Public Expenditure and Financial Accountability (PEFA)

Assessment of Ungheni Tier I Local Public Administration Authority

Ungheni Municipality (Moldova)

December 2022

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat

December 22, 2022

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The World Bank assessment team was led by Ms. Oxana Druta (Senior Financial Management Specialist, Task Team Leader) and consisted of Ms. Julia Dhimitri (Financial Management Specialist, PEFA Secretariat), Ms. Iryna Shcherbyna (Senior Public Sector Specialist), Mr. Tural Jamalov (Senior Financial Management Specialist), Ms. Elena Corman (Senior Procurement Specialist), Ms. Ana Maria Luchian (Procurement Consultant), Mr. John Short (International PFM Expert), and Ms. Eugenia Veverita (Local PFM Expert). Mr. William Gallagher (Consultant) provided professional editorial review and quality assurance. Ms. Iuliana Stratan (Program Assistant, World Bank) provided logistics and administrative support.

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The PEFA assessment brings its gratitude to the PEFA Oversight Team for their valuable guidance provided during the assessment process – Ms. Natalia Scleruc (Head of Budgetary Policy and Synthesis Division, Ministry of Finance), Mr. Gintautas Baranauskas (Deputy Head of Operations, Delegation of the European Union to the Republic of Moldova), Mr. Luca Oriani-Vieyra (Economic Governance, Public Finance and Macroeconomic Policy, DG-NEAR), Mr. Josip Juric (Programme Manager, Delegation of the European Union to the Republic of Moldova), Ms. Lucretia Ciurea (Monitoring and Reporting Analyst, UN Women), Ms. Maia Savva (Court of Accounts of the Republic of Moldova), and Ms. Marianna Spialo (Principal Consultant, Parliamentary Committee for Control of Public Finance).

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ASSESSMENT MANAGEMENT AND QUALITY ASSURANCE

The PEFA assessment was initiated at the request of the Ministry of Finance (MoF). The Delegation of the European Union to the Republic of Moldova commissioned the World Bank (WB) to undertake and lead the assessment under EU financing.

The MoF coordinated the PEFA assessment for the government. It nominated a team which acted as a focal point for the assessment which was led by the State Secretary and facilitated the organization of the PEFA methodology training and preparatory work. A focal point was also appointed in the Ungheni Mayor's office who helped the assessment team with data collection before and after the virtual mission, advised on key counterparts for individual indicators, and helped to arrange the meetings between the PEFA assessment team and subnational government counterparts. The MoF coordinated the government's review of the concept note. A MoF representative was a member of the PEFA Oversight Team. All findings and ratings of the PEFA assessment were discussed with the representatives of Ungheni municipality and MoF in order to confirm joint understanding of the performance of the public financial management (PFM) system. The Court of Accounts (CoA) provided valuable insights over various elements of the public financial management through its contribution to the majority of the assessed indicators. The Financial Inspection agency under the MoF presented to the assessment team the findings on their inspections with respect to payroll, procurement, and asset management.

The quality assurance process, in addition to the regular internal review procedures within the World Bank, included a formal review of the concept note and the final draft report through a peer review which involved experts from several PFM institutions: the Government of the Republic of Moldova (Ministry of Finance), the PEFA Secretariat, the World Bank, European Union, UN Women, and the International Monetary Fund (IMF).

PEFA Assessment Management Arrangements

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- Assessment Manager & Assessment Leader: World Bank: Oxana Druta (Team Leader), Iryna Shcherbyna, Tural Jamalov, Elena Corman, Ana Maria Luchian, John Short, Eugenia Veverita, and Iuliana Stratan (logistics and administrative support).

Review of Concept Note

- The concept note was circulated to peer reviewers on December 14, 2020.
- Invited Reviewers: PEFA Secretariat, Patrick Piker Umah Tete (Senior Public Sector Specialist, Governance Practice, World Bank), Natalia Sclearuc (Head of Policies and Budget Synthesis Division, Ministry of Finance), Boris Filipov (Programme Officer, Economic Development and Market Opportunities,

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- Reviewers who provided comments: Guillaume Brule, PEFA Secretariat (December 19, 2020), Boris Filipov (December 23, 2020), Natalia Sclaruc (December 23, 2020), Arturo Navarro and Amgad Hegazy, IMF (December 23, 2020), Lucretia Ciurea (December 23, 2020), Patrick Umah Tete (December 25, 2020), Tatiana Ivanicichina, MoF (January 15, 2021).
- Date of final concept note sent to the PEFA Secretariat: February 18, 2021.

Review of the Assessment Report

- Draft circulated on October 4, 2022.
- Invited reviewers: PEFA Secretariat; Ion Iaconi (Head of Local Budget Division, Ministry of Finance, Republic of Moldova), representative from the local public authorities of Ungheni, Josip Juric (Programme Manager, EU Delegation); Marina Marinkov (Senior Economist in European Department, International Monetary Fund), and Lucretia Ciurea (Monitoring and Reporting Analyst, UN Women). Comments were received from Josip Juric (October 24, 2022), PEFA Secretariat (October 27, 2022), Lucretia Ciurea (November 3, 2022), and Marina Marinkov (November 8, 2022). The Ministry of Finance and the subnational authorities did not have any comments.

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ABBREVIATIONS AND ACRONYMS

ANSC	National Agency for Solving Complaints
ATU	Administrative Territorial Unit
BI	Business Intelligence
CA	Contracting Authority
CG	Central Government
CoA	Court of Accounts of the Republic of Moldova
COFOG	Classifications of Functions of Government
COSO	Committee of the Sponsoring Organizations of the Treadway
CPI	Consumer Price Index
CITF	Centre for Information Technology in Finance
DMS	Debt Management Strategy
EBU	Extrabudgetary unit
EC	European Commission
EU	European Union
FMIS	Financial Management Information System
FY	Fiscal Year
GFS	Government Finance Statistics
GDP	Gross Domestic Product
HLG	Higher-level government
IA	Internal audit
IAS	Internal Audit Standards
IAU	Internal Audit Unit
IMF	International Monetary Fund
KPI	Key Performance Indicator
LPA	Local public authority
M1(WL)	PEFA Weakest Link Scoring Methodology
M2(AV)	PEFA Average of Dimensions Scoring Methodology
MDL	Moldovan lei
ME	Municipal enterprise
MFO	Ministry of Finance Order
MoF	Ministry of Finance
NA	Not applicable
NBM	National Bank of Moldova
NPB	National Public Budget
NISC	National Standards for Internal Control
PAR	Public Administration Reform
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PI	Performance indicator
PIFC	Public Internal Financial Control
PIM	Public Investment Management
PPA	Public Procurement Agency
PPL	Public Procurement law
PPP	Public Private Partnership
SNG	Subnational Government
SAI	Supreme Audit Institution
STS	State Tax Service
TSA	Treasury Single Account

METHODOLOGY

Type of assessment. The main purpose of the 2022 PEFA assessment is to provide the government with an objective and up-to-date diagnostic of the public financial management performance at the municipality level of the subnational government (tier I budget), based on the internationally recognized 2016 PEFA methodology. A central government (CG) assessment and a subnational government (SNG) assessment at the Ungheni rayon level (tier II) have also been performed. The overall 2022 PEFA report is an assessment of the quality of the Moldovan public financial management (PFM) system; it is a baseline assessment at the subnational level. The PEFA assessment measures which processes and institutions contribute to the achievement of desirable budget outcomes, aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery. The PEFA findings will inform a new PFM strategy to be developed by the MoF.

Number of indicators used. All mandatory performance indicators came from the 2016 PEFA Framework and guidance for subnational government PEFA assessment from May 2022. For those indicators which were not applicable, a justification is provided.

Timeline/ Dates of mission. The assessment was conducted from November 2021 to May 2022. Before the mission, a training on PEFA methodology was organized for subnational and relevant central government authorities. The COVID-19 pandemic-imposed limitations on the assessment timeline and procedures. Since physical meetings could not be held, the data collection was performed remotely, and interviews were conducted virtually.

Years covered. The assessment team defined fiscal years 2018 to 2020 as the time period covered by the assessment; this period is the same as the CG assessment.

Cut-off date. The cut-off date was June 30, 2022.

Coverage. The assessment covers the Mayor's administration, with 23 institutions financed from the municipal budget. It also covers the public corporations where the Ungheni Mayor's office is the founder (4 municipal enterprises and one Joint Stock Company). There are no extrabudgetary units (EBUs) at the Ungheni municipality level.

Sources of information. The primary sources of data for the assessment were: (i) interviews with relevant subnational government officials, and (ii) review and analysis of relevant documentation, such as subnational government reports and publications, analytical data and any other documents which are relevant to assessing PEFA indicators. The assessment team corroborated the evidence provided by the government units with relevant diagnostic and analytical reports produced by non-government stakeholders, including international organizations, development partners, civil society organizations. The full list of institutions and people met, as well as documents, materials and reports used, is presented in Annex 3.

Country fiscal year. The country fiscal year coincides with the calendar year, i.e., from January 1 to December 31.

Exchange rate. The local currency unit is the Moldovan Lei (MDL). The official exchange rates of the National Bank of Moldova (NBM) as of January 1, 2022, were:

1 US\$ = 17.7452 MDL

1 EUR = 20.0938 MDL

Other methodological issues for preparation of the report. Each dimension of the indicators measures performance against a four-point ordinal scale from A (the highest) to D (the lowest), according to precise criteria established for each dimension. In order to justify a particular score for a dimension, every aspect specified in the scoring requirements must be fulfilled. If the requirements are only partly met the criteria are not satisfied, and a lower score should be given that coincides with achievement of all requirements for the lower performance rating. A score of C reflects the basic level of performance for each indicator and dimension, consistent with good international practices. A score of D means that the feature being measured is present at less than the basic level of performance or is absent altogether, or that there is insufficient information to score the dimension (D*). Two scoring methods are used: (i) Method M1 “weakest link among the dimensions” (WL), and (ii) Method M2 “average of dimensions” (AV).

EXECUTIVE SUMMARY

Rationale and purpose

The main purpose of the 2022 PEFA assessment is to provide the Government of Moldova and Ungheni tier I local public authority with an objective, up-to-date diagnostic of the subnational-level public financial management performance based on the latest internationally recognized PEFA methodology. More specifically, the assessment measures which processes and institutions contribute to the achievement of desirable budget outcomes, aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.

Under the MoF's coordination, the 2022 PEFA assessment was led by the World Bank with financing provided by the European Union. The assessment covers the last three completed government fiscal years 2018, 2019 and 2020, and was performed from November 2021 – May 2022. Because of the COVID-19 pandemic and the associated restrictions, the assessment was conducted virtually with online collection of the evidence rather than in-person; this fact affected the timeline and progress of the assessment.

The Ministry of Finance is leading implementation of PFM reforms based on the PFM Strategy. The current government's Strategy for Development of Public Finance Management 2013-2022 has formalized its commitment to sustainably improve the accountability and performance of public financial management systems in all levels of the government. The adoption and enforcement of the law on public finance and budgetary-fiscal accountability no.181 of July 25, 2014, marked an important milestone in the promotion, modernization, and consolidation of the national public finance management system. The 2022 PEFA findings are expected to complement the conclusions of the PEFA assessment for the central government that would inform the preparation of the new strategy and identify further reform areas. This PEFA assessment is also important in the context of the local technical assistance projects implemented by the development partners that use the country's own systems to channel their resources; the partners would like to be appraised of the PFM performance at the subnational level.

Since its independence Moldova has made a significant effort in the field of decentralization. Among those efforts stand the full ratification of the European Charter of Local Self-Government of July 16, 1997, a comprehensive change of the domestic legal order aimed at the inception of an autonomous local level of government, territorial reforms at different stages, devolution of competencies to local authorities, and a degree of mild fiscal decentralization, etc. The concept and policies of the decentralization policy meet the experiences of the European countries and comply with the aspiration for European integration and the bilateral agreements between Moldova and the European Union, but the implementation does not really meet expectations because public administration reform has only been partially implemented so far.

Although there is legal support for the decentralization reform, it remains a highly political and sensitive topic with many controversies. The challenges facing the decentralization reform in Moldova currently include financial decentralization, patrimonial decentralization, and local administration capacity. Local budgets highly depend on the state budget transfers. Revenues from local sources are lower in Moldova than in other countries in the region, which indicates a reduced fiscal yield of local taxes and fees. Property taxes are considered the potentially largest and most stable source of revenue, however at this stage property tax is not fully exploited by tier 1 local public authorities. Consequently, local public authorities

do not have their own important sources of income to fulfill their competencies and provide quality public services to citizens.

Main strengths and weaknesses of the PFM systems

Strengths. The Ungheni municipality has an impressive array of information regarding the finances of budgetary subnational government. The government wide Chart of Accounts, which underpins budget preparation, execution, and reporting, is comprehensive and consistent with Government Finance Statistics (GFS) standards. Citizens are able to access the municipality web page where the finance division publishes PowerPoint presentations with summarized and accessible explanation of the key elements of the budget and announcement for public consultations. In 2020 all municipal council meetings were available to the public, including the budget hearings. Information on performance plans and achievements in service delivery outputs and outcomes across the municipal units is very good reflecting a program budget system in place. All revenues are paid into the Treasury account and allocated to the municipality's sub-account. Monthly cash forecasts are prepared with daily cash flow updates and consolidated on a monthly basis. Spending units can commit funds up to the value of their annual budget allocations in line with their expenditure plans during the year. There are good internal controls on salary and non-salary expenditure with effective commitment controls and compliance with payment rules and procedures. The municipality reviewed the audit reports and reacted promptly to the audit findings of the Court of Accounts.

Weaknesses. The budget is presented only partially with a medium-term focus. The municipality lacks a basic debt management strategy. The internal audit function is not operational. The standards used in preparing annual financial reports are not disclosed.

Impact of PFM performance on budgetary and fiscal outcomes

Aggregate Fiscal Discipline

Both revenue and expenditure exceeded the original budgets by substantial margins during 2018-2020. The factor that caused such deviations was additional unpredictable allocations provided by the central government throughout the year which led to frequent adjustments in the budget. Transfers from the central government cover half of the municipal expenditure; predictability of the transfers is essential in maintaining fiscal discipline. Treasury operations and cash management enables expenditures to be managed within the available resources. Control of contractual commitments is effective and has removed expenditure arrears. The absence of an internal audit function undermines fiscal discipline, but this is counterbalanced by the controls performed by financial inspection and periodic external audits. The budget classification is good and provides transparency. The existence and adherence to the rules for in-year budget amendments positively contributes to the fiscal discipline.

The recording and reporting of debt is complete, updated, and reconciled on a monthly basis. However, a debt management strategy is not prepared at the level of local governments. The monitoring of the public corporations under ownership of the municipality is weak; thus aggregate fiscal risks are not well managed.

Strategic Allocation of Resources

The significant level of budget reallocations negatively impacts strategic allocation of resources. Frequent budget reallocations override the original policy intentions pursued by the municipality, leading to poor resource allocation which affects efficient service delivery going forward. The continuous budget reallocations also raise questions about budget credibility as well as the delivery of public services based on its original policy intent.

Expenditure budgets are not developed for the medium-term and this affects the scope for the budget scrutiny by the municipal council. A clear budget calendar exists but the municipality has less than four weeks to complete its budget estimates. Budget submission to the municipal council is delayed.

Public investment management does not sufficiently reflect generally accepted good practice in project management. Selection of major investment projects is not based on predetermined economic selection criteria, leading to inefficient allocation of scarce resources.

Efficient Use of Resources for Service Delivery

The municipality scores well on the indicators of performance in the delivery of public services, and reporting on actual delivery, while the information on resources received by frontline service delivery units is collected and recorded for all spending units. However, the independent evaluation of the efficiency and effectiveness of those services is not regularly performed.

Procurement monitoring scores well. The existing mechanisms to reduce possible leakages in the system, such as payroll controls, internal controls on non-salary expenditure, and internal audit received mixed results. Payroll control is strong overall, with some minor deficiencies noted by the external audit and control bodies. Commitment controls and compliances with rules are good but segregation of duties requires some improvement. Internal audit is not currently functioning, and external audit is not performed regularly; further development of these functions would provide increased assurance that resources are being used to their best advantage. Financial data integrity demonstrates good accounting controls as the three dimensions performed well on bank reconciliations, suspense accounts and advance accounts.

External audit and scrutiny of audit reports by the municipal council is satisfactory, but the annual audit of subnational governments is not mandatory, and it is performed on average once in five years.

Performance changes since the previous assessment

This is the baseline assessment for the Ungheni tier I territorial administrative unit.

TABLE 1: OVERVIEW OF THE SCORES OF THE PEFA INDICATORS

PFM PERFORMANCE INDICATOR		SCORING METHOD	DIMENSION RATINGS				OVERALL RATING
			i	ii	iii	iv	
SNG Pillar: Intergovernmental fiscal relations							
HLG-1	Transfers from higher levels of government	M2	C	C	A	A	B
HLG-2	Fiscal rules and monitoring of fiscal position	M1	A	A	A		A
Pillar one: Budget reliability							
PI-1	Aggregate expenditure outturn	M1	D				D
PI-2	Expenditure composition outturn	M1	D	D	A		D+
PI-3	Revenue outturn	M2	D	D			D
Pillar two: Transparency of public finances							
PI-4	Budget classification	M1	A				A
PI-5	Budget documentation	M1	C				C
PI-6	Subnational government operations outside financial reports	M2	A	A	NA		A
PI-7	Transfers to subnational governments	M2	NA	NA			NA
PI-8	Performance information for service delivery	M2	A	A	A	C	B+
PI-9	Public access to fiscal information	M1	D				D
PI-9 bis	Public consultation	M2	B	C	C		C+
Pillar three: Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	D	NA	NA		D
PI-11	Public investment management	M2	C	C	C	D	D+
PI-12	Public asset management	M2	B	B	A		B+
PI-13	Debt management	M2	A	A	D		B
Pillar Four: Policy-based fiscal strategy and budgeting							
PI-14	Medium-term budget strategy	M2	B	C	D	NA	C
PI-17	Budget preparation process	M2	C	C	C		C
PI-18	Legislative scrutiny of budgets	M1	B	C	A	A	C+
Pillar Five: Predictability and control in budget execution							
PI-19	Tax administration	M2	NA	NA	NA	NA	NA
PI-20	Accounting for revenue	M1	A	A	NA		A
PI-21	Predictability of in-year resource allocation	M2	A	B	A	C	B+
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	A	A	A	B	B+
PI-24	Procurement management	M2	A	A	B	NA	A
PI-25	Internal controls on non-salary expenditure	M2	C	A	A		B+
PI-26	Internal audit	M1	D	NA	NA	NA	D
Pillar Six: Accounting and reporting							
PI-27	Financial data integrity	M2	A	NA	A	A	A
PI-28	In-year budget reports	M1	A	C	C		C+
PI-29	Annual financial reports	M1	A	D	D		D+
Pillar Seven: External scrutiny and audit							
PI-30	External audit	M1	A	B	A	NA	B+
PI-31	Legislative scrutiny of audit reports	M2	B	C	C	A	B

1. COUNTRY AND SNG BACKGROUND INFORMATION

1.1 Economic situation

1.1.1. Country economic snapshot

1. Despite a solid economic performance in the past two decades, Moldova has fallen short of its aspiration to achieve faster convergence with EU income levels. With a population of 2.7 million, Moldova continues to rely on remittances-induced consumption, with an associated low productivity growth from the persistence of deep structural and governance weaknesses, a significant state enterprises footprint, low competition, an uneven playing field, and tax distortions.

2. Persistent inequality of opportunity continues to limit the ability of low-income households to access public services, reducing their resilience to shocks and cementing low intergenerational mobility. The contraction in 2020 resulted in an increase in poverty from 25.2% in 2019 to 26.8% in 2020 (based on the national poverty line). Though poverty rates increased more in urban than in rural areas, rural areas remain much poorer with a poverty rate of 35.3% in 2020 (versus 14% in urban areas).

3. After experiencing a deep contraction in the wake of the banking fraud,¹ (2014-2015), growth was strong before the COVID-19 pandemic downturn. The economy increased by 4.3 percent in 2018 and 3.7 percent in 2019. In 2020, Moldova was impacted by the global coronavirus pandemic and also experienced one of the most severe droughts in the past two decades, both of which exacerbated the economic downturn. The main drivers of Gross Domestic Product (GDP) decline were household consumption, which fell by 7.2 percent, followed by investment and inventories. On the supply side, the lockdown measures halted trade and industrial production and the severe drought resulted in a decline in agriculture production by over 27.2 percent. On the back of falling import prices and domestic demand, inflation decelerated markedly in 2020 (3.8 percent on average), fluctuating below the lower band of the corridor of 5 percent target corridor (+/- 1.5 percent) most of the second half of 2020. In response, the NBM cut the prime rate 4 times to a record low of 2.65 percent. A large import decline, together with relatively stable remittances, led to an improvement in the current account deficit. In 2020, lower energy prices and weak domestic demand resulted in a contraction in imports of 10.5 percent, which compensated for the decline in the volume of exports (-11.5 percent) and in remittances (-0.4 percent). The current account deficit registered 7.9 percent of GDP in 2020, compared to 9.3 percent of GDP in 2019 and 10.4 percent in 2018. In 2020, on the back of Covid-19 restrictions, Foreign Direct Investment (FDI) contracted sharply to 0.5 percent of GDP, in contrast to 4.2 percent of GDP in 2019 and 2.5 percent of GDP in 2018. From the pre-COVID-19 level, tax revenue increased by about 1.5 percent of GDP, while spending increased by 5.3 percent of GDP. As a result, the fiscal deficit reached a ten-year record of 5.1 percent of GDP in 2020 (including a 1 percent increase in the cash balance).

4. The economic recovery from the pandemic not only hinges on its containment and on a more favorable external environment, but also on effective fiscal support to the private sector and households.

¹ In late 2014 Moldova was hit by the massive and well-orchestrated fraud in the banking system, stemming from opaque shareholder structures, bank governance failures, and weak supervision. In its aftermath, three banks were liquidated at a public cost of 10 percent of GDP, external concessional financing was largely frozen, international reserves fell by one-third, and monetary conditions had to be tightened significantly. Domestic political turmoil, marked by three changes in government, as well as the sudden resignation of the Governor of the NBM in September 2015, constrained solutions and delayed the dialogue with the international community.

Moldova is confronted with the challenges of shrinking fiscal space, mounting contingent liabilities, and increasing social pressures, while it also seeks the resources necessary to support the recovery and steer the economy toward a different growth path. This will require efforts to boost the capacity of increasing revenue and re-orienting spending, and also a more efficient use of public resources and a reduction in the distortions created by public interventions. The government faces considerable financing needs, which will be difficult to be fully achieved through domestic financing and thus will critically depend upon the ability to access external public financing.

5. The newly vested Government in 2021 announced an ambitious reform program that will have a phased approach. In the first phase, the government will prioritize four directions of activity: (i) Managing the health crisis caused by the COVID-19 pandemic; (ii) Launching the justice reform and anti-corruption package; (iii) Increasing population incomes and social protection of vulnerable groups; and (iv) Restoring external financing. After the first phase, the government will focus its efforts on medium to long term structural issues that cover almost all sectors. These issues are: (i) Low quality of government, corruption, conflicts of interest, rule of law, and the administration of state owned enterprises (SOEs); (ii) Poverty, inequality and socio-economic vulnerability; (iii) The small number of well-paid jobs; (iv) Underdeveloped infrastructure; (v) Vulnerability to climate change; (vi) Environmental degradation, pollution of water resources, and management of the forests; (vii) An educational system insufficiently adapted to the needs of society; (viii) Poor health of the population; (ix) The high rate of accidents and crime; and (x) Vulnerability to state security threats and risks.

Table 2: Selected national economic indicators

Economic indicators	2018	2019	2020
GDP (MDL, billion)	192.5	210.4	206.4
GDP per capita (MDL)	71,083	78,932	78,745
Real GDP growth, at constant market prices (%)	4.3	3.7	-7.0
Unemployment rate (%)	2.9	5.1	3.8
Inflation (consumer price index, %)	3.0	4.7	3.8
Public finance (% of GDP)			
Central government budget			
Revenues (in % of GDP)	27.9	27.8	28.1
Expenditures (in % of GDP)	28.8	29.2	33.4
Fiscal balance (in % of GDP)	-0.9	-1.4	-5.3
Debt (% of GDP)	30.1	27.4	35.2

Data source: Moldovan authorities (Ministry of Finance, National Bureau of Statistics)

1.1.2. Main facts and economic indicators of the SNG

6. Ungheni municipality is the headquarters of the Ungheni rayon which is one of 32 rayons in Moldova. It is situated in the central-west part of the country, bordering Romania.

7. Ungheni is one of the most active cities in Moldova. It has managed to attract financial resources, grants and investments for the development of the city's economy and infrastructure. Free zones have been created to promote entrepreneurial activity, and mixed capital enterprises have been set up with the participation of foreign investments. Its geographic position favors transit and customs exit routes to Central Europe and creates conditions for the development of ecologically clean agricultural area. One

problem faced by the region is the lack of qualified personnel necessary to serve the needs of the economy.

8. The most common economic activity in the municipality is trade. The percentage of enterprises conducting trade is about 44%.

9. The second most common form of activity is in real estate (about 14%). A fair share is also held by enterprises in the processing of agricultural products (around 12%). These two activities employ 33% of the total number of active population in the municipality, and constitute half of its aggregate turnover.

10. The city has a diversified industry, represented by enterprises from the food industry, consumer goods manufacturing, garments manufacturing, and the production of construction materials. More than 38 enterprises are active in the industrial sector. In the food industry, the main enterprises are: "Ungheni Vin" (wine production), JSC "Ecovit" (canned goods and juices), JSC "Cereale-Prut" (grains), and S.R.L. "Danova-Prim" (vegetable oils). In clothing and light industry, the main enterprises are LLC "Moldabela" (carpet manufacturer), and LLC "Lear Corporation" (production of car covers).

11. In 2002 a Free Economic Zone called "Ungheni Business" was created with access to the railway that makes the connection with the north, centre and south of the country possible. The zone was created based on 13 companies of different types, for which all the necessary infrastructure for business development already existed (access to local and international highways, access to European and Russian railways, aqueducts, sewerage systems, telecommunications and heating, gasification, electricity, warehouses).

12. Characteristics and main selected economic indicators for the municipality are summarized in Table 3 and Table 4 below.

Table 3: Summary of main facts of the SNG

SNG	Detail
Tier of government	Tier I public administration authority
Population	32,600
Main characteristics	Proximity with Romania and, consequently, with the European Union, with advantageous infrastructure (crossing of main auto and railway transport routes), and economic potential
Economy	Wholesale and retail trade, real estate transactions, processing industry, transport, and telecommunications
Services provided by the SNG	Preschool education, water supply and sanitation, cultural and sport services

Data source: Ungheni municipality

13. A significant portion of the municipal budget (around 43%) is spent on compensation of employees, followed by the procurement and repairing of fixed assets (24%), procurement of goods and services (19%), and procurement of materials (10%). The functional structure of the municipal budget expenditures reflects the budgetary-fiscal policy with the following shares in 2020: education – 52%, housing and community amenities – 26%, culture, sport, youth and recreation – 11%, and general services – 9% (see also Annex 4).

1.2 Fiscal and budgetary trends in the SNG

14. In 2018-2020 the municipality's revenues were steadily increasing. Transfers from the state budget dominate the revenues of the Ungheni tier I local budget (54%). Around 82% of transfers go to education, followed by general purpose transfers and road infrastructure. The rest of revenues comes from own revenues (42%) and collected revenues (4%). From own revenues, personal income tax has the biggest share (61%). The majority of own revenues are administered and collected by the higher-level government.

15. The considerable part of the expenditures is directed towards payment of salaries for the staff of the Mayor's office and its subordinated units, and procurement of goods and services. The functional structure of the municipal budget expenditures reflects the budgetary-fiscal policy with the following shares in 2020: education – 52.5%, management of public utilities – 18.5 %, economic affairs – 4.0%, general state services – 11.7%, and culture, sport, youth and recreation – 13.3%, (see Annex 4).

16. As shown in Table 4 there was a budget deficit in 2018 and 2019 covered (as financing source) from the loans, and a surplus in 2020.

Table 4. Aggregate fiscal data of the subnational government (MDL, thousand)

	2018	2019	2020
Total revenue	92,695	101,572	105,083
Own revenue	43,408	44,026	49,055
Transfers from the state budget	49,287	57,546	56,028
Total expenditure	95,417	106,139	101,340
Aggregate deficit (-) / surplus (+) (including grants)	(2,722)	(4,567)	3,743

Data source: Ungheni municipality budget execution reports

1.3 Intergovernmental fiscal arrangements

1.3.1. Assignment of expenditure responsibility

17. The law on local public administration no. 436/2006 states that a local public authority (LPA) benefits from financial autonomy, adopts its own budget (which is independent and separate from the state budget), and possesses patrimony distinct from the state and other ATUs. Further, article 3 of law no.397/2003 on local public finances provides guarantees of financial autonomy stating that local budgets constitute independent elements which are developed, approved, and executed in conditions of financial autonomy in compliance of the provisions of law no.181/2014 on public finances and budgetary-fiscal responsibility. The local authority bears full responsibility for the execution of its budget in accordance with the established legal framework. The revenues earned in the process of the budget execution in addition to those approved and the savings from the expenditures remain at the discretion of the LPA.

1.3.2. Tax revenue sharing

18. Tax revenue sharing arrangements are provided in the law on local public finance. The municipal budget receives 50% of total personal income tax (PIT) collected on the territory of the respective administrative and territorial unit (ATU).

1.3.3. Intergovernmental transfer

19. The relationship between state and local budgets is established through law no.181/2014 on public finances and budgetary-fiscal accountability. The mechanism of intergovernmental transfers is regulated by law no.397/2003 on local public finances. It distinguishes two types of transfers, general purpose transfers and special purpose transfers, which are described in detail under indicator HLG-1. Special-purpose transfers must be refunded to the state budget if not used for the purposes intended as assessed by the public control bodies.

1.3.4 Subnational borrowing

20. Local public authorities have recourse to borrow from private or public banking institutions. Law no.397/2003 on local public finance allows local authorities to borrow capital both domestically and abroad, as well as to provide guarantees on loans to municipal companies. However, according to law no.419/2006 on public-sector debt and government guarantees, local authorities are required to obtain the prior approval of the MoF before borrowing (for loans over one year).

21. If a LPA has payments overdue on existing debt, it may not acquire any new debt, except for the purpose of restructuring the unpaid obligations. There is also a cap on credit operations for LPAs such as debt service, including repayment of principal and interest for existing debts.

22. According to provisions of law no.419, the MoF monitors the status of public-sector debt. All public-sector entities (including LPAs) must send the MoF, on a quarterly basis, the information necessary to monitor the contracting, disbursement, and repayment of public-sector debt. The MoF then presents the government and Parliament a quarterly and an annual report on the status of public-sector debt. Reports are published on the MoF's website.

23. Per article 55 of law no.181/2014 on public finances and budgetary-fiscal accountability and article 24 of the law on local public finances, the local budget must be correlated with the state budget law within 30 days of its publication. Otherwise, general purpose transfers are suspended.

1.4 Institutional arrangements for PFM

1.4.1 Overall institutional arrangements for PFM

24. The Republic of Moldova is a parliamentary republic with a president as head of state and a Prime Minister as head of the government. The Parliament is the supreme representative institution of the people and the sole legislative authority of the state. The Parliament is unicameral and has 101 seats (the simple majority, according to the Constitutional Court, being 52 votes), and its members are elected by

popular vote every 4 years. The President is elected through a universal, equal, direct, secret, and freely expressed vote by the citizens to a 4-year term.

25. The President nominates the Prime Minister and the government after consultation with the parliamentary majority. The nomination of the government requires the Parliament's approval. The government ensures the accomplishment of the internal and foreign policy of the state and exercises the general management of the public administration. The Prime Minister, the Deputy Prime Ministers, and the ministers (currently there are 16 members of government) form the government.

26. The government adopts decisions, ordinances, and dispositions. Decisions are adopted to organize the execution of laws. The ordinances are issued under the conditions of legislative delegation. Government decisions and ordinances adopted by it are signed by the Prime Minister and countersigned by the ministers who have the obligation to implement them. These are published in the Official Gazette of the Republic of Moldova. Non-publication entails the non-existence of the decision of ordinance. The dispositions are issued by the Prime Minister for the organization of the internal activity of the government.

27. The judicial system includes district courts, regional Courts of Appeal and a Supreme Court of Justice. There is a Constitutional Court that enjoys sole authority over constitutional issues, including referendums and the legitimacy of laws and secondary legislation. Administrative courts adjudicate on issues of human rights.

28. The Court of Accounts is the Supreme Audit Institution (SAI) of the state, which contributes to good governance by carrying out independent, credible, transparent and high-quality audit missions. Article 133 of the Constitution substantiates the CoA in its capacity as an audit institution with a sufficiently broad mandate, which exercises control over the formation, administration and use of public financial resources, the results of the activity being reported annually to Parliament. Its mandate, organizational aspects, independence guarantees, and activity are regulated by the law no.260 dated December 7, 2017.

29. The law on public finances and budget-fiscal accountability with its subsequent amendments is a fundamental law that states budgetary and fiscal principles and rules, determines the components of the National Public Budget (NPB) and regulates inter-budgetary relationships, regulates the budgetary calendar and general budgetary procedures, delimits competencies and responsibilities in the area of public finance. Chapter VI specifies the key principles and processes of public internal financial control and external public audit. The law on public internal financial control establishes general principles and rules on organizing the public internal financial control, defines managerial internal control and internal audit, responsibilities of the public authorities, and coordination of public internal financial control.

30. The Tax Code no.1163 dated April 24, 1997, with its subsequent amendments establishes general tax principles and regulates execution of tax obligations.

31. The budget process in Moldova is distributed between the executive and legislative powers. The executive prepares and executes State Budget, State Social Insurance Budget, Compulsory Health Insurance Funds Budget, while local budgets are prepared and executed by the respective local authorities. The legislative branch is responsible for budget adoption and its amendments, while control over execution is carried out through the CoA.

32. The MoF is the central public authority in the field of public finance. It has overall competencies and responsibilities related to the budget calendar, implementation of the budgetary-fiscal policy,

preparation of the medium-term budgetary framework, drafting annual budget documentation and execution of the national public budget. It elaborates and approves the methodological framework necessary for the implementation of the PFM law, as well as provides methodological assistance to the central and local public authorities in the budgetary process.

33. The MoF is a participant in real time Automated Interbank Payment System operated by the NBM for executing domestic payments. All budgets, including SNGs budgets, are executed through the Treasury Single Account (TSA) held by NBM. All SNGs have their accounts opened in the MoF Treasury. The Treasury has regional units through which it provides treasury services. Ungheni municipality is served by the centre regional treasury.

1.4.2 Subnational institutional arrangements for PFM

34. The structure of Moldova's local public administration was elaborated by law no.436-XVI on local public administration of December 28, 2006, which states that the local government operates at two tiers (or levels) of administration. The first level of local public administration consists of 896 authorities: communities, villages and towns; the second level consists of administrative territorial units (ATUs). There are thirty- five territorial units that correspond to the second level of local government authority: thirty-two districts (or rayons), two municipalities (Chisinau and Balti), and one autonomous territorial unit (Gagauzia). There is also one territorial unit (Transnistria), which does not consider itself under the jurisdiction of Moldova but is internationally considered as part of Moldova.

35. A tier I territorial administrative unit is a legal person in public law and has property that is separated from that of the state and other units. The municipal budget includes all revenues and expenditures necessary to exercise the functions of the municipality administration. The municipal budget consists of general revenues (own revenues, shared tax revenues, transfers from the state budget, and grants for the budget support), collected revenues, and grants for the externally financed projects. In the process of budget execution, the Mayor fulfills the function of administrator of the municipal budget.

36. The organization, competencies, finances, and operational aspects of local authorities are regulated by a comprehensive set of laws and regulations. Law no.436-XVI/2006 on local public administration, acts as a code for the local administration system and regulates the organization of the local authorities, their competencies, their internal administration, the forms of control over their activities, and their property and financial resources. Other important pieces of legislation that describes legal, organizational, and financial aspects of budget development and implementation are the laws on the following topics:

- Local elected officials, no.768-XIV of February 2, 2000;
- Administrative decentralization, no.435-XVI of December 28, 2006;
- Regional development in the Republic of Moldova no.438-XVI of December 28, 2006;
- Local public finance law no.397-XV of October 16, 2003;
- Public finances and budgetary-fiscal responsibility law no.181 of July 25, 2014;
- Administrative and territorial organization of the Republic of Moldova, no.764-XV of December 27, 2001;
- Framework status of the villages (communes) and towns (municipality), no.436-XV of November 6, 2003.

37. Articles 10 and 11 of the law on administrative decentralization define the competencies between tiers I and II of local public administration authorities. Article 11 clearly stipulates the principle that the competence recognized in law cannot be imposed or limited by any public authority, except under the law. The decentralized competencies of tier I are:

- Urban planning and management of green spaces;
- Collection and transportation of waste, including sanitation and maintenance of land for its storage;
- Supply of drinking water, construction and maintenance of sewerage and wastewater treatment systems;
- Construction, maintenance and lighting of local roads and streets;
- Local public transportation;
- Social housing and other facilities for vulnerable population;
- Construction, maintenance and endowment of pre-school and extra-curricular institutions;
- Development and management of urban gas and heating supply networks;
- Public cultural institutions, establishments and activities; maintenance of libraries and museums;
- Sports facilities;
- Organization of markets and other public places; protection of consumer rights; organization of retail trade;
- Organization of rescue and firemen territorial services;
- Maintenance of cemeteries
- Creation and management of municipal enterprises.

38. Delegated competencies are services transferred to local government by the central authorities, with the latter retaining various management and control instruments to oversee the quality and use of the delivered services. However, competencies and public services can be delegated to the local governments only if funds are budgeted. Otherwise, local authorities are entitled to refuse to comply with these directives, legally challenge them, or request specific instructions from CG.

39. Each municipality elects a council, which coordinates the activities of the municipality in order to provide public services at the local level. The municipal council is a representative and deliberative authority composed of 27 councilors in Ungheni. The Ungheni municipality executive authority is exercised by the Mayor.

40. The municipal budget provides financing for 23 institutions: Mayor’s office, kindergartens, museum, park, sport school and stadium, music and art schools, cultural facilities, resource centre for sustainable local and regional development, and youth centre.

41. The Ungheni municipal council acts as founder in four municipal enterprises and one JSC. There are no extrabudgetary units.

Table 5. Units of the SNG – Number of entities, 2020

	Budgetary units	Extrabudgetary units	Public corporations
Number of entities	23	NA	5

Expenditure, actual in 2020 (MDL thousand)	101,340	NA
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Data source: Ungheni municipality

42. The law on local public finance no. 397/2003 is the primary law governing the public financial management in the local authorities. It provides the structure of the local revenues, and the procedures for local budget preparation, approval and execution. It also states the competencies and responsibilities in the area of local public finances. The law has special provisions regarding the control on budget preparation and execution, external auditing and oversight over the submission of requested documentation. In addition, MoF issues regulations and instructions which are common for all budgetary sector with special provisions related to the local authorities.

43. The Ungheni municipal council operates in accordance with the internal regulations.² The council approves the organizational chart and the staff statements of its subordinate institutions, the annual budget decision, local taxes, and the amendment of the municipal budget. It decides on the establishment of the reserve fund and approves the regulations on how to use it, on committing or granting loans to / from the municipal budget (and on the application of other financial instruments according to the legal framework), and on the administration of municipal assets. It decides, in accordance with the law, on the legal acts of administration regarding public goods and services in the municipality's domain, approves programs for the development of social services, identifies the necessary financial resources, and hears the report on the execution of the municipal budget. The municipal council may institute specialized consultative committees in the areas of agriculture and industry, economic and financial activities, social, cultural and touristic activities, environmental protection, education, social protection, public health and labour, and law and discipline.

44. The Mayor ensures the execution of the decisions of the local council, exercising the function of administrator of the municipal budget, ensures the management of budgetary resources, administration of public patrimony in accordance with the principles of good governance, and expenditure according to the approved budget allocations.

45. The key state bodies for the supervision of local authorities are the State Chancellery and the MoF. The State Chancellery is the body that holds the most important powers in the field of local government and decentralization. It co-ordinates all issues dealing with local governments. The State Chancellery has the power to validate the legality of the acts and decisions of the local authorities through its regional offices.

46. The MoF also plays an important role in administrative supervision, but it is limited to financial and fiscal issues. While the local authorities are free to approve their own annual budgets, and CG institutions cannot interfere in the budgetary autonomy of local authorities, they are required to send a copy of those budgets to the MoF. The MoF has the right to carry out thematic controls to assess the accuracy of local budget preparation and execution.

47. The financial inspection agency of the MoF may conduct inspections in any local authority in the country. This financial inspection agency may decide to audit any local authority according to its own

² <http://ungheni.md/wp-content/uploads/2020/02/Regulament-privind-constituirea-s-CC%A6i-funct-CC%A6ionarea-Consiliului-Ora-CC%86s-CC%A6enesc-Ungheni.pdf>

discretion, plans, and strategies. As a result of those inspections, the financial inspectorate may impose fines on a local authority.

48. Outside the executive branch, the CoA plays a fundamental role in the administrative oversight of local authorities. The CoA performs an important role in the control of local accounting and public expenditure. There is a special division in the CoA to handle local governments. In carrying out its functions, the CoA performs financial, compliance, and performance audits, and issues recommendations.

2 ASSESSMENT OF PFM PERFORMANCE

SNG PILLAR: Intergovernmental fiscal relations

HLG-1. Transfers from an HLG

49. This indicator assesses the extent to which transfers to the subnational government from higher-level government (HLG) are consistent with original approved budget of HLG and are provided according to the agreed time frames. This indicator contains four dimensions and uses the M2(AV) method for aggregating dimension scores. The period of assessment of this indicator is the last three completed fiscal years (2018-2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
HLG-1. Transfers from a higher-level of government (M2)	B	
HLG-1.1: Outturn of transfers from higher-levels of government	C	Outturn of transfers from the state budget was between 92% and 116% of the estimate in two of three years.
HLG-1.2: Transfers composition outturn	C	Transfer composition outturn was less than 15% in two of three years.
HLG-1.3: Timeliness of transfers from higher-levels of government	A	The timetable for transfers from the state budget to SNG budget is prescribed in Ministry of Finance Order (MFO) no.3/2017 which was respected in all the last three years.
HLG-1.4: Predictability of transfers	A	The budget circular issued by MoF to SNGs contains information on transfers for the fiscal year and the two following years with detailed explanations of any changes incurred and respective calculations.

50. Articles 4, 10, 11, and 12 of the law on local public finances no. 397/2003 establish the type of transfers from the state budget to tier I subnational government: (i) general purpose transfers, and (ii) special-purpose transfers (earmarked transfers). The general purpose transfers represent allocations for financing of the own activity of the LPA authority. These transfers are carried out from the Financial Support Fund for ATUs, and they are formed from the personal income tax revenues not shared in local budgets. The ATU's Financial Support Fund is divided into: (i) a Budget Equalization Fund for tier-one ATUs (45%) – distribution is formula based in terms of fiscal capacity per capita,³ population size, and the area of the ATU, and (ii) a Budget Equalization Fund for tier-two ATUs (55%) – distribution is formula based calculated as a direct proportion of the population size and area.

51. Special purpose transfers are funds allocated in absolute amounts from the state budget to the budgets of the LPAs to finance preschool, primary, secondary, special and extracurricular education, local road infrastructure, LPA' competencies delegated by the Parliament at the government's proposal, capital investments, and other special measures. Special purpose transfers for local road infrastructure are

³ Ratio of the revenues collected from PIT and number of residents in a given territory.

calculated and distributed by the number of administered kilometers. The special purpose transfers can be used only for the purpose intended otherwise they must be refunded to the Government.

52. Shared revenues in the form of the PIT are collected by the central government and then transferred to the local budget.

53. There are no transfers related to international development funding that is pooled by the central government and transferred to the municipality. The funds for externally funded projects are received directly.

54. The calculations for this indicator are provided in Annex 4.

Dimension HLG-1.1 Outturn of transfers from the HLG

55. The total amount of transfers from the state budget to the Ungheni municipality from 2018 – 2020 is shown in the Table HLG 1. The actual transfers exceeded significantly the amount of transfers initially estimated and approved 2018 and 2019 due to the correlation of the municipal budget with the state budget law for the respective years in order to implement the provisions of law no. 270/2018 regarding the unitary salary system in the budgetary sector. At the same time, additional transfers were received from the Ecological Fund and from tier II APL for capital repairs allocated through the Ungheni rayon council’s decision. These additional transfers could not be estimated during the budget preparation.

Table HLG.1: Outturn of transfers from the HLG (thousand MDL)

Aggregate expenditure	2018	2019	2020
Approved budget	53,619.3	66,640.9	80,640.5
Outturn	67,554.1	75,546.9	83,173.4
Outturn as percentage of budget (%)	126.0	113.4	103.1
Composition variance of earmarked grants, (%)	32.8	12.3	5.6

Data source: <https://date.gov.md/ckan/ro/dataset/15969-date-privind-executarea-bugetelor-autoritatile-locale>

56. Actual transfers were between 92% and 116% of the original budget estimate in two of the last three years.

57. **The score for this dimension is C.**

Dimension HLG-1.2 Earmarked grants outturn

58. Variance in transfer composition was less than 15% in two of the last three years. The largest variance occurred in 2018 due to the transfers received from state budget institutions and other local budgets which were not planned. The same situation occurred in 2019 and 2020.

59. **The score for this dimension is C.**

Dimension HLG-1.3 Timeliness of transfers from the HLG

60. MFO no.3/2017 regulates the transfers to the LPAs. General purpose transfers are made monthly normally in the proportion of 1/10 of the total allocated amount in the first six months of the year and in proportion of 1/15 for the next six months. General purpose transfers are executed twice a month, at the beginning and at the mid of the month. Special-purpose transfers are made instantly upon the payment orders submitted by the Ungheni municipality up to the remaining balance of the approved transfers.

Upon request of the local authorities, in order to cover a temporary cash deficit, the transfers could be made in advance up to the threshold of the annual allocations per state budget possibilities. Shared revenues are channeled daily upon collection of the PIT. Tier II SNGs (rayons) may provide transfers to tier I SNGs (municipalities, cities or villages) based on the request. Such transfers are normally approved by the rayon council throughout the year upon availability of funds, and are executed immediately after approval. The timetable described above was respected in all three years.

61. **The score for this dimension is A.**

Dimension HLG-1.4 Predictability of transfers

62. The budget circular submitted by the MoF provides estimated general purpose and special-purpose transfers for the next and two following years, including any changes in the formula and the detailed calculations. The budget circulars are published on the MoF website.⁴ The FY2020-2022 budget circular was distributed to all SNGs on November 4, 2019, and included:

- Annex 3: Information on general purpose transfers;
- Annexes 5 – 8: Information on special-purpose transfers for education;
- Annex 11: Limits of special-purpose transfers from the state budget to local budget for financing of sport schools;
- Annex 12: Limits of special-purpose transfers from the state budget to local budget for financing of social payments;
- Annex 15: Limits of special-purpose transfers for roads infrastructure.

63. The estimated transfers for the next year are then approved in the state budget law. FY2020 budget approval took place on December 27, 2019.

64. **The score for this dimension is A.**

HLG-2. Fiscal rules and monitoring of fiscal position

65. HLG–2 assesses the extent to which the CG sets fiscal rules framing the budget and granting SNGs the right to borrow. It also assesses the extent to which the CG monitors the financial position of subnational governments. It contains the following three dimensions and uses the M1 (WL) method for aggregating dimension scores. The coverage is the last completed fiscal year (2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
HLG-2. Fiscal rules and monitoring of fiscal position (M1)	A	
HLG–2.1: Fiscal rules for subnational governments	A	The fiscal rules are clearly laid down in the law on local public finances.

⁴ <https://mf.gov.md/ro/buget/circulara-bugetar%C4%83>

HLG–2.2: Debt rules for subnational governments	A	The rules on ceilings for SNG debt are provided in the law. The MoF monitors the subnational debt both at approval and at execution.
HLG–2.3: Monitoring of subnational governments	A	All SNGs provide their annual financial statements to MoF. Annual NPB Execution Report produced by MoF includes consolidated report on execution of local budgets.

Dimension HLG–2.1 Fiscal rules for subnational governments

66. Per article 13 of the law on local public finance no. 397/2003 as applicable for the last completed year of 2020, the local budgets could not be approved and executed with a fiscal deficit. Originally, this provision was not applicable if the local authority takes loans for capital expenditures or finances its expenditures from the receipts of the sale and privatization of its assets, and from fiscal surpluses resulting from the last year. However, the provision was abolished with the amendment introduced on December 16, 2020, which became effective after January 1, 2021. Instead, the following modifications were made: (i) every local budget approved, amended, or executed must be balanced, (ii) the budgeted expenditures must be equal to revenues plus financing sources, and (iii) every modification of the budget balance is approved only through the decision regarding the modification of the local budget.

67. The LPAs are entitled to form reserves up to 2% of the total budgeted expenditures to finance emergency expenditures throughout the year that could not be predicted and budgeted.

68. Per article 30 of the law on local public finance no. 397/2003 in the process of budget execution, the budget administrator is authorized to block temporarily the budget allocations, except for debt payments, if the analysis of budget execution shows a deterioration of fiscal balance approved through the annual budget decision. The freeze cannot exceed 60 days, and in this period, the budgetary authorities and institutions cannot enter into new commitments. If the actions related to the freeze of the allocations do not ensure the maintenance of the fiscal balance within the approved ceiling, 20 days before this period expires the budget administrator submits to the council the draft decision on the local budget amendment.

69. According to the MoF, all SNGs, including the Ungheni municipality, respected the fiscal rules.

70. **The score for this dimension is A.**

Dimension HLG–2.2 Debt rules for subnational governments

71. LPAs have limited ability to borrow. Article 14 of the law on local public finances no. 397/2003 allows the LPAs to take loans for managing a temporary cash deficit from financial institutions or budgets administered through the TSA. Such loans are to be repaid within the same budget year. The amount of total loans to cover the temporary deficits may not exceed 5% of total revenues approved (or amended) of the local budget, excluding special-purpose transfers.

72. According to article 15 of the law on local public finances no. 397/2003, for capital expenditures the LPAs have the right to take long-term internal loans from domestic financial institutions and other creditors within the country, and long-term external loans from international financial organizations. In addition, the LPAs can provide within their own revenues to municipal enterprises and to commercial enterprises that have whole or partial municipal capital, the guarantees for internal loans from financial institutions and other creditors within the country, and for external loans from international financial

organizations. The LPAs may also take loans for refinancing of previous long-term loans. Long-term loans for capital expenditures could be financed by issuing bonds by decision of the local council.

73. However, according to law no. 419/2006 on public-sector debt and government guarantees, local authorities are required to obtain the prior approval of the MoF before borrowing (loans for one year and more). If a local authority has payments overdue on existing debt, it may not acquire any new debt, except for the purpose of restructuring the unpaid obligations.

74. The total amount of annual payments (repayment of principal, interest, and other payments) related to servicing local budget debt on loans contracted or guaranteed should not exceed 20% of total annual budget revenues, except for special purpose transfers.

75. The MoF monitors the level of debt at the subnational level and produces quarterly reports on the status of public sector debt that are made public.⁵ In 2020, all SNGs respected the debt rules.

76. **The score for this dimension is A.**

Dimension HLG–2.3 Monitoring of subnational governments

77. All SNGs must submit annual financial statements to the MoF. The finance divisions of tier II subnational governments consolidate financial information for execution of all local budgets of tier II and tier I and submit it to the MoF within three months after the year end according to the timetable prepared by the MoF.⁶ This information is then incorporated in the annual NPB execution report that includes a consolidated report on execution of local budgets. It is published on the website of the MoF.⁷ For FY2020, only one SNG submitted their statements with the delay but it was not significant.

78. Per article 37 of the law on local public finance no. 397/2003 the MoF is entitled to suspend the general purpose transfers for those authorities that do not submit the reports in timely manner.

79. **The score for this dimension is A.**

⁵ <https://mf.gov.md/ro/datoria-sectorului-public/rapoarte/datoria>

⁶ The MFO no 168 of December 23, 2020

⁷ <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale>

PILLAR 1: Budget reliability

80. Pillar One measures whether the government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

PI-1. Aggregate expenditure outturn

81. This performance indicator (PI) measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in the government budget documentation and fiscal reports. There is one dimension to this indicator. The assessment covers the SNG budgetary units and looks at the budgeted and actual expenditure for FYs 2018, 2019 and 2020. The calculations for this indicator are included in Annex 4.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-1: Aggregate expenditure outturn (M1)	D	
PI 1.1 Aggregate expenditure outturn	D	The aggregate expenditure outturn was greater than 115% in two of three years.

82. The aggregate expenditure outturn as compared to the originally approved budget exceeded 115% in two of the last three years. The largest deviations incurred in 2018 and 2019 due to the fact that the expenditures for road transport, and housing and community amenities increased almost 3-4 times on the account of external donations for the implementation of various projects and the funds collected from the sale of land which were impossible to estimate initially. The decisions to sell the land were approved in the municipal council during the budget year.

Table 1.1: Aggregate expenditure outturn

Aggregate expenditure	2018	2019	2020
Approved budget (MDL thousand)	71,489.6	80,901.9	95,726.1
Outturn (MDL thousand)	95,416.7	106,139.2	101,340.3
Outturn as a percentage of budget (%)	133.5	131.2	105.9

Data source: Budget execution reports prepared by the Ungheni Mayor's office, assessment team's calculations.

83. **The score for this dimension is D.**

PI-2. Expenditure composition outturn

84. This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. This indicator has three dimensions and uses the M1 (WL) method for aggregating dimension scores. The assessment covers budgetary units over the last three completed FYs (2018-2020). The calculations for this indicator are included in Annex 4.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-2. Expenditure composition outturn (M1)	D+	
2.1 Expenditure composition outturn by function	D	The variance in expenditure composition by functional classification was significantly more than 15% in all three years.
2.2 Expenditure composition outturn by economic type	D	The variance in expenditure composition by economic classification was significantly more than 15% in all three years.
2.3 Expenditure from contingency reserves	A	No expenditures incurred from contingency reserves in all three years.

Dimension PI 2.1 Expenditure composition outturn by function

85. The expenditure composition outturn by COFOG function significantly exceeded 15% because the Ungheni municipality received additional allocations from the state budget institutions for road transport, housing and community amenities, in particular in 2018 and 2019.

Table 2.1: Aggregate composition expenditure outturn by functional classification

Variance	2018	2019	2020
Functional classification, %	41.8	78.9	20.9

Data source: Ungheni municipality budget execution report, assessment team's calculations.

86. **The score for this dimension is D.**

Dimension PI-2.2 Expenditure composition outturn by economic type

87. The expenditure composition outturn by economic type exceeded significantly 15% in all three years due to the same reasons as stated in PI-2.1.

Table 2.2: Aggregate composition expenditure outturn by economic classification

Variance	2018	2019	2020
Economic classification, %	49.2	22.2	19.6

Data source: Ungheni municipal budget execution report, assessment team calculations

88. **The score for this dimension is D.**

Dimension PI 2.3 Expenditure from contingency reserves

89. Although the contingency reserves were provided in the budgets in all three years, they were not used.

Table 2.2: Expenditure from contingency reserves

Variance	2018	2019	2020
Contingency expenditure share of budget, %	0	0	0

Data source: Ungheni municipal budget execution report, assessment team calculations

90. The score for this dimension is A.

PI-3. Revenue outturn

91. This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores. The assessment covers the SNG budget over the last three completed FYs (2018-2020). The calculations for this indicator are included in Annex 4.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-3. Revenue outturn (M2)	D	
3.1 Aggregate revenue outturn	D	The actual revenues exceeded 116% of the budgeted revenue in all three years.
3.2 Revenue composition outturn	D	The variance in revenue composition exceeded 15% in all three years.

Dimension PI-3.1 Aggregate revenue outturn

92. The municipality experiences difficulties in accurately forecasting its revenues. The aggregate revenue outturn exceeded 116% of original budget in all three years. The largest variance was registered in 2019 across all categories of revenues. Major deviations were for the tax on the operations of real estate rental/use, tax from self-employed individuals, and private tax. In 2020 the variances were caused by underachievement in receipts from fee-based services and rent of public goods.

Table 3.1: Aggregate revenue outturn

Total revenue	2018	2019	2020
Approved budget (MDL thousand)	20,725.3	17,452.0	18,521.9
Outturn (MDL thousand)	25,140.5	26,024.9	21,910.5
Variance (as a % of original budget)	121.2	149.1	118.3
Composition variance (%)	30.8	57.4	48.0

Data source: Ungheni municipal budget execution report, assessment team calculations

93. The score for this dimension is D.

Dimension PI-3.2 Revenue composition outturn

94. The variances in revenue composition are high throughout all three years.

95. The score for this dimension is D.

PILLAR 2: Transparency of public finances

96. Pillar Two assesses whether information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure (including intergovernmental transfers), published information on service delivery performance, and ready access to fiscal and budget documentation.

PI-4. Budget classification

97. This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator. The assessment covers the SNG budgetary units in FY 2020.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-4. Budget classification	A	
4.1 Budget classification	A	Budget formulation, execution and reporting are based on consistent and detailed administrative, program and economic classifications.

Dimension PI-4.1 Budget classification

98. The legal and regulatory framework for budget classification used at the SNG level is the same as for all sectors of general government. The economic classification has been developed and broadly aligns with classifications of the Government Finance Statistics (GFS) 2001⁸ and it is integrated with the Chart of Accounts for the whole public sector. The Chart of Accounts and methodology was approved by MFO no. 216 on December 28, 2015.⁹ The methodology explains the classification of both revenues and expenditures.

99. Budget formulation, execution and reporting is based on consistent economic, administrative (“organizational”), functional, and program classifications. The breakdown of revenue is consistent with GFS, while expenditure is summarized by functions, and the expenditures of each organization is divided into programs analyzed by economic nature. The budget explanatory note presented to the Ungheni municipal council contains a summary table of revenue and expenditure by organization and economic classifications. The financial management information system (FMIS) reflects the approved budget, appropriations and executed amount per functions, programs/subprograms, and economic classification for each budget unit within organizational classification.

100. The Ungheni municipal budget uses for the budget formulation, execution, and reporting, 7 out of 10 main functions of COFOG as applicable for this tier of local authority:

- (01) general public services
- (04) economic affairs
- (05) environment protection

⁸ Per p.3.1.2 from IMF SDDS report as updated in 2022: <https://dsbb.imf.org/sdds/dqaf-base/country/MDA/category/GG000>

⁹ https://www.legis.md/cautare/getResults?doc_id=121615&lang=ro

- (06) housing and household communal services
- (08) culture, sport, youth, religion and recreation
- (09) education
- (10) social protection

101. The budget execution section of the annual financial report contains tables showing both original budget estimates and actual expenditure by administrative, functional, economic, and program classifications.

102. The program classification consists of three levels: “Programs” (P1) and “Sub-programs” (P2), which are hierarchically subordinated, and a third level, Activities (P3), which is independent from P1 and P2. Thus, the sub-program code can only be used together with the higher-level program code; a list of activities can be established under any program/sub-program combination.

103. There is a sufficient level of interconnection between budget planning, budget execution, and payment operations using accounting and reporting modules within the financial management information system (FMIS) managed by the line divisions of the MoF and Treasury. Recurrent and capital investments’ budget preparation, execution, and reporting procedures are fully integrated and covered by the budget classification structure.

104. **The score for the dimension is A.**

PI-5. Budget documentation

105. This indicator assesses the comprehensiveness of information provided in the annual budget documentation as measured against a specified list of four basic and eight additional elements. The assessment covers the SNG budgetary units and looks at the most recent budget submitted to legislature (FY 2021).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-5. Budget documentation	C	
5.1 Budget documentation	C	Annual budget documentation fulfills 4 elements, including 3 basic elements and 1 additional element. Other 2 elements are not applicable at the subnational level.

Dimension PI-5.1 Budget documentation

106. Annual budget documentation is mainly regulated by article 20 of the law on local public finances no. 397 from October 16, 2003.¹⁰ Moreover, additional documents (Excel data) and data visualization tools have been developed (PowerPoints presentation) and made available to the citizens in order to improve transparency and understanding of the budget figures.

¹⁰ Link for law on local public finances https://www.legis.md/cautare/getResults?doc_id=121302&lang=ro#

Table 5.1: Budget documentation for FY2021

Item	Included (Y – yes/N – no /NA – not applicable)	Source of evidence and comments
Basic elements		
1	Forecast of the fiscal deficit or surplus or accrual operating result.	Yes Forecasts regarding the main budget indicators for the Ungheni municipality (deficit/surplus, debt level and “expenditure rule”). Link for annexes to the municipal council decision on 2021 budget approval no.7/3 from December 18, 2020: http://ungheni.md/wp-content/uploads/2021/01/Buget-2021-Anexe-la-decizia-aprobare-buget.pdf
2	Previous year’s budget outturn, presented in the same format as the budget proposal.	No Previous year’s budget outturn is prepared in the same format as budget proposal, but it is not submitted as part of budget documentation.
3	Current FY’s budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Yes The current year’s budget has the same format as the budget proposal. Link for explanatory note to the 2021 budget: http://ungheni.md/wp-content/uploads/2022/06/Not%C4%83-informativ%C4%83-PROIECT-Buget-2021-min.pdf
4	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	Yes The budget data contains both revenue and expenditure information at the aggregate level as well as a detailed breakdown by budget classification presented in PI-4. This can be found in Tables 1-3 of the budget document.
Additional elements		
5	Deficit financing, describing its anticipated composition.	NA The article 13 of the law on local public finances no.397 from October 16, 2003, foresees that local budgets cannot be approved and executed with a budget deficit. On exceptional bases, the local budget could be approved with a deficit indicating the sources of financing being approved by the local council. If the budget has a surplus, then the local council could use it for reimbursement of previous loans.
6	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	NA Macro-economic assumptions are prepared by the central government and are included in the state budget documentation.
7	Debt stock, including details at least for the beginning of the current FY presented in accordance with government financial statistics (GFS) or other comparable standard.	No Debt annual program is available in the budget documentation annex 8 but is not presented in accordance with GFS or another comparable standard.

Item		Included (Y – yes/N – no /NA – not applicable)	Source of evidence and comments
8	Financial assets, including details at least for the beginning of the current FY presented in accordance with the GFS or other comparable standard.	No	Expenditure and revenue estimates regarding financial assets are seen in the Group 3 of the economic classification. However, detailed information regarding the stock of financial assets is not available in the annual budget documentation.
9	Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public private partnerships (PPP) contracts, and so on.	No	Information about the fiscal risks, contingent liabilities and contingent obligations is not included in the annual budget documentation.
10	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	Yes	Information about the budgetary impact of new policy initiatives is quantified for the budget year, while tax revenue measures are formally identified and quantified (in the text and table 1 of the Explanatory Note) and additional notes to the revenue side of the draft budget.
11	Documentation on the medium-term fiscal forecasts.	No	Medium-term fiscal forecasts are covered in the program budget estimates including performance indicators for the three-year period. The 2020 budget was presented in medium term format, http://ungheni.md/proiecte-bugete-pe-programe-2020-2022/ but 2021 budget only in one year forecast format http://ungheni.md/proiect-buget-2021-pe-programe/
12	Quantification of tax expenditures.	No	Some partial information is included about the taxation of property, sanitation fee, but tax expenditure is not reported.

107. Budget documentation fulfills 4 elements, including 3 basic elements and 1 additional element. Two additional elements are not applicable at the subnational level.

108. **The score for this dimension is C.**

PI-6. Subnational operations outside financial reports

109. This indicator measures the extent to which government revenue and expenditure are reported outside financial reports. It contains three dimensions and uses the M2 (AV) method for aggregating scores. The assessment of this indicator is based on the information and reports available for FY 2020. It covers the SNG.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-6. Subnational operations outside financial reports (M2)	A	
6.1 Expenditure outside financial reports	A	There are no extrabudgetary units in the municipality.
6.2 Revenue outside financial reports	A	There are no extrabudgetary units in the municipality.
6.3 Financial Reports of Extrabudgetary Units	NA	As there are no extrabudgetary units in the municipality, there are no relevant financial reports.

Dimension PI-6.1 Expenditure outside financial reports

110. There are no extrabudgetary units in the municipality. Social security funds are managed by the CG. All expenditures incurred by the SNG spending units are reported in the financial reports.

111. **The score for this dimension is A.**

Dimension PI-6.2 Revenue outside financial reports

112. There are no extrabudgetary units in the municipality. All revenues collected by the Ungheni Mayor's office and its spending units are reported.

113. **The score for this dimension is A.**

Dimension PI-6.3 Financial Reports of EBUs

114. As there are no extrabudgetary units in the municipality, there are no relevant financial reports.

115. **The score for this dimension is Not Applicable (NA).**

PI-7. Transfers to SNGs

116. This indicator assesses the transparency and timeliness of transfers to lower levels of SNG with direct financial relationships to the SNG. It considers the basis for allocating transfers and whether lower-level SNGs receive information on their allocations in time to facilitate budget planning. It contains two dimensions and uses the M2(AV) method for aggregating dimension scores. The time period assessed is the last completed FY (2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-7. Transfers to SNGs	NA	
7.1 System for allocating transfers	NA	Ungheni municipality does not have lower-level subnational governments. Dimension is not applicable.

7.2. Timeliness of information on transfers	NA	Ungheni municipality does not have lower-level subnational governments. Dimension is not applicable.
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Dimension PI-7.1 System for allocating transfers

117. Ungheni municipality does not have lower-level subnational governments. This fact makes this indicator Not Applicable.

118. **The score for this dimension is NA.**

Dimension PI-7.2 Timeliness of information on transfers

119. Ungheni municipality does not have lower-level subnational governments.

120. **The score for this dimension is NA.**

PI-8. Performance information for service delivery

121. This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation and in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions. The assessment covers budgetary units and EBUs, if any, of the SNG. Services managed and financed by other tiers of government are included if the SNG significantly finances and implements such services through reimbursements or earmarked grants or uses other tiers of government as implementing agents. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. Under dimension PI-8.1, PIs are assessed for planned outputs and outcomes for the next FY (2021); and under dimension PI-8.2, PIs are assessed for outputs and outcomes of the last completed FY (2020). Under dimensions PI-8.3 and PI-8.4, the last three completed FYs (2018-2020) are examined.

122. The major service delivery units under the Ungheni municipality are kindergartens, a culture palace, the music school, and a community service unit (responsible for water supply, sanitation and road maintenance activities).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-8. Performance information for service delivery (M2)	B+	
8.1. Performance plans for service delivery	A	The draft budget documentation provides information on outputs and objectives for the municipality programs which is published.

8.2. Performance achieved for service delivery	A	The budget execution reports provide information on outputs and objectives realized for the municipality programs. The performance reports are published.
8.3. Resources received by service delivery units	A	Amounts allocated to individual service delivery units are recorded at the level of the unit in the accounting software system and are disclosed in the annual budget documentation.
8.4. Performance evaluation for service delivery	C	There have been two external performance reviews in health and education nationally in the past 3 years that is relevant for the municipality. There were no external reviews specific to the SNG.

Dimension PI-8.1 Performance plans for service delivery

123. The MoF instructions and guidelines no. 209 of December 24, 2015, regarding budget preparation, approval, and modification, is applicable for local budgets. The municipality applies it and sets up goals, objectives, and key performance indicators (KPIs) under the programs and subprograms at the level of the Ungheni level I authority. The draft budget for 2021 contains 14 programs and subprograms of the municipality council which are managed by 20 institutions. This information is attached to the informative note regarding the elaboration of the municipality budget for 2021 and it is published on the website.¹¹

Table 8.1: Performance plans of the main service delivery agencies, FY 2021 (MDL, thousand)

Name of service delivery agency	Service delivery program	Expenditure of the SD agency	% of SD agencies in total SD expenditure	Program objectives (Y/N)	Activities (Y/N)	Key Performance Indicators (Y/N)	Planned outputs (Y/N)	Planned outcomes (Y/N)
Community service unit	Community development	15,489.7	16	Y	Y	Y	Y	Y
Culture Palace and Cultural Multifunctional Centre	Culture services	7,395.2	7.9	Y	Y	Y	Y	Y
Main Mayor's office	Road rehabilitation	5,959	6	Y	Y	Y	Y	Y
Schools for extracurricular activities	Extracurricular education	7,410.7	7	Y	Y	Y	Y	Y
Central parc	Leisure activities	670.3	0.7	Y	Y	Y	Y	Y
Kindergartens	Early education	44,933.1	48	Y	Y	Y	Y	Y
Main Mayor's office	Street lighting	6,811	7	Y	Y	Y	Y	Y
Museum	Museum services	731.2	0.8	Y	Y	Y	Y	Y
Sport school and stadium	Sport activities	3,409.5	3.6	Y	Y	Y	Y	Y
Regional centre of resources for youth	Services for youth	433.8	0.5	Y	Y	Y	Y	Y
Total		93,243	-	Y	Y	Y	Y	Y

Data source: Ungheni municipality budget documentation

¹¹ <http://ungheni.md/proiect-buget-2021-pe-programe/>

124. **The score for this dimension is A.**

Dimension PI-8.2 Performance achieved for service delivery

125. The output and outcome indicators of the Ungheni municipality are set up for each service delivery program/subprogram by the economist and Center for Sustainable Development which is part of the Mayor's Office. As part of their financial reports, the municipality prepares and submits to the Ministry of Finance the report on performance of programs / subprograms that the municipality implements. This is in line with the specific format / template produced by MoF (methodological set regarding the elaboration, approval, and modification of the budget, no. 209 of December 24, 2015,) indicating the name of program / subprogram, goal, objective, description, and a table with KPIs: KPI by result / output / efficiency, name of KPI, measurement unit (% , number of units, or value), approved, executed, any deviation, and explanations in case of deviations. These are annexed to the budget execution report as Form FD-053. The annual performance reports are published on the municipal website.¹² The results are comparable to the targets adopted within the annual budget. For instance, under the largest service delivery programs of the municipality, early education and community services, the performance information reports the results achieved for input, outcome and efficiency indicators as compared to the approved targets linking them to the executed budget in line with economic classification as compared to the approved and revised budget.

126. **The score for this dimension is A.**

Dimension PI-8.3 Resources received by service delivery units

127. For kindergartens and other service delivery units at a local level, the transfers from the state to the local government covers block transfers, which are then distributed and accounted for at the unit level by the municipality through the Treasury system based on the approved budget. Discussions at the municipality level confirmed that amounts allocated to individual service delivery units are recorded at the level of the unit in the accounting software system. The resources received by each unit are disclosed in the annual budget documentation (Table 4 to the informative note) and are collected in the opened accounts (IBAN) for each type of revenue separately. The system captures all revenues from the units' own sources as well (applying the rates for services approved annually by the municipal council). The Chart of Accounts applicable at the national level allows to identify all resources used by the service delivery units of the Mayor's office. Any in-kind contribution is properly registered according to the applicable legislation.

128. **The score for this dimension is A.**

Dimension PI-8.4 Performance evaluation for service delivery

129. The accuracy of the output and outcome indicators at budget execution using the data supplied by the service delivery units is checked by the Center for Sustainable Development in the Mayor's Office. Performance evaluations of the KPIs and related expenditure have not been carried out. The Ministry of Finance does carry out some evaluation of the reports it receives but those evaluation do not result in a consolidated and formal report.

¹² <http://ungheni.md/executarea-bugetului-pe-programe-2020/>

130. There are some external reviews which are relevant for the municipality. In 2019, the CoA conducted an audit on the quality of meals provision in kindergartens.¹³ 6 institutions under Ungheni Mayor's Office were verified. In addition, UNICEF produced a report called Review of the Evaluation and Assessment in Education in July 2019. The review is a thematic policy assessment accompanying the national education sector analysis (it covered 48.2% of the total sectoral expenditures). The purpose of the review is to analyze the educational policies and approaches to assessment and evaluation in the general school system of Moldova, assess the strengths and areas for improvement of existing arrangements, and provide concrete policy recommendations. The review is designed to inform the strategies for improvement of the assessment and evaluation system in the forthcoming national education sector plan. The report addresses the use of outputs and objective KPIs.

131. In 2019 an independent, non-profit organization, Center for Health Policies and Studies conducted a study called Health Barometer of the Population of the Republic of Moldova to find out the perception of the population using health services about the state of the health system and their experience regarding the use of medical services in primary and hospital healthcare. The results of the research helped the Ministry of Health, Labor and Social Protection in the development of public policies to improve the quality of primary and hospital healthcare, by providing complete, relevant and valid information about the performance of the medical services from the users' perspective. Evaluation has been designed to inform policy at the national level which in turn will affect the responsibility of the municipality on the provision of education and health services.

132. The score for this dimension is C.

¹³ https://www.ccrm.md/ro/decision_details/1070/hotararea-nr-79-din-24-decembrie-2020-cu-privire-la

PI-9. Public access to fiscal information

133. This indicator assesses the comprehensiveness of fiscal information available to the public based on nine specified elements (five basic and four additional elements) of information to which public access is considered critical. The assessment covers the last completed FY (2020), and the budgetary units of the SNG. It consists of a single dimension.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-9. Public access to fiscal information	D	
9.1 Public access to fiscal information	D	Ungheni municipality discloses 3 basic elements out of 5, and 2 out of 3 additional elements

Table 9.1: Public access to fiscal information, FY 2020

Item	Criteria met (Y/N)	Explanation	Source of evidence
Basic elements			
1	Y	Draft budget and all supporting documentation are published in the same day of submission to the municipal council. municipal council has approved the 2020 municipal budget by decision no.10/3 of December 20, 2019	Link for explanatory note for 2020 draft budget http://ungheni.md/wp-content/uploads/2020/07/Not%C4%83-informativ%C4%83-buget-2020.pdf Link for 2020 draft budget http://ungheni.md/wp-content/uploads/2020/07/Decizie-aprob-buget-2020.pdf Link for 2020-2022 program budgets http://ungheni.md/proiecte-bugete-pe-programe-2020-2022/
2	Y	The enacted annual budget approval decision is published on the same day after it is approved by the local council.	http://ungheni.md/wp-content/uploads/2020/07/Decizie-aprob-buget-2020.pdf
3	N	The 2020 municipal budget execution report for 6 months has not been approved and published because of the pandemic situation. The 2020 annual municipal budget (12 months) execution report was available within two	12-month report for FY2020: municipal decision http://ungheni.md/wp-content/uploads/2021/04/Decizie-1-1.pdf annexes http://ungheni.md/wp-content/uploads/2021/04/Decizie-1-1-Anexa.pdf

Item	Criteria met (Y/N)	Explanation	Source of evidence
		months after the reporting period (decision no.1/1 of March 05, 2021. Data are available to the public immediately after the municipal council approves the report.	
4	Y	Budget execution data and reports are made available to the public within 2 months (March 05, 2021) of the fiscal year's end.	Link for 2020 budget execution municipal council decision http://ungheni.md/wp-content/uploads/2021/04/D-1-1.pdf
5	N	The law on organizing and functioning of the Court of Accounts no.260 from December 07, 2017, art. 32 par. (3) ¹⁴ , the annual financial audit is not compulsory for the local public administration authorities. Yet, the audit of FY2019 financial statements commenced in October 2020. The report was available to the public on February 25, 2021, which is 5 months from the starting date of audit and 14 months after the end of 2019.	Link for the audit report: https://ccrm.md/ro/decision_details/1089/hotararea-nr-3-din-25-februarie-2021-cu-privire-la
6	N	No pre-budget document is elaborated.	
7	Y	FY2019 compliance audit report conducted by the Court of Accounts for Ungheni municipality was published within one month of submission and approval by the CoA Board	https://ccrm.md/ro/decision_details/1089/hotararea-nr-3-din-25-februarie-2021-cu-privire-la

¹⁴ Link for the law no.260 from December 07, 2017: https://www.legis.md/cautare/getResults?doc_id=123538&lang=ro#

Item	Criteria met (Y/N)	Explanation	Source of evidence
8	Y	Each Ungheni municipal council meeting is open to the public. The interested citizens could access the municipality web page where the schedule of the meetings is available. All draft documents with summarized and accessible explanation of the key elements of the budget, including the explanations for each local tax, are available to the public 1-2 weeks before the meetings.	Link to announcements http://ungheni.md/consultari-publice/ ; http://ungheni.md/dispozitie-nr-264-02-1-07-din-01-12-2020-cu-privire-la-convocarea-consiliului-municipal-ungheni/

134. The requirements are met for 3 basic elements out of 5, and 2 additional elements.

135. **The score for this dimension is D.**

PI-9bis. Public consultation

136. This indicator assesses the extent to which the subnational government conducts public consultation in preparing the budget, designing service delivery programs, and planning investments. It contains three dimensions and uses the M2(AV) method for aggregating dimension scores. For PI-9bis the coverage is the last budget submitted to the municipal council (2021), for PI-9bis.2, the last three completed fiscal years (2018-2020), and for PI-9bis.3, last completed fiscal year (2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-9bis. Public consultation (M2)	C+	
9bis.1 Public consultation in budget preparation	B	For FY2021 budget, the public consultation was held during the budget formulation and preparation stage. Simplified budget information was published on the website in advance. Summary of inputs received as result of public consultation was not published.
9bis.2 Public consultation in the design of SD programs	C	Participation processes are carried out for most service delivery programs. Reports regarding the opinions, observations and proposals made by citizens, as well as the feedback and conclusions are not published.
9bis.3 Public consultation in investment planning	C	During preparation of major investment projects, public consultation is conducted for most major investment projects managed and decided by the subnational government. The municipal council did not publish a summary of the inputs received. Public consultation process has been inclusive.

137. The basic norms that regulate transparency in the decision-making process are law no. 239-XVI of November 13, 2008, on transparency in the decision-making process, government decision no. 967 of August 9, 2016 on the mechanism of public consultation with civil society in the decision-making process, as well as the internal regulation on ensuring transparency during the decision-making process by the local public administration authorities of the town Ungheni¹⁵ approved by municipal council decision no.11/3 from December 29, 2010.

138. The launch of the European Union for Ungheni (EU4Ungheni) Key Regions program took place in Ungheni on 24 January 2020, by which the EU plans to invest EUR 22.8 million to stimulate smart, inclusive, and sustainable economic development in the Ungheni and Cahul regions. The program is implemented by UNDP and UNICEF with the strategic guidance of the European Union Delegation to the Republic of Moldova. Thus, in the period of 2019 - 2025, the municipality of Ungheni and the neighboring localities will benefit from considerable assistance for the socio-economic development of the region and the improvement of the quality of life of the citizens. The program is implementing projects aimed at increasing the investment and entrepreneurial attractiveness of the region, supporting initiatives on social services, such as education and protection for adolescents and children, involvement, connection and empowerment of young people, etc.

139. The EU4Ungheni Key Regions program aims to improve citizens' participation in decision-making. Citizens are involved and engaged throughout the project. The first competition was announced at the launch event, a call for ideas to improve the center of Ungheni.¹⁶

Dimension PI-9bis.1 Public consultation in budget preparation

140. In the Ungheni municipality the budget development process is accompanied by formal public consultation/ participation procedures. The consultations are open to everyone and organized with participation of civil society organizations and other non-state actors and citizens, being invited in the thematic meetings led by the public authorities by means of face-to-face communications during the budget discussion. In addition, any proposal could be sent electronically. At the end of the public consultation, the authority did not publish a summary of the inputs received and an explanation of how those inputs have been taken into account. However, for FY2022 budget consultations, the Mayor's office published the Minutes of discussions.¹⁷

141. For the budget hearings interested citizens are able to attend the budget discussion meetings within the municipal council in person and visit the website where the draft budget and explanatory notes are published prior to the meeting. The documents are prepared in a reader-friendly and understandable format. These documents are published when the advertisement about the date and time of meetings is displayed.

142. In 2020 all municipal council meetings were available to the public, including the budget hearing. The design of the municipality's website also gave an opportunity and user-friendly access for citizens to contribute to the budget formulation and preparation process. The public consultation process appears to be timely; it allowed at least 10 working days for public consultation/participation. For the FY2021

¹⁵ Link for Ungheni municipality regulation <http://ungheni.md/wp-content/uploads/2020/02/Regulament-cu-privire-la-asigurarea-transparent%CC%A7ei-decisionale.pdf>

¹⁶ <https://eu4ungheni.md/>

¹⁷ <http://ungheni.md/wp-content/uploads/2021/12/Proces-verbal-audiere-buget-2022-1.pdf>

budget, public consultations were launched on December 1, 2020, prior to the meetings in the municipal council announced on December 18, 2020.

143. **The score for this dimension is B.**

Dimension PI-9bis.2 Public consultation in the design of service delivery programs

144. During the last 3 completed fiscal years, 2018, 2019 and 2020, the participation processes were conducted for most service delivery programs. These processes are started with the preparation of the concept for service delivery program and advertisement on the municipality's website. The project selections are made in an interactive way via questionnaire. The questionnaire is available only during the voting time.¹⁸ Reports regarding the opinions, observations, and proposals made by citizens, as well as its feedback and conclusions, are not published for each participation process. The formulated proposals/suggestions and its feedback for each participation process is included in the final decision. Usually, the consultation events are organized with a social partners support. The last three years the public consultations were organized for the community services (water supply and sanitation, and road maintenance activities):

- Waste management services (EU4Moldova)
- Water supply services (EU4Moldova)
- Local roads reparation

145. In addition, in 2019 the Mayor's office organized public consultations for Urban Revitalization of the Ungheni municipality.¹⁹ The program includes social and infrastructure projects which improve the quality of public services (green and entertainment zones, access to the zones for vehicles, pedestrians and cyclists).

146. The regulations on ensuring the transparency has established the following mechanism of public consultations for service delivery:

- a) Informing the public about the available financing and investment plans;
- b) Consulting with citizens and their associations;
- c) Examining the recommendations of the citizens and their associations;
- d) Informing the public about the decisions adopted.

147. **The score for this dimension is C.**

Dimension PI-9bis.3 Public consultation in investment planning

148. The local operational implementation plan / priority projects for Ungheni municipality were elaborated based on the results of the questionnaire for public consultation.²⁰

¹⁸ Link for results announcement <https://eu4ungheni.md/mai-multe-proiecte-de-infrastructura-si-servicii-publice-din-regiunile-cahul-si-ungheni-se-vor-dezvolta-cu-suportul-uniunii-europene/>

¹⁹ https://news.ungheni.org/primaria-ungheni-anunta-audierii-publice-privind-programului-de-revitalizare-urbana-a-municipiului-ungheni/#google_vignette

²⁰ Link for questionnaire. It is not operational now, because the consultations ended. <http://ungheni.md/chestionar-pentru-consultarea-publica-a-planului-operational-local-de-implementare-proiectele-prioritare-pentru-municipiul-ungheni/>

149. In 2020, investment projects were implemented in peripheral areas of Ungheni municipality, as follows:

- Construction of 19.66 kilometers of water distribution networks and 8.09 kilometers of sewage networks in the new sectors of Dănuțeni, were provided by European Union financing, through GIZ;
- Seven streets were rehabilitated on the Prut side;
- Public lighting for 11 streets in Dănuțeni was rehabilitated.

150. Public consultation was conducted for most major investment projects managed and decided by the subnational government. Normally, it starts with priority selection. The procedures are the same as for services and starts with submission of questionnaire. The consultation document usually includes a summary of the key results of the economic analysis and number of votes each project received. The summary of inputs received is not published.

151. **The score for this dimension is C.**

PILLAR 3: Management of assets and liabilities

152. Pillar Three measures the effectiveness of the government's management of assets and liabilities and the extent to which this ensures that public investments provide value for money, assets are recorded, and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

PI-10. Fiscal risk reporting

153. This indicator measures the extent to which fiscal risks to the SNG are reported. Fiscal risks can arise from adverse macro-economic situations, financial positions of SNGs, PCs, and contingent liabilities from the SNG's own programs and activities, including PPPs. The assessment of this indicator is based on information available for 2020. This indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. For dimension 10.1, it covers the SNG-controlled PCs. For dimension 10.2, it should be the SNG entities that have direct fiscal relations with the SNG. For dimension 10.3, the explicit contingent liabilities arising from the financing of public investment projects are assessed.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-10: Fiscal risk reporting (M2)	D	
10.1. Monitoring of public corporations	D	The municipality does not receive annual financial statements from the enterprises it owns. Those statements are not regularly audited.
10.2. Monitoring of subnational governments	NA	The municipality does not have any subnational governments that reports to it.
10.3. Contingent liabilities and other fiscal risks	NA	The municipality does not have any public-private partnership arrangements and has no extra-budgetary units under its ambit.

Dimension PI-10.1 Monitoring of public corporations

154. There are 4 municipal owned enterprises (ME): ME "Solubility - Ungheni", ME "Ungheni Communal Services, Comgaz Plus", ME "Apa-Canal Ungheni" and ME "Ungheni Design", and one joint stock company "Comgaz Plus." Discussion with the municipality indicates that the municipality does not receive any financial or operational reports from these companies. Such reports are submitted to the Ungheni rayon that consolidates all reports from enterprises owned by the rayon itself or municipalities in the rayon into a report. The financial reports of "Apa-Canal Ungheni" for 2020 was presented on March 26, 2021, those of ME "Ungheni Design" - on February 22, 2021 and JSC Comgaz Plus - on February 16, 2021. The financial statements of those corporations are not regularly published or audited.

155. **The score for this dimension is D.**

Dimension PI-10.2 Monitoring of SNGs

156. The municipality is the lowest level of government and there are no subnational governments reporting to it.

157. **This dimension is NA.**

Dimension PI-10.3 Contingent liabilities and other fiscal risks

158. Overall, the responsibilities for monitoring and reporting any liabilities stay with the Ungheni Mayor's office. However, the municipality does not have any public-private arrangements and has no extrabudgetary units under its ambit. There are no other contingent liabilities.

159. **The score for this dimension is NA.**

PI-11. Public investment management

160. This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government. It also assesses the extent to which the government publishes information on the progress of the projects, with an emphasis on the largest and most significant projects. It contains four dimensions and uses M2 (AV) method for aggregating dimension scores. The time period assessed is the last completed FY (2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-11 Public investment management (M2)	D+	
11.1 Economic analysis of investment proposals	C	There are no guidelines for economic analysis of own investment projects preparation. The construction specialist of Ungheni municipality assessed the needs for the major investment project before its inclusion in the medium-term Strategy for Economic Development, that ensure the objectivity of analysis.

11.2 Investment project selection	C	There are no established selection criteria for own investment projects. However, the major investment project is among the priority investment projects contained in the medium-term Strategy for Economic Development.
11.3 Investment project costing	C	Projections of the total capital cost of the major investment project, together with a year-by-year breakdown, are included in the budget documents but not estimates of the recurrent costs for the next three years or projections of the total life-cycle cost.
11.4 Investment project monitoring	D	The total cost of the major investment project is monitored by the Financial Department within the routine monitoring of budget execution. Physical progress is monitored separately by a specific unit under the municipality. Annual results are not published.

161. Municipal budget mostly co-financed externally financed investment projects selected either at the central government level or provided by the donors, and one own project. The projects provided by the central level followed the government’s Regulations (Regulation on the State Capital Investments Projects,²¹ National Regional Development Fund,²² government’s Order on Ecology Funds).²³ For the donors’ projects the Mayor’s office followed the donors’ requirements. Each regulations established some procedures for project preparation, economic analysis, selection and monitoring. Municipal authorities did not participate in the project selection process. There was only one major investment project financed by its own budget sources - “Repairs works for access to the courtyards of apartment buildings and rehabilitation of parking spots” with a total cost of 4.4 million MDL. Its share is 4% of total annual budgeted expenditure.

162. The co-financing contribution (that is around 75% of the value of the own project) for the externally financed projects was not envisaged in the initial budget. The contribution was approved by the municipal council when the project was identified throughout the year indicating the source of financing (normally, receipts from sale of public property) The municipal contributions provided in 2020 are shown below.

Table 11.1. Co-financing contribution to investment projects

	Project	Total project cost	Mayor’s office contribution	Municipal council’s decision
1.	Anti-waste partnership for rural areas	EUR 140,300	EUR 11,224 (8%), around MDL 224,480	http://ungheni.md/wp-content/uploads/2020/01/D-1-9.pdf
2.	Sustainable urban mobility development project (EU)	MDL 203,240	MDL 88,000 (43.3%)	http://ungheni.md/wp-content/uploads/2020/06/D-4-10.pdf

²¹ Approved by the Government’s Decree no. 1029 dated December 19, 2013.

²² Approved by the Government’s Decree “On Measures to Implement Law no. 438-XVI of December 28, 2006, on Regional Development in the Republic of Moldova” no. 127 dated February 8, 2008. This was replaced by a new regulation on National Fund of Regional and Local Development approved by Government Decision on 9 March 2022.

²³ Approved by the Government’s Decree “On the approval of the Regulation on ecological funds” no. 988/1998 dated September 21, 1998.

3.	Support to kids' development in pre-school institutions in Ungheni Municipality (UNICEF)	MDL 3,234,080	MDL 485,112 (15%)	http://ungheni.md/wp-content/uploads/2020/06/D-4-13.pdf
4.	Public infrastructure improvement in Ungheni Vale district (Solidarity Fund PL)	MDL 4,376,399	MDL 2,502,863 (57.19%)	http://ungheni.md/wp-content/uploads/2020/06/D-4-14.pdf
	Total contribution		MDL 3,300,455	

Dimension PI-11.1 Economic analysis of investment proposals

163. There are no guidelines for economic analysis of investment projects preparation. The construction specialist of Ungheni municipality develops the assessment on the investment needs. That analysis was considered as a basis for inclusion of any own investments in the medium-term Strategy for Economic Development, including the major project referred above. Appraisals based on economic analysis include analysis of social (economic) costs and policy benefits and environmental impacts. It could be said that the objectivity of analysis is ensured, since the appraisal is prepared by an entity other than the sponsoring entity.

164. **The score for this dimension is C.**

Dimension PI-11.2 Investment project selection

165. There are no established selection criteria for own major investment projects, but the prioritization process exists. Own projects are included in the annual budgets based on the portfolio of priority projects contained in the medium-term Strategy for Economic Development. Priority projects, in turn, are based on the strategic priorities of the Strategy. Planning of such capital expenditures is within the standard budget planning processes. Budget units submitted applications for capital expenditures, including for investment projects within their budget requests which are prepared within available financial resources. The Municipal Council decided on municipal budget with allocated respective amounts for budget spending units. Given that it is a standard budget procedure, the same was applied to the major investment project evaluated for this PI.

166. **The score for this dimension is C.**

Dimension PI-11.3 Investment project costing

167. Projection of the total capital cost of the major investment project, together with a year-by-year breakdown, was included in the budget documents. Subnational government submits the budget medium-term projections in supplementary budgetary documents. Those projections contain capital cost of the major investment project together with a year-by-year breakdown. Estimates of the recurrent costs for the next three years or projections of the total life-cycle cost are not included in the budget documents.

168. **The score for this dimension is C.**

Dimension PI-11.4 Investment project monitoring

169. The total cost and physical progress of major investment project were monitored separately by two different units. A specific unit under the municipality is responsible for the monitoring of all investment projects. Its certified technical specialists conduct monitoring based on the current construction legislation. Specialists monitor physical progress, prepare technical notes and submit them to this unit. The financial division monitors annual budget capital expenditures for the project implementation within the routine monitoring of budget execution. There is no information on implementation prepared annually.

170. **The score for this dimension is D.**

PI-12. Public asset management

171. This indicator assesses the management and monitoring of SNG assets and the transparency of asset disposal. The time period is the last completed FY (2020) while coverage is narrowed by focusing on the budgetary units of the SNG. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-12. Public asset management (M2)	B+	
12.1. Financial asset monitoring	B	The Ungheni municipality maintains records of all financial assets at acquisition cost. The performance information about major financial assets is published annually.
12.2. Nonfinancial asset monitoring	B	The Ungheni municipality maintains the register of its fixed assets. The data is provided to the Public Property Agency that publishes a register of the assets held by all subnational governments based on the data submitted annually by them.
12.3. Transparency of asset disposal	A	Procedures and rules for the transfer or disposal of financial and nonfinancial assets are established, including information to be submitted to the municipal council for information or approval. Information on transfers and disposal is included in budget documents, and financial reports.

Dimension PI-12.1 Financial asset monitoring

172. The major categories of the financial assets held by the Ungheni municipality as stated in the balance sheet as part of tier I LPA's financial statements for the MoF are cash, loans, receivables, equities, and other forms of participation in the capital of the public corporations. Financial assets are listed at their acquisition cost. The MoF consolidates this information in the annual budget execution report for all SNGs and publishes it.

Table 12.1: Record of financial assets, FY 2020

Asset type	Asset value, end FY2020, thousand MDL
Shares and other forms of equity participation within the country	42,919,418
Other receivables from budgetary institutions	7,130,744
Current accounts in the Treasury system	902,073
Total financial assets	50,952,235

Data source: Balance sheet attached to annual financial statements prepared by Ungheni municipality

173. The Ungheni rayon collects information about the value of public shares for 5 companies owned by the municipality and reports it to the Public Property Agency which holds centralized registry of the public property at central and local level. Such report was prepared as of January 1, 2021 and submitted to the Agency. It lists the date the ownership was recorded, the number of shares held and their value, the net profit/loss, and land surface owned. This information is publicly available on the agency's website, and it is updated annually based on information submitted by the SNGs.²⁴ The information about the performance of other categories of financial assets is not published.

²⁴ <https://app.gov.md/registrul-patrimoniului-public-3-384>

174. The municipality maintains records of its loans. The annual loan program is part of the municipal budget documentation, and it is reported through regular budget execution reports.

The score for this dimension is B.

Dimension PI-12.2 Nonfinancial asset monitoring

175. The municipality maintains records on non-financial asset in the automated 1C accounting software. By April 15 each year the Mayor's office submits to the Public Property Agency at the central level data regarding the public property administered by the municipality according to the prescribed template approved through the government Decision no. 675/2008 on Public Property Register. The Public Property Agency maintains the Public Property Registry that is updated annually and published on its website. Public Property Agency submits to the government by June 15 annually a snapshot of public property as of January 1 of each year.

176. A separate sub-register is kept for the property held by subnational public institutions which includes value of fixed assets, value of stationary items, total area of immovables (in square meters), area given in lease / rent (square meters), total area of land in use. This sub-register is made public.²⁵ The data is extracted from the reports submitted by each subnational government, including the Ungheni Mayor's office.

177. The Public Property Registry and its sub-registers are kept manually. However, in 2021 the Public Property Agency contracted a software company that is working on the development of an electronic register that would allow online submission of data by public institutions and interconnection with other governmental agencies such as the Public Services Agency for verification of cadastral data.

178. The Mayor's office maintains records of non-financial assets in accordance with the Chart of Accounts at balance sheet value (purchase price less any amortization) and reports their value to MoF through a report on usage of fixed assets and their depreciation according to the prescribed template (FD-045) that is part of the annual financial reports. This information is then captured in the budget executions reports. The FD-045 report includes information on initial value of assets, total increase in value (by procurement, capital investments, capital repairs, free-of-charge transfer, donation, re-evaluation), total decrease in value by the same means, and final balance for the reporting period. The municipality also maintains the registry of calculation of depreciation for the fixed assets which includes inventory code for each asset, useful life, date when the asset was put into operation, initial value, depreciation rate and amount, assets in/out, balance sheet value, annual depreciation, and remaining value.

179. The 2020 municipality budget execution report by economic classification provides information on the movements in the various categories of fixed assets.²⁶

180. The financial audit conducted by the Court of Accounts, which covered financial situations prepared by the Mayor's office as of December 31, 2019, revealed few issues in relation to the registration of nonfinancial assets (errors in the value of the land). Yet, in the report the auditors stated that during the audit mission the Mayor's office did corrections of majority of errors in the accounting records as

²⁵ <https://app.gov.md/registrul-patrimoniului-public-3-384>

²⁶ <http://ungheni.md/wp-content/uploads/2021/03/Raport-executare-buget-mun.-Ungheni-pe-2020-1.pdf>

evidenced by the decision of the municipal council.²⁷ Further, in June 2021, the municipal council approved a remedial action plan which includes measures to address the audit findings. Thus, by subsequent decisions of the municipal council, the inventory results of fixed assets have been approved for further reflection in the accounting records.²⁸

Table 12.2: Categories of non-financial assets

Asset category	Asset value as of the end of 2020, MDL thousand
Buildings	191,863
Special constructions	251,263
Transmission installations	8,396
Machines and equipment	19,665
Means of transport	15,626
Tools and utensils, production and household inventory	11,662
Intangible assets	79
Other fixed assets	9,070
Capital investments in assets under construction	6,301
Total fixed assets	513,925
Depreciation of fixed assets	287,917
Amortization of intangible assets	58
Total	287,975
The balance sheet value of fixed assets	225,950
Total stocks of materials	7,255
Land	424,683
Total	657,888

Data source: Balance sheet prepared by Ungheni municipality

181. The score for this dimension is B.

²⁷ <http://ungheni.md/wp-content/uploads/2021/01/D-7-11.pdf>

²⁸ <http://ungheni.md/wp-content/uploads/2021/11/D-6-9.pdf>; <http://ungheni.md/wp-content/uploads/2021/08/D-4-4.pdf>; <http://ungheni.md/wp-content/uploads/2021/08/D-4-1.pdf>

Dimension PI-12.3 Transparency of asset disposal

Table 12.3: Transparency of asset disposal

Procedures for non-financial asset disposal established (Y/N)	Procedures for financial asset disposal established (Y/N)	Information included in budget documents, financial reports or other reports (Full/Partial specify)	Register of subsoil assets (if applicable) (Y/N/NA)	Information on asset disposal submitted to municipal council (Y/N)
Y	Y	Y	N/A ²⁹	Y

Data source: various regulations, documentation provided by the Ungheni municipality

182. The law on the public property administration no. 121-XVI / 2007 establishes general rules for the transfer, disposal, and privatization of public property. There are also several by-laws regulating specific methods of disposal like regulations on sale of state shares on regulated market (government decision no. 145/2008), regulations on public property privatization by commercial or investment contest (government decision no. 919/2008), regulation on open bidding auction (government decision no. 136 /2009), and the law on local public administration no. 436, dated December 28, 2006.

183. These laws and regulations are applied at the central and subnational levels of government. Discussions with officials in the finance department of the municipality confirmed the application of these rules and regulations.

184. The regulations on asset write off approved by the government decision no. 500/1998 establishes procedures for removing fixed assets (immovable assets, machinery, equipment, vehicles and other obsolete goods classified as fixed assets), except for the assets of special purpose, for all budgetary institutions, municipal enterprises and commercial entities with the whole or majority municipal shareholding. Disposal of moveable assets (sale or write-off) are conducted by the municipality in accordance with these regulations that prescribes the establishment of internal write-off committee through the order that determines the status of fixed assets subject to disposal and prepares all necessary documentation. The proceeds from disposal are reported as income to the municipal budget.

185. Regulation on open bidding auction approved through government decision no. 136/2009 establishes clear rules and procedures of sale through auction. In such cases, the value of the asset subject to sale is evaluated according to the market price by an independent evaluator and the composition of the auction commission is set up by the decision of the council.

186. The procedures for disposal through sale are established in the regulations on modality of determination and commercialization of unused assets by the enterprises approved through the government decision no. 480 dated March 28, 2003. This regulation governs state and municipal enterprises, budgetary authorities, autonomous budgetary institutions, and commercial enterprises with the whole or majority state shareholding. The following categories of assets are covered by the regulation: buildings, transmission lines, plant and equipment, IT equipment, vehicles, unfinished constructions, work and productive livestock. It sets up criteria to determine if the assets can no longer be used, the procedures for obtaining authorization for commercialization from relevant public authority and for

²⁹ There are no sub-soil assets in the municipality.

organizing the auction. The value of the assets to be sold is established by an independent licensed valuator.

187. The procedures for disposal of financial and non-financial assets are established in law and information is submitted to the municipality council for approval. The decisions of the municipal council related to the disposal of the assets are made public.³⁰

188. A report is prepared for the municipal council which includes information about the disposed asset (its original cost, disposal value, date of acquisition, and date of disposal).

189. **The score for this dimension is A.**

PI-13. Debt management

190. This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. The indicator contains three dimensions and uses M2(AV) method for aggregating the scores. The time period assessed was at the time of assessment for PI-13.1, the last completed FY (2020) for PI-13.2, and at the time of assessment with reference to the last three completed FYs for PI-13.3.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-13. Debt management (M2)	B	
13.1. Recording and reporting of debt and guarantees	A	Ungheni municipality maintains complete and accurate information on all its borrowings (domestic and foreign debts). At the moment of evaluation there are no guarantees issued to municipal enterprises. The debt records are reconciled with creditors and updated each month as foreseen in the financial agreements. The accounting office prepares a quarterly report with information on debt and guarantees, which is submitted to the rayon and Ministry of Finance. The report contains debt stock, debt service (interest payments), and operations.
13.2. Approval of debt and guarantees	A	The provisions of the law no. 419/2006 states that public debt and state guarantees and policies are to be approved by the Minister of Finance. The municipal council, as a deliberative authority of the local public administration, approves the issue of new debt.
13.3. Debt management strategy (DMS)	D	A medium-term debt management strategy (DMS) covering existing and projected subnational government debt is not developed. The explanatory note to the budget documentation provides data about annual debt program that is publicly available as an annex to the municipal decision on annual budget approval.

³⁰ Example of municipal council decision on asset disposal: <http://ungheni.md/wp-content/uploads/2020/01/D-1-7.pdf> and on asset write off: <http://ungheni.md/wp-content/uploads/2020/10/D-6-7.pdf>

191. Debt management, the choice of debt instruments of different maturities, the issue of guarantees, and relations with investors, reporting and projections of debt service costs are the responsibility of the Mayor's office of the municipality. The accounting unit of the Mayor's office manages relations with the Treasury through which debt service payments are made and reconciles the payments and outstanding amounts. Debt is denominated in MDL.

192. At the end of 2021 the municipality total debt amounted 0.8 per cent of the annual revenue. The FY2022 approved municipal budget plans to borrow 4.4 million MDL and repay 3.6 million MDL. There are no guaranties issued at the moment of evaluation.

Dimension PI-13.1 Recording and reporting of debt and guarantees

193. The Mayor's office follows the provisions on debt recording and reporting of chapter VII from law no. 419³¹ of December 22, 2006, on public sector debt, state guarantees, and state re-credit. The composition and timing of the reports are described in the government decision no. 1136³² of October 18, 2007, regarding some measures for the execution of law no.419 of December 22, 2006. The Mayor's office submits quarterly reports to the MoF covering all aspects of debt management, with full monthly reconciliation of interest payments and amounts outstanding. The reports cover debt service, debt stock, and operations without explanations or rationale for operations. All debts are denominated in MDL at the exchange rate of the reporting date if the debt is foreign. The Mayor's office uses the accounting program 1C to record the debts, monitor them, make payments and prepare the report on the debt portfolio. The disbursement transaction is recorded in the accounting system once it is created. The records are reconciled by the accounting unit with the creditor institution monthly.

194. Separate narrative management and statistical reports for Ungheni municipality only are not publicly available. The information about the municipality debts is available only through the consolidated reports prepared by the MoF which are publicly available.

Table 13.1. Recording and reporting of debt and guarantees

Domestic and foreign debt records maintained (Y/N)	Frequency of update of records (M/Q/A)	Records are complete and accurate (Y/N)	Frequency of reconciliation M=Monthly Q=Quarterly A=Annually N=Not done (Add whether All; Most: Some; Few)	Statistical reports (covering debt service, stock and operations prepared) M/Q/A/N	Additional information from reconciliation reported (if no statistical report) (Y/N)
Y	M	Y	M	Q	Y

Data source: Ungheni municipality reports and Ministry of Finance reports: <https://mf.gov.md/ro/datoria-sectorului-public>

195. **The score for this dimension is A.**

Dimension PI-13.2 Approval of debt and guarantees

The decision regarding the contracting of the debt/ granting of the loan guarantee is taken by the municipal council at the proposal of the Mayor's office, based on the proof of the conformity of the

³¹ Link for the law no.419/2006 https://www.legis.md/cautare/getResults?doc_id=116876&lang=ro#

³² Link for the government decision no.1136/2007 https://www.legis.md/cautare/getResults?doc_id=121747&lang=ro#

contracting of the debt/granting of the loan guarantee with the ceiling established in Article 15 paragraphs (4) of law no. 397-XV of October 16, 2003, on local public finances. The debt could be incurred by the ATU only if the total amount of annual payments (repayment of principal, payment of interest and other related payments) related to servicing local budget debt on loans contracted or guaranteed and / or to be contracted or guaranteed will not exceed 20% of the total annual revenue of the municipal budget, excluding special purpose transfers. In 2021 this threshold was offset at 6.0% by the Ungheni municipality.

196. The decision regarding the contracting of the debt and / or the granting of guarantees for loans is coordinated in advance with the MoF. The opinion of the MoF is binding.

Table 13.2: Approval of debt and guarantees

Primary legislation exists (Y/N; Name of Act)	Documented policies and guidance (Y/N, Name of regulation/policy)		Debt management responsibility (Y/N; Name and location of unit)		Annual borrowing approved by government or legislature (Y/N, specify last date of approval)
	Guidance to single debt management entity	Guidance to several entities	Authorization of debt granted to single responsible entity	Transactions reported to and monitored only by single responsible entity	
Y	Y	Y	Y	Y	Y
The law no. 419 of December 22, 2006, on public sector debt, state guarantees and state re-credit	1. Articles 13-19 of law no. 397 of October 16, 2003, on local public finance; 2. Government resolution (decision) no. 1136 of October 18, 2007, regarding some measures for the execution of law no. 419 of December 22, 2006, on public sector debt, state guarantees and state re-credit.		Article 47 of law no. 419/2006 says that public debt and state guarantees are fully administered by the executive authority of the respective administrative-territorial contracting unit (finance division of the municipality)	Article 12 and Article 49 of law no. 419/2006 says that NBM, Ministry of Economy, other state public authorities as well as local public authorities must report to the MoF	The annual borrowing is approved by the local council decision within the annual budget. Annex 8 from the Decision no.7/3 from December 1, 2020. ³³

Data Source: country's legal framework

197. The score for this dimension is A.

Dimension PI-13.3 Debt management strategy

198. The Ungheni municipality has not prepared a debt management strategy. The long-term objective of acquiring debt is described only for current borrowing in a separate note to the acceptance request

³³ Link to the annexes to the municipal council decision no.7/3 dated December 18, 2020 <http://ungheni.md/wp-content/uploads/2021/01/Buget-2021-Anexe-la-decizia-aprobare-buget.pdf>

which is presented to the MoF.³⁴ A separate explanatory note for the municipal council is not prepared. The note presented to the MoF covers the medium term (three years) period and includes a description of the existing debt portfolio's composition. It also reflects the current budget and debt situation and is reviewed periodically when the annual budget is reviewed as part of the budget preparation process.

199. The note to the acceptance request for MoF and all its annexes to it is not publicly available.

200. **The score for this dimension is D.**

³⁴ Link to the government decision no. 1136 of October 18, 2007, on some measures for implementing the law no. 419 of December 22, 2006, on public sector debt, state guaranties and state re-credit., annex 7, part III of the regulation on state debt contracting procedures.

PILLAR 4: Policy-based fiscal strategy and budgeting

201. This pillar assesses whether the government’s fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.

PI-14. Medium-term budget strategy

202. This indicator measures the ability of a subnational government to develop robust macroeconomic and fiscal forecasts, which are crucial for developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government’s capacity to estimate the fiscal impact of potential changes in economic circumstances. The assessment of this indicator covered the budgetary units and the last budget (2021) submitted to the elected local legislature. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-14. Medium-term budget strategy (M2)	C	
14.1. Underlying forecasts for medium-term budget	B	Estimates of revenue are made for the budget year and two following fiscal years, while the expenditure estimates are provided only for the budget year. The estimates are based on the subnational strategy, and information on transfers, revenue, and expenditure assignments and on key demographic and macroeconomic indicators produced by the CG. Estimates of revenue and expenditures and the underlying assumptions are submitted to the municipal council for approval.
14.2. Fiscal impact of policy proposals	C	The municipality prepares estimates of the fiscal impact of most proposed changes in revenue and expenditure policy for the budget year.
14.3. Medium-term expenditure and revenue estimates	D	The estimated municipal expenditures are presented to and approved by the council for the forthcoming year only.
14.4. Consistency of budget with previous year estimates	NA	As there is not a medium terms perspective to the municipal expenditures, it is not possible to compare the previous year’s forward estimate with the actuals of that year.

Dimension PI-14.1 Underlying forecasts for medium-term budget

203. The key demographic and economic indicators for the estimation of revenues and expenditures by the SNGs are produced by the central government and provided to the SNGs in the budget circular (Annex 1 to the particulars of the budget preparation for 2021 and estimates for 2022-2023).³⁵ The circular also included the information on the fiscal rules and guidance on preparing revenue forecasts, summary of policies and priorities in public expenditures as well as limits for transfers from the central government. At the same time, FY 2021 municipal budget estimations referred to the forecast of the municipal economy development for 2021 – 2025 embedded in the social and economic development strategy for Ungheni municipality.³⁶

³⁵ <https://mf.gov.md/ro/buget/circulara-bugetar%C4%83>

³⁶ <http://ungheni.md/strategii-si-programe/>

204. The draft budget was developed based on programs and performance where the emphasis is on the links between national and local policies and strategies with the allocation of resources and the clear designation of ways to achieve the desired objectives by establishing measurable results of actions.

205. The FY2021 draft municipal budget included the revenue estimates for the budget year and two following fiscal years (Table 2 of the information note to the council decision on the budget: the structure of the own revenues of the municipal budget for the years 2020-2022). The expenditure estimates were provided only for the budget year. All estimates and underlying assumptions are included in the budget documentation which is submitted to the municipal council for approval.

206. **The score for this dimension is B.**

Dimension PI-14.2 Fiscal impact of policy proposals

207. The informative note regarding the elaboration of the municipal budget by functional groups (education, communal services, sports and youth etc.) for 2021 in the budget documentation sets forth:

- Drivers of revenue calculation for 2021: changes in the law regarding application of individual tariffs and taxes, changes in transfers by type and how they affect revenues.
- Considerations of expenditure calculations:
 - Normative and legislative acts, which regulate the activity of the respective fields;
 - Legislative and normative acts that regulate the aspects related to the remuneration of work (with subsequent amendments and completions).

208. The fiscal impact of most proposed changes is estimated for the budget year, but not for the following two fiscal years. In the draft 2021 budget, special emphasis is placed on the close correlation of the expenditure framework with the available resource framework in order to avoid future commitments without resource coverage.

209. **The score for this dimension is C.**

Dimension PI-14.3 Medium-term expenditure and revenue estimates

210. FY2021 budget documentation submitted to the municipal council did not include the estimates of expenditure for the two following fiscal years. Only revenue estimates were provided in the medium-term perspective.

Table 14.3. Medium-term expenditure estimates

Classification	Budget year (Y/N)	Two following FYs (Y/N)
Administrative	Y	N
Economic	Y	N
Program/Function	Y	N

Data source: FY2021 budget documentation

211. Thus, the municipal budget is presented to and approved by the council for the forthcoming year only.

212. **The score for this dimension is D.**

Dimension PI-14.4 Consistency of budget with previous year's estimates

213. As there is not a medium terms perspective to the municipal expenditures, it is not possible to compare the previous year's forward estimate with the actual that occurred in that year.

214. **The score for this dimension is NA.**

PI-17. Budget preparation process

215. This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. The assessment of this indicator covers the budgetary units of the SNG. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. It comprises the last budget (for FY2021) submitted to the elected local legislature for dimensions 17.1 and 17.2, and the last three completed FYs (2018 – 2020) for dimension 17.3.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-17. Budget preparation process (M2)	C	
17.1 Budget calendar	C	The Mayor's office finance staff prepares the draft budget. All budget institutions respect the budget calendar. A deadline for 2021 budget drafting was around one month (less than 4 weeks). Submissions are made in accordance with the timetable approved for each budget cycle separately.
17.2 Guidance on budget preparation	C	The Mayor's office uses a comprehensive and clear budget circular issued by the MoF and rayon finance division. The budget circular covers total budget expenditure for the full fiscal year and budget rules for next 2 additional years. The budget reflects sectors ceilings per each subnational unit and type of transfers. Since the Mayor's office prepares the budget for its subordinated units, it does not issue any additional circular. The approval of ceilings by the government took place after the budgetary units did their submission.

17.3 Budget submission to the legislature	C	The executive authority of the municipality has submitted the annual budget proposal to the subnational council at least one month before the start of the fiscal year in two of the last three years.
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Dimension PI-17.1 Budget calendar

216. Law no.181/2014 on public finance and fiscal-budgetary accountability establishes the overarching calendar for the budget process with sequenced activities and deadlines, as follows:

- (i) The local executive authority (Mayor's office) elaborates and presents to the local council the draft local budget for the following year - by November 20;
- (ii) The local council adopts the local budget for the following year - by December 10.

217. The main activities for the 2021 draft budget preparation are presented in the table below.

Table 17.1: Budget calendar and guidance on budget preparation

Budget calendar exists (Y/N)	Date of budget circular	Deadline for submission of estimates	Coverage	% of budgetary units complying with deadline	Date Cabinet approved ceilings ³⁷	Budget estimates are reviewed and approved by Cabinet after completion (if ceilings not issued) (Y/N)
Y	September 15, 2020	From October 05, 2020, till October 09, 2020, based on the established schedule	All	100	October 28, 2020	Y

Data Source: Ministry of Finance letter no.06/2-07 of September 25, 2020

218. In addition to the MoF budget circular, the rayon finance division issued on September 15, 2020, the budget circular for the 2021 budget (which also covered the budget forecast for 2022-2023) requiring 3 weeks (20 calendar days) for submission of the preliminary estimates by the rayon budgetary units (subdivisions of the rayon council) and tier I spending units, including Ungheni municipality. The budgetary units within the Ungheni municipality do not prepare the budget by themselves; the accountants and economists from the Mayor's office do this work.

219. A separate budget calendar for the municipality has not been issued. The submissions, which are entered directly into FMIS, cover all medium-term projections. The Mayor's office made its submissions in accordance with the timetable set out in the MoF circular and rayon finance division letter.

220. **The score for this dimension is C.**

³⁷ Link for MTBF 2021-2023 <https://mf.gov.md/sites/default/files/documente%20relevante/CBTM%202021-2023%20romana%20Aprobat.pdf>

Dimension PI-17.2 Guidance on budget preparation

221. The Mayor's office does not issue an additional budget circular. The budget process and preparation are based on the Ungheni rayon finance division budget circular(s) to all subnational budgetary units, including subordinated budget institutions and to tier I local public administration authorities. The circular sets out the budget procedures for the preparation of the subnational budget including any procedures and interactions involving the higher-level government. The processes and guidance on the preparation of budget submissions and ceilings presented in the budget circular are described in detail for each type of function and economic categories of spending, considering interrelationships between subnational and higher-level governments. The municipality level of public administration has no need to issue additional budget instructions.

222. Ceilings are treated as maximum budget allocations calculated for the budgetary units and are related to the general transfers and special propose transfers. The allocation limits/ cost per beneficiary lower level included in the transfers amount are then used to set up the budgets for subordinated units/ functional areas within the approved level of state budget transfers. The Mayor does not issue a separate decision for this purpose. The final budget allocations could subsequently be adjusted based on the approved annual state budget law and the level of transfers included in the state budget.

223. Considering that the budget is fully program based, standards and definitions for the preparation of programs and performance indicators submissions are included.

224. The entire budget preparation process is carried out within the FMIS in a dedicated module that allows electronic generation of the budget. This module also allows the collection of financial and non-financial information regarding the elaboration of the draft budget.

225. Although the budget estimates were not formally adopted by the government, a political involvement of the government in establishing and approving the ceilings was ensured. The MoF, after coordination with the Cabinet, used the agreed ceilings which were not yet formally approved through the government decision regarding 2021-2023 MTBF in the 2021 state budget circular. The budgetary units submitted their estimates before the ceilings were approved.

226. **The score for this dimension is C.**

Dimension PI-17.3 Budget submission to the subnational council

227. The executive has submitted the annual budget proposal to the municipal council at least one month before the start of the fiscal year in the last three years.

Table 17.2: Budget submission to legislature

FY	Date of submission of budget proposal
2018	November 24, 2017
2019	November 23, 2018
2020	November 29, 2019

Data source: Ungheni municipality website

228. **The score for this dimension is C.**

PI-18. Legislative scrutiny of budgets

229. This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex ante approval by the legislature. The assessment covers the budgetary units of the SNG. The indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. The time period assessed for dimensions 18.1, 18.2 and 18.4 is the last completed FY (2020), and for dimension 18.3 is the last three completed FYs (2018-2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-18. Legislative scrutiny of budgets (M1)	C+	
18.1. Scope of budget scrutiny	B	The municipal council review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue. The budget proposal includes the medium-term fiscal forecasts (on revenue only) and medium-term priorities are included in the tables to the explanatory note and in the program-based budgets.
18.2. Legislative procedures for budget scrutiny	C	The municipal council approves and follows the budget review procedures foreseen in the legal framework; this has been the case in recent years and the fiscal year 2020. There are no other separate procedures for budget scrutiny approved by the municipal council, apart from its general regulations which envisage creating of committees.
18.3. Timing of budget approval	A	The municipal council has approved the annual budget before the start of the year in each of the last three fiscal years.
18.4. Rules for budget adjustments by the executive	A	The legal framework foresees the clear rules for in-year budget adjustments. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.

Dimension PI-18.1 Scope of budget scrutiny

230. The municipal budget scrutiny, approval, and amendment system is set in Article 21 of the law no. 397 from October 16, 2003, on local public finances. The scrutiny performed by the municipal council is focused on the measures (revenue and expenditure) set on the articles of the proposed budget, the overall draft budget, the aggregates of spending of the different units and subordinated institutions and the detailed expenditures within each function. The document has the following compulsory annexes:

- Synthesis of general indicators and sources of financing of the local budget;
- Composition of the local budget revenues;
- Resources and expenditures of the local budget according to the functional classification and by programs;
- The nomenclature of tariffs for services provided against payment by the local subordinated budgetary authorities / institutions;
- Transfers from / to other budgets;
- Summary of capital investment projects financed from the local budget, including from transfers from other budgets, as well as the list of projects financed from external sources;
- The number of staff in the budgetary institutions financed from the local budget;
- The annual loan program;
- The amount of the reserve fund;

- The debt ceiling of the administrative-territorial unit and the ceiling of the guarantees granted by the local public administration authorities;
- Other provisions.

231. Medium-term fiscal forecasts (only revenue side) and budget priorities are included in the explanatory note to the draft budget³⁸ and in budget program format³⁹, submitted together with draft budget documentation. The medium-term forecasts do not include details of expenditure estimates.

Table 18.1: Scope of budget scrutiny

Legislature reviews budget (Y/N)	Coverage (specify)				
	Fiscal policies	Medium-term fiscal forecasts	Medium-term priorities	Aggregate expenditure and revenue	Details of expenditure and revenue
Y	Y	Partially	Partially	Y	Y

Data source: Ungheni municipality council decision no.10/3 of December 20, 2019⁴⁰

232. **The score for this dimension is B.**

Dimension PI-18.2 Legislative procedures for budget scrutiny

233. General legislative procedures for analyzing, voting and passing the budget are set in article 21 of law no. 397 from October 16, 2003, on local public finances. Separate meetings are organized in the standing committees for agriculture, social affairs and budget of the municipal council.

234. The Mayor's office presents the draft budget for the first reading and conducts the negotiation processes within the working group and municipal council committees by analyzing the proposals. Agreed amendments are incorporated in the draft document and it is voted on in the second reading.

235. The public consultation has been organized before the hearings within the municipal council session. The negotiation in the local council committees takes one week, depending on the terms established by the MoF for draft budget presentation.

Table 18.2: Legislative procedures for budget scrutiny

Legislative procedures exist	Approved in advance of budget hearings	Procedures are adhered to	Procedures include organizational arrangements
Y	N	Y	Y

Data source: Ungheni municipality council website⁴¹

236. The representative and deliberative authority examines the draft local budget in two readings:

³⁸ Link for explanatory note to 2020 draft budget <http://ungheni.md/wp-content/uploads/2020/07/Not%C4%83-informativ%C4%83-buget-2020.pdf>

³⁹ Link for budget programs for 2020 draft budget <http://ungheni.md/proiecte-bugete-pe-programe-2020-2022/>

⁴⁰ Link for municipal council decision no.10/3 of December 20, 2019 <http://ungheni.md/wp-content/uploads/2020/07/Decizie-aprob-buget-2020.pdf>

⁴¹ Link to the Ungheni municipality website <http://ungheni.md/buget-si-taxa-locale/>

a) First reading - the report of the respective executive authority on the draft local budget is heard and the general budget indicators are approved: revenues and expenditures, budget balance, and sources of financing, as well as the debt ceiling of the administrative-territorial unit and the guarantee ceiling granted by local public administration;

b) Second reading - the draft annual budget decision is examined and voted per articles / items or, as the case may be, as a whole.

237. Amendments are presented by the representative of each committee and if not initially passed, can also be presented in the final debate. Amendments to articles or expenditures estimates that increase expenditures estimates must be balanced by a reduction of the expenditures estimates under the same heading (divisions and subordinated entities). Both readings take place in the same meeting.

238. There are no separate procedures to review budget proposals approved by the municipal council. It operates in line with the general internal regulations which envisages some organizational arrangements, for example, committees.

239. **The score for this dimension is C.**

Dimension PI-18.3 Timing of budget approval

240. According to Article 21 of the law no. 397 from October 16, 2003, on local public finances, the municipal council should approve the annual local budget by December 10. In the last 3 years the budget approval dates have not always met this requirement, however the annual budgets were all approved before the start of the new fiscal year.

Table 18.3: Timing of budget approval

Budget for FY	Date of budget approval
2018	December 15, 2017
2019	December 7, 2018
2020	December 20, 2019

Data source: Ungheni municipality website⁴²

241. **The score for this dimension is A.**

Dimension PI-18.4 Rules for budget adjustments by the executive

242. During the budget year, without affecting the indicators approved by the annual budget decision, the redistribution of budget allocations could be performed by the budget administrator (the Mayor), in the following manner:

- Between the economic categories of expenditures, without increasing the personnel expenses and without modifying the expenditures for capital investments and inter-budgetary transfers;
- Between the subordinated budgetary institutions within a sub-program, respecting the limits established by the budget administrator;
- Other redistributions of allocations that do not affect the limits set by the higher superior budgetary authority.

⁴² <http://ungheni.md/decizii/>

243. Allocations resulting from special purpose transfers received from other budgets are not allowed to be redeployed for other purposes.

244. The municipal council should carry out the redistribution of budget allocations for the approved annual budget not later than November 30 of the budget year. Other adjustments within the approved annual amount between economic categories of revenues and expenditures that could be operated by the budgetary units by themselves are allowed by 25th day of each month.

245. The adjustments are strictly monitored and observed through the FMIS, and the system will not allow any amendment that deviates from the approved budget aggregates.

246. **The score for this dimension is A.**

PILLAR 5: Predictability and control in budget execution

247. This pillar assesses whether the budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.

PI-19. Rights and obligations for revenue measures

248. This indicator focuses on the administration of the SNG core taxes. It assesses the procedures used to collect and monitor the core taxes of the SNG. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. The assessment period for dimension 19.1 and 19.2 is at time of assessment, for dimension 19.3 and 19.4 – last completed fiscal year (2020).

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-19. Revenue administration (M2)	NA	
19.1. Rights and obligations for tax measures	NA	Most municipal tax revenues and fees are administered and collected by the central authority- State Tax Service of Moldova. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.
19.2. Property tax register and valuation	NA	Most municipal tax revenues and fees are administered and collected by the central authority- STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.
19.3. Tax risk management, audit, and investigations	NA	Most municipal tax revenues and fees are administered and collected by the central authority- STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.
19.4. Tax arrears monitoring	NA	Most municipal tax revenues and fees are administered and collected by the central authority- STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.

249. According to the SNG guidance for PEFA assessments, this indicator focuses on the administration of core taxes, which would serve as proxies for all subnational taxes. For the purpose of this indicator, core taxes of the SNG are the major direct and indirect taxes, including those (a) administered and collected directly by the SNG and/or (b) administered directly by the SNG but collected by a higher-level government or agency that account for 75 percent or more of the total tax revenues of the SNG.

250. According to Article 5 of the law on local public finances,⁴³ the revenues of the municipality consist of the following: (i) *General revenues*: a) own revenues: real estate tax; tax for the entrepreneur's patent; personal income tax on self-employed individuals' income earned from the retail trade; private tax (according to the affiliation of the patrimony); local taxes, applied according to the Tax Code; payment for leasing of the public property, which are the domain of the administrative-territorial unit; b) transfers from the income tax withheld from salary of individuals – 50% from the total amount collected on the territory of the municipality that is HQ for the rayon; c) general designation transfers and special designation transfers; and d) grants for covering budget deficit; (ii) *Collected revenues (from public service delivery)*; and (iii) *Grants for the projects financed from external sources*.

251. The table below lists the own source of revenues for the Ungheni municipality for the last completed FY2020.

⁴³ https://www.legis.md/cautare/getResults?doc_id=121302&lang=ro#

Table 19.1. Revenues of Ungheni municipality

Description of revenue	Executed in 2020 (MDL, thousand)	Unit responsible for collection and administration
Total Revenues	95,990.3	
Taxes and fees	28,051.8	
Income tax withheld from salary	27,144.9	State Tax Service (Ungheni State Tax Service Directorate (Ungheni STSD), subdivision of the central apparatus and tax collectors, within the limits of its competences)
Personal income tax payable / paid	610.6	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)
Personal income tax on self-employed individuals' income gained from the retail trade	100.6	Administered by STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences), but collected by the Ungheni Mayor's office
Personal income tax in the field of road passenger transport by taxi	47.0	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)
Income tax related to the transfer of possession and / or use of real estate	148.7	Administered by STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences), but collected by the Ungheni Mayor's office
Property tax (which accounts for 14% of total tax revenue of Ungheni municipality). It covers the following items marked with an * and in italics	3,938.0	
* <i>Land tax</i>	43.1	Administered largely by the STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences) and collected by Ungheni municipality
* <i>Real estate tax</i>	3,876.4	
* <i>Private tax earned by level I local budget</i>	18.5	
Grants received	3,648.8	-
Grants received from international organizations for projects funded from external sources	3,648.8	-
Other incomes	4,323.2	-
Rent of land with another destination	276.8	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)
Fee for organization of auctions and lotteries	0.2	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)

Description of revenue	Executed in 2020 (MDL, thousand)	Unit responsible for collection and administration
Payment for town planning certificates and authorizations	10.8	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)
Receipts from fee-based services	2,379.3	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)
Payment for the rental of public property	300.2	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)
Fines and contraventional sanctions	6.0	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)
Voluntary donations	1,348.3	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)
Other revenues	1.6	STS (Ungheni STSD subdivision of the central apparatus and tax collectors, within the limits of its competences)-
Transfers from the state budget	56,028.5	-

Source: State Tax Service and Ungheni municipality authorities.

PI-19.1. Rights and obligations for tax measures

252. Most tax revenues and fees are administered and collected by the central authority, STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for 14 percent of total tax revenues (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes and the score for this dimension is NA. However, some valuable information about the role of the municipality in collecting local taxes and more specifically the property tax is provided below.

253. The municipal council is responsible for setting the list and the rates of the local taxes and property tax when adopting the annual budget of the respective administrative-territorial unit, which cannot be higher than the list and maximum rates established according to the provisions of the Article 289 and annex of the Title VII and of the fiscal code.⁴⁴

254. The municipality has a dedicated unit responsible for the collection of local taxes. The rates of the local taxes along with the budget for the next fiscal year⁴⁵ upon approval by the local council are published on the municipality webpage.⁴⁶ They are also subject to public consultations, which is conducted in advance, i.e., two weeks prior to the local council's meeting.

255. Each year the local tax collector prepares and issues to the taxpayers a payment statement for the property tax for the current year (for the assessed value, existent or acquired within the first quarter of

⁴⁴ Link for Tax Code of the Republic of Moldova https://www.legis.md/cautare/getResults?doc_id=128496&lang=ro#

⁴⁵ for FY2021 the rates were published on December 18, 2020

⁴⁶ <http://ungheni.md/wp-content/uploads/2021/01/D-7-1-Anexa.pdf>

the current year) in compliance with the template approved by the MFO no. 17 dated January 27, 2020.⁴⁷ The statement contains information about the property subject to taxation and the rates as well as the calculated amount for payment. Any penalties or exemptions are also indicated, with the property tax being due for payment by June 30 each year.

256. Ungheni municipality as a local public administration authority, through its local tax collection service, is responsible for keeping track of taxpayers and tax obligations calculated by the respective services (provisions of the Article 156-158 from the Title V of the Tax Code) and must ensure collection of local taxes and fees. In addition, they should provide information to the taxpayers about the tax legislation, their rights and obligation, approved taxes and fees, their method and terms of payment as well as the normative acts regarding the administered taxes and fees. The local tax collection service has to collaborate with the STS and its territorial divisions.

257. **The score for this dimension is NA.**

PI-19.2. Property tax register and valuation

258. Property register “Cadastru”⁴⁸ is administered and maintained by the central government Public Services Agency (PSA), which is responsible for the cadastral services. According to the SNG guidance, if the property tax register is administered and maintained by the CG or another HLG, with no administrative involvement from the SNG, this dimension is not applicable (NA) for the SNG being assessed. Hence the score for this dimension is NA. However, some important information about the completeness of the property register, revaluation, and key challenges is provided below.

259. Cadastru contains the cadastral number, address or location, area, use, type of property, assessed value, the last date of evaluation, and any limitations. Most data are publicly available for the general public. Cadastru is directly linked to the taxpayer registration system via the Automated Informational System, “Cadastru Fiscal”,⁴⁹ which is administered by the STS with IT support provided by the Centre for Informational Technologies in Finance (CITF). Subnational governments are not administratively involved other than the local tax collectors verifying whether the information about the taxpayer’s declaration is complete and accurate. If an error is identified or it is necessary to make any changes, the local tax collectors alert the CITF operators to make the respective correction and/or changes in the system. The Cadastru Fiscal system is updated regularly with data received from Cadastru based on the memorandum of understanding signed between the PSA and the STS.

260. The property revaluation shall be carried out by the territorial cadastral bodies once every 3 years in compliance with the procedures established by the Ministry of Finance. However, due to lack of funding property revaluation has not been carried out. Consequently, the assessed property value contained in the register is outdated (more than 10 -12 years old), with significant differences encountered in the value of properties of the municipality / city and the village.

261. The local public administration authority may initiate the process of evaluation or reevaluation of real estate in the respective administrative-territorial unit, including the collection of initial data on real estate, with subsequent transmission of data to territorial cadastral bodies for evaluation in the manner

⁴⁷ https://www.legis.md/cautare/getResults?doc_id=126085&lang=ro#

⁴⁸ <https://www.cadastru.md/ecadastru/f?p=100:1:2977444018234559>

⁴⁹ Link for Automated Information System “Cadastru” <https://cadastru.sfs.md/>

established by law. In these cases, the financing of real estate valuation and revaluation works will be carried out from the local budget.

262. **The score for this dimension is NA.**

PI-19.3. Tax risk management, audit and investigations

263. Most tax revenues and fees are administered and collected by the central authority, STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.

264. **The score for this dimension is NA.**

PI-19.4. Tax arrears monitoring

265. Most tax revenues and fees are administered and collected by the central authority, STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.

266. **The score for this dimension is NA.**

PI-20. Accounting for revenue

267. This indicator assesses the procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling revenue accounts. It contains the following three dimensions and uses the M1 (WL) method for aggregating dimension scores. The assessment of this indicator comprises the SNG budgetary units and EBUs at time of assessment.

INDICATORS/ DIMENSIONS	2021 SCORE	ASSESSMENT OF PERFORMANCE
PI-20. Accounting for revenue (M1)	A	
20.1. Information on revenue collections	A	Data are consolidated daily. The STS and accounting unit of the Ungheni Municipality has access to the State Treasury data on collected revenues on monthly/daily/real-time basis. The information is presented by revenue type broken down based on economic classification. All revenues are consolidated into a report.
20.2. Transfer of revenue collections	A	All tax revenues and fees are paid directly into the accounts registered in the Treasury – separately for each type of tax revenue. Therefore, all tax and fee revenues are directly transferred to the Treasury within 24 hours.
20.3. Revenue accounts reconciliation	NA	Most tax revenues and fees are administered and collected by the central authority, STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less

		than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes and the score for this dimension is NA.
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Dimension PI-20.1 Information on revenue collections

268. Most tax revenues and fees are administered and collected by the central authority, STS on behalf of the municipality. The Treasury provides to both the STS and the finance department of Ungheni municipality information on collected revenues on monthly/daily/real-time basis. The same is valid for the property taxes collected by the local tax collector. The information on total revenue collections is broken down by type of revenue using economic budget classification at the level of 6 digits (max). The consolidated report covers all own source of revenues (both tax and non-tax revenue, including the property tax) as well the transfers from the state budget. This means that the balance of each Treasury account is done at the end of the working day, allowing verification of their correctness by comparison of the amounts and with approved projections.

269. **The score for this dimension is A.**

Dimension PI-20.2 Transfer of revenue collections

270. All tax revenues and fees are paid into the accounts of the Treasury according to economic classification and register of IBAN codes⁵⁰ and the transfer is immediate. The payments are transferred into the TSA and simultaneously reflected by administrative territory and by the code of revenue classification. The Treasury and its regional branches transmit on a daily basis information on the payment (payment document information file) in electronic format.

271. Property tax collected by the municipality is also paid into accounts of the Treasury. If the local tax collectors receive the payment in cash, it is transferred immediately to the Treasury account (IBAN) via commercial bank on the same day.

272. **The score for this dimension is A.**

Dimension PI-20.3 Revenue account reconciliation

273. Most tax revenues and fees are administered and collected by the central authority, STS. Although the property tax is collected by the municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.

274. **The score for this dimension is NA.**

PI-21. Predictability of in-year resource allocation

275. This indicator assesses the extent to which the MOF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. Coverage of the assessment includes the budgetary units of the SNG. The time period examined

⁵⁰ Register is published on MoF website: <https://mf.gov.md/ro/iban>

for 21.1, 21.2 and 21.4 is at time of assessment, and for 21.3, the last completed FY (2020). It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-21. Predictability of in-year resource allocation (M2)	B+	
21.1. Consolidation of cash balances	A	Moldova operates a TSA within which each budgetary unit, including subnational entities, has its own subaccount. All the accounts are consolidated on a daily basis.
21.2. Cash forecasting and monitoring	B	Based on the annual budget, an annual cash flow is prepared. Given that transfers form the greatest part of revenues, and these are received monthly, a monthly plan is prepared. It is adjusted based on when revenues are received on a monthly basis. As own source revenues are collected quarterly the adjustment is made quarterly. Based on this revenue forecast, procurement is planned accordingly.
21.3. Information on commitment ceilings	A	The municipality plans its budget execution for the whole year based on its cash flow projections so commitments can be planned accordingly.
21.4. Significance of in-year budget adjustments	C	There have been six in-year adjustments requiring the approval of the municipal council.

Dimension PI-21.1 Consolidation of cash balances

276. The TSA is opened in the NBM and has separate bank sub-accounts for the National Public Budget which includes individual subnational government entities. The municipality finance division has real-time access to the consolidated position of its funds in the TSA.

277. Moldova operates a TSA within which each budgetary unit including subnational entities has its own subaccount. All the accounts are consolidated on a daily basis.

Table 21.1: Consolidation of bank and cash balances (summary)

Extent of consolidation (All, Most, < Most)	Frequency of consolidation (D, W, M)
All	D

Data source: discussion with the municipality and regional treasury department

278. **The score for this dimension is A.**

Dimension PI-21.2 Cash forecasting and monitoring

279. Based on the annual budget, an annual cash flow forecast is prepared within 30 days after the approval of the annual budget but not later than January 1st of the budget year (para (3), art. 29 of the law no. 397/2003 on local public finances). Given that transfers form the greatest part of revenues and these are received monthly, a monthly plan is prepared and adjusted based on when revenues are received on a monthly basis. Own source revenues are collected quarterly, therefore the respective adjustments are made quarterly. Based on this revenue forecast, procurement is planned accordingly.

280. **The score for this dimension is B.**

Dimension PI-21.3 Information on commitment ceilings

281. Once the annual budget is approved, the municipality has authority to plan its budget execution for the whole year based on its cash flow projections so commitments can be planned accordingly. The adjustments on estimates do not have major impact on the existent commitments. The in-year information about the transfers from the central government is quite predictable and this facilitates the planning of commitments and monitoring their ceilings. The Mayor's office was prudent in forecasting their own revenues. Additional unplanned resources received allowed them to enter in new commitments.

282. There were no constraints from the Treasury in incurring new commitments by the municipality in the last completed year.

283. **The score for this dimension is A.**

Dimension PI-21.4 Significance of in-year budget adjustments

284. Article 28 of the law no. 397 / 2003 on local public finances provides that the adjustments to local budget allocations within one budget year could be done normally twice a year, not earlier than July 1 and not later than November 1. Two situations may trigger the budget amendment: (i) the need to revise expenditures, and (ii) the worsening of the budget balance. The terms for processing the second amendment are usually not respected because the government may allocate additional transfers close to the year end. To avoid any divergences the council scrutinize any budget amendments after they receive them. There were six in-year adjustments requiring the approval of the municipal council in the last completed year. Changes to the budget happened mainly due to an increase of transfers from the state budget.

Table 21.4: Ungheni municipality budget amendments in 2020, MDL thousand

Municipal budget	Initial budget (December 12, 2019)	1 st amendment (January 17, 2020) ⁵¹	2 nd amendment (March 27, 2020)	3 rd amendment (May 22, 2020)	4 th amendment (July 17, 2020) ⁵²	5 th amendment (September 29, 2020) ⁵³	6 th amendment (December 18, 2020) ⁵⁴
Revenues	99,162	103,450	105,820	108,108	109,673	109,816	109,526
Expenditure	95,726	100,456	102,836	105,124	106,689	108,737	108,447

Source: Decisions of municipal councils

285. **The score for this dimension is C.**

PI-22. Expenditure arrears

286. This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions

⁵¹ <http://ungheni.md/wp-content/uploads/2020/01/D-1-2.pdf>

⁵² <http://ungheni.md/wp-content/uploads/2020/07/D-5-1.pdf>

⁵³ <http://ungheni.md/wp-content/uploads/2020/10/D-6-22-Anexa.pdf>

⁵⁴ <http://ungheni.md/wp-content/uploads/2021/01/D-7-29-Anexa.pdf>

and uses the M1 (WL) method for aggregating dimension scores. The time period assessed for 22.1 are the last three completed FYs (2018 – 2020), and for 22.2 is at time of assessment. Coverage comprises the SNG budgetary units.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-22. Expenditure arrears (M1)	A	
22.1. Stock of expenditure arrears	A	There are no arrears.
22.2. Expenditure arrears monitoring	A	Arrears are included as a line item in the budget classification system. Spending units must report on monthly basis data on arrears to the rayon which reports to the MoF.

Dimension PI-22.1 Stock of expenditure arrears

287. If a verified invoice meeting the terms and conditions of a contract is unpaid after 30 days it is classified as an arrears (MoF order no. 121 of September 14, 2016, regarding the method of determining and reporting overdue receivables and overdue debts (arrears)). There are no arrears in the municipality financial reports.

288. **The score for this dimension is A.**

Dimension PI-22.2 Expenditure arrears monitoring

289. MoF order no. 121/2016 specifies the method of determining and reporting overdue receivables and overdue debts (arrears). Expenditure arrears cover all items per applicable economic classification. The information on the debts with expired payment terms (arrears) of the state budget and local budgets is received and generalized monthly, which is published on the MoF's website.⁵⁵ The analysis and identification of arrears reduction measures are carried out and the respective information is also transmitted to the financial inspection agency for verifying the correctness of the determination of arrears and, if necessary, the application of sanctions according to the contravention code.

290. Arrears are included as a line item in the budget classification system. Spending units must report on monthly basis data on arrears to the MoF (Form FD-049). This report contains information about the type of debt according to the economic classification (including subsidies), debt age (less than 3 months, between 3 – 6 months, 6-12 month, and more than 1 year), its amount and the reason of admitting the arrear. Information on composition of arrears is then generated monthly in the MoF budget execution reports. The annual report of the budget execution (Form FD-044) prepared by the spending units includes data about the arrears, if any.

291. **The score for this dimension is A.**

⁵⁵ accessed at the link: <http://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare>

PI-23. Payroll controls

292. This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. The time period assessed for 23.1, 23.2 and 23.3 is at time of assessment, and for 23.4 includes the last three completed FYs (2018-2020). Coverage of the assessment includes the budgetary units and EBUs.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-23. Payroll controls (M1)	B+	
23.1. Integration of payroll and personnel records	A	The HR and payroll management is centralized in the Mayor's office. The payroll and personnel records are integrated in the accounting program and are supported by full documentation for all changes made to personnel records each month. It is checked against the previous month's payroll data. Staff hiring and promotion are controlled by a list of approved staff positions.
23.2. Management of payroll changes	A	Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. There were no cases that would require retroactive adjustments.
23.3. Internal control of payroll	A	Budgetary institutions have clear and detailed rules and procedures for making changes to the information on staff and payroll, which include the requirement for signatures of authorized persons. Changes made to the payroll provide for a clear audit trail.
23.4. Payroll audit	B	The payroll audits are not done annually. In 2020 the Court of Account carried out financial audit for FY2019 which covered payroll matters. The Financial Inspection conducted inspection which covered the September 1, 2016 - September 30, 2021 period. The inspection included all financial activity, including payroll management.

293. There are main regulatory documents governing the organization of the budgetary sector personnel payroll, the number of employees and time used. These include:

- (i) Law no. 270 dated November 23, 2018, on unified payroll system in the public sector.⁵⁶
- (ii) Law no. 158 dated July 4, 2008, on civil service and status of the civil servant.⁵⁷
- (iii) Law no. 155 dated July 21, 2011, for approving the unified classification of the public functions.⁵⁸
- (iv) Government decision no. 1231 dated December 12, 2018 on implementation law no. 270/2018.⁵⁹
- (v) MoF order no. 218 dated December 28, 2018, on staffing for public sector.⁶⁰

294. The payroll data for budgetary sector are centralized and computerized. After the new payroll law no 270 / 2018 came in force, salary data are collected from the authorities, generalized, and centralized

⁵⁶ https://www.legis.md/cautare/getResults?doc_id=128269&lang=ro#

⁵⁷ https://www.legis.md/cautare/getResults?doc_id=128500&lang=ro#

⁵⁸ https://www.legis.md/cautare/getResults?doc_id=125244&lang=ro#

⁵⁹ https://www.legis.md/cautare/getResults?doc_id=126510&lang=ro#

⁶⁰ https://www.legis.md/cautare/getResults?doc_id=111381&lang=ro

in the specialized Q-lick software program. Each month, the real data on the number of employees is reported via the FMIS using the Report FD-050 submitted by each public authority. The MoF division for salary policy is responsible for managing the records and database of budgetary sector staff.

Dimension PI-23.1 Integration of payroll and personnel records

295. Individual units are responsible for keeping records of their employees' payroll. In Ungheni municipality, for most spending units the employee payroll is completed by the accounting unit of the Mayor's office, and the spending unit is only responsible for keeping personnel records. Record-keeping for personnel and staffing tables is made in the 1C accounting program. Payroll accounting is done both in the automated system by the accounting unit and manually in MS Excel by spending units. The HR unit is responsible for employee record-keeping and the accounting department for accounting for all employee payments in accordance with the staffing scheme.

296. Any hiring or promotion of an employee is carried out on competitive base within the approved and coordinated staffing scheme with the State Chancellery. Any changes in the personnel affecting the payroll status of the employee are introduced in the 1C accounting program and automatically result in a corresponding change in the payroll.

297. Reconciliation of employees' payroll with personnel records is carried out monthly when the salary is calculated for payment. The HR specialist verifies the time sheet of work hours with the information contained in the personnel file and submits the data sheets to the accounting unit. There are two persons in the Ungheni Mayor's office responsible for payroll.

Table 23.1: Payroll controls

Function	Y/N	By whom	Frequency (if applicable)
Hiring and promotion checked against approved staff list	Y	Accounting office and HR	Every time the position is advertised
Reconciliation of payroll and personnel database	Y	Accounting office and HR	Monthly, when monthly salary is calculated
Documentation maintained for payroll changes	Y	Accounting office and HR	Every time changes are approved
Payroll checked and reviewed for variances from last payroll	Y	Accounting office	Monthly, when monthly salary is calculated
Updates to personnel records and payroll	Y	Accounting office	Monthly, when monthly salary is calculated
Updates include validation with approved staff list	Y	Accounting office and HR	Every time changes are approved
Audit trail of internal controls	Y	Court of Accounts	During audits
Payroll audits in last three years	Y	Financial Inspection, Court of Account	During audits: 2020 and 2021

Data sources: Interview results, audit reports

298. **The score for this dimension is A.**

Dimension PI-23.2 Management of payroll changes

299. Any amendments required to the personnel database are processed in a timely manner through a change report, and this is seen through an audit trail. The legal provisions foresee that changes of the payroll conditions and staff numbers are coordinated with the MoF.

300. As mentioned in dimension 23.1, the monthly report on staff number and payroll (FD 050) offers support in staff number monitoring, to ensure the correct application of the legal framework in force. The accounting program has a separate module that allows it to monitor that the staffing and its salary levels are within the approved budget. The access to the program is monitored by the accounting office only and is restricted to other staff.

301. Budgetary institutions have clear and detailed rules and procedures for making changes to the information on staff and payroll, which include the requirement for signatures of authorized persons. Changes to staff and payroll data are made with the approval of director of each budgetary institution. Only authorized staff from accounting offices (or clerk in the absence of HR) may make changes to the information regarding the staff and salary specified in job descriptions.

302. The information about changes is stored both in terms of information recorded in the automated systems and information about payroll accounting, which is recorded in the accounting program. Ungheni municipality stores data in specialized accounting program for budgetary institutions.

303. Retroactive adjustments are very rare, only as a result of errors. Other types of adjustments do not happen because the changes in the payroll following relevant changes in personnel status, is done only after such a decision is approved by local council.

304. **The score for this dimension is A.**

Dimension PI-23.3 Internal control of payroll

305. In the Ungheni Mayor's office, the salary calculation is the responsibility of two accountants. The internal controls are performed by the chief accountant who is responsible for separate verification, calculations and correctness of payments.

306. The accounting system has restricted access. The centralized HR software for all budgetary units restricts access to unauthorized users; it generates an audit trail for authorized users. Authorized users have passcodes for entry access.

307. The calculation could be adjusted but the payroll ceiling could not be changed. Such changes are considered violations of the rules. The accounting system could produce the reports that show and maintain a permanent history of transactions together with details of the authorizing officers.

308. **The score for this dimension is A.**

Dimension PI-23.4 Payroll audit

309. Payroll audits are undertaken regularly but not on annual basis.

310. The public sector payroll is verified through external audits performed by the CoA. The financial inspection agency under the MoF also checks the payroll calculations during their inspection missions.

311. The CoA, during the last financial audit mission for 2019, and Financial Inspection during its FYs 2018-2021 inspection, separately verified the payroll procedures and payments. Such verifications include staff records, payroll calculation and the existence of internal controls over the staff-related changes. The auditors / inspectors verified whether modifications in the staff records, and payroll calculations were carried out timely, whether payroll lists were appropriately documented, whether the respective employees were authorized to receive a particular amount of pay, and if they physically exist.

312. Following the external financial audits performed by the Court of Accounts and inspections carried out by the Financial Inspection of Ungheni municipality budget, some violations were identified related to:

- The application of salary grades related to studies;
- Premiums payment above the established threshold;
- Calculation of salary supplements for part time jobs.

313. **The score for this dimension is B.**

PI-24. Procurement

314. This indicator examines key aspects of procurement management. It assesses the transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. The time period examined is the last completed FY (2020), and the assessment covers the budgetary units and EBUs. It contains the following four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-24. Procurement (M2)	A	
24.1. Procurement monitoring	A	Procurement databases and records are maintained by the Ungheni municipality. The information is complete and accurate for all procurement methods.
24.2. Procurement methods	A	In 2020, all contracts were awarded through competitive methods.
24.3. Public access to procurement information	B	4 out of 6 key procurement information requirements are made available to the public.
24.4. Procurement complaints management	NA	The procurement complaint body is a national entity and as such, this sub-indicator applies only once for a set of assessments. The dimension was assessed as part of Ungheni tier II local authority.

General description of the public procurement system in Moldova

315. The public procurement law⁶¹ (PPL) provides a basic regulatory framework incorporating the fundamental EU principles governing the award of public contracts. The PPL cover the procurement of goods, works, and services (including non-consulting and consulting services) and applies to all public contracting authorities at central and local level, with several exceptions, to public procurement contracts estimated at a cost equal to or above the following thresholds⁶²: goods and services – MDL 200,000, works – MDL 250,000 and social services and other services defined in the law – MDL 400,000⁶³ (all thresholds exclusive of VAT). All contracts estimated to cost less than the above thresholds are required to be procured in accordance with the provisions of the public procurement regulation for small-value public procurement contracts.⁶⁴ In addition to the PPL, there are several regulations adopted by government decrees or Ministry of Finance orders that are meant to guide contracting authorities throughout the procurement process.

316. The PPL ensures that procurement is performed by open competitive methods except for procurement below set thresholds (i.e., low-value procurement for which simplified procedures apply). Public procurement primary and secondary legislation, including the standard bidding documents, are published on the website of the Public Procurement Agency (PPA) and are easily accessible to the public.

317. The main central government level institutions in charge of public procurement are the MoF through its public procurement division, the Treasury in charge of registering public contracts and paying corresponding invoices, the PPA with a number of management and monitoring tasks for ensuring the smooth functioning of the public procurement system, and the National Agency for the Resolution of

⁶¹ Law no. 131/2015 dated July 3, 2015, on public procurement, as subsequently amended

⁶² PPL, Art. 2(1)

⁶³ Official exchange rate of Moldovan Leu to 1 US Dollar was 17.3201 in 2020

⁶⁴ Government decision No 665 dated May 27, 2016, for approving the regulation on small value public procurement

Complaints (ANSC), in charge of reviewing and ruling on complaints from tenderers and other interested parties.

318. Moldova's e-procurement system, the automated information system "State Register of Public Procurement" (Mtender), is an online electronic system, accessible via the internet at a dedicated address, used for the electronic application of public procurement processes, for posting invitations /notices at the national level, submission and evaluation of tenders, award, and electronic signing of public procurement contracts. Mtender is mandatory for conducting procurement under the PPL. While small-value procurement is regulated, there is no obligation for the contracting authorities to use any feature of Mtender when conducting small value procurement. This leads to an almost complete lack of transparency of such procurement unless Contracting Authorities make this information public.⁶⁵

Dimension PI-24.1 Procurement monitoring

319. Ungheni municipality includes: the Mayor's office and municipal council, with several specialized committees (Economy, Budget and Finance; Social; Education, Culture, Youth and Sports). Procurement is managed by the Investment Specialist from the Mayor's office with support from the working group which, among others, ensures that the procurement plan is developed in line with the allocated budget.

320. There are several procurement-related reports available on the municipality's website (www.ungheni.md). For the purposes of assessing the procurement practices, the assessment team relied primarily on monitoring reports and other information shared by the representatives of the municipality and the information available on the website.

321. The Ungheni Mayor's Office maintains own records of contracts for all procurement methods. For procurement contracts within the thresholds defined in the PPL, the assessment team received one report which provides the following information: (i) contract number and date; (ii) contract description (goods, works, services); (iii) CPV code; (iv) contract amount; (v) contract status (under implementation/finalized/paid); and (vi) procurement method. For procurement of small value, the assessment team analyzed a report which has been prepared in the same format as described above.

322. The following reports/information is published on the municipality's website for 2020: (i) composition of the working group, separately for procurement of works, goods, and services; (ii) procurement plan; (iv) various procurement notices, including Invitation for Bids and Contract Award Notices; (v) procurement packages for various tenders which include Invitation for Bids with the link to the procedure in MTender, bidding documents; (vi) reports on small-value procurement as also submitted to the PPA; and (vii) contract monitoring report for 2020. The latter provides additional information, such as the name of suppliers/contractors, status of contract implementation and assessment of the quality of performance.

323. Apart from above, procurement within the PPL threshold is mandatorily conducted through Mtender and data can be extracted from the website <https://mtender.gov.md/>. The use of Mtender is not mandatory for small value procurement. Procurement of this value is conducted outside MTender.

⁶⁵ The regulation vaguely describes the principles of conducting small value procurement and they are mostly of the general character like ensuring efficient use of resources, transparency, objectiveness and impartiality of the public procurement procedure and public's trust for it. There are no specific rules as how to carry small value procurement, including the advertising.

However, records on this procurement are maintained by the Ungheni Mayor's office and the annual report is published on the website. Regular reporting on small-value procurement is submitted to the PPA.

324. The report prepared by the Financial Inspection in 2021 for the control conducted for 01.09.2016 – 30.09.2021, confirmed that the procurement data is accurate and complete.

Table 24.1. Total procurement for 2020

Total procurement (in MDL) for year 2020		
	PPL threshold	Small value contracts
Number of contracts	35	217
Total value	10,982,653	22,568,984

Source: Ungheni municipality

325. The score for this dimension is A.

Dimension PI-24.2 Procurement methods

326. For the purposes of assessing this dimension, the same monitoring reports have been analyzed. The PPL lists several procedures that may be used in public procurement. All methods, except for negotiated procedure, have potential to ensure competitiveness, fairness, transparency, proportionality, and integrity.

327. In 2020, all the procedures followed competitive methods. There was one procedure through Open Tender for a total value of MDL 7,232,456 and eleven procedures through Request for Quotations for a total value of MDL 3,750,198. No contracts were awarded through non-competitive methods (negotiated procedure with/without publication).

Table 24.2. Procurement methods and corresponding value (in MDL)

Total value of procurement within PPL threshold (1)	Total value of contracts procured through non-competitive method (2)	Total value of contracts procured through competitive method (3)	Percentage of competitive method by value (3)/(1)
10,982,653	0	10,982,653	100%

Source: Ungheni municipality

328. While all the contracts awarded based on the provisions of the PPL and methods defined in the law follow competitive methods, the value of small value procurement compared to the value of procurement within the PPL threshold is concerning. As seen from the information provided in Table 24.1 above, procurement of small value (MDL 22,568,984) considerably exceeds procurement within the thresholds defined in the PPL (MDL 10,982,653). Further analysis of small value contracts revealed that there are many contracts which could have been combined and tendered following more competitive methods as defined in the PPL, rather than the simplified procedures defined in the regulation for small-value procurement. Had the concerned contracts (mainly for works) been combined, their total estimated cost would have exceeded the thresholds above to which the PPL provisions should apply. The same has

been raised by the Financial Inspection in their verifications which flagged that one of the most frequent irregularities is the division of contracts into several small value contracts assumingly with the purpose of avoiding applying competitive methods defined by the PPL. Nevertheless, the Inspection did not raise any concerns in relation to the data completeness and accuracy, and confirmed that the Mayor's Office submitted to the PPA in 2020 a report for all small value contracts.

329. Based on criteria to be assessed under this sub-indicator, the dimension score would be A especially given that this dimension excludes small-value procurement. However, the practice of approaching small-value procurement by dividing contracts into smaller value ones is to be flagged given that numbers could have been different had a proper approach been adopted for small value procurement.

330. **The score for this dimension is A.**

Dimension PI-24.3 Public access to procurement information

331. The dimension reviews the level of public access to complete, reliable, and timely procurement information at the subnational level.

332. Public procurement information is available on the website of the municipality, Mtender, and the business intelligence tool which extracts data from Mtender. Legal and regulatory framework in public procurement is published on the PPA website and in various portals of legal acts which are available without any restrictions.

Table 24.1. Public access to procurement information

Type of procurement information	Findings	Public access
Legal and regulatory framework for procurement	PPA website (www.tender.gov.md) and registry of legal acts (www.lex.md). The public procurement legislation is not published on the website of the Ungheni municipality.	YES
Government procurement plans	Ungheni Municipality website (www.ungheni.md). However, the updated/revised Procurement Plan for year 2020 has not been published on the website. It has been provided to the assessment team as part of the information required for this assessment.	NO
Bidding opportunities	Bidding opportunities are published in the Public Procurement Bulletin (available on the PPA website) and Mtender for all the contracts within the PPL threshold. https://tender.gov.md/ro/bap https://mtender.gov.md/en/tenders http://etender.gov.md/intentii https://achizitii.md Bidding opportunities are also published on Ungheni Municipality City Hall's website: http://ungheni.md/achizitii-publice/ with the required documents attached as hyperlinks for downloading and links to the MTender.	YES
Contract award (purpose, contractor, value)	Contract award notices are published in Public Procurement Bulletin (available on the PPA website and Mtender) and Mtender for all the contracts within the PPL threshold.	YES

	http://etender.gov.md/contracte https://mtender.gov.md/en/tenders?procedures=commercial https://tender.gov.md/ro/bap https://achizitii.md Contract Award notices are also published on Ungheni Municipality City Hall's website: http://ungheni.md/rezultate-atribuiri/ Annual small value procurement report is also published on the website of the Mayor's Office: http://ungheni.md/wp-content/uploads/2021/01/Darea-de-seam%C4%83-2020-2.pdf	
Data on resolution of procurement complaints	National Agency for Solving Complaints website (www.ansc.md) https://www.ansc.md/ro/content/decizii-2021	YES
Annual procurement statistics	Generally, procurement statistics reports covering the entire public procurement system are developed by the PPA. The Ungheni Municipality City Hall does not develop any reports which would present all the procurement data in one document. However, the City Hall publishes individual reports developed for specific purposes, such as:(i) annual report on small value procurement as also submitted to the PPA; and (ii) contract monitoring report which provides information on contract execution with percentage for physical progress and information on quality of supplier's/contractor's performance.	NO

333. 4 out of 6 key procurement information requirements are made available to the public.

334. **The score for this dimension is B.**

Dimension PI-24.4 Procurement complaints management

335. There is an effective and independent administrative complaint resolution mechanism. The review body is the ANSC which is a public authority, autonomous and independent from other public authorities, legal entities, and physical persons, which examines complaints arising from public procurement tenders. ANSC is a national entity and there is no separate procurement complaint body at subnational level. The dimension is not applicable since this PEFA report is part of the set of assessments. The dimension is assessed under PEFA for Ungheni tier II local public authority. However, the team provides below the information on complaints received for year 2020 with respect to procurement conducted by Ungheni Mayor's Office.

336. According to the data shared by ANSC, besides the publicly available report issued in 2020, ⁶⁶ ANSC registered two complaints for one procedure managed by the Mayor's office. The estimated amount of the procedure was MDL 312,045. These complaints challenged the award decision. ANSC reviewed the complaints and validated them issuing the decision with remedial measures.

⁶⁶ https://www.ansc.md/sites/default/files/document/attachments/raport_2020_final.pdf

337. **The score for this dimension is NA.**

PI-25. Internal controls on non-salary expenditure

338. This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries were discussed under PI-23. The present indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. The time period covered by the assessment is at time of assessment, and the coverage is SNG budgetary units and EBUs.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-25. Internal controls on non-salary expenditure (M2)	B+	
25.1. Segregation of duties	C	Segregation of duties is prescribed throughout the expenditure process. More precise definition of important responsibilities may be needed.
25.2. Effectiveness of expenditure commitment controls	A	Strong controls effectively limit commitments to budgetary allocations and cash availability.
25.3. Compliance with payment rules and procedures	A	There is high level of compliance with rules and procedures.

339. Requirements for internal management control system at all levels of the government are set by law no. 229/2010⁶⁷ on public internal financial control (PIFC). In particular, the law states that such a system shall ensure the fulfillment of the public objectives through economy, effectiveness and efficient operations, security and optimization of assets and liabilities, and integrity of financial and operational information. Article 11 of the law prescribes that control activities include authorization and approval procedures, segregation of duties, verifications, oversight, reconciliation, and controls regarding the access to resources.

340. The responsibility for the design and modeling of the PIFC in the public sector rests with the MoF, which it exercises through the central harmonization unit.

341. Internal controls over non-salary expenditure are exercised both by the Treasury, regional treasuries, and individual spending units.

342. The Treasury has a robust system of controls applied over transactions in both the registration of the expenditure commitment and payment stages.

343. Ordinance no. 216/2015⁶⁸ regarding methodological norms for accounting and financial reporting in the public sector prescribes the responsibilities and functions of the budgetary units in internal controls. The principal responsibility rests with the heads of budgetary authorities who are required to organize internal control system in their respective organizations. The accounting units within the budgetary

⁶⁷ <http://lex.justice.md/md/336794/>

⁶⁸ https://www.legis.md/cautare/getResults?doc_id=125434&lang=ro

authorities exercise controls over the efficient use of resources for to the intended purpose, within the approved budget allocations, and over the integrity of finances and assets. The chief accountant of the budgetary units defines the duties and responsibilities of accounting staff according to functional characteristics such as finance, assets, payroll, etc.

Dimension PI-25.1 Segregation of duties

344. According to the provisions of article 14 of law no. 229/2010, the internal management control system is organized through, inter alia:

- Delegation of powers and responsibilities without relieving the person who is delegating from responsibility for exercising those powers and responsibilities;
- Division of obligations and responsibilities.

345. The MFO no. 189 / 2015 approved a set of National Standards for Internal Control (NISC) in the public sector, including “NSIC 12. Division of obligations and responsibilities” and “NSIC 6. Delegated powers.” These standards set out minimum requirements for the management of these areas of control and internal environment within public entities. The MoF has revised and published an internal management control manual. This manual contains a set of practical instructions and related guidelines.

346. The CoA under their financial and compliance audits at the level of public authorities mandatorily tests and assesses the existence of internal controls on non-salary expenditure, including the segregation of duties, in compliance with the provisions of auditing standards. In case of any deficiency, CoA issues recommendations to the management that are meant to improve the internal control system by following their implementation.

347. The control environment within the SNG places heavy emphasis on the separation of responsibilities for different stages of a transaction. These controls are prescribed by legislation and regulations and built into an automated financial system which maintains a clear audit trail. The integrity of the Treasury system is protected by restricting access to individuals authorized for specific purposes. The system records the user and the purpose of the transaction. Risk management control systems pay particular attention to the segregation of duties.

348. At the Ungheni municipality level the MoF regulations are applied. The individual responsibilities are prescribed in the job descriptions of the staff.

349. The FY2019 audit performed by the CoA revealed that the internal management control established in the municipality is insufficient and fragmented. The preliminary assessment of the internal management control indicates the ineffectiveness of the control environment, which is illustrated by:

- The failure to form working groups
- Non-detection and non-initiation of the description of operational processes
- Non-definition and non-description of some control procedures and activities
- Lack of formalized procedures, including described processes of relevant activities
- Failure to carry out risk assessment and monitoring activities, etc.

350. The audit evidence collected indicates that management and control activities do not constitute a system and depend solely on certain responsible persons, which has led to the deficiencies found by the audit.

351. The audit determined that the accounting policy of the municipality is copied from the regulatory framework of MoF, and not adjusted to the specifics of municipal activities, which led to the mistakes in the classification of accounts in the balance sheet.

352. In the procurement process, the responsibilities are defined in the regulations regarding the procurement working groups, and in individual staff job descriptions. Yet, the CoA financial audit for FY2019 determined some deficiencies and issued recommendations for improvement. The recommendations relate to the introduction of operational processes and effective internal control procedures to monitor the compliance of public procurement, taking the necessary measures to bring the charters of municipal enterprises and established institutions in line with the current legislative framework; proper assessment, accounting and registration of public property (including land plots of local public property).

353. The execution of payment takes place only by authorized staff of the regional treasury unit. In the FMIS the recording and authorization functions of transactions are separated.

354. Verifications are performed to comply with the provisions of the MFO no. 60/2012⁶⁹ which requires at least annual inventory of assets and liabilities. This order prescribes the inventory procedure and templates for inventory of various elements of the balance sheet. The inventory committee is created through the internal order at the level of each spending unit. The staff who are materially liable for the assets in their custody are not included in the committee. The inventory is approved by the municipal council.

355. **The score for this dimension is C.**

Dimension PI-25.2 Effectiveness of expenditure commitment controls

356. The commitment management process is regulated by the law on public finances and budgetary-fiscal responsibility no. 181, art. 66, and methodological norms for cash execution of national public budget, art. 4.2.3 Commitment Management (MFO 215/2015).

357. The budgetary authorities / institutions are responsible for initiating, paying, recording, and reporting commitments, in accordance with the legislation governing public procurement and other normative acts. The municipal finance division analyzes and plans the payments in line with priorities and information from monthly liquidity forecast. The commitments of budgetary authorities / institutions are allowed only for the purposes and within the limits of budgetary allocations, considering the debts recorded at the end of the previous year.

358. The FMIS covers all Treasury operations and is the main tool in ensuring processes of authorization and control of expenditures are fully adequate. This ensures that budgetary authorities / institutions are not able to exceed the approved budgetary limits and their payments are executed within the balance of

⁶⁹ https://www.legis.md/cautare/getResults?doc_id=13507&lang=ro

available funds. Automated controls exist both for checking the balance of budget appropriations and for the balance of funds on a bank account.

359. The law no. 397/2003 establishes the prioritization of payments as follows:

- Debt obligations;
- Staff compensation, including allowances;
- Electricity and energy costs;
- Expenditures from the Reserve Fund.

346. The management of the respective authority or institution may prioritize payments other than those listed above.

360. Commitment management is implemented within FMIS. The mechanism ensures the recording of commitment data of contracts registered with the Treasury:

- Amount of allowance reserved by the contract
- Amount executed on the contract
- Balance of the allowances reserved and available on the contract

361. The control implemented in FMIS and exercised by the Treasury does not allow the execution of contracts whose value exceeds the balance of available commitments or registration of new commitments if it exceeds the budget allocation. For monitoring purposes, real time reporting on commitments under each contract (form FP-006) could be generated from the system for each public authority. Such controls prevent any possible violations of the budget rules.

362. The Mayor's office has limited autonomy in the process of expenditure controls. All the rules and procedures are established at central level.

363. **The score for this dimension is A.**

Dimension PI-25.3 Compliance with payment rules and procedures

364. The revenue receipts of the budgetary units of the national public budget and the payments of the state budget and local budgets are made through the Treasury system according to the cash accounting method (art. 63 law no. 181/2014).

365. The budgetary authorities / institutions make payments within the limits of the approved budgetary allocations in accordance with the budget liquidity forecasts (art. 67 law no. 181/2014 and art. 29 of law no. 397/2003). The payments are made after settling the arrears.

366. The MoF has developed the regulation on liquidity management of the state budget (order of the Minister of Finance no. 03 of January 9, 2017, with subsequent amendments and instructions), which stipulates the rules and procedures aimed at ensuring efficient liquidity management.

367. Local public authorities are required to submit in the FMIS payment documents electronically signed by the authorized persons. The payment procedures are described under point 2.3 budget liquidity management of the methodological norms on cash execution of the national public budget, MFO no. 215/2015. The annual forecasts as well as the monthly forecasts approved by the MoF management serve as the basis for making the decision to initiate the budget payments. When deciding on the distribution of budget balances, the following factors are analyzed:

- Budget liquidity forecasts;
- Payment documents submitted for execution by budgetary institutions (grouped by financing categories);
- Balance of funds on the bank account;
- Sources of financing (including the schedule of servicing the state debt, the result of operations with government securities).

368. The actual financing of payments, following the principle of segregation of duties, is subject to the built-in controls of the FMIS.

369. There are no rules applicable to exceptions. If the payment documents do not meet the requirements or exceed the authorized allocation, they are not executed and returned to the authority explaining the reasons for non-acceptance. As confirmed by the Treasury, there were no exceptions applied to the payments made by the Mayor’s office.

370. **The score for this dimension is A.**

PI-26. Internal audit

371. This indicator assesses the standards and procedures applied in internal audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension score. The time period covered for 26.1 and 26.2 was at time of assessment, for 26.3 the last completed FY (2020), and for 26.4, the audit reports of the last three completed FYs were examined (2018 – 2020). All SNG budgetary units were assessed.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-26. Internal audit (M1)	D	
26.1. Coverage of internal audit	D	There is no internal audit unit at the municipality level.
26.2. Nature of audits and standards applied	NA	There is no internal audit unit at the municipality level.
26.3. Implementation of internal audits and reporting	NA	There is no internal audit unit at the municipality level.
26.4. Response to internal audits	NA	There is no internal audit unit at the municipality level.

Dimension PI-26.1 Coverage of internal audit

372. The internal audit function in the public sector is governed by the following elements of the regulatory framework that are applicable for central and subnational government:

- Law no. 229/2010 on public internal financial control.
- Government decision no. 556/2019 for the approval of the regulation on the achievement, confirmation, and development of professional qualification in the field of internal audit in the public sector.
- Government decision no. 557/2019 on the approval of the code of ethics of the internal auditor and the internal audit charter.
- Government decision no. 617/2019 for the approval of the regulation on the evaluation of the quality of the internal audit activity in the public sector.
- MFO no. 153/2018 on the National Internal Audit Standards.
- MFO no. 159 /2020 on the approval of the regulations on internal audit activity as shared service in public sector.
- MFO no. 160/2020 on the approval of the regulations on internal audit activity on contractual basis in public sector.
- MFO no.161/ 2020 on the Internal Audit Standards in the public sector.
- MFO no. 105/2013 on the methodological norms for internal audit in the public sector (only the Supplementary Instructions part is in force).
- MFO no. 176/2019 on the approval of the regulation on the reporting of internal audit activity in the public sector.

373. The requirements for the establishment of internal audit units (IAU) are provided in art. 19 of the law on public internal financial control (no. 229 of September 23, 2010). It requires at least two staff units in the structure of the tier 2 local public administration authorities. For tier 1 local public authority, including municipalities, the internal audit unit is optional. The functioning and duties of IAU are regulated by the internal audit charter (approved by government decision no. 557/2019). As an alternative the public entity can also outsource the IAU function or arrange it as a shared service in partnership with other entities to get economy of scale or compensate the lack of skilled personnel in the public sector and reduce staff turnover.

374. Currently the IAU is established at the Ungheni rayon council, while at the Ungheni municipality level there is no such unit.

375. **The score for this dimension is D.**

Dimension PI-26.2 Nature of audits and standards applied

376. There is no internal audit unit at the Ungheni municipality level. The score for the dimension 26.1 would be D. NA would be entered for the rest of dimensions.

377. **The score for this dimension is NA.**

Dimension PI-26.3 Implementation of internal audits and reporting

378. There is no internal audit unit at the Ungheni municipality level. The score for the dimension 26.1 would be D. NA would be entered for the rest of dimensions.

379. **The score for this dimension is NA.**

Dimension PI-26.4 Response to internal audits

380. There is no internal audit unit at the Ungheni municipality level. The score for the dimension 26.1 would be D. NA would be entered for the rest of dimensions.

381. **The score for this dimension is NA.**

PILLAR 6: Accounting and reporting

382. This pillar measures whether accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

PI-27. Financial data integrity

383. This indicator assesses the extent to which Treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains the following four dimensions and uses the M2 (AV) method for aggregating dimension scores. The assessment covers the budgetary units of the SNG over the last completed FY (2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-27. Financial data integrity (M2)	A	
27.1. Bank account reconciliation	A	The centre regional treasury unit under MoF reconciles on daily basis all balances held by Ungheni municipality with the TSA sub-accounts and other bank accounts in the NBM.
27.2. Suspense accounts	NA	There is no suspense account.
27.3. Advance accounts	A	Reconciliation of advances takes place at least monthly, within a month from the end of period and at the year end there was no balance on the account.
27.4. Financial data integrity processes	A	Access and changes to records is restricted and recorded, and results in an audit trail. Financial data integrity is done by the Treasury, which reviews financial information from budgetary units and Centre of Information Technology in Finance under MoF monitors unauthorized systems access. The CoA as part of their audits verify financial data integrity.

Dimension PI-27.1 Bank account reconciliation

384. All budgets, including SNGs budgets, are executed through the TSA held by NBM. The Ungheni municipality has its sub-accounts opened in the TSA, and all its revenues and expenditures are made through the Treasury. The centre regional treasury unit of the MoF provides treasury services for the Ungheni municipality and performs daily processing of the account statement.

385. The bank accounts managed by the regional treasury are reconciled daily.

386. After processing the bank statements by the regional treasury of the MoF, FMIS ensures that this reflects operations in the accounting statements of the municipality. The finance division of the municipality can view daily account statements in the Treasury's payment system, "edocplata." In turn the chief accountant of the municipality performs daily reconciliation of individual accounts balances per Treasury with the accounting records at aggregate and detailed level.

387. **The score for this dimension is A.**

Dimension PI-27.2 Suspense accounts

388. There is no suspense account at the Ungheni municipality level.

389. **The score for this dimension is NA.**

Dimension PI-27.3 Advance accounts

390. General rules on using advances are applicable for central and subnational governments. In accordance with the article 66(5) of the law on local public finances and budgetary-fiscal responsibility no. 181/2014, it is prohibited to conclude contracts by budgetary bodies/institutions with preliminary (advance) payments for the purchase of goods, services and works, except for:

- Construction and overhaul work at a cost not exceeding 10 percent of the annual limit established for the facility to organize technological processes, purchase materials and equipment, in cases where this is provided for in contract agreements for the performance of work concluded between customers and contractors, with subsequent confirmation of the amounts paid by the amount of work performed during the reporting year.
- Goods, services and works that are not covered by the PPL.

391. Advance payments for employees' travel are allowed by a separate regulation related to detachment of employees on business trips approved through the government decision no. 10 of January 5, 2012. Such advances are processed by the regional treasury based on the internal order of the respective spending unit. Upon return an employee report on trip-related expenditures is made and any unused advances are refunded within five days. The accuracy of calculations and documentation of the related expenses is verified by the financial inspection agency and the CoA.

392. In the financial statements submitted by the Ungheni municipality advance payments are reported as assets (accounts receivables) in a special form (FD-044). Most of the receivables reported at the year-end relate to the recurrent (prepaid utilities) and staff-related costs. The advances are cleared upon receipt of the delivery note, usually within 5 days. There were no advances under public procurement contracts.

393. The accounting department of the municipality performs monthly reconciliation of advance accounts in the accounting system. As of the end of 2020 (reporting period) there was no balance on the advance account.

394. **The score for this dimension is A.**

Dimension PI-27.4 Financial data integrity processes

395. Only authorized users have access to FMIS, and other systems operated by the Treasury. The access is managed by the "Centre for Information Technology in Finance" (PI "CITF") under MoF. Non-registered users cannot access the systems. Records cannot be created or modified without leaving an audit trail. Audit trails enable individual accountability, intrusion detection, and problem analysis. The audit trail generated from the systems provides information on who accessed the data, who initiated the transaction, who approved the transaction, the time of day and date of entry, the type of entry, what fields of information it contained, and what files it updated. It also allows analysis of the employee's individual workload. This report is generated annually by CITF, and it is used for staff performance appraisal.

396. Financial data integrity is verified by the Treasury, and it reviews the financial data from all budgetary and public administration authorities. The centre regional treasury unit reviews financial data integrity daily related to Ungheni municipality. CITF monitors unauthorized accounting system access. The CoA conducts audits to verify the accuracy and completeness financial data. The CoA informed the assessment team that there were no significant issues related to financial data integrity.

397. At the municipality level only the chief accountant has full access to the data in the accounting system. The rest of the accountants have access only to the areas of their direct responsibility. All contracts of the municipality can be entered into the system only by the senior accountant and chief accountant.

398. **The score for this dimension is A.**

PI-28. In-year budget reports

399. This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow for monitoring of budget performance and, if necessary, timely use of corrective measures. This indicator has three dimensions and uses the M1(WL) method for aggregating dimension scores. The assessment of this indicator covers the SNG budget unit and the last completed FY (2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-28. In-year budget reports (M1)	C+	
28.1. Coverage and comparability of reports	A	Coverage and classification of data in the budget execution reports allows direct comparison to the original budget. Information includes all budget estimates and expenditures from transfers.
28.2. Timing of in-year budget reports	C	Budget execution reports are prepared quarterly (excluding first quarter) and issued within 8 weeks from the end of each quarter.
28.3. Accuracy of in-year budget reports	C	There were issues with reports identified by the Court of Accounts.

Dimension PI-28.1 Coverage and comparability of reports

400. Budget execution reporting is regulated by the provisions of the law no. 181/2014 on public finances and budgetary- fiscal responsibility and law no. 397 / 2003 on local public finance.

401. The MoF methodological guidelines on cash execution of the budget components of the national public budget provides that the budget execution reports are submitted in a form comparable to the approved budgets.

402. Reports on the execution of the municipality budget are generated from the treasury system. The MoF publishes monthly budget execution reports according to economic and functional classifications consolidated for all SNGs.⁷⁰

⁷⁰ <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare>

403. The finance division prepares quarterly budget execution reports (excluding the first quarter) which are submitted to the Ungheni rayon finance division and MoF. The reports are prepared according to the functional, economic, and program classification at the same level of details as the original budget. They contain the planned figures for the year, the amended amounts, the amounts executed for the reporting period, the deviations in amounts and percentages as compared to the previous year, and a short analysis of the budget execution. These reports are not published.

404. According to article 31 of the law on local public finances, semiannual local budget execution reports are subject to hearings in the council. The report for semester II counts as the annual report.

405. The semi-annual report on the execution of the municipal budget for the first semester was prepared but it was not submitted for the council's approval due to the pandemic.

406. The report on the execution of the municipal budget for 2020 was prepared and heard in the council on March 5, 2021.⁷¹ The report can be accessed at the Ungheni municipality website.⁷²

Table 28.1: In-year budget reports (quarterly)

Coverage and classification			Timeliness		Accuracy		
Allows direct comparison to original budget (Y/N)	Level of detail A=All budget items P= Partial aggregation M= Main admin. headings E=Main economic headings	Includes transfers to de-concentrated units (Y/N)	Frequency W/M/Q N= >Q'ly	Within: 2/4/8 weeks N= >8weeks	Material concerns (Y/N)	H/Y analysis prepared (Y/N)	Payment information E=Exp C=Commit
Y	A	Y	Q (excluding first quarter)	2	N	Y	E

Data source: Ungheni municipality

407. **The score for this dimension is A.**

Dimension PI-28.2 Timing of in-year budget reports

408. The quarterly reports (excluding the first quarter) on the execution of the municipality budget, accompanied by brief analysis and comments on the budget execution, including transfers from the state budget, are prepared, and are normally issued during the following month. The average submission time after the reporting month in 2020 was within two weeks.

409. **The score for this dimension is C.**

Dimension PI-28.3 Accuracy of in-year budget reports

⁷¹ <http://ungheni.md/wp-content/uploads/2021/04/D-1-1.pdf>

⁷² <http://ungheni.md/wp-content/uploads/2021/04/D-1-1-Anexa.pdf>

410. All budget transactions (revenues and expenditures) at the municipality level are managed and accounted for in the TSA. To check the accuracy of the balances on budget allocations and evidence of payments according to economic classification the regional treasury units monthly submits to each spending unit a current account statement for reconciliation purposes. Such mechanisms allow thorough and regular monitoring and verification of financial information and cash flows (in particular, conducting of cross-checks).

411. The Ungheni municipality keeps records on an accrual basis in line with the MFO no. 216/2015 regarding the approval of the Chart of Accounts in the budgetary sector and methodological norms on the accounting and financial reporting in the budgetary sector. The expenditures and non-financial assets are registered by the budgetary institutions based on supporting primary documentation. The payments are made within the limits of the approved budgetary allocations and contracts registered in the regional treasury units of the MoF.

412. Ungheni municipality submits financial statements for the first semester, nine, and twelve months according to the established terms and in the composition prescribed in the IV chapter “Financial Reporting” of the MFO no 216 / 2015 regarding the approval of the Chart of Accounts in the budgetary system and of methodological norms on the accounting and financial reporting in the budgetary system. These reports contain:

- Balance sheet (form FD-041).
- Revenue and expenditure statement (form FD-042).
- Cash flow statement (Form FD-043).
- Budget execution report that includes data about the accrued expenditures, actual expenditures as well as accounts receivable and accounts payable, including those with an expired term (arrears) (Form FD-044).

413. These reports are accompanied by a comprehensive narrative report prepared in accordance with para 4.2. of MoF ordinance 216/2015. Annex 3 to the report includes the breakdown of accounts receivable and accounts payable by each economic agent, including the date when they were created, reference to economic classification and the amount. MoF verifies the consolidated reports submitted by the SNG public authorities with the budget execution report from the TREZ module of the FMIS.

414. The Court of Accounts conducted the audit of the financial statements of the administrative-territorial unit of Ungheni municipalities as of December 31, 2019. The auditor concluded that the financial statements of the administrative-territorial unit of Ungheni municipality as of December 31, 2019, contained material deficiencies and issued an adverse opinion.

415. **The score for this dimension is C.**

PI-29. Annual financial reports

416. This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores. The assessment covers the SNG budget units over the last completed FY for dimensions 29.1 and 29.2 (2020), and the last three FYs’ financial reports for dimension 29.3 (2018-2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-29. Annual financial reports (M1)	D+	
29.1. Completeness of annual financial reports	A	The report on municipality budget execution is prepared annually and is comparable with the approved budget. It contains information on revenue, expenditure, financial assets, financial liabilities, and long-term obligations. It includes a cash flow statement.
29.2. Submission of reports for external audit	D	By law the SNGs are not required to send their annual reports to the external auditor. Since the SNG's financial statements prepared for 2019 were audited by the CoA, the Ungheni municipality presented its statements in October 2020, which exceeded nine months after the end of the fiscal year.
29.3. Accounting standards	D	The financial statements are prepared following accounting standards consistent with the country's legal framework. However, the standards used in preparing annual financial reports are not disclosed.

Dimension PI-29.1 Completeness of annual financial reports

417. The annual report on the execution of the municipal budget includes indicators on execution comparable to the approved indicators. This report contains complete information about income, expenses, financial assets, and non-financial assets. The report contains the cash flow statement (Form FD-043), approved by MFO order no. 216/2015 on the approval of the Chart of Accounts in the budgetary system and of the methodological norms regarding the accounting and financial reporting in the budgetary system.

Table 29.1: Annual financial reports

Completeness					Date of submission for external audit	
Prepared annually (Y/N)	Comparable with approved budget (Y/N)	Information F=Full P=Partial B=Basic	Cash flow statement (Y/N)	Balance Sheet C=Cash only FO=Financials only F=Full	Date of submission	Within: (3/6/9 months)
FY 2019 municipality financial statements	Y	F	Y	F	October 2020	More than 9 months

Data source: Ungheni municipality

418. The score for this dimension is A.

Dimension PI-29.2 Submission of reports for external audit

419. According to the law on public finances and budgetary-fiscal accountability, the SNGs are not required to submit their annual reports to the CoA on an annual basis. Submission is made only upon request when the CoA initiates the financial audit. For FY2019 such an audit was conducted, and the financial reports were submitted in October 2020 for audit when the CoA initiated it.

420. **The score for this dimension is D.**

Dimension PI-29.3 Accounting standards

421. Beginning with January 1, 2016, accounting and financial reporting in all the budgetary institutions is performed in accordance with the new Chart of Accounts for the budgetary system and the methodological norms on accounting and financial reporting in the budget system approved by MFO no. 216 dated December 28, 2015. The new Chart of Accounts is aligned with the new economic classification of the budget and GFS 2001.

422. The methodological norms on accounting and financial reporting in the budgetary system are in essence the standards that serve the basis for the accounting in the budgetary sector, including SNGs, and for preparation of financial statements.

423. Ungheni Mayor's office prepares its financial statements according to the above norms. However, the reference standards are not disclosed in the notes to the financial statements.

424. **The score for this dimension is D.**

PILLAR 7: External scrutiny and audit

425. This pillar assesses whether public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

PI-30. External audit

426. This indicator examines the characteristics of external audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. The assessment covers the budgetary units and EBUs over the last three completed FYs for 30.1, 30.2 and 30.3 (2018-2020), and for 30.4, at time of assessment.

427. The first dimension of this indicator is centered on the operations of the SAI: the coverage of the audits and how the SAI conducts its operations. The second dimension examines the process and procedures once the SAI audits are completed. The third dimension assesses how audited entities respond to recommendations made in the audit reports. The fourth dimension assesses the independence of the SAI.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-30. External audit (M1)	B+	
30.1. Audit coverage	A	Financial and compliance audits for Ungheni municipality have been conducted once during the last three completed fiscal years and covered FY2019. The audit has highlighted relevant matters.
30.2. Submission of the audit reports to the subnational council	B	The audit report was submitted to the subnational council within six months of receipt of the financial reports by the public audit institution in charge of subnational governments.
30.3. External audit follow-up	A	Audit recommendations are included in the CoA decision on approval of the audit reports that are published. The Ungheni municipality provided the written response to the CoA on how the audit findings and recommendations are being addressed.
30.4. Independence of the public audit institution in charge of subnational governments	NA	The CoA is a national entity. This dimension is NA as the assessment of the Ungheni Mayor's Office is part of the set of assessments. This dimension was assessed under Ungheni tier II local public authority (rayon).

Dimension PI-30.1 Audit coverage

428. The CoA is established in the constitution of the Republic of Moldova, with its independence, mandate, and organization provided for under law no. 260 on the organization and functioning adopted in December 2017.

429. The mandate of the CoA provides it with the powers to conduct financial, compliance and performance audits, examining the revenue, expenditure, assets, and liabilities across central and local government institutions. This includes state and municipal owned commercial enterprises in which the state or municipality has a majority share.

430. The financial reports of the Ungheni municipality administrative-territorial unit (tier I) have been audited by the CoA in 2020-2021 for the budgetary year ended December 31, 2019, which included the balance sheet, the report on incomes and expenses, the report on the flow of funds, the report on the execution of the budget and the narrative report on the execution of the budget, including a summary of significant accounting policies. The auditor issued an adverse opinion and highlighted critical matters and recommendations to management. Concurrently, the CoA conducted a compliance audit evaluating the budgetary process and administration of public property for the same period.

431. **The score for this dimension is A.**

Dimension PI-30.2 Submission of audit reports to the legislature

432. The financial statements of Ungheni municipality were submitted to the auditor in October 2020. The auditor issued the audit report on February 25, 2021. The audit report was submitted to the subnational council within six months of receipt of the financial reports by the audit institution in charge of subnational governments for the last three completed fiscal years.

433. **The score for this dimension is B.**

Dimension PI-30.3 External audit follow-up

434. The CoA submitted the recommendations on February 25, 2021, and the municipal council was given a deadline of January 2, 2022, to produce a remediation plan to address the recommendations. The CoA decision already contained information that some recommendations were addressed by the auditee during the audit. The municipality provided a written response to the CoA on how their recommendations were being addressed.

435. **The score for this dimension is A.**

Dimension PI-30.4 SAI independence

436. The CoA is a national entity and it is assessed only once in case of a set of assessments. This dimension was assessed under Ungheni rayon.

437. **The score for this dimension is NA.**

PI-31. Legislative scrutiny of audit reports

438. This indicator focuses on legislative scrutiny of the audit reports of the SNG, including its institutional units. It has four dimensions and uses the M2 (AV) method for aggregating dimension scores. The assessment of this indicator is based on the last three completed FYs and covers the SNG budgetary units and EBUs.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-31. Legislative scrutiny of audit reports (M2)	B	
31.1. Timing of audit report scrutiny	B	Scrutiny of audit reports on financial and compliance audits was carried out by the municipal council within six months after the reports were issued.

31.2. Hearings on audit findings	C	The hearing of the audit findings of FY2019 audit reports with adverse opinion was carried out by the Ungheni municipal council. The representative of the CoA did not attend it.
31.3. Recommendations on audit by the legislature	C	The Ungheni municipal council appointed responsible officer for the implementation of the audit recommendations and approved an action plan. There were no subsequent hearings which would follow up on how they have been implemented.
31.4. Transparency of legislative scrutiny of audit reports	A	The hearings of the audit reports were public, and the council decision on the audit action plan was published on the website.

Dimension PI-31.1 Timing of audit report scrutiny

439. The obligation for the local council to conduct hearings of the audit reports and their recommendations was introduced on February 12, 2021, through amendment of the law on local public administration. The scrutiny of the financial and compliance audit reports submitted by the CoA was performed by the local council on June 4, 2021. The local council issued decision no.2/1⁷³ by which it approved an action plan to address the audit recommendations.⁷⁴

440. **The score for this dimension is B.**

Dimension PI-31.2 Hearings on audit findings

441. The hearings of the audit report with an adverse opinion on the financial statements prepared by the Ungheni municipality were conducted by the Ungheni municipal council. They included the responsible officials but excluded the representatives from the CoA. Yet, the CoA also conducts public hearings before issuing the audit report during which the auditors present the findings of the audit, and the audited entity may clarify some of the issues.

442. **The score for this dimension is C.**

Dimension PI-31.3 Recommendations on audit by legislature

443. During the hearing conducted for FY2019 audits the local council designated responsible officials for the implementation of the recommendations issued by the CoA. There is no other evidence that any follow-up on the implementation of the recommendations has taken place.

444. **The score for this dimension is C.**

Dimension PI-31.4 Transparency of legislative scrutiny of audit reports

445. The hearings for the FY2019 audit reports submitted by the CoA were public. The decision of the local council and the remedial action plan was made public immediately after the meeting.

446. **The score for this dimension is A.**

⁷³ <http://ungheni.md/wp-content/uploads/2021/06/D-2.pdf>

⁷⁴ <http://ungheni.md/wp-content/uploads/2021/06/D-2-Anexa.pdf>

3 CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

3.1 . Integrated assessment across the PIs

3.1.1. Intergovernmental fiscal relations

447. The Ungheni municipality's expenditure is approximately half financed (55%) by transfers from the central government. Since some transfers may be allocated on ad hoc basis, this negatively affected the dimensions of outturn of transfers and their composition.

3.1.2. Budget reliability

448. As a result of the existing transfer system, the aggregate expenditure side of the budget scored D, the same score being attributed to the expenditure composition by functional and economic type. There was significant over-spending for road transport, housing, and community amenities compared to the original estimates. COVID-19 was undoubtedly a factor in this reallocation within categories. This overall result also affected the number of supplementary budgets to be approved by the municipal council (Score C). The process of controlling budget allocations to match the availability of cash has been supported by good cash forecasting and by budgetary units having certainty in the availability of funds to execute their budgets as planned (Score A). The stock of arrears is zero (Score A) which reflects the strong commitment control (Score A).

3.1.3. Transparency of public finances

449. The Ungheni municipality publishes information on budget estimates and execution. The national Chart of Accounts, which underpins budget preparation, execution, and reporting, is comprehensive and consistent with GFS' standards (Score A). Information is included in the budget on a timely basis. As a result, the budget documents include 3 of the 4 pieces of basic information required to support a transparent budget process, except that the current budget is compared with the initially approved budget, not with the previous year's budget execution, as good practice requires. (Score C).

450. There are no extra budgetary units and lower-level administrations within the municipality. Information on performance plans and achievements in service delivery outputs and outcomes across the municipal spending units is very good with performance plans (Score A) and performance achieved (Score A) reflecting the program budget system in place. Tracking of resources to service delivery units scores A reflecting the strong accounting and reporting system, however there are no independent reviews in place (score C).

451. Public access to fiscal information is limited (Score D) with few basic elements being disclosed while in-year reports and audited financial statements (which are not mandatory) are made available with some delay. Citizens are able to access the municipality's website where PowerPoint presentations with summarized and accessible explanation of the key elements of the budget, along with draft budget proposals to the municipal council, are published. In 2020 all municipal council meetings were publicly available, including the budget hearing. Public consultations are being carried out, but a summary of feedback received and related reports are not prepared.

3.1.4. Management of assets and liabilities

452. Reporting of risks associated with public corporations scores D as financial statements produced by the public corporations are not audited. Public investment management is weak (score D) as there are

no guidelines for economic analysis, no selection criteria established, and no monitoring performed. Public assets management – financial, nonfinancial, and disposal - scores well. Debt recording and management and approval are strong (Score A), but the municipality lacks a basic debt management strategy (Score D).

3.1.5. Policy-based fiscal strategy and budgeting

453. The budgeted revenues are presented for the budget year and two following years, while the expenditures are presented for the upcoming year only (Score B). The estimate of the fiscal impact is done for most policy changes (Score C). There are hard ceilings for budget preparation included in the guidance circular (Score A). There is a budget calendar (score C), but it provided budgetary units less than four weeks to prepare their budgets in 2020. The municipal council was given only one month to carry out its scrutiny function after the receipt of the budget proposals (Score C), but it approves the budget on time (Score A). The legislature considers fiscal policies and aggregates for the upcoming budget year (Score B). Separate procedures for budget scrutiny are not approved (Score C).

3.1.6. Predictability and control in budget execution

454. The State Tax Service is responsible for most revenue collection for the municipality. Property tax collected by the municipality accounts for only 14% and it is largely administered by the STS. Revenue collected is well managed in terms of the flow of funds to the Treasury and recording of transactions. All revenues are paid into the Treasury account (Score A) and allocated to the municipality's sub-account. A revenue report is prepared for management purposes (Score A).

455. The consolidation of cash balances in TSA at the National Bank of Moldova is made on a daily basis (Score A). Monthly cash forecasts for central government transfers are prepared and quarterly forecasts for the own revenues (score B). Spending units can commit funds up to the value of their annual budget allocations in line with their expenditure plans during the year (Score A). Management of budget releases has been successful in controlling arrears (Score A).

456. Overall, the payroll system scores B+. The municipal administration ensures control and data consistency and its reconciliation. Changes to the employee information and on salary are fully regulated and timely. There is a clear audit trail. The payroll is included in all audits of the Court of Accounts as well as in the inspections performed by the Financial Inspection Agency. CoA audit covered 2019. There were deficiencies identified in payroll management.

457. The public procurement system operating in the municipality scores A overall. The procurement monitoring system (which has problems at the national level) is managed well in the municipality. Competitive tendering is applied to all relevant expenditures above the threshold. Public access to procurement information scores B as the revised procurement plans are not published. Procurement complaint management follows the national system; there is an independent agency in place to address complaints. Internal controls on non-salary expenditure scores B+ with effective commitment controls and compliance with payment rules and procedures, but the segregation of duties has to be improved. The internal audit function is not developed, and it is not required for municipalities (score D).

3.1.7. Accounting and reporting

458. Accounts reconciliation and financial data integrity are areas of strengths. The bank reconciliation for the Treasury Single Account takes place on a daily basis (Score A). There are no suspense accounts. Generally, advance accounts are limited in use and reconciled monthly (Score A). Data integrity is good

(Score A) as access and changes to records are restricted and recorded which results in a sufficient audit trail. The Treasury ensures financial data integrity and reviews operations of all budgetary units.

459. With respect to in-year budget reports, coverage and classification of data allows for direct comparison to the original budget. Information includes all budget estimates for the budgetary units (Score B). Budget execution reports are prepared quarterly and are issued within 8 weeks (Score C). There are material concerns regarding data accuracy as identified by the auditors (Score C).

460. The situation with respect to the annual financial reports is mixed (overall score of D+). The financial statements include complete information on assets, liabilities, including long-term, revenue, expenditure, and is supported by a reconciled cash statement (Score A). There is no mandatory submission of accounts for external audit at the municipality level, so financial statements are not routinely submitted to the CoA (Score D). The national public sector accounting regulations (standards) that apply to all financial statements are consistent with Moldova's legal framework which is being linked to but yet not fully aligned to international standards. However, the standards used in preparing annual financial reports are not disclosed and this fact ensures a D score.

3.1.8. External scrutiny and audit

461. External audit in Moldova is an area of significant strength although there are limitations. The financial statements are audited using standards based on International Standards of Supreme Audit Institutions. The financial audits carried out provide for the evaluation of the timeliness and completeness of budget revenues and expenditures. Audit depends on selection by the Court of Accounts and an audit of the 2019 accounts has been carried out (Score A). The Audit Report was submitted to the municipal council within 6 months (Score B) and the council ensured hearing of the audit findings and follow up on the audit recommendations (score A). The Court of Accounts is a national body, therefore it is assessed only once in a set of assessments (Score NA). The scrutiny of the audit report by the municipal council was done within six months after the report was issued (score B), however the auditors did not attend it (score C). The municipal management responded on the audit recommendations by adopting a mitigation plan, but no follow up was performed to analyze whether they have been implemented (score C). The hearings of the audit reports were public (score A).

3.2 Effectiveness of the internal control framework

462. Based on available information, the internal control practice is generally adequate to contribute to the achievement of the control objectives. The laws and regulations provide the legal framework, and allow for specific roles and responsibilities, segregation of duties, and operating processes, however, in practice these have some deficiencies as revealed by the external audit. The accounting system embeds access controls and audit trails that support the internal control framework.

463. The current compliance-based approach supports continuous improvement in the control environment given the strengths in commitment controls and associated compliance with rules and procedures.

464. There is no internal audit unit within the municipality, therefore the control framework lacks systematic risk assessment and evaluation of control environment. There is little guarantee of value for money without well established and transparent economic analysis of investment proposals, costing of investment and written procedures for monitoring the performance of public investments. The monitoring of the public corporations is weak, therefore presents fiscal risks for the municipality. The

financial inspection process covers procurement and asset management, and this ensures accountability. Audits related to payroll, which is a significant expenditure, are also an integral part of the external audit and this is supported by financial inspections to monitor the eligibility, timeliness and completeness of salary payments, but audits and inspections are not performed annually.

465. Control activities are generally adequate, in particular with regard to reconciliation of accounts. Budget rules for supplementary estimates and virement are met. The unified Treasury system contributes for all expenditure operations to be carried out and controlled through the software. Control of payment rules for all budget performance operations enhances transparency and accountability.

466. Generally, financial information such as approved budgets, the in-year and annual budget execution reports, and audit reports are available to the public. There are public consultations undertaken in relation to the budget formulation, but the evidence is not formalized.

467. The budget execution reporting system that provides information on performance relating to service delivery is very good. While external audits are financial and compliance focused, more performance audits are required, which can provide independent evaluation and make recommendations on service delivery performance.

3.3 Strengths and weaknesses of the PFM systems

3.3.1 Fiscal discipline

468. Transfers from the CG finance almost half of the municipality expenditure and although most of transfers are predictable, there are additional allocations made during the year that affected the fiscal discipline and resulted in significant deviations in budget estimates and multiple budget amendments. Treasury operations and cash management enables expenditures to be managed within the available resources. Budget execution reports provide a complete picture of revenue and expenditures across every category, where there is no unreported revenue or expenditure. Control of contractual commitments is effective and has removed expenditure arrears. The recording and reporting of debt is complete, updated and reconciled on a monthly basis. Nevertheless, there is no debt management strategy. The internal audit is not operational which undermines the internal control environment. At the same time, financial inspection and the possibility of external audit, although not undertaken systematically, contributes to maintaining fiscal discipline.

3.3.2 Strategic allocation of resources

469. The Chart of Accounts caters to a multi-dimensional analysis of expenditure. The focus on just an annual rather than a medium-term perspective in expenditure budgeting aligned to the possible programmatic budget process ensures a narrow focus. While performance indicators are specified, independent assessment and evaluation of performance achievement are generally missing, and have relied on the evaluations supported by Moldova's development partners.

470. Selection of major investment projects is not based on predetermined standard criteria and life-cost are not included in the budget. Medium-term strategic planning is an area found to be weak, negatively impacting the strategic allocation of resources.

3.3.3 Efficient use of resources for service delivery

471. Public access to fiscal information and transparency of public finances is found to be adequate. Most of the fiscal information is made available to the public and performance information for service delivery is also published. These include performance indicators relating to the outputs and outcomes of the municipality's spending units, positively affecting service delivery.

472. The monitoring in the procurement process is good and the municipality has managed its database well. The high level of contracts based on competitive bidding impacts positively on efficiency in service delivery. The strength of payroll system particularly with the integration of payroll and personnel systems mean that staff is effectively used. The strengths in the accountability mechanisms make financial compliance inspections and external audits (when undertaken) effective as counter checks on inefficient use of resources including on personnel. However, absence of internal audit means that in-year system assessments do not contribute as much as they could. The annual production of annual financial statements ensures the timely impact of audits when the municipality is selected for audit. Publishing of performance targets and outcomes supports the efficient use of resources in service delivery units; these are consistently measured but would be enhanced with a medium-term expenditure perspective.

3.4 Performance changes since a previous assessment

473. This is the first assessment of the tier I public authority of Ungheni.

4 GOVERNMENT PFM REFORMS

474. PFM reforms in Moldova are anchored in the association agreement between the EU and Moldova which was signed on June 27, 2014 and entered into force on September 1, 2014. In signing this document, Moldova committed itself to develop democratic institutions in line with EU standards and rules. Chapter 7 of the agreement is dedicated in particular to cooperation in the field of management of public finances: budget policy, internal control, financial inspection, and external audit. These elements set the general framework for upgrading and enhancing the executive functions to provide quality services to the Moldovan people, to enhance internal control systems for central and local authorities, to develop a financial inspection system that promotes cooperation between officials involved in financial management and control, audit, and inspection, and those officials responsible for the budget, treasury and accounting. Thus, the reform of public finances is part of a complex process of approximating EU standards in Moldova.

4.1 National approach to PFM reforms

475. PFM related reforms are contained in the Public Administration Reform Strategy (PAR) for 2016 – 2020.⁷⁵ PAR was derived from the commitments assumed by the Government Activity Program 2016-2018, Moldova – EU Association Agreement, Sustainable Development Goals, National Development Strategy “Moldova 2020”, and National Decentralization Strategy.

476. Public administration reform, based on decentralization of power, must ensure a clear definition and delimitation of the relations within the central public administration, between the central and the local government, and between the public administration and private sector. The principles of the reforms reflect the good governance principles at all levels of the public administration recommended by the Council of Europe.

477. In terms of the PFM agenda, the PAR strategy sets forth a general objective of creating a modern financial management system, based on principles and rules which will ensure general budgetary and fiscal discipline, as well as transparent procedures regarding budgeting and administration of the national public budget and its components. Further, it formulates specific objectives, associated intended actions, and a timeline for their implementation. The Strategy also establishes monitoring indicators and a monitoring and evaluation framework. According to the latter, the government has established a National Public Administration Reform council led by the Prime Minister to ensure high level coordination and evaluation of the Strategy. However, the frequent changes in the government disrupted the way this council operated in the last few years. In addition, monitoring of the implementation of the Strategy was supposed to be performed, on one hand, by individual authorities / institutions in charge of different components of the Strategy, and, on the other hand, by the State Chancellery to ensure overall coordination and regular reporting to the government through its Sectorial council for PAR. However, implementation has shown that public administration reform was not a priority for the government considering the absence of the implementation plan adopted for 2019 and 2020, and lack of monitoring

⁷⁵ Chapter 6.4 “Public Finance Management” of the 2016 – 2020 Public Administration Reform Strategy: <https://cancelaria.gov.md/ro/advanced-page-type/modernizarea-serviciilor-publice>

and evaluation over the implementation of actions and of the extent to which the established objectives have been met.

478. Nevertheless, the PFM system in Moldova has been gradually strengthened as a result of the reforms implemented by the government under its current PFM Strategy. Following the PEFA 2011 assessment the government drafted and approved the Strategy for Development of Public Finance Management 2013-2020, extended to 2022, which formalized the government's commitment to improve in a sustainable way accountability and performance of public financial systems.

479. The objective of the PFM Strategy is to ensure efficient and effective allocation of public funds towards activities that contribute to economic growth and development of Moldova and maintain effective management of the use of public funds in all areas and sectors of public administration. The strategy is divided into seven main components, representing the most important areas of public financial managements, and it identifies the following specific objectives for each of the components:

- (i) Improving the quality of macroeconomic and fiscal forecasts to ensure a budget based on a realistic and predictable macro-budget framework;
- (ii) Formulating the national public budget in compliance with the national legal framework to ensure the allocation of public funds in close correlation with policy priorities, to ensure expenditure ceilings that are included in the medium-term budget framework, and to increase the effectiveness and transparency of the budget preparation process via performance-based budgeting;
- (iii) Improving and modernizing Treasury management, ensuring effective control and proper monitoring of expenditures at every stage, and establishing an adequate system of accounting and reporting;
- (iv) Establishing a system of financial management, internal control, and internal audit in the public sector according to international practice aimed at ensuring efficient and transparent use of public funds;
- (v) Increasing revenue mobilization by enhancing authorities' capacities to administer revenues in order to collect planned tax and customs revenues;
- (vi) Establishing a modern system of public procurement in accordance with EU standards, and its implementation by the public authorities;
- (vii) Establishing a modern and effective management tool to support users in the budgetary process and provide a wide range of financial and non-financial information for decision making.

480. The adoption and enforcement of the law on public finances and budgetary-fiscal Accountability no.181 of July 25, 2014, marked an important milestone in the promotion, modernization, and consolidation of the national public finance management system. The law contains important provisions aimed at strengthening the general budgetary-fiscal discipline and the budgetary process, streamlining budget resources management, and increasing transparency during the budgetary process. The application of budgetary-fiscal policy rules and the adoption of medium-term macro-budgetary limits by the Parliament, the implementation of the new budget classification, and of the new chart of accounts, the consolidation of program-based budgeting and establishment of new rules for management of collected revenues by budgetary institutions, clear delimitation of responsibilities within budget process,

and the enhancing of central public authorities – are just a few of the most important reforms provided by the organic law on public finance.

481. The MoF provides the leadership for public financial management reform, in coordination with other government institutions. The MoF prepares and publishes the annual PFM Action Plan and reports on its implementation.⁷⁶ Starting in 2020, a triennial action plan (2020 – 2023) was prepared. Other key roles in implementation of PFM reforms are played by the Court of Accounts which has adopted its own development strategy.

482. There have been no external reviews or independent evaluation of the PFM reforms since 2018. There were only specific assessments conducted in the area of public investment management and public procurement as described below.

483. In 2019 the IMF conducted the Public Investment Management (PIM) assessment of Moldova’s public investments institutions across the PIM stages for planning, allocation, and implementation. The assessment concluded that although the existing regulatory framework for PIM includes detailed provisions to ensure successful delivery of public investment and is more comprehensive than in other countries, the framework is limited by its narrow coverage and is not being effectively applied. The report comes up with the range of recommendations which prioritize the main actions at the key stages of the project cycle and for the MoF capacity development.

484. In 2020 the World Bank assessed the public procurement systems in Moldova based on 2018 Methodology for Assessing Procurement Systems (MAPS). Its purpose was to: (i) identify strengths and weaknesses of the public procurement system in Moldova, by benchmarking it with international best practices and standards; (ii) identify any substantial gaps that negatively impact the quality and performance of the public procurement system; and (iii) help the government to prioritize efforts in public procurement reform by suggesting recommendations to enhance the public procurement system. Special attention was paid to the scope for completing and harmonizing the legal and institutional framework, strengthening and promoting the procurement profession, enhancing the planning and preparation stages, improving the efficiency and transparency of the evaluation and award process, and strengthening contract management.

4.2 Recent and ongoing PFM reform actions impacting subnational governments

485. Reforms in public financial management in Moldova apply to both the central government and tiers I and II of the subnational government as the systems that have been developed are common to both CG and SNG: the Chart of Accounts, Treasury Information System, MTEF and programs with KPIs, PIFC and internal audit, financial control and inspection and external auditing. Often the difference in application between institutions results from capacity rather than the systems themselves. Some activities such as revenue administration and social and health insurance are carried out at central/national level for all levels of government given the efficiencies of their common administration.

The government remains committed to the implementation of the Public Finance Management Strategy (2013-2020), which has been extended until the end 2022. The pace of reforms has slowed down due to frequent changes in the government and the increasing pressure on financial resources brought about by the pandemic. Moldova continued prudent fiscal management and disciplined budgetary planning in spite

⁷⁶ PFM Annual Action Plans and Progress reports: <https://www.mf.gov.md/ro/managementul-finan%C8%9Belor-publice/strategia-de-reform%C4%83-a-mfp/planuri-%C8%99i-rapoarte>

of the difficult circumstances during the pandemic. Nevertheless, the authorities have made progress on PFM reforms. Among the key achievements for 2019 and 2020 is the increasing accuracy of revenue projections by the MoF. The Ministry has continued to improve the medium-term budgetary framework process and improved the regulatory framework for financial management and internal control.

486. The main accomplishments achieved under the implementation of the Strategy are summarized as follows:

- Improved fiscal governance, macroeconomic forecasting and revenue projection for setting fiscal targets and the level of expenditures compatible with these targets over the medium term;
- Improved annual and medium-term budget planning (MTBF) to enhance budget discipline and credibility;
- Improved budget transparency and public access to key fiscal information, to increase the citizens' access and understanding of the Budget;
- Improved treasury management to ensure effective control of expenditure, including an adequate system of accounting and reporting;
- Improved debt management;
- Enhanced financial monitoring of the public corporations (state owned enterprises) by the MoF;
- Strengthened public procurement framework and function;
- Development of the Public Sector Accounting Standards aligned with IPSAS;
- Consolidated public external audit function.

487. These reform initiatives have been implemented with the support provided by the development partners such as the EU, IMF, and World Bank.

488. In the area of public audit, with the support of the donors (EU, WB and Swedish National Office) the Court of Accounts took actions to make its audits more effective and ensure a stronger oversight of the budget implementation. A new law on the Court of Accounts strengthening financial, operational and functional independence of the supreme audit institution was adopted in December 2017 and promulgated in January 2018. To strengthen parliamentary oversight of the audit reports produced by the Court of Accounts, a new parliamentary committee for control of public finance was established in 2019.

489. In 2018-2019 the IMF worked with the Government of Moldova on improving its public debt statistics. Several recommendations were issued in areas such as the coverage of debt statistics, instruments coverage, and valuation of debt instruments. In addition, IMF provided technical assistance to improve the management of fiscal and budgetary risks, and to rationalize public expenditures.

490. Efforts were undertaken to strengthen fiscal transparency and procurement. In November 2020, the authorities amended secondary legislation on procurement to require provision and publication of beneficial owner information as part of the regular package of documents submitted for tenders. They published a report on pandemic-related spending for 2020, including beneficial owner entities contracting with the government. In June 2021, they also published an audit report by the Court of Accounts on the use of health resources to combat the pandemic in 2020. The authorities now make public the beneficial ownership information of all entities contracting with public authorities on the website of the Public Procurement Agency.

491. For the first time Moldova enrolled in the International Open Budget Survey in 2017. According to the results of 2019 survey, Moldova scored 57 out of 100 on budget transparency; substantially higher than the global average score of 42, which is a positive result.

492. Under the five-year technical assistance project funded by the EU that started in 2020, the Ministry of Finance is working to address the issues related to the public capital investment such as limited coverage of the regulatory framework for PIM for less than 20% of total public investment expenditures and overly complex regulation setting out the screening, selection and monitoring of public capital investment projects. The project objective is to strengthen the Moldovan authorities: (i) to plan, prepare, and manage public investment projects, both domestically and externally financed; (ii) to simplify the regulation on the capital investment projects, and (iii) broadening the coverage of the revised PIM regulatory framework to cover all investment in the Moldova's Public Investment Program. The expected outcome is to improve skills and capacities of the selected line ministries in identifying, designing and managing capital investment projects on the basis of 2019 PIMA analysis and recommendations.

493. In matters of internal control, the MoF continuously organizes capacity building activities and training on the implementation of managerial internal control system for various public authorities and institutions and created conditions for internal audit outsourcing and shared service arrangements by adopting the respective regulations in late 2020 that is meant to address, inter alia, the issue of insufficiency of qualified internal audit professionals.

494. In 2018 The US Agency for International Development launched the Comunitatea Mea (My community) program in Moldova. This five-year program aims to facilitate Moldova's decentralization process by strengthening local governance and citizen engagement. On PFM, assistance to LPAs is focused on the increase of locally owned revenues and improved financial management. The program assists local governments with implementation of property delimitation, evaluation, and management. The project is working with local public officials to help them prepare for the annual budget planning and review process to increase budget transparency at the local level and improve citizen engagement.

495. With the support provided under EU-funded project, Strengthened Gender Action in Cahul and Ungheni Districts, 11 localities in the Ungheni rayon have developed gender-sensitive strategies, action plans, and budgets in FY2022 for the first time. They allocated 2% of their budgets for actions to prevent and combat gender-based violence and have incorporated the gender perspective into local budget programs.

4.3 Institutional considerations

496. MoF is the leading implementing agency for a bulk of PFM related actions, with the remainder allocated to its subordinated agencies and to the Court of Accounts. Planned reforms are reinforced through a number of institution-specific strategies, including the Court of Accounts' Development Strategy for 2021 – 2025 and Strategy for Development of the Public Procurement System for 2016-2020. Reform efforts highly depend on the donors' assistance that may have an impact on the government's ownership and sustainability.

497. Coordination and set up of PFM reforms as part of broader public administration reform agenda is yet to be established. There has been little coordination done at the level of the State Chancellery and the Prime Minister's Office, although it was envisaged in the PAR strategy.

498. Considerable support to PFM reforms is available from externally financed technical assistance projects financed by various development partners. The government contributes with in-kind expertise. Capacity development programs are in place and are enshrined in the institution specific development strategies.

499. Information on PFM reforms and status of their implementation is publicly available. The MoF publishes annually its action plan and reports the progress on the implementation of the planned actions. There is no platform however for policy dialogue and donor coordination that would include various governmental institutions, civil society, and development partners' stakeholders.

4.4 Key aspects of the SNG specific PFM reforms

500. As noted above reforms in public financial management in Moldova apply to both the CG and tiers I and II of the subnational government as the systems that have been developed are common to both CG and SN levels of government. However according to the law on public finances and budgetary-fiscal Accountability, the SNG are not required to submit their annual reports to the Court of Accounts on an annual basis. This is done only upon request when the Court of Accounts initiates a financial audit. The obligation for a SNG's council for both tiers of the government to conduct hearings of the audit reports and their recommendations was introduced on February 12, 2021, through amendment of the law on local public administration.

Annex 1. Performance indicator summary

Indicator /Dimension	Score	Description of requirement met
SUBNATIONAL PILLAR: INTERGOVERNMENTAL FISCAL RELATIONS		
HLG-1.1 TRANSFERS FROM HIGHER-LEVEL GOVERNMENT	B	
HLG-1.1 Outturn of transfers from higher-level government	C	Outturn of transfers from the state budget was between 92% and 116% of the estimate in two of three years.
HLG-1.2 Transfers composition outturn	C	Transfer composition outturn was less than 15% in two of three years.
HLG-1.3 Timeliness of transfers from higher-level government	A	The timetable for transfers from the state budget to SNG budget is prescribed in Ministry of Finance Order no.3/2017 which was respected in all of the last three years.
HLG-1.4 Predictability of transfers	A	The budget circular issued by MoF to SNGs contains information on transfers for the fiscal year and the two following years with detailed explanations of any changes incurred and respective calculations.
HLG-2 FISCAL RULES AND MONITORING OF FISCAL POSITION	A	
HLG-2.1 Fiscal rules for subnational governments	A	The fiscal rules are clearly laid down in the law on local public finances.
HLG-2.2 Debt rules for subnational governments	A	The rules on ceiling on the subnational government debt are provided in the law. The Ministry of Finance monitors the subnational debt both at approval stage and at execution.
HLG-2.3 Monitoring of subnational governments	A	All SNGs provide their annual financial statements to MoF. Annual National Public Budget Execution Report produced by MoF includes consolidated report on execution of local budgets.
PILLAR I: BUDGET RELIABILITY		
PI-1 AGGREGATE EXPENDITURE OUTTURN	D	
PI-1.1 Aggregate expenditure outturn	D	The aggregate expenditure outturn was greater than 115% in two of three years.
PI-2 EXPENDITURE COMPOSITION OUTTURN	D+	
PI-2.1 Expenditure composition outturn by function	D	The variance in expenditure composition by functional classification was significantly more than 15% in all three years.

PI-2.2 Expenditure composition outturn by economic type	D	The variance in expenditure composition by economic classification was considerably greater than 15% in all three years.
PI-2.3 Expenditure from contingency reserves	A	No expenditures incurred from contingency reserves in all three years.
PI-3- REVENUE OUTTURN	D	
PI-3.1 Aggregate revenue outturn	D	The actual revenues exceeded 116% of the budgeted revenue in all three years.
PI-3.2 Revenue composition outturn	D	The variance in revenue composition exceeded 15% in all three years.
PILLAR II: TRANSPARENCY OF PUBLIC FINANCES		
PI-4 BUDGET CLASSIFICATION	A	Budget formulation, execution and reporting are based on consistent and detailed administrative, program and economic classifications.
PI-5 BUDGET DOCUMENTATION	C	Annual budget documentation fulfills 4 elements, including 3 basic elements and 1 additional element. The other 2 elements (deficit financing and macroeconomic assumptions) are not applicable at the subnational level.
PI-6 SUBNATIONAL GOVERNMENT OPERATIONS OUTSIDE FINANCIAL REPORTS	A	
PI-6.1 Expenditure outside financial reports	A	There are no extrabudgetary units in the municipality.
PI-6.2 Revenue outside financial reports	A	There are no extrabudgetary units in the municipality.
PI-6.3 Financial reports of extrabudgetary units	NA	As there are no extrabudgetary units in the municipality, there are no relevant financial reports.
PI-7 TRANSFERS TO SUBNATIONAL GOVERNMENTS	NA	
PI-7.1 System for allocating transfers	NA	Ungheni municipality does not have lower-level subnational governments. Dimension is not applicable.
PI-7.2 Timeliness of information on transfers	NA	Ungheni municipality does not have lower-level subnational governments. Dimension is not applicable.
PI-8 PERFORMANCE INFORMATION FOR SERVICE DELIVERY	B+	
PI-8.1 Performance plans for service delivery	A	The draft budget documentation provides information on outputs and objectives for the municipality programs which is published.
PI-8.2 Performance achieved for service delivery	A	The budget execution reports provide information on outputs and objectives realized for the municipality programs. The performance reports are published.

PI-8.3 Resources received by service delivery units	A	Amounts allocated to individual service delivery units are recorded at the level of the unit in the accounting software system and are disclosed in the annual budget documentation.
PI-8.4 Performance evaluation for service delivery	C	There have been two external performance reviews in health and education nationally in the past 3 years that is relevant for the municipality. There were no external reviews specific to the SNG.
PI-9 PUBLIC ACCESS TO FISCAL INFORMATION	D	Ungheni municipality discloses 3 basic elements out of 5, and 2 out of 3 additional elements.
PI.9bis. PUBLIC CONSULTATION	C+	
PI-9bis.1 Public consultation in budget preparation	B	For FY2021 budget, the public consultation was held during the budget formulation and preparation stage. Simplified budget information was published on the website in advance. Summary of inputs received as result of public consultation was not published.
PI-9bis.2 Public consultation in the design of service delivery programs	C	Participation processes are carried out for most service delivery programs. Reports regarding the opinions, observations and proposals made by citizens, as well as the feedback and conclusions are not published.
PI-9bis.3 Public consultation in investment planning	C	During preparation of major investment projects, public consultation is conducted for most major investment projects managed and decided by the subnational government. The municipal council did not publish a summary of the inputs received. Public consultation process has been inclusive.
PILLAR III: MANAGEMENT OF ASSETS AND LIABILITIES		
PI-10 FISCAL RISK REPORTING	D	
PI-10.1 Monitoring of public corporations	D	The municipality does not receive annual financial statements from the enterprises it owns. Those statements are not regularly audited.
PI-10.2 Monitoring of subnational governments	NA	The municipality does not have any subnational governments that reports to it.
PI-10.3 Contingent liabilities and other fiscal risks	NA	The municipality does not have any public-private partnership arrangements and has no extra-budgetary units under its ambit.
PI-11 PUBLIC INVESTMENT MANAGEMENT	D+	
PI-11.1 Economic analysis of investment proposals	C	There are no guidelines for economic analysis of own investment projects preparation. The construction specialist of Ungheni municipality assessed the needs for the major investment project before its inclusion in the medium-term Strategy for Economic Development, that ensure the objectivity of analysis.
PI-11.2 Investment project selection	C	There are no established selection criteria for own investment projects. However, the major investment project is among the

		priority investment projects contained in the medium-term Strategy for Economic Development.
PI-11.3 Investment project costing	C	Projections of the total capital cost of the major investment project, together with a year-by-year breakdown, are included in the budget documents but not estimates of the recurrent costs for the next three years or projections of the total life-cycle cost.
PI-11.4 Investment project monitoring	D	The total cost of the major investment project is monitored by the Financial Department within the routine monitoring of budget execution. Physical progress is monitored separately by a specific unit under the municipality. Annual results are not published.
PI-12 PUBLIC ASSET MANAGEMENT	B+	
PI-12.1 Financial asset monitoring	B	The Ungheni municipality maintains records of all financial assets at acquisition costs. The performance information about major financial assets is published annually.
PI-12.2 Nonfinancial asset monitoring	B	The Ungheni municipality maintains the register of its fixed assets. The data is provided to the Public Property Agency that publishes a register of the assets held by all subnational governments based on the data submitted annually by them. There were some errors identified by the auditors in the value of nonfinancial assets.
PI-12.3 Transparency of asset disposal	A	Procedures and rules for the transfer or disposal of financial and nonfinancial assets are established, including information to be submitted to the municipal council for information or approval. Information on transfers and disposal is included in budget documents, and financial reports.
PI-13 DEBT MANAGEMENT	B	
PI-13.1 Recording and reporting of debt and guarantees	A	Ungheni municipality maintains complete and accurate information on all its borrowings. At the moment of evaluation there are no guarantees issued to municipal enterprises. The debt records are reconciled with creditors and updated each month as foreseen in the financial agreements. The accounting office prepares a quarterly report with information on debt and guarantees, which is submitted to the rayon and Ministry of Finance. The report contains debt stock, debt service, and operations.
PI-13.2 Approval of debt and guarantees	A	The provisions of the law no. 419/2006 states that public debt and state guarantees and policies are to be approved by the Minister of Finance. The municipal council, as a deliberative authority of the local public administration, approves the issue of new debt.
PI-13.3 Debt management strategy	D	A medium-term DMS covering existing and projected subnational government debt is not developed. The explanatory note to the budget documentation provides data

		about annual debt program that is publicly available as an annex to the municipal decision on annual budget approval.
PILLAR IV: POLICY-BASED FISCAL STRATEGY AND BUDGETING		
PI-14. MEDIUM-TERM BUDGET STRATEGY	C	
PI-14.1 Underlying forecasts for medium-term budget	B	Estimates of revenue are made for the budget year and two following fiscal years, while the expenditure estimates are provided only for the budget year. The estimates are based on the subnational strategy, and information on transfers, revenue, and expenditure assignments and on key demographic and macroeconomic indicators produced by the CG. Estimates of revenue and expenditures and the underlying assumptions are submitted to the municipal council for approval.
PI-14.2 Fiscal impact of policy proposals	C	The municipality prepares estimates of the fiscal impact of the most proposed changes in revenue and expenditure policy for the budget year.
PI-14.3 Medium-term expenditure and revenue estimates	D	The municipal estimated expenditures are presented to and approved by the council for the forthcoming year only.
PI-14.4 Consistency of budget with previous year's estimates	NA	As there is not a medium terms perspective to the municipal expenditures, it is not possible to compare the previous year's forward estimate with the actual that occurred in that year.
PI-17 BUDGET PREPARATION PROCESS	C	
PI-17.1 Budget calendar	C	Mayor's office finance staff prepares the draft budget. All budget institutions respect the budget calendar. A deadline for 2021 budget drafting was around one month (less than 4 weeks). Submissions are made in accordance with the timetable approved for each budget cycle separately.
PI-17.2 Guidance on budget preparation	C	The Mayor's office uses a comprehensive and clear budget circular issued by the MoF and rayon finance division. The budget circular covers total budget expenditure for the full fiscal year and budget rules for next 2 additional years. The budget reflects sectors ceilings per each subnational unit and type of transfers. Since the Mayor's office prepares the budget for its subordinated units, it does not issue any additional circular. Government approved the ceilings after the budgetary units submitted their estimates.
PI-17.3 Budget submission to the subnational council	C	The executive authority of the Ungheni municipality has submitted the annual budget proposal to the subnational council at least one month before the start of the fiscal year in two of the last three years.
PI-18 LEGISLATIVE SCRUTINY OF BUDGETS	C+	
PI-18.1 Scope of budget scrutiny	B	The municipal council review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue. The budget proposal includes the medium-term fiscal forecasts (on revenue side only) and medium-term

		priorities are included in the tables to the explanatory note and in the program-based budgets.
PI-18.2 Legislative procedures for budget scrutiny	C	The Municipal council approves and follows the budget review procedures foreseen in the legal framework; this has been the case in recent years and the fiscal year 2020. There are no other separate procedures for budget scrutiny approved by the municipal council, apart from its general regulations which envisage creation of committees.
PI-18.3 Timing of budget approval	A	The municipal council has approved the annual budget before the start of the year in each of the last three fiscal years.
PI-18.4 Rules for budget adjustment by the executive	A	The legal framework foresees the clear rules for in-year budget adjustments. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.
PILLAR V: PREDICTABILITY AND CONTROL IN BUDGET EXECUTION		
PI-19 TAX ADMINISTRATION	NA	
PI-19.1 Rights and obligations for tax measures	NA	Most tax revenues and fees are administered and collected by the central authority- State Fiscal Service of Moldova. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.
PI-19.2 Property tax register and value assessment	NA	Most tax revenues and fees are administered and collected by the central authority- STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.
PI-19.3 Tax risk management, audit and investigations	NA	Most tax revenues and fees are administered and collected by the central authority- STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.
PI-19.4 Tax arrears monitoring	NA	Most tax revenues and fees are administered and collected by the central authority- STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes.
PI-20 ACCOUNTING FOR REVENUE	A	
PI-20.1 Information on revenue collections	A	Data are consolidated daily. The STS and Ungheni Municipality Finance unit has access to the State Treasury data on collected revenues on monthly/daily/real-time basis. The information is

		presented by revenue type broken down based on economic classification. All revenues are consolidated into a report.
PI-20.2 Transfer of revenue collections	A	All tax revenues and fees are paid directly into the accounts registered in the Treasury – separately for each type of tax revenue. Therefore, all tax and fee revenues are directly transferred to the Treasury within 24 hours.
PI-20.3 Tax accounts reconciliation	NA	Most tax revenues and fees are administered and collected by the central authority, STS. Although the property tax is collected by the Ungheni municipality and administered largely by STS, it accounts for about 14 percent of total tax revenues of Ungheni municipality (less than 75 percent of the total tax revenues of the SNG). Hence there are no core taxes and the score for this dimension is NA.
PI-21 PREDICTABILITY OF IN-YEAR RESOURCE ALLOCATION	B+	
PI-21.1 Consolidation of cash balances	A	The Government of Moldova operates a TSA within which each budgetary unit including subnational entities has its own subaccount. All the accounts are consolidated on a daily basis.
PI-21.2 Cash forecasting and monitoring	B	Based on the annual budget, an annual cash flow is prepared. Given that transfers form the greatest part of revenues, and these are received monthly, a monthly plan is prepared. It is adjusted based on when revenues are received on a monthly basis. As own source revenues are collected quarterly the adjustment is made quarterly. Based on this revenue forecast, procurement is planned accordingly.
PI-21.3 Information on commitment ceilings	A	The municipality plans its budget execution for the whole year based on its cash flow projections so commitments can be planned accordingly.
PI-21.4 Significance of in-year budget adjustments	C	There have been six in-year adjustments requiring the approval of the municipal council.
PI-22 EXPENDITURE ARREARS	A	
PI-22.1 Stock of expenditure arrears	A	There are no arrears.
PI-22.2 Expenditure arrears monitoring	A	Arrears are included as a line item in the budget classification system. Spending units must report on monthly basis data on arrears to the rayon which reports to the MoF.
PI-23 PAYROLL CONTROLS	B+	
PI-23.1 Integration of payroll and personnel records	A	The HR and payroll management is centralized in the Mayor’s office. The payroll and personnel records are integrated in the accounting program and are supported by full documentation for all changes made to personnel records each month. It is checked against the previous month’s payroll data. Staff hiring

		and promotion are controlled by a list of approved staff positions.
PI-23.2 Management of payroll changes	A	Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. There were no cases that would require retroactive adjustments.
PI-23.3 Internal control of payroll	A	Budgetary institutions have clear and detailed rules and procedures for making changes to the information on staff and payroll, which include the requirement for signatures of authorized persons. Changes made to the payroll provide for a clear audit trail.
PI-23.4 Payroll audit	B	The payroll audits are not done annually. In 2020 the Court of Account carried out financial audit for FY2019 which covered payroll matters. The Financial Inspection conducted inspection which covered September 01, 2016 - September 30, 2021 period. The inspection included all financial activity, including payroll management.
PI-24 PROCUREMENT	A	
PI-24.1 Procurement monitoring	A	Procurement databases and records are maintained by the Ungheni municipality. The information is complete and accurate for all procurement methods.
PI-24.2 Procurement methods	A	In 2020, all contracts were awarded through competitive methods.
PI-24.3 Public access to procurement information	B	4 out of 6 key procurement information requirements are made available to the public.
PI-24.4 Procurement complaints management	NA	The procurement complaint body is a national entity. The dimension is part of the set of assessments.
PI-25 INTERNAL CONTROL ON NONSALARY EXPENDITURES	B+	
PI-25.1 Segregation of duties	C	Segregation of duties is prescribed throughout the expenditure process. More precise definition of important responsibilities may be needed.
PI-25.2 Effectiveness of expenditure commitment controls	A	Strong controls effectively limit commitments to budgetary allocations and cash availability.
PI-25.3 Compliance with payment rules and procedures	A	There is high level of compliance with rules and procedures.
PI-26 INTERNAL AUDIT	D	
PI-26.1 Coverage of internal audit	D	There is no internal audit unit at the municipality level.
PI-26.2 Nature of audits and standards applied	NA	There is no internal audit unit at the municipality level.
PI-26.3 Implementation of internal audits and reporting	NA	There is no internal audit unit at the municipality level.

PI-26.4 Response to internal audits	NA	There is no internal audit unit at the municipality level.
PILLAR VI: ACCOUNTING AND REPORTING		
PI-27 FINANCIAL DATA INTEGRITY	A	
PI-27.1 Bank account reconciliation	A	Centre regional treasury unit under MoF reconciles on daily basis all balances held by Ungheni municipality with the TSA sub-accounts and other bank accounts in the NBM.
PI-27.2 Suspense accounts	NA	There is no suspense account.
PI-27.3 Advance accounts	A	Reconciliation of advances takes place at least monthly, within a month from the end of period and at the yearend there was no balance on the account.
PI-27.4 Financial data integrity processes	A	Access and changes to records is restricted and recorded, and results in an audit trail. Financial data integrity is done by the Treasury, which reviews financial information from budgetary units and Centre of Information Technology in Finance under MoF monitors unauthorized systems access. The CoA as part of their audits verify financial data integrity.
PI-28 IN-YEAR BUDGET REPORTS	C+	
PI-28.1 Coverage and comparability of reports	A	Coverage and classification of data in the budget execution reports allows direct comparison to the original budget. Information includes all budget estimates and expenditures from transfers.
PI-28.2 Timing of in-year budget reports	C	Budget execution reports are prepared quarterly (excluding first quarter) and issued within 8 weeks from the end of each quarter.
PI-28.3 Accuracy of in-year budget reports	C	There were issues with reports identified by the Court of Accounts
PI-29 ANNUAL FINANCIAL REPORTS	D+	
PI-29.1 Completeness of annual financial reports	A	The report on municipality budget execution is prepared annually and is comparable with the approved budget. It contains information on revenue, expenditure, financial assets, financial liabilities, and long-term obligations. It includes cash flow statement.
PI-29.2 Submission of reports for external audit	D	By the law the SNGs are not required to send their annual reports to external auditor. Since the SNG's financial statements prepared for 2019 were audited by the CoA, the Ungheni municipality presented its statements in October 2020, which exceeded nine months of the end of the fiscal year.
PI-29.3 Accounting standards	D	The financial statements are prepared following to accounting standards consistent with the country's legal framework. However, the standards used in preparing annual financial reports are not disclosed.
PILLAR VII: EXTERNAL SCRUTINY AND AUDIT		

PI-30 EXTERNAL AUDIT	B+	
PI-30.1 Audit coverage	A	Financial and compliance audits for Ungheni municipality have been conducted once during the last three completed fiscal years and covered FY2019. The audit has highlighted relevant matters.
PI-30.2 Submission of audit reports to the subnational council	B	The audit report was submitted to the subnational council within six months from receipt of the financial reports by the public audit institution in charge of subnational governments.
PI-30.3 External audit follow-up	A	Audit recommendations are included in the CoA decision on approval of the audit reports that are published. The Ungheni municipality provided the written response to the CoA on how the audit findings and recommendations are being addressed.
PI-30.4 Independence of the public audit institution in charge of subnational governments	NA	The CoA is a national entity. The dimension is assessed only once in a set of assessments.
PI-31 LEGISLATIVE SCRUTINY OF AUDIT REPORTS	B	
PI-31.1 Timing of audit report scrutiny	B	Scrutiny of audit report on financial and compliance audits was carried out by the municipality council within six months after the reports were issued.
PI-31.2 Hearings on audit findings	C	The hearing of the audit findings of FY2019 audit reports with adverse opinion was carried out by the Ungheni municipal council. The representative of the CoA did not attend it.
PI-31.3 Recommendations on audit by the legislature	C	The Ungheni municipal council appointed responsible officer for the implementation of the audit recommendations and approved an action plan. There were no subsequent hearings which would follow up on how they have been implemented.
PI-31.4 Transparency of legislative scrutiny of audit reports	A	The hearings of the audit reports were public, and the council decision on the audit action plan was published on the website.

Annex 2. Summary of observations on the internal control framework

Internal Control Components and Elements	Summary of Observations
1. Control Environment	
<p>1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization</p>	<p>The public function and the status of the civil servant as well as the obligations, performance evaluation, professional development, and remuneration for civil servants is regulated by law no. 158 of July 4, 2008.</p> <p>Chapter III of law no. 133 of June 17, 2016, on declaration of assets and personal interests regulates the conflict-of-interest situations and the way it is resolved for civil servants.</p> <p>The Code of Conduct for civil servants was adopted by law no. 25 of February 22, 2008.</p> <p>The basic principles for implementing internal controls by the budget spending units were approved by the PIFC law no. 229/2010, MoF Ordinance no. 216/2005 regarding methodological norms for accounting and financial reporting in the public sector and MoF Ordinance no.189/2015 on approval of national standards for internal control.</p> <p>These principles regulate: (i) listing of tasks and functions, their segregation and assignment to performers; (ii) establishing authorization and confirmation procedures (obtaining permissions from responsible officials to carry out operations by means of signing, confirming, or approving of documents); and (iii) the segregation of duties between employees to reduce the risks of mistakes or wrongful acts and timely detection of such actions. Established guidelines prescribe that internal controls in an institution is based on the principle of responsibility and sharing of powers, which means sharing of duties between the management of the institution and its employees, establishing boundaries of their responsibility in the decision-making process or when performing other actions. Control measures are carried out at all levels of the institution’s activities and for all functions and tasks and include relevant rules and procedures.</p> <p>Public internal financial control is spread between the Financial Inspection Agency and the Central Harmonization Unit in the Ministry of Finance which oversees the internal audit function. The Court of Accounts under their financial and compliance audits at the level of individual spending units mandatorily tests and assesses the existence of internal controls.</p> <p>The attitude of the organization towards internal control depends heavily on the leadership of the Mayor. The current absence of effective internal audit represents a serious deficiency. (PI-26)</p>
<p>1.2 Commitment to competence</p>	<p>The municipality employs staff with appropriate qualifications.</p>

Internal Control Components and Elements	Summary of Observations
1.3 The tone at the top (i.e., management’s philosophy and operating style)	<p>There is a positive approach to implementing internal controls as evidenced by the organisational structure in the finance division. The Mayor provides clear leadership for the administration.</p> <p>MoF actively promotes managerial accountability. The regulations on the self-evaluation, reporting on the managerial internal control system and issue of the Managerial Responsibility Declaration approved through MoF ordinance no. 4 of January 9, 2019, has as objective to increase the degree of the accountability of the public sector managers in the organisation of the managerial internal control evaluation process. However, the Declaration is not mandatory for tier I local public authorities.</p>
1.4 Organizational structure	<p>The managers of the municipality divisions report through the deputy mayors. The organizational structure ensures proper segregation of duties.</p> <p>The roles of the various parties involved in the financial management control system are established in the MFO no. 216/2005 regarding methodological norms for accounting and financial reporting in the public sector.</p> <p>The MoF is the authorized body through which the Harmonization Unit promotes the establishment and development of public internal financial control systems and carries out coordination and harmonization policies and procedures. The Court of Accounts complements these efforts by testing the effectiveness of the internal controls in the audited institutions and by providing recommendations on their improvement.</p> <p>The government is taking practical steps towards the development of the management accountability and delegation of tasks in accordance with the development of the internal audit function.</p> <p>Full implementation of the requirements of the laws, decrees, and decisions on internal audit and alignment with international good practices will take time. All public sector units have yet to establish an organizational structure that enables the achievement of the objectives and compliance with the functions assigned to the activity.</p>
1.5. Human resource policies and practices	<p>Appointments are made through a transparent selection process. Appointments in the city administration and subordinated institutions are approved by the Mayor; educators are appointed by the heads of the pre-school facilities.</p>
2. Risk Assessment	
2.1 Risk identification	<p>Several PIs are related to the extent to which risks under the control of the municipality are identified, notably:</p> <p>Cash flow forecasting and monitoring is rated B in 21.2 – A comprehensive cash flow forecast is developed and updated routinely.</p> <p>Management of payroll is rated A in PI-23.1, 2 and 3</p> <p>Effectiveness of commitment control is rated A in 25.2. Spending units cannot allocate beyond what funds are available to spend</p>
2.2 Risk assessment (significance and likelihood)	<p>It does not appear that attention was paid to the risk assessment.</p>
2.3 Risk evaluation	<p>The risks have not been evaluated.</p>

Internal Control Components and Elements	Summary of Observations
2.4 Risk appetite assessment	The development and implementation of identification and assessment of risk indicates a positive risk appetite which will grow as these become more mature.
2.5 Responses to risk (transfer, tolerance, treatment, or termination)	More attention should be paid to the financial performance of the public corporations (PI-10.1).
3. Control Activities	
3.1 Authorization and approval procedures	<p>Financial data integrity processes are rated A in 27.4. Access and changes to records is restricted and recorded, and results in audit trail. Treasury maintains oversight.</p> <p>Recording and reporting of debt and guarantees are rated A in 13.1. The debt records are complete, accurate, and updated monthly. The information is reconciled quarterly with the creditors. Comprehensive management and statistical reports covering debt service, stock, and operations are produced annually by MoF consolidating all SNGs together with the annual budget report based on the information submitted by the SNGs.</p> <p>Approval of debt and guarantees is rated A in 13.2. Debt is managed by the municipality in accordance with the provisions of the law no. 419/2006. The public debt contracted by the municipality are endorsed by the Minister of Finance. The issue of new debt is approved by the municipal council, as a deliberative authority of the local public administration.</p> <p>Effectiveness of expenditure commitment controls is rated A in 25.2. Commitment control applies to all payments made from the Treasury Single Account. Actual expenditure incurred is in line with approved budget allocations and does not exceed committed amounts and projected available cash resources.</p> <p>Integration of payroll and personnel records is rated A in 23.1. Information on manning tables, personnel and labor remuneration is accounted for and payroll and personnel records are reconciled.</p> <p>Management of payroll changes is rated A in 23.2. Personnel records are updated monthly. There are no retroactive changes.</p> <p>Compliance with payroll payment rules and procedures is rated A in 23.3. There are clear and detailed rules and procedures for making changes to staff information and payroll, which include signatures of authorized persons and provide for clear audit trails.</p>
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties is rated C in 25.1. Appropriate segregation of duties is prescribed throughout the entire expenditure process but according to the CoA audit findings, the responsibilities should be more clearly stated.
3.3 Controls over the access to resources and records	<p>Compliance with payment rules and procedures is rated A in 25.3. Compliance with payment rules and procedures is adequate.</p> <p>Financial data integrity processes are rated A in 27.4. Access and changes to records is restricted and recorded, and results in an audit trail. Financial data integrity is performed by the Treasury, which reviews financial information from budgetary units, and the Centre of Information Technology under MoF monitors unauthorized systems access. The CoA as part of their audits verifies financial data integrity. The Financial Inspection Agency also assesses conformity.</p>
3.4 Verifications	Accuracy of in-year budget reports is rated C in 28.3. There are some material concerns regarding data accuracy as stated in the audit report produced by the CoA for FY2019. Reports are prepared quarterly (except for the first quarter) and issued on average within 2 weeks from the end of reporting period.

Internal Control Components and Elements	Summary of Observations
3.5 Reconciliations	Bank account reconciliation is rated A in 27.1. A TSA is in place and is reconciled on a daily basis.
3.6 Reviews of operating performance	The CoA carried out financial and compliance audits as of December 31, 2019, in 2020. The audit has highlighted relevant material issues and systemic and control risks.
3.7 Reviews of operations, processes and activities	Procurement monitoring is rated A in 24.1. Procurement databases and records are maintained. The information is complete and accurate for all procurement methods. Internal audit is not currently in operation (score D for PI-26.1). Reviews of certain processes (payroll, asset management, procurement) are also done externally by the financial inspection.
3.8 Supervision (assigning, reviewing, and approving, guidance and training)	The audit trail in place indicates a supervisory focus. Personnel development through mentoring and training is in place.
4. Information and Communication	
1.1. Information and Communication	The municipality communicates its budget plans and priorities to citizens through open meetings as well as publishing information on its website.
5. Monitoring	
5.1 Ongoing monitoring	<p>The assessment highlighted a number of areas related to ongoing monitoring activities:</p> <p>Resources received by service delivery units is rated A in 8.3. The information on the resources received by the service providers is collected and recorded through the TSA.</p> <p>Monitoring of public corporations is rated D in 10.1. The public corporations are not regularly audited.</p> <p>Quality of the municipality's financial asset monitoring is rated B in 12.1. There is a record of all categories of financial holdings at acquisition cost. The annual financial statement includes a statement on financial assets.</p> <p>Quality of non-financial asset monitoring is rated B in 12.2. A register of movable and immovable assets is maintained and published which contains information use and information that can establish age. The budget execution report provides a value annually as part of the balance sheet.</p> <p>Expenditure arrears monitoring is rated A in 22.2. Information on composition on arrears is generated monthly and for the full year in the MoF budget execution reports. Although there are no arrears reported by the Ungheni municipality in 2020.</p> <p>Procurement monitoring is rated A in 24.1. Procurement databases and records are maintained. The information is complete and accurate for all procurement methods.</p> <p>Implementation of internal audits and reporting is rated NA in 26.3. There is no internal audit function at the municipality level.</p>
5.2 Evaluations	Performance evaluation for service delivery is rated C in 8.4. There have been two external performance reviews in health and education at national level but there has been no independent performance audit in the past 3 years.
5.3 Management responses	External audit follow-up is rated A in 30.3. Audit recommendations are included in the CoA decision on approval of the audit reports that are published. The municipality provided a written response to the CoA on how their recommendations are being addressed.

Annex 3.1 Evidence for scoring indicators

Indicators (PEFA 2020 framework)	Evidence
	Monitoring report, Advancing decentralization reform, ADEPT, 2022: https://drive.google.com/file/d/1Wc2edm7Cerw6ql0wapT6EvbcU7_KBC1o/view?fbclid=IwAR3fRnBmsX21XSigrCQrh6Um5baRgcszgwHTCoXG1c0nik3HCu6KiwkL64
	Study on the scenarios of administrative territorial reforms, December 2018: https://cancelaria.gov.md/sites/default/files/studiul_privind_scenariile_de_reforma_administrativ-teritoriala_elaborat_in_decembrie_2018.pdf
HLG-1. Transfers from an HLG	Law on local public finances no.397 of October 16, 2003 MoF Order no.3 of January 9, 2017 Budget execution reports for FY2018-2020: https://date.gov.md/ckan/ro/dataset/15969-date-privind-executarea-bugetelor-autoritatilor-publice-locale MoF Budget Circular for FY2020-2022 budget: https://mf.gov.md/ro/buget/circulara-bugetar%C4%83
HLG-2. Fiscal rules and monitoring of fiscal position	Law on local public finances no.397 of October 16, 2003 Law no.419 of December 22, 2006, on public sector debt, government guarantees, and state re-lending National Public Budget Execution Report prepared by MoF: https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale
1. Aggregate expenditure outturn	FY2018-2020 annual budget execution reports and financial statements of the Ungheni tier I local public authority
2. Expenditure composition outturn	FY2018-2020 annual budget execution reports and financial statements of the Ungheni tier I local public authority
3. Revenue outturn	FY2018-2020 annual budget execution reports and financial statements of the Ungheni tier I local public authority
4. Budget classification	Budget classification used for the last completed fiscal year (2020): https://www.legis.md/cautare/getResults?doc_id=129234&lang=ro# Chart of accounts used for the last completed fiscal year (2020): https://www.legis.md/cautare/getResults?doc_id=125434&lang=ro#
5. Budget documentation	Law on local public finances no.397 from October 16, 2003 Annexes to the municipal council decision on 2021 budget approval no.7/3 from December 18, 2020: http://ungheni.md/wp-content/uploads/2021/01/Buget-2021-Anexe-la-decizia-aprobare-buget.pdf Explanatory note to the 2021 budget: http://ungheni.md/wp-content/uploads/2022/06/Not%C4%83-informativ%C4%83-PROIECT-Buget-2021-min.pdf 2021 program budget: http://ungheni.md/proiect-buget-2021-pe-programe/
6. SNG operations outside financial reports	Ungheni municipality budget reports
7. Transfers to SNGs	Ungheni municipality budget amendments
8. Performance information for service delivery	Methodological set regarding the elaboration, approval and modification of the budget no.209 of December 24, 2015 2021 program budget: http://ungheni.md/proiect-buget-2021-pe-programe/ Ungheni municipality budget documentation and budget execution reports (http://ungheni.md/executarea-bugetului-pe-programe-2020/) Performance reports produced by Ungheni municipality

9. Public access to fiscal information	2020 draft budget: http://ungheni.md/wp-content/uploads/2020/07/Not%C4%83-informativ%C4%83-buget-2020.pdf Municipal budget execution report: http://ungheni.md/wp-content/uploads/2021/04/D-1-1-Anexa.pdf FY2019 audit report on the Ungheni tier I annual financial statements FY2019 compliance audit report
PI-9bis. Public consultation	Law no. 239-XVI of November 13, 2008, on transparency in the decision-making process, Government decision no. 967 of August 9, 2016, on the mechanism of public consultation with civil society in the decision-making process Internal regulation on ensuring transparency during the decision-making process by the local public administration authorities of the town Ungheni
10. Fiscal risk reporting	Law no.287 dated December 15, 2017, on accounting and financial reporting Law no.246 dated November 22, 2017, on state enterprise and municipal enterprise government decision no.568 dated May 6, 2008, on organization of public property evidence, its circulation and exercising responsibilities by persons authorized to represent the interest of the government / administrative and territorial units Reports provided by the Ungheni municipality
11. Public investment management	FY 2020 budget documentation and budget execution reports Government's decree on approval of regulation on the state capital investments projects no.1029 of December 19, 2013 National Regional Development Fund regulation no.127 of February 8, 2008 Government's Decree on approval of Ecology Funds no.988 of September 21, 1998
12. Public asset management	Annual financial statements for FY2020 Court of Accounts financial audit report and compliance audit reports for FY2019 Government's decision no.675 of June 6, 2008, on Public Property Register Law on the public property administration no.121 of May 4, 2007 government decision no.145 of February 13, 2008, regarding the approval of regulation on sale of shares at stock exchange Government's decision no.919 of July 30, 2008, regarding the approval of regulations on public property privatization by commercial or investment contest government decision no.136 of February 10, 2009, regarding the approval of regulation on open bidding auction Law on local public administration no.436 of December 28, 2006 Government decision no.500 of May 12, 1998, regarding the approval of regulations on asset write off Government decision no.480 dated March 28, 2003, regarding the approval of regulations on modality of determination and commercialization of unused assets by the enterprises
13. Debt management	Law no.419 of December 22, 2006, on public sector debt, state guarantees, and state re-credit Law no. 397-XV of October 16, 2003, on local public finances Government decision no.1136 of October 18, 2007, regarding some measures for the execution of the law no.419 of December 22, 2006 Ungheni municipality and MoF debt reports FY2019 CoA audit reports for Ungheni municipality
14. Macroeconomic and fiscal forecasting	FY2020 Ungheni municipality Budget and its Annexes
17. Budget preparation process	Budget circular for FY 2021 budget Budget submission letters
18. Legislative scrutiny of budgets	Law no.397 from October 16, 2003, on local public finances Ungheni municipal councils' decisions on budget approval
19. Revenue administration	FY 2020 Ungheni municipal budget reports Information provided by STS
20. Accounting for revenue	FY2020 Ungheni municipal budget reports
21. Predictability of in-year resource allocation	Law on local public finances no.397 dated October 16, 2003 Ungheni municipal council Budget amendments Monthly cash flow forecasts
22. Expenditure arrears	MFO no.121 of September 14, 2016, regarding the method of determining and reporting overdue receivables and overdue debts (arrears)

	Annual budget execution reports produced by the municipality Monthly reports on arrears prepared by MoF
23. Payroll controls	Law no.270 dated 23 November 2018 on unified payroll system in the public sector Law no.158 dated 04 July 2008 on civil service and status of the civil servant Law no.155 dated 21 July 2011 for approving the unified classification of the public functions Law no. 229 dated September 23, 2010, regarding public finance internal control Government decision no.1231 date 12 December 2018 on implementation the Law no.270/2018 MoF Order no.218 dated 28 December 2018 on staffing for public sector Report FD-050 MoF order no. 4 from January 09, 2019, regarding the regulation on self-evaluation relating to internal control reporting CoA audit reports Financial inspection agency prescriptions
24. Procurement management	Law no.131/2015 dated July 3, 2015, on public procurement Government decision no.665 dated May 27, 2016, for approving the regulation on small value public procurement ANSC FY2020 Annual Performance Report Data provided by Ungheni municipality
25. Internal controls on non-salary expenditure	Law on public internal financial control no.229 of September 23, 2010 Law on public finances and budgetary-fiscal responsibility no. 181 of July 25, 2014 MFO no.216 of December 28, 2015, regarding methodological norms for accounting and financial reporting in the public sector Methodological norms for cash execution of national public budget through treasury system of the Ministry of Finance approved through MoF Order no.215 of December 28, 2015 MFO no.189 of November 5, 2015, regarding the approval of National Standards for Internal Control in public sector MFO no.60 of May 29, 2012, regarding the approval of inventory regulations MFO no.3 of January 9, 2017 CoA financial audit and compliance audit reports for Ungheni municipality
26. Internal audit	Law no.229 on public internal financial control of September 23, 2010 Government decision no.617 dated December 11, 2019, for the approval of the regulation on the evaluation of the quality of the internal audit activity in the public sector MFO no. 153 dated September 12, 2018, on the National Internal Audit Standards MFO no.161 dated December 17, 2020, on the Internal Audit Standards in the public sector MFO no. 105 dated July 15, 2013, on the methodological norms for internal audit in the public sector (only the Supplementary Instructions part is in force) MFO no. 176 dated December 26, 2019, on the approval of the regulation on the reporting of internal audit activity in the public sector Data provided by the Ungheni municipality
27. Financial data integrity	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014 MoF methodological guidelines on cash execution of the budget components of the National Public Budget approved through MoF Order no.209 dated December 24, 2015 Regulation related to detachment of employees on business trips approved through the Government decision no 10 of January 5, 2012 FY2020 budget execution reports, including form FD-044 CoA Compliance audit report for FY2019
28. In-year budget reports	Law no. 181 of July 25, 2014, on public finances and budgetary- fiscal responsibility Law no. 397 of October 16, 2003, on local public finances MoF methodological norms on accounting and financial reporting in the budget system approved by order no. 216 of December 28, 2015 MoF consolidated local budget execution reports: https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare In-year budgets reports produced by the municipality
29. Annual financial reports	Annual financial statements produced by the municipality for FY2020

	MoF methodological norms on accounting and financial reporting in the budget system approved by order no. 216 of December 28, 2015
30. External audit	Law no.436 of December 28, 2006, on local public administration Financial audit report for Ungheni tier I level local public authority for FY2019:
31. Legislative scrutiny of audit reports	Law no.436 of December 28, 2006, on local public administration Financial audit report for Ungheni tier I level local public authority for FY2019 Decision of municipal council on approval of action plan: http://ungheni.md/wp-content/uploads/2021/06/D-2-Anexa.pdf

Annex 3.2 List of persons interviewed

Institution	Department	Name	Position
Ungheni municipality		Alexandru Ambros	Mayor
		Dionisie Ternovschi	Deputy Mayor
		Tatiana Racovita	Public Procurement
		Tatiana Pavliuc	Chief-accountant
		Viorica Taranu	Tax officer
State Tax Service	Ungheni Tax Service Division	Victor Reznic	Head of Division
	Organizational Management Division	Victor Lisnic	Head of Division
	Records and Tax Information Division	Liudmila Grițco	Head of Division
	General Division for organization, service and recovery of arrears	Corneliu Prisacaru	Head of Division
Court of Accounts		Eduard Morosan	Member
		Ecaterina Paknehad	Chief of Office
	General Audit Department V	Sergiu Stirbu	Head of general Department
	General Audit Department V	Elena Coliba	Principal Public Auditor
	General Audit Division V, Division II	Ion Plesca	Head of Division
Financial Inspection	Division for financial inspection of local public finances	Valeriu Ivanțoc	Head of Division

Annex 4. Calculation of budget outturns for HLG-1, PI-1, PI-2 and PI-3

Calculation of budget outturns for HLG-1 for 2018 (MDL thousand)

Grants	budget	actual	adjusted budget	deviation	absolute deviation	percent
Shared revenues (personal income tax)	9,977.6	18,267.5	12,318.6	5,948.9	5,948.9	48.3%
Equalization Grant	2,600.1	2,600.1	3,275.8	-675.7	675.7	20.6%
Targeted Grant for Education	35,978.6	36,333.4	45,328.9	-8,995.5	8,995.5	19.8%
Targeted Grant for Sport Schools	1,510.2	1,483.1	1,902.7	-419.5	419.5	22.0%
Targeted Grant for Road Infrastructure	3,752.8	3,752.8	4,728.1	-975.3	975.3	20.6%
Other special purpose current transfers between state budget s and level I local budget	0	34.5	0.0	34.5	34.5	0%
Special purpose capital transfers between state budget and level I local budget	0	382.6	0.0	382.6	382.6	0%
Special purpose capital transfers between state budget institutions and level I local budget institutions	0	2,996.0	0.0	2,996.0	2,996.0	0%
Special purpose current transfers from the compensation fund between state budget and level I local budget	0	0.0	0.0	0.0	0.0	0%
Transfers received within the local budgets under the same ATU	0	1,704.1	0.0	1,704.1	1,704.1	0%
Grand Total	53,619.3	67,554.9	67,554.9		22,132.1	
					<i>HLG-1 indicator variation</i>	<i>126.0%</i>
					<i>HLG-2 indicator structure</i>	<i>32.8%</i>

Calculation of budget outturns for HLG-1 for 2019 (MDL thousand)

Grants	budget	actual	adjusted budget	deviation	absolute deviation	percent
Shared revenues (personal income tax)	17,831.1	18,000.8	20,214.1	-2,213.3	2,213.3	10.9%
Equalization Grant	3,010.2	3,010.2	3,412.5	-402.3	402.3	11.8%
Targeted Grant for Education	38,249.0	41,934.2	43,360.7	-1,426.5	1,426.5	3.3%
Targeted Grant for Sport Schools	1,614.0	1,710.0	1,829.7	-119.7	119.7	6.5%
Targeted Grant for Road Infrastructure	3,844.3	3,844.3	4,358.1	-513.8	513.8	11.8%
Other special purpose current transfers between state budget and level I local budget	0	0	0	0	0	0%
Special purpose capital transfers between state budget and level I local budget	0	0	0	0	0	0%
Special purpose capital transfers between state budget institutions and level I local budget institutions	0	1,175.7	0.0	1,175.7	1,175.7	0%
Special purpose current transfers from the compensation fund between state budget and level I local budget	2,092.3	3,628.0	2,371.9	1,256.1	1,256.1	53.0%
Transfers received within the local budgets under the same ATU	0.0	2,243.7	0.0	2,243.7	2,243.7	0.0%
Grand Total	66,640.9	75,546.9	75,546.9		9,351.0	
					<i>HLG-1 indicator variation</i>	113.4%
					<i>HLG-2 indicator structure</i>	12.3%

Calculation of budget outturns for HLG-1 for 2020 (MDL thousand)

Grants	budget	actual	adjusted budget	deviation	absolute deviation	percent
Shared revenues (personal income tax)	27,379.4	27,144.9	28,239.4	-1,094.5	1,094.5	3.9%
Equalization Grant	3,906.9	3,906.9	4,029.6	-122.7	122.7	3.0%
Other general purpose grants	0	2,287.8	0	2,287.8	2,287.8	0%
Targeted Grant for Education	43,550.0	43,992.4	44,917.9	-925.5	925.5	2.1%
Targeted Grant for Sport Schools	1,959.2	1,952.1	2,020.7	-68.6	68.6	3.4%
Targeted Grant for Road Infrastructure	3,845.0	3,845.0	3,965.8	-120.8	120.8	3.0%
Other special purpose current transfers between state budget and level I local budget	0	0	0	0	0	0%
Special purpose capital transfers between state budget and level I local budget	0	0	0	0	0	0%
Special purpose capital transfers between state budget institutions and level I local budget institutions	0	44.3	0	44.3	44.3	0%

Special purpose current transfers from the compensation fund between state budget and level I local budget	0	0	0	0	0	0
Transfers received within the local budgets under the same ATU	0	0	0	0	0	0
Grand Total	80,640.5	83,173.4	83,173.4		4,664.2	
					<i>HLG-1 indicator variation</i>	<i>103.1%</i>
					<i>HLG-2 indicator structure</i>	<i>5.6%</i>

Data on functional classification for 2018 (MDL thousand)

Functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	6,458.8	8,556.8	8,681.3	-124.5	124.5	1.4%
Economic affairs	-1,550.0	-411.8	-2,083.4	1,671.6	1,671.6	-80.2%
Road transport	3,752.8	12,070.4	5,044.1	7,026.3	7,026.3	139.3%
Housing and community amenities	5,350.0	18,138.1	7,190.9	10,947.2	10,947.2	152.2%
Culture, sport, youth, and recreation	12,402.8	12,501.3	16,670.6	-4,169.3	4,169.3	25.0%
Education	40,134.2	41,185.1	53,944.4	-12,759.3	12,759.3	23.7%
Social protection	4,004.1	2,604.4	5,381.9	-2,777.5	2,777.5	51.6%
Other environmental services	0	165.6	0	165.6	165.6	0%
Civil protection	0	20.0	0	20.0	20.0	0%
Allocated expenditure	70,552.7	94,829.9	94,829.9	0	39,661.16	
Interest	586.9	586.8				
Contingency	350.0	0				
Total expenditure	71,489.6	95,416.7				
Aggregate outturn (PI-1)						133.5%
Composition (PI-2) variance						41.8%
Contingency share of budget						0%

Data on functional classification for 2019 (MDL thousand)

Functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	8,675.4	9,467.4	11,465.2	-1,997.8	1,997.8	17.4%
Economic affairs	0	-33,621.4	0	-33,621.4	33,621.4	0%
Road transport	8,615.1	23,160.1	11,385.5	11,774.6	11,774.6	103.4%
Housing and community amenities	8,973.1	33,206.8	11,858.7	21,348.1	21,348.1	180.0%
Culture, sport, youth, and recreation	9,122.7	18,484.0	12,056.4	6,427.6	6,427.6	53.3%
Education	44,328.2	52,647.5	58,583.2	-5,935.7	5,935.7	10.1%
Social protection	0	253.0	0	253.0	253.0	0%
Other environmental services	0	1,751.6	0	1,751.6	1,751.6	0%
Allocated expenditure	79,714.5	105,349.0	105,349.0	0	83,109.9	
Interest	767.4	790.2				
Contingency	420.0	0				
Total expenditure	80,901.9	106,139.2				
Aggregate outturn (PI-1)						131.2%
Composition (PI-2) variance						78.9%
Contingency share of budget						0%

Data on functional classification for 2020 (MDL thousand)

Functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	9,774.2	9,088.5	10,405.2	-1,316.7	1,316.7	12.7%
Economic affairs	0	-2,178.9	0	-2,178.9	2,178.9	0%
Road transport	3,845.0	4,429.3	4,093.2	336.1	336.1	8.2%
Housing and community amenities	17,756.5	26,899.0	18,902.8	7,996.2	7,996.2	42.3%
Culture, sport, youth, and recreation	12,719.0	11,341.4	13,540.1	-2,198.7	2,198.7	16.2%
Education	50,226.0	48,691.8	53,468.5	-4,776.7	4,776.7	8.9%
Social protection	0	372.5	0	372.5	372.5	0%
Other environmental services	0	1,766.3	0	1,766.3	1,766.3	0%
Allocated expenditure	94,320.7	100,409.9	100,409.9	0.00	20,942.08	
Interest	925.4	930.4				
Contingency	480.0	0				
Total expenditure	95,726.1	101,340.3				
Aggregate outturn (PI-1)						105.9%
Composition (PI-2) variance						20.9%
Contingency share of budget						0%

Data on economic classification for 2018 (MDL thousand)

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	33,343.9	32,292.1	44,503.9	-12,211.8	12,211.8	27.4%
Use of goods and services	19,294.8	18,727.8	25,752.6	-7,024.8	7,024.8	27.3%
Transfers within public budget	0	0	0	0	0	0%
Interest	586.9	586.8	783.3	-196.5	196.5	25.1%
Subsidies	0	920.2	0	920.2	920.2	0%
Social benefits	169.7	304.9	226.5	78.4	78.4	34.6%
Other expenses	2,835.5	3,649.5	3,784.5	-135.0	135.0	3.6%
Fixed assets	4,324.7	28,268.3	5,772.1	22,496.2	22,496.2	389.7%
Stock of materials	10,934.1	10,667.1	14,593.7	-3,926.6	3,926.6	26.9%
Total expenditure	71,489.6	95,416.7	95,416.7	0.0	46,989.5	
Composition variance						49.2%

Data on economic classification for 2019 (MDL thousand)

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	35,888.7	41,247.3	47,084.2	-5,836.9	5,836.9	12.4%
Use of goods and services	17,245.3	23,997.8	22,625.0	1,372.8	1,372.8	6.1%
Transfers within public budget	0	0	0	0	0	0%
Interest	767.4	790.2	1,006.8	-216.6	216.6	21.5%
Subsidies	0	875.8	0	875.8	875.8	0%
Social benefits	456.2	997.4	598.5	398.9	398.9	66.6%
Other expenses	324.0	8,226.4	425.1	7,801.3	7,801.3	1835.3%
Fixed assets	13,110.3	18,523.9	17,200.1	1,323.8	1,323.8	7.7%
Stock of materials	13,110.0	11,480.4	17,199.7	-5,719.3	5,719.3	33.3%
Total expenditure	80,901.9	106,139.2	106,139.2	0	23,545.41	
Composition variance						22.2%

Data on economic classification for 2020 (MDL thousand)

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	46,546.3	43,549.0	49,276.2	-5,727.2	5,727.2	11.6%
Use of goods and services	17,581.8	19,137.6	18,612.9	524.7	524.7	2.8%
Transfers within public budget	0	0	0	0	0	0%
Interest	925.4	930.4	979.7	-49.3	49.3	5.0%
Subsidies	0	325.9	0	325.9	325.9	0%
Social benefits	575.2	717.0	608.9	108.1	108.1	17.7%
Other expenses	944.0	2,303.5	999.4	1,304.1	1,304.1	130.5%
Fixed assets	16,000.3	24,629.4	16,938.7	7,690.7	7,690.7	45.4%

Stock of materials	13,153.1	9,747.5	13,924.5	-4,177.0	4,177.0	30.0%
Total expenditure	95,726.1	101,340.3	101,340.3	0.0	19,906.9	
Composition variance						19.6%

Revenue Data for 2018 (MDL thousand)

Revenue type	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues and fees						
Personal income tax payable / paid	200.0	270.8	242.6	28.2	28.2	11.6%
Personal income tax in the field of road passenger transport by taxi	0	0	0	0	0	0%
Income tax related to the transfer of possession and / or use of real estate	2.1	30.9	2.5	28.4	28.4	1,113.0%
Income tax on self-employed individuals	400.0	29.2	485.2	-456.0	456.0	94.0%
Property tax						
Land tax	26.5	57.4	32.1	25.3	25.3	78.6%
Real estate tax	2,505.0	3,437.0	3,038.7	127.8	127.8	3.6%
Private tax earned by level I local budget	10.0	3.5	12.1	-8.6	8.6	71.1%
Taxes and levies on goods and services						
Taxes	9,778.5	9,355.3	11,861.7	-2,506.4	2,506.4	21.1%
Grants						
Grants received from international organizations	2,605.7	5,151.0	3,160.8	1,990.2	1,990.2	63.0%
Other revenue						
Rent of land with another destination	80.0	178.8	97.0	81.8	81.8	84.2%
Fee for organization of auctions and lotteries	0	0.2	0.0	0.2	0.2	0%
Payment for town planning certificates and authorizations	10.5	6.6	12.7	-6.1	6.1	48.2%
Receipts from fee-based services	4,657.0	4,937.6	5,649.1	-711.5	711.5	12.6%
Payments for rental of public property goods	390.00	323.6	473.1	-149.5	149.5	31.6%
Fines and contravention sanctions	20.0	2.0	24.3	-22.3	22.3	91.8%
Voluntary donations	20.0	1,347.8	24.3	1,323.5	1,323.5	5,455.5%
Other revenues	20.0	8.8	24.3	-15.5	15.5	63.7%
Total revenue	20,725.3	25,140.5	25,140.5	0.0	7,751.7	
Overall variance						121.2%
Composition variance						30.8%

Revenue Data for 2019, (MDL thousand)

Revenue type	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues and fees						
Personal income tax payable / paid	262.5	318.2	391.4	-73.2	73.2	18.7%
Personal income tax in the field of road passenger transport by taxi	0	29.6	0	29.6	29.6	0
Income tax related to the transfer of possession and / or use of real estate	21.0	69.2	31.3	37.9	37.9	121.0%
Income tax on self-employed individuals	300.0	65.4	447.4	-382.0	382.0	85.4%
Property tax						
Land tax	50.2	49.8	74.9	-25.1	25.1	33.5%
Real estate tax	3,202.0	3,708.7	4,774.9	-286.7	286.7	7.2%
Private tax earned by level I local budget	0	332.8	0	332.8	332.8	0
Taxes and levies on goods and services						
Taxes	8,480.0	9,766.8	10,581.3	-814.5	814.5	7.7%
Grants						
Grants received from international organizations	0	1,612.3	0	1,612.3	1,612.3	0
Other revenue						
Rent of land with another destination	220.0	187.4	328.1	-140.7	140.7	42.9%
Fee for organization of auctions and lotteries	0	1.0	0	1.0	1.0	0%
Payment for town planning certificates and authorizations	10.0	12.6	14.9	-2.3	2.3	15.5%
Receipts from fee-based services	4,526.3	3,941.7	6,749.7	-2,808.0	2,808.0	41.6%
Payments for rental of public property goods	330.0	393.8	492.1	-98.3	98.3	20.0%
Fines and contravention sanctions	0	2.1	0	2.1	2.1	0%
Voluntary donations	40.0	5,461.9	59.6	5,402.3	5,402.3	9,056.7%
Other revenues	10.0	72.0	14.9	57.1	57.1	382.8%
Total revenue	17,452.0	26,024.9	26,024.9	0.0	14,949.2	
Overall variance						149.1%
Composition variance						57.4%

Revenue Data for 2020, (MDL thousand)

Revenue type	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Personal income tax payable / paid	464.4	610.6	549.4	61.2	61.2	13.1%
Personal income tax in the field of road passenger transport by taxi	22.0	47.0	26.0	21.0	21.0	80.6%
Income tax related to the transfer of possession and / or use of real estate	89.5	148.7	105.9	42.8	42.8	40.4%
Income tax on self-employed individuals	70.0	100.6	82.8	17.8	17.8	21.5%
Property tax						
Land tax	0	43.1	0	43.1	43.1	0%
Real estate tax	3,623.6	3,876.4	4,286.5	-410.1	410.1	9.6%
Private tax earned by level I local budget	0	18.5	0	18.5	18.5	0%
Taxes and levies on goods and services						
Taxes	9,580.0	9,093.6	11,332.7	-2,239.1	2,239.1	19.8%
Grants						
Grants received from international organizations	0	3,648.8	0	3,648.8	3,648.8	0%
Other revenue						
Rent of land with another destination	169.9	276.8	201.0	75.8	75.8	37.7%
Fee for organization of auctions and lotteries	0	0.2	0	0.2	0.2	0%
Payment for town planning certificates and authorizations	11.0	10.8	13.0	-2.2	2.2	17.0%
Receipts from fee-based services	3,901.5	2,379.3	4,615.3	-2,236.0	2,236.0	48.4%
Payments for rental of public property goods	500.0	300.2	591.5	-291.3	291.3	49.2%
Fines and contravention sanctions	0	6.0	0	6.0	6.0	0%
Voluntary donations	20.0	1,348.3	23.7	1,324.6	1,324.6	5,598.9%
Other revenues	70.0	1.6	82.8	-81.2	81.2	98.1%
Total revenue	18,521.9	21,910.5	21,910.5	0.0	10,519.8	
Overall variance						118.3%
Composition variance						48.0%