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**Republic of Moldova
Ungheni Tier II Local Public Administration
Authority
(Ungheni Rayon)**

**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 II Local Public Administration Authority
Ungheni Rayon (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.

The report benefitted from the comments and observations provided by the peer reviewers: PEFA Secretariat, Ms. Tatiana Struc (Head of Finance Division, Ungheni rayon), Mr. Ion Iaconi (Head of Local Budget Division, Ministry of Finance), Mr. Josip Juric (Programme Manager, Delegation of the European Union to the Republic of Moldova), Ms. Marina Marinkov (Senior Economist in the European Department, International Monetary Fund), and Ms. Lucretia Ciurea (Monitoring and Reporting Analyst, UN Women).

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. Boris Filipov (Programme officer, Economic Development and Market Opportunities, European Union), 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 Spioalo (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 EC 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 rayon 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 rayon 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 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
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
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 rayon level of the subnational government (tier II budget), based on the internationally recognized 2016 PEFA methodology. A central government (CG) assessment and a subnational government (SNG) assessment at the Ungheni municipality level 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 2022 guidance for subnational government. For those indicators which were not applicable, a justification is provided.

Timeline/ Dates of mission. The assessment was conducted from November 2021 to April 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. Fiscal year 2020 was audited by the Court of Accounts (CoA).

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

Coverage. The assessment covers the rayon administration, which comprises 86 budgetary institutions and authorities. It also covers the public corporations where the Ungheni rayon council is the founder. There are extrabudgetary units (EBUs) at the Ungheni rayon 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 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 interviews; 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 (PFM Strategy 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. In the past few years, the transfers from the Government have been steadily increasing and this increase is linked to the Consumer Price Index (CPI) adjustment and to the payroll policies. From the analysis of the budget data, it can be observed that the actual execution figures are higher for the transfers which implies that during the year the local authorities

must adjust the initially approved amounts of transfers. The reason is that throughout the year the local authorities have additional allocations approved for their projects from the centralized funds administered by some line ministries (such as National Ecologic Fund, Energy Efficiency Fund, National Regional Development Fund, etc.) as well as other allocations approved by the Government for specific objectives (for instance, provision of one-off compensation for health workers infected with COVID-19, roll-out of activities related to the country reintegration, etc.) . At the same time, it should be noted that the value of transfers is not directly proportional to the number of competencies assigned to the local authority by the administrative decentralization law. This could mean that more expenses are necessary to fulfill the competencies assigned for the local authority level II, and that the revenues received in the local budget from their own fees and taxes are not sufficient.

Main strengths and weaknesses of the PFM systems

Strengths. The Ungheni rayon 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 rayon council web page where the rayon finance division publishes PowerPoint presentations with summarized and accessible explanation of the key elements of the budget. In 2020 all rayon 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 rayon sectors is very good reflecting a program budget system in place. All revenues are paid into the Treasury account and allocated to the rayon's sub-account. A revenue report is prepared for management purposes. 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. There is good segregation of duties with clear responsibilities. The rayon council did follow up on the audit findings.

Weaknesses. The budget is presented for the up-coming year only. The rayon lacks a basic debt management strategy. The internal audit function in the rayon is staffed only with one internal auditor, while the regulatory framework envisages at least two staff units. The effective coverage of internal audit is less than 10 per cent of expenditure even though planned audits and ad hoc audits are performed. Internal audit activities are primarily focused on compliance. The standards used in preparing annual financial reports are not disclosed. There is no mandatory submission of accounts for external audit at the rayon level so financial statements are not routinely submitted to the Court of Accounts.

Impact of PFM performance on budgetary and fiscal outcomes

Aggregate Fiscal Discipline. Aggregate fiscal discipline is achieved due to control over spending during budget execution, as well as relatively realistic revenue forecasts. Transfers from the central government cover almost all of the rayon expenditure and the assured predictability of the transfers has been essential in maintaining fiscal discipline. The planned budget, on an aggregate basis, is not normally circumvented using virement and supplementary budgets even in the context of policies to mitigate the impact of COVID. 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 limited internal audit function, financial inspection, and possibility of external audit enhance fiscal discipline.

Strategic Allocation of Resources. 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 evaluation reviews supported by Moldova's development partners.

Efficient Use of Resources for Service Delivery. The strength in the procurement process is good and the rayon has managed its database well. The high level of contracts based on competitive bidding positively affects efficiency in service delivery. The strength of payroll systems, particularly with the integration of payroll and personnel systems, means 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 personnel). However limited internal audit means that in-year system assessments do not contribute as much as they could. The annual production of consolidated annual financial statements ensures the timely impact of audits when the rayon is selected for audit. The monthly budget execution reports also ensure that there is well-timed assessment of resource usage relating to the planned budget. 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.

Performance changes since the previous assessment

This is the baseline assessment for the Ungheni tier II 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	A	B	A	A	A
HLG-2	Fiscal rules and monitoring of fiscal position	M1	A	A	A		A
Pillar One: Budget reliability							
PI-1	Aggregate expenditure outturn	M1	A				A
PI-2	Expenditure composition outturn	M1	B	D	A		D+
PI-3	Revenue outturn	M2	B	D			C
Pillar Two: Transparency of public finances							
PI-4	Budget classification	M1	A				A
PI-5	Budget documentation	M1	B				B
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	B				B
PI-9 bis	Public consultation	M2	B	D	NA		C
Pillar Three: Management of Assets and Liabilities							
PI-10	Fiscal risk reporting	M2	C	NA	NA		C
PI-11	Public investment management	M2	NA	NA	NA	NA	NA
PI-12	Public asset management	M2	A	B	A		A
PI-13	Debt management	M2	B	A	D		B
Pillar Four: Policy-based fiscal strategy and budgeting							
PI-14	Medium-term budget strategy	M2	B	B	D	NA	C+
PI-17	Budget preparation process	M2	C	C	C		C
PI-18	Legislative scrutiny of budgets	M1	B	B	A	A	B+
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	A	A	A	A
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	A	A	A	B	B+
PI-24	Procurement management	M2	B	A	C	A	B+
PI-25	Internal controls on non-salary expenditure	M2	B	A	A		A
PI-26	Internal audit	M1	D	C	A	C	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	A	B		B+
PI-29	Annual financial reports	M1	A	D	D		D+
Pillar Seven: External scrutiny and audit							
PI-30	External audit	M1	A	B	A	C	C+
PI-31	Legislative scrutiny of audit reports	M2	B	D	C	C	C

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 after the banking fraud¹, (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 percent, followed by investment and inventories. On the supply side, the lockdown measures have halted trade and industrial production while the severe drought has resulted in a decline in agriculture production by over 27 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 5 times to a record low of 2.65 percent. A large import compression, together with relatively stable remittances, has led to an improvement in the current account deficit. In 2020, lower energy prices and weak domestic demand have resulted in a contraction in imports of 10.5 percent, which has compensated for the decline in the volume of exports (-11.5 percent) and in remittances (-0.4 percent). The current account deficit registered 6.7 percent of GDP in 2020, as compared to 9.3 percent of GDP in 2019 and 10.4 percent in 2018. In 2020, on the back of Covid-19 restrictions, the Foreign Direct Investment (FDI) contracted sharply to 0.5 percent of GDP, as opposed to 4.2 percent of GDP in 2019 and 2.5 percent of GDP in 2018. On this background, the fiscal stance substantially deteriorated. From the pre-COVID-19 level, tax revenue increased by about 0.3 percent of GDP, while spending increased by 4.1 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 elected 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, 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	27.9	27.8	28.1
Expenditures	28.8	29.2	33.4
Fiscal balance (official)	-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 rayon is one of 32 rayons in Moldova. It is situated in the central-west part of the country, bordering Romania. There are three major contributing economic sectors: mining and processing of agricultural products with 49.9% of the total rayon turnover, and commerce with 38.4% of the total rayon turnover. Administratively it is organized into 12 villages, 19 communes, and 2 cities (Ungheni and Cornesti).

7. Main facts and selected economic indicators for the SNG are summarized in Tables 3 and 4 below.

Table 3: Summary of main facts of the SNG

SNG	Detail
Tier of government	Tier II public administration authority
Population	117,400
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	Mining, Agricultural Processing, and Commerce (88% of rayon turnover)
Services provided by the SNG	Social protection of the population, public health, public order, coordination and supervision of administrative military activities, institutions and activities linked to secondary vocational education, boarding schools, schools for children with special needs, and protection of natural resources

Data source: <http://www.crungheni.md/raionul-ungheni/descrierea-general/geografie/>;
<http://www.crungheni.md/raionul-ungheni/descrierea-general/economia/>

1.2 Fiscal and budgetary trends in the SNG

8. Transfers from the state budget dominate the revenues of the Ungheni tier II rayon budget. Around 70% of transfers go to education, followed by road infrastructure and social protection of population. Key sources for own revenues are water fees and fees for extraction of useful materials. The Ungheni tier II authority does not collect and administer on its own most of the budget revenues. The respective function is performed by the State Tax Service. As shown in Table 4 there was a budget surplus in 2018 and 2020, and a deficit in 2019 covered (financing source) from the budget balance available in the treasury account of the rayon budget at the end of FY2018 for the expenditures which exceeded the revenues.

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

	2018	2019	2020
Total revenue	252,763.2	280,379.6	326,821.1
Own revenue	22,508.5	21,975.9	18,918.0
Transfers from the state budget	230,254.7	258,403.7	307,903.1
Total expenditure	245,336.5	292,781.2	323,771.6
Aggregate deficit (-) / surplus (+) (including grants)	+7,426.7	-12,401.6	+3,049.5

Data source: Ungheni rayon budget execution reports

9. The majority of the rayon budget (around 65%) is spent for compensation of the employees, followed by the expenditures for procurement of goods and services (5.7%), procurement and repairing of fixed assets (17.2%), procurement of materials (5.4%), and social benefits (4%). The functional structure of the rayon budget expenditures reflects the budgetary-fiscal policy with the following shares in 2020: education – 67.6%, social protection – 14.2 %, economic affairs – 9.6%, general state services – 4.4%, culture, sport, youth and recreation – 4.0%, and healthcare 0.3% (see Annex 4).

10. The year-end rayon budget balance is normally used for providing additional allocations to the lower tier authorities, or subordinated spending units based on their requests which are scrutinized and approved by the rayon council. Such allocations are not included in the initial budget² but are reported in the annual budget execution report. In 2020 the year-end balance was allocated to the mayor's offices for development of infrastructure and implementation of various projects, to noncommercial organizations, for provision of financial aid to the citizens, and to the institutions under rayon council subordination.

11. Surpluses created from differences between special-purpose transfers for education and allocated amounts after revising the budgets of the educational facilities, are included in the component of the tier II local authority (called the rayon component). This component can be spent only for educational purposes in accordance with the government decision no. 868 of October 8, 2014.³ In 2020 the rayon component was used for capital repair works, endowment of the educational institutions, and for covering the teachers' payroll deficit.

1.3 Intergovernmental fiscal arrangements

1.3.1. Assignment of expenditure responsibility

12. Article 3 of law no.397/2003 on local public finance 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 budgetary and fiscal responsibility. The local authority bears full responsibility for the execution of its budget in accordance with the established legal framework.

1.3.2. Tax revenue sharing

13. Tax revenue sharing arrangements are provided in the law on local public finance. The rayon budget receives 25% of total personal income tax (PIT) collected on the territory of the cities which are headquarters for the rayon and of the municipality – headquarters of the given rayon.

1.3.3. Intergovernmental transfer

The relationship between state and local budgets is established through law no. 181/2014 on public finance and budgetary-fiscal accountability. The mechanism of intergovernmental transfers is regulated by law no.397/2003 on local public finance. 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

14. Local public authorities have recourse to borrowing from private or public banking institutions. The law no. 397/2003 on local public finance allows local authorities to borrow for capital purposes both

² The local authorities prefer to distribute the account balance during the year according to the urgent requests or needs, with caution and not entirely, for the reserves for the unforeseen circumstances.

³ https://www.legis.md/cautare/getResults?doc_id=118772&lang=ro#

domestically and abroad. 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 and more).

15. 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. There is also a cap on credit operations for local authorities such as debt service, including repayment of principal and interest for existing debts.

16. According to provisions of law no.419, the MoF monitors the situation of public-sector debt. All public-sector entities (including local authorities) 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 situation of public-sector debt. Reports are published on the MoF's website.

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

1.4 Institutional arrangements for PFM

1.4.1 Overall institutional arrangements for PFM

18. 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 of the Republic of Moldova 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.

19. 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.

20. 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 the Government are signed by the Prime Minister, 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.

21. 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.

22. The Court of Accounts is the Supreme Audit Institution (SAI) of the state, which contributes to the 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.

23. The law on public finance 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.

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

25. The budget process in Moldova is distributed between the executive and legislative powers. The Executive prepares and executes the State Budget, State Social Insurance Budget, and Compulsory Health Insurance Funds Budget, while SNGs prepare and execute local budgets. The Legislative is responsible for budget adoption and its amendments, while control over execution is carried out through the CoA.

26. 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.

27. 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 rayon is served by the Centre regional treasury.

1.4.2 Subnational institutional arrangements for PFM

28. The structure of Moldova's local public administration was elaborated upon by the 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 (ATU 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.

29. A tier II 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 rayon budget includes all revenues and expenditures necessary to exercise the functions of the rayon administration. The rayon 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 head of the rayon fulfills the function of the rayon budget administrator.

30. The organization, competencies, finances, and operational aspects of local authorities are regulated by a comprehensive set of laws and regulations. The 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, 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 no.181 of July 25, 2014;
- Administrative and territorial organization of the Republic of Moldova no.764-XV of December, 2001;
- Framework status of the villages (communes) and towns (municipality) no.436-XV of November 6, 2003.

31. 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 II are:

- Socio-economic development, territorial planning and urban development;
- Construction, administration and repair of district roads;
- Construction of sanitary institutions and schools; social assistance; maintenance of sanitary and social facilities
- Oversight and management of education institutions;
- Coordination and development of sporting and other activities for youth;
- Public transportation;
- Environmental protection, managing public property, construction of interurban pipelines, land relations under the law; and
- Maintenance of exhibitions, theatres, public television and other institutions that serve the population, as well as financing of cultural activities organized and carried out by level II local public administration, fire protection, other duties under the law.

32. 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.

33. Tier II local authorities have the following delegated functions: social protection of the population, institutions and activities linked to primary and secondary vocational education, boarding schools, schools for children with special needs, road infrastructure, protection of natural resources, and consumer and civil protection.

34. Each rayon elects a council, which coordinates the activities of the local councils in order to provide public services at the regional level. The rayon representative and deliberative authority is rayon council composed of 35 councilors in Ungheni. The Ungheni rayon executive authority is exercised by the head of the rayon and it includes the following sub-divisions with the status of a public institution:

- Office of the Rayon Council Head;
- Education Division;
- Finance Division;
- Culture and Tourism Section;
- Agriculture and Food Division;
- General Social Assistance and Family Protection Division; and
- Territorial Military Center Ungheni.

35. These sub-divisions have various subordinate institutions. Each division, except the Agriculture and Food Division, has its own accounting unit but all accounting and financial information is consolidated at the level of the finance division.

36. There are also 46 educational facilities at self-management level which have their own accounting unit. Thus, the rayon budget finances 53 institutions (7 public institutions of the rayon council and 46 education facilities).

37. The Ungheni council acts as founder in three municipal enterprises and 14 public health facilities. The health facilities have the status of public institution, and their financing is provided from the mandatory insurance funds for medical assistance which are managed by the central government. For this purpose, the facilities have to enter into contract with the National Health Insurance Company that manages the insurance funds. These facilities are considered extrabudgetary units per IMF's GFS.⁴ In addition, the Ungheni rayon tier II administrative territorial unit has 33 tier I local public authorities (villages, communes, and two towns) that receive transfers directly from the state budget, but report regularly to the rayon finance division for preparation of synthesis of draft budgets/execution of local budgets of tier I and tier II. The rayon council may allocate additional transfers to such authorities only from its available end-year balance. There is no direct financial relationship between the rayon and its tier I authorities. Per article 81 of local public administration law no.436 / 2006, the budgeting process and budgets of tier II and tier I authorities are independent from each other. Tier I public authorities receive transfers from the central government. The transfers provided by the tier II authority to tier I authority only partially cover the budget of the lower tier (Annex 5). Hence, the tier I authorities are considered EBU's per PEFA Framework.

⁴ <https://www.imf.org/external/pubs/ft/gfs/manual/gfs.htm>

Table 6. Units of the SNG – Number of entities

Budgetary units	Budgetary units	Extrabudgetary units	Public corporations
Number	86	47	3
Expenditure, actual in 2020 (MDL thousand)	323,772	Not available	

Data source: Finance Division

38. The local public finance law no. 397/2003 is the primary law governing the public financial management in the local authorities. It provides the structure of the local revenues, 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.

39. Entities and office holders responsible for the elaboration, approval, and execution of the Ungheni rayon budget and for the management of the public patrimony are:

- The rayon council approves the organizational chart and the staff statements of its subordinate subdivisions, the annual budget decision, and the amendment of the rayon 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 rayon budget (and on the application of other financial instruments according to the legal framework), and on the administration of the rayon assets. It decides, in accordance with the law, on the legal acts of administration regarding public goods and services in the rayon's domain, approves programs for the development of social services, identifies the necessary financial resources, and hears the report on the execution of the rayon budget.
- The head of the rayon who ensures the execution of the decisions of the local council, that exercises the function of administrator of the rayon budget, ensuring 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.

40. 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.

41. 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.

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

43. 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 dealing with 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

44. 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)	A	
HLG-1.1: Outturn of transfers from higher-levels of government	A	Outturn of transfers from the state budget was between 97% and 106% of the estimate in all three years.
HLG-1.2: Transfers composition outturn	B	Transfer composition outturn was less than 10% in all 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 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.

45. Articles 4, 10, 11 and 12 of local public finance law no.397/2003 establish the type of transfers from the state budget to tier II 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 local public administration (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,⁵ population size, and the area of ATU, and (ii) a Budget Equalization Fund for tier-two ATUs (55%) – distribution is formula based calculated as direct proportion of the population size and the area.

46. 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

⁵ 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.

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

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

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

Dimension HLG-1.1 Outturn of transfers from the HLG

50. The total amount of transfers from the state budget to the Ungheni rayon and its subordinated spending units in 2018 – 2020 is shown in the Table HLG 1.

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

Aggregate expenditure	2018	2019	2020
Approved budget	239,640.2	267,284.4	315,969.3
Outturn	246,983.6	275,256.5	321,475.6
Outturn as percentage of budget (%)	103.1	103.0	101.7
Composition variance of earmarked grants, (%)	5.9	8.2	5.5

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

51. Actual transfers were between 97% and 106% of the original budget estimate in all last three years.

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

Dimension HLG-1.2 Earmarked grants outturn

53. Variance in transfer composition was less than 10% in all three years. The largest variance happened in 2019 for other general-purpose transfers that almost doubled. In 2020 the same occurred with special purpose current transfers between state budget institutions and tier II local budget institutions.

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

Dimension HLG-1.3 Timeliness of transfers from the HLG

55. MFO no.3/2017 regulates the transfers to the LPAs. General-purpose transfers are made monthly 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 rayon subdivisions and subordinated authorities / spending units within the remaining balance of the approved transfers. Upon request of the local authorities, in order to cover a temporary cash deficit, the general transfers could be made in advance from the TSA up to the threshold of the annual allocations per restrictions stated in art. 14 of local public finance law. Shared revenues are channeled daily upon collection of the PIT. The timetable described above was respected in all three years assessed.

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

Dimension HLG-1.4 Predictability of transfers

57. 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.⁶ 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.

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

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

HLG-2. Fiscal rules and monitoring of fiscal position

60. 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.
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

⁶ <https://mf.gov.md/ro/buget/circulara-bugetar%C4%83>

61. Per article 13 of the law on local public finances 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. 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. This exemption was abolished with the amendment of December 16, 2020, that became effective after January 1, 2021. In addition, 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.

62. 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.

63. Per article 30 of the law on local public finance no. 397/2003 in the process of budget execution, the head of the rayon 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 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.

64. According to the MoF, all SNGs, including the Ungheni rayon, respected the fiscal rules.

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

Dimension HLG–2.2 Debt rules for subnational governments

66. LPAs have limited ability to borrow. Article 14 of local public finance law 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 (amended) of the local budget, excluding special-purpose transfers.

67. According to article 15 of local public finance law 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 upon the decision of the Local council.

68. 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.

69. 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.

70. The MoF monitors the level of debts at subnational level and produces quarterly reports on status of public sector debt that are made public.⁷

71. Per audit findings of the CoA compliance audit report, the rayon failed to comply with the debt rules in 2019 when the total amount of annual debt-related payments exceeded the ceiling of 20% by 5.2%. In the last completed year (2020), the SNG respected the rules.

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

Dimension HLG–2.3 Monitoring of subnational governments

73. 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.⁸ This information is incorporated in the annual NPB Execution Report that includes consolidated report on execution of local budgets. It is published on the website of the MoF.⁹ For FY2020, only one SNG submitted their statements with the delay but it was not significant.

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

⁷ <https://mf.gov.md/ro/datoria-sectorului-public/rapoarte/datoria>

⁸ The MFO no. 168 of December 23, 2020

⁹ <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale>

PILLAR 1: Budget reliability

75. 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

76. 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)	A	
PI 1.1 Aggregate expenditure outturn	A	Aggregate expenditure outturn was between 95% and 105% in two of the last three years.

77. Expenditure outturn of the Ungheni rayon budget is characterized by the overperformance of the planned targets in all three assessed years. The largest variance was in 2019 caused by the increase in the staff compensation costs as result of introduction of new payroll law no.270 in the budgetary sector from November 23, 2018.

Table 1.1: Aggregate expenditure outturn

Aggregate expenditure	2018	2019	2020
Approved budget (MDL thousand)	241,067.2	268,882.5	317,847.4
Outturn (MDL thousand)	245,336.5	292,781.2	323,771.6
Outturn as a percentage of budget (%)	101.8	108.9	101.9

Data source: Budget execution reports prepared by the Ungheni rayon finance division.

78. The expenditure outturn was between 95% and 105% in two of the last three years.

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

PI-2. Expenditure composition outturn

80. 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	B	Expenditure composition outturn by function was less than 10% in 2019 and 2020.
2.2 Expenditure composition outturn by economic type	D	Expenditure composition outturn by economic classification was more than 15% in all three years.
2.3 Expenditure from contingency reserves	A	Actual expenditure charged to the Reserve Fund of the Ungheni rayon was on average 0.1% of the original budget.

Dimension PI 2.1 Expenditure composition outturn by function

81. Variance in expenditure composition by COFOG functional classification was less than 10% in two of the last three years. The largest variance was in 2018 within general public services (actuals exceeded by 40% the original budget). This situation slightly improved in 2019 and 2020, but the same tendency of overspending of general public service expenditures is observed.

Table 2.1: Aggregate composition expenditure outturn by functional classification

Variance	2018	2019	2020
Functional classification, %	11.4	8.9	6.2

Data source: Ungheni rayon budget execution report. Assessment team calculation.

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

Dimension PI-2.2 Expenditure composition outturn by economic type

83. Variance in expenditure composition by economic classification was more than 15% in all three last years. The largest outturn was in 2018 on the account of significant under-spending in procurement of goods and services and huge overspending in the fixed assets as compared to the original estimates. The same tendency of underspending in procurement of goods and services was observed in the following two years in addition to actuals for other expenses exceeding by 3-4 times the original budget under this economic head.

Table 2.2: Aggregate composition expenditure outturn by economic classification

Variance	2018	2019	2020
Economic classification, %	34.6	18.8	19.2

Data source: Ungheni rayon budget execution report. Assessment team calculation

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

Dimension PI 2.3 Expenditure from contingency reserves

85. The average contingency expenditure share was 0.1% of the original budget in 2018 – 2020. Article 19 of local public finance law no.397/2013 states that the Local council may decide to set up a Reserve Fund of not more than 2% of the local budget expenditures.

Table 2.2: Expenditure from contingency reserves

Variance	2018	2019	2020
Contingency expenditure share of budget, %	0.1	0.1	0.1

Data source: Ungheni rayon budget execution report. Assessment team calculation.

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

PI-3. Revenue outturn

87. 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)	C	
3.1 Aggregate revenue outturn	B	Actual revenue was between 94% and 112% of budgeted revenue in two of the last three years, 2019 and 2020.
3.2 Revenue composition outturn	D	Variance in revenue composition was more than 15% in two of the last three years, 2018 and 2020.

Dimension PI-3.1 Aggregate revenue outturn

88. In two of the last three years the Ungheni rayon tier II authority received more revenues than estimated. In 2020 the revenues from own taxes and fees exceeded slightly the estimated budget in addition to two unplanned grants received from international organizations for externally financed projects, however the collection of other revenues was only 64% which led to overall underachievement of the budget.

Table 3.1: Aggregate revenue outturn

Total revenue	2018	2019	2020
Approved budget (MDL thousand)	3,923.0	5,126.1	5,646.0
Outturn (MDL thousand)	5,779.3	5,123.1	5,345.5
Variance (as a % of original budget)	147.3	99.9	94.7
Composition variance (%)	57.3	13.3	53.4

Data source: Ungheni rayon budget execution report. Assessment team calculations.

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

Dimension PI-3.2 Revenue composition outturn

90. Variance in revenue composition exceeded 15% in two of the last three years. The variance was less than 15% only in 2019 (13.3%). The largest impact on the revenue composition outturn in 2020 was made by the receipts of the provision of paid services, payments for lease of public property and voluntary donations for current expenditure from internal sources for the budgetary institutions. These revenues significantly underperformed as compared to the initial budget due to the pandemic. This was compensated to some extent by the excessive collection of other taxes (personal income tax in road passenger transport by taxi, fee for extraction of minerals, and income tax related to the transfer of possession and / or use of real estate) that also produced large variances.

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

PILLAR 2: Transparency of public finances

92. 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

93. 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

94. The legal and regulatory framework for budget classification used at the SNG level is the same as for all sectors of general government. Approved classifications are mandatory for the sub-national level. The chart of accounts is aligned to the economic budget classification¹⁰.

95. 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 rayon council has a summary table of revenue and expenditure by economic classification.

96. The rayon budget uses 9 out of 10 main functions (all except environmental protection) of the classification of the functions of the Government (COFOG) for the budget formulation, execution, and reporting.

97. The budget execution section of the annual financial report contains tables showing both original budget estimates and actual expenditure by administrative unit and program.

98. 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

¹⁰ Link for the budget classification used for the last completed fiscal year (2020):

https://www.legis.md/cautare/getResults?doc_id=129234&lang=ro#

Link for the chart of accounts used for the last completed fiscal year (2020):

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

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.

99. 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.

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

PI-5. Budget documentation

101. 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	B	
5.1 Budget documentation	B	Annual budget documentation fulfills 5 elements, including the 3 basic elements and 2 additional elements. 3 other elements are not applicable at the subnational level.

Dimension PI-5.1 Budget documentation

102. Annual budget documentation is mainly regulated by article 20 of the local public finance law no. 397 of October 16, 2003.¹¹ Moreover, additional documents (Excel data) and data visualization tools have been developed (PowerPoint presentations) and made available to the citizens in order to improve transparency and understanding of the budget figures.

Table 5.1: Budget documentation for FY2021

Item	Included (Y – yes/N – no /NA – not applicable)	Source of evidence and comments
Basic elements		
1	Y	Forecasts regarding the main budget indicators for the Ungheni rayon (deficit/surplus, debt level and “expenditure rule”) are published. Link for the rayon council decision on 2021 rayon budget approval no.6/3 of December 3, 2020

¹¹ https://www.legis.md/cautare/getResults?doc_id=121302&lang=ro#

Item		Included (Y – yes/N – no /NA – not applicable)	Source of evidence and comments
			http://www.crungheni.md/wp-content/uploads/2020/12/Project-1.pdf
2	Previous year's budget outturn, presented in the same format as the budget proposal.	N	Budget proposal presented to the rayon council is in Table 1 to Explanatory Note. This shows that the budget proposal is compared with the initially approved budget, not with previous year's budget execution.
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.	Y	In Table 1 to Explanatory Note.
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.	Y	Table 1 to Explanatory Note.
Additional elements			
5	Deficit financing, describing its anticipated composition.	NA	Article 13 of the local public finance law no.397 of October 16, 2003, foresees that local budgets cannot be approved and executed with a budget deficit. On exceptional base, the local budget could be approved with deficit provided the rayon council approves the sources of financing the budget deficit. A surplus was registered for 2021 budget which was used 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 done 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.	N	Debt stock forecast description is not available in the budget documentation.
8	Financial assets, including details at least for the beginning of the current FY presented in accordance with the GFS or other comparable standard.	N	Expenditure and revenue estimates regarding financial assets are included 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	NA	Information about the fiscal risks, contingent liabilities and contingent obligations is not included in the annual budget documentation as far as Ungheni rayon budget has no PPP. However, internally major fiscal risks and

Item	Included (Y – yes/N – no /NA – not applicable)	Source of evidence and comments
		contingent liabilities are identified and some basic cost analysis is performed.
10	Y	Information about the budgetary impact of new policy initiatives is quantified for the budget year, while tax revenue measures are formally identified and quantified (part I of the Explanatory Note”. Key spending measures are explained and quantified along the Explanatory Note. Spending measures are also shown in the budget presentation.
11	Y	Based on the medium-term forecasts of transfers received from the central government, the rayon prepares medium-term fiscal forecasts for the program budget estimates including performance indicators for the three year-period (2021 – 2023). Information used to produce such forecasts are disclosed in Explanatory Note, part II. Link for budget program: http://www.crungheni.md/planificarea-strategica-si-situatie-socio-economica/programele/ Nevertheless, the draft rayon budget based on organizational, functional and economic classifications is approved only for one budget year.
12	N	Some partial information is included about the taxation of property, but tax expenditure is not reported.

103. Budget documentation fulfills 5 elements, including 3 basic elements and 2 additional elements. 3 additional elements are not applicable at the subnational level.

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

PI-6. Subnational operations outside financial reports

105. 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	All expenditures are reported.
6.2 Revenue outside financial reports	A	All revenues are reported.
6.3 Financial Reports of Extrabudgetary Units	A	The Ungheni Rayon EBUs prepare annual financial statements and submit them within three months of the end of the year.

106. The major EBUs that are to be found in most countries cover social security and health care. The funds in Moldova that are responsible for these activities are State Social Insurance Fund and Mandatory Health Insurance Fund as part of the central government (CG).

107. The rayon council acts as founder for 14 health facilities and has tier I local public authorities. According to the IMF's GFS Manual 2014 these entities are qualified as extrabudgetary units. The budget of the health facilities is financed from the mandatory health insurance funds which are managed by the central government. For this purpose, they sign annually contract for provision of health services with the National Health Insurance Company. The contracts are published.¹² The health facilities also provide certain fee-based services and may receive additional resources from the founder. In 2020 such allocation from the founder constituted only 0.3% of the total rayon budget and based on the decision of the rayon council it was directed to the Rayon Hospital Ungheni for financing the repairs works, procurement of oxygen generators, transportation of medical waste, etc. Other health facilities did not receive any financing from the rayon. The health facilities may also provide fee-based services.

108. Tier I local public authorities receive direct transfers from the central government. These transfers are determined by transparent and rule-based system. Throughout the year they may receive additional transfers from the rayon budget. Usually, lower tier governments, or members of the rayon council, submit their requests together with the justification documents (37 requests were approved out of 100 requests received in 2020) to the finance division of the rayon for preliminary review. The finance division take them forward to the working group where the proposals are scrutinized and discussed, and then they are presented to the rayon council. The relevant committee of the council reviews and proposes the draft final decision to the rayon council. The rayon council issues the decision on approval of the allocations.

109. In 2020 the rayon issued two decisions (in February and August) with the allocated amount of MDL 4,101.2 thousand for tier I local public authorities. This is about 2.2% of the total tier 1 transfers received from CG (Annex 5). Allocations provided from the rayon budget were mostly to support villages in co-financing of externally financed projects in the field of water and gas pipelines (case-based allocations) or for minor repair works.

Dimension PI-6.1 Expenditure outside financial reports

110. All expenditures incurred by the EBUs and Ungheni rayon spending units are reported in the financial reports.

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

¹² <http://map.cnam.md/contracte-cu-institutiile-medico-sanitare/>

Dimension PI-6.2 Revenue outside financial reports

112. All revenues collected by the EBUs and spending units of the Ungheni rayon level are reported.

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

Dimension PI-6.3 Financial Reports of EBUs

114. The extrabudgetary units provide their annual financial reports to the central government and to the rayon council within three month of the end of calendar year. The reports comprise full information on revenue, expenditure, assets, and liabilities.

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

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	There are no SNGs under the rayon as per definition of the PEFA Framework.
7.2. Timeliness of information on transfers	NA	There are no SNGs under the rayon as per definition of the PEFA Framework.

Dimension PI-7.1 System for allocating transfers

117. The transfers to lower-tiers of Ungheni rayon are regulated by the central government and are rule-based. Therefore, the Ungheni council does not have direct financial relationship with its lower-tier authorities. Therefore, the lower tier governments of Ungheni rayon council are considered EBUs and not SNGs per PEFA Framework. They are assessed under PI-6.

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

Dimension PI-7.2 Timeliness of information on transfers

119. There are no SNGs under the rayon as per definition of the PEFA Framework.

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 assessment for this indicator defined 4 departments as service delivery units: Military Centre, Education Division, Social Assistance Division, and Culture Division. These units are the most representative in the delivery of services to the citizens and they account 91% of total rayon expenditures in 2020. Each department, except for the Military Centre, comprises administrative units and subordinate budgetary (spending) units. For instance, the Education Department includes a sport school, art and youth centres, a kids' summer camps, and public general education schools. Other sub-divisions of the Ungheni rayon also produces performance information.

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 rayon programs and programs at entity level
8.2. Performance achieved for service delivery	A	The budget execution reports provide information on outputs and objectives realized for the rayon programs for each entity
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.
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 rayon.

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 and it is followed with respect to setting up goals, objectives, and key performance indicators (KPIs) under the programs and subprograms at the level of the Ungheni rayon level II authority. The budget proposal for 2021 and the estimates for the years

2022-2023 on programs and sub-programs were prepared and were published for each subdivision of the rayon.¹³

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

Name of service delivery agency	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)
Education Division (including 46 educational facilities)	226,612.2	98	Y	Y	Y	Y	Y
Social Assistance Division	53,370.9	69	Y	Y	Y	Y	Y
Culture Division	14,676.7	76	Y	Y	Y	Y	Y
Total	294,659.8	-	Y	Y	Y	Y	Y

Data source: <http://www.crungheni.md/wp-content/uploads/2022/03/Raport-anual-privind-executare-buget-raional-2021.pdf>

124. The score for this dimension is A.

Dimension PI-8.2 Performance achieved for service delivery

125. Each spending subdivision of the Ungheni rayon prepares and submits the performance results for output and outcome indicators to the finance division. with the submission conforms to 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. The finance division consolidates this information and submits to the MoF the report on financial performance under programs / subprograms that the rayon implements as part of the annual financial statements. The detailed performance reports for program / subprogram by each subdivision are published annually on the rayon council's website.¹⁴

Table 8.2: Actual performance measured by the main service delivery agencies, 2020

Name of service delivery agency	Percentage of service delivery units within the agency	Program objectives specified (Y/N)	Key performance indicators (Y/N)	Data on actual outputs produced (Y/N)	Data on actual outcomes achieved (Y/N)	Explanations on deviations (Y/N)
Education Division	98	Y	Y	Y	Y	Y

¹³ Annex 3 to the FY2020 budget: <http://www.crungheni.md/planificarea-strategica-si-situatie-socio-economica/programele/>

¹⁴ <http://www.crungheni.md/transparenta-decizionala/raport-anual/>

(including 46 educational facilities)						
Social Assistance Division	93	Y	Y	Y	Y	Y
Culture Division	80	Y	Y	Y	Y	Y

Data source: FY2020 performance reports of SD agencies – <http://www.crungheni.md/transparenta-decizionala/raport-anual/>

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

Dimension PI-8.3 Resources received by service delivery units

127. For schools, educational centres, social assistance units 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 rayon through the Treasury system based on the approved budget. The healthcare units receive financing from the National Health Insurance House based on a health care provision contract from the Single Program for Mandatory Health Insurance. Discussions at the rayon level confirmed that amounts allocated to individual service delivery units are recorded at the level of the unit in the accounting software system. The system captures all revenues from the units' own sources as well. The Chart of Accounts applicable at the national level allows to identify all resources used by the service delivery units of the rayon. The territorial treasury has opened accounts (IBAN) for each type of revenue of the service delivery unit. The finance division prepares budget execution report detailing the resources actually received by the service delivery units. Table 1 on the synthesis of revenues and expenditures to the Informative Note to the FY2020 budget execution report included the breakdown of resources spent by the units subordinated to the rayon council.

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

Dimension PI-8.4 Performance evaluation for service delivery

129. There is a senior specialist staff member in the finance division checking accuracy of the output and outcome indicators at budget execution using the data supplied by the spending units of the Ungheni rayon. Performance evaluations of the KPIs and related expenditure have not been carried out. The MoF does carry out some evaluation of the reports it receives but it does not result in a consolidated and formal report.

130. The rayon divisions regularly carry out the evaluation of the local services delivered by the units under their responsibilities. In 2019-2020 the Education Division performed an analysis of the rayon educational system in terms of access, relevance, and quality. The analysis covered 4 areas: infrastructure and school network, management and human resources, curriculum, and partnership and community relations. It identified weak areas and proposed solutions as well as future development strategy. The analysis was discussed in the rayon council and published.¹⁵

131. There are some external reviews which are relevant for the rayon. UNICEF produced a report called Review of the Evaluation and Assessment in Education in July 2019. The review is a thematic policy

¹⁵ <https://www.edu-ungheni.md/activitateamanageriala/rapoarte>

assessment accompanying the national education sector analysis. 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.

132. 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 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 health services users' perspective. Evaluation has been designed to inform policy at the national level which in turn will affect the responsibility of the rayon on education and health provision services.

133. The score for this dimension is C.

PI-9. Public access to fiscal information

134. 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	B	
9.1 Public access to fiscal information	B	Ungheni rayon discloses 4 basic elements out of 5, and 1 out of 3 additional relevant elements.

Table 9.1: Public access to fiscal information, FY 2020

Item	Criteria met (Y/N)	Explanation	Source of evidence
Basic elements			
1	Y	All documentation of the draft budget is published in the same day of submission to the rayon council	Rayon council decision on the 2020 rayon budget approval no.11/2 from December 12, 2019: http://www.crungheni.md/wp-content/uploads/2019/12/Proiect-4.pdf
2	Y	The enacted annual budget law approved by the legislature is publicized within two weeks of passage of the law.	http://www.crungheni.md/wp-content/uploads/2019/12/Proiect-4.pdf
3	Y	6- and 12-month budget execution data and reports are available within the next month. Data are available to the public immediately after approval.	6-month report for FY2020: http://www.crungheni.md/wp-content/uploads/2020/08/Proiect-2.pdf 12-month report for FY2020: http://www.crungheni.md/wp-content/uploads/2021/03/Proiect-1.pdf
4	Y	Budget execution data and reports are made available to the public within 2 months (February 25,	http://www.crungheni.md/wp-content/uploads/2021/03/Proiect-1.pdf

Item	Criteria met (Y/N)	Explanation	Source of evidence
		2021) of the fiscal year's end.	
5	N	Based on law on organizing and functioning of the CoA no.260 of December 07. 2017 art. 32 par. (3) ¹⁶ , the annual financial audit is not mandatory for the local public administration authorities. Yet, FY2020 financial statements were audited by the Court of Accounts and were made available to the public within 14 months after the end of 2020	https://www.ccrm.md/ro/decision_details/1156/hotara_rea-nr9-din-28-februarie-2022-cu-privire-la-raportul-auditului-asupra-rapoartelor-financiare-ale-unitatii-administrativ-teritoriale-raionul-ungheni-incheiate-la-31-decembrie-2020-uaubudgetul-de-nivelul-ii
Additional elements			
6	N	No prebudget document is elaborated	
7	Y	FY2020 compliance audit report conducted by the CoA for Ungheni tier II authorities was published within one month of submission and approval by the CoA Board	https://www.ccrm.md/ro/decision_details/1162/hotara_rea-nr10-din-28-februarie-2022-cu-privire-la-raportul-auditului-conformitatii-asupra-procesului-bugetar-si-gestionarii-patrimoniului-public-in-anul-2020-la-unitatea-administrativ-teritoriala-raionul-ungheni-uaubudgetul-de-nivelul-ii
8	N	For the budget hearings the interested citizens could access the rayon council web page where the rayon finance division publishes PowerPoint presentations with summarized and accessible explanation of the key elements of the budget along with draft	http://www.crungheni.md/wp-content/uploads/2021/04/Raport-transparen%C8%9B%C4%83.pdf

¹⁶ 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
within one month of the budget's approval.		budget proposal to the members of the rayon council. These documents are published on the same day when the meetings are announced but are taken out from the website once the budget is approved. In 2020 all rayon council meetings were accessible to the public including for the budget hearing.	

135. The requirements are met for 4 basic elements out of 5, and 1 additional element.

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

PI-9bis. Public consultation

137. 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 rayon council (2021), for PI-9bis.2 – 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	Public consultation at budget preparation is conducted prior to approval of the budget by the subnational council. Public consultation is facilitated by the availability of accessible reader-friendly and understandable information on the budget proposal (in PowerPoint presentation format). For the budget process consultations in 2021 2 weeks were provided. The inputs from the consultations are not published.
9bis.2 Public consultation in the design of SD programs	D	Public participation processes are carried out only for some local government programs, strategies and services. Reports regarding the opinions, observations, and proposals made by citizens, and its feedback and conclusions, are not published for each participatory process.
9bis.3 Public consultation in investment planning	NA	There were no investment projects managed and decided by the subnational government in 2020.

138. 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 rules regarding the procedures of information, consultation, and participation in the process of elaboration and adoption of decisions.

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

139. At the level of the Ungheni rayon council the budget development process is accompanied by formal public consultation/ participatory processes. The consultations include the participation of civil society organizations and other non-state actors and citizens who are invited to the thematic meetings led by public authorities. During the pandemic year the meetings were held virtually. However, a summary of the inputs received and an explanation of how those inputs were considered have not been published.

140. For the budget hearings the interested citizens could access the rayon council website where the rayon finance division publishes the draft budget and explanatory note to it, as well as power point presentations with summarized and accessible explanation of the key elements. These documents are published together with the advertisement about the planned meetings of the rayon council's committees.

141. All rayon council meetings were open to the public, including the budget hearings. Two weeks were allocated for the 2021 budget consultations prior to the pertaining discussions by the rayon council.

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

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

143. During the last three completed fiscal years, 2018, 2019 and 2020, participatory processes were developed for some programs/strategies, services, projects and regulations of the different divisions and spending units. These processes take place physically or virtually. The formulated proposals/suggestions and feedback for each participatory process are included in the final decision. Normally, the consultation events are organized with a social partners support (donors through non-governmental organizations). The most consultations held were for creation of new social services. Inputs from public consultations were not published.

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

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

145. During the completed fiscal year 2020 no investment projects managed and decided by the Ungheni rayon were initiated as specified in PI-11.

146. In 2020, the rayon council was in the process of public consultation for the renovation of the summer camp for children from the village of Rădenii Vechi, on the territory of the "Plaiul Fagului" Nature Reserve¹⁷, but the results of these consultations have not been finalized yet.

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

¹⁷Link for investments planning: <http://www.crungheni.md/transparenta-decizionala/consultari-publice-ale-proiectelor/>

PILLAR 3: Management of assets and liabilities

148. 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

149. 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)	C	
10.1. Monitoring of public corporations	C	The financial reports of two of the three state owned enterprises (SOEs) are received within 3 months of the end of the financial year.
10.2. Monitoring of subnational governments	NA	There are no SNGs under the rayon as per definition of the PEFA Framework.
10.3. Contingent liabilities and other fiscal risks	NA	The rayon does have two PPP arrangements, but their liabilities are not significant, and it has no extra-budgetary units under its ambit.

Dimension PI-10.1 Monitoring of public corporations

150. The rayon wholly owns three municipal enterprises, the IM “Apa-Ungheni” (water utility), IM Centrul Stomatologic (Dental Care Centre) and IM Biroul de Proiectări, arhitectură și sistematizări Ungheni (House for Design, Architecture and Systematization). According to the government decision no.568/2008¹⁸ on organization of public property evidence, its circulation and exercising responsibilities by persons authorized to represent the interests of the Government / administrative and territorial units, the public corporations must submit to the local public administration authority on which administrative territory they are located, a statement on the value and circulation of the property according to the prescribed format, including the explanations regarding the reasons for increase / decrease of revenues, expenditures and net profit / loss. The timing of this submission is aligned with the terms of the financial statements to the statistics office. Consequently, the rayon council receives reports from all public corporations in its territory regardless of if it acts as their founder or not. The information from the financial statements is then included in a consolidated report that includes all 24 public corporations

¹⁸ https://www.legis.md/cautare/getResults?doc_id=103501&lang=ro#

owned by municipalities and other Tier 1 entities in the rayon’s jurisdiction (Annex 9 on the value of public property of municipal enterprises and Annex 10 on the share value of commercial enterprises with the state shareholding according to the template state in the regulations on the Public Property Registry), and it is submitted to the Public Property Agency to be included in the Public Property Registry.

Table 10.1: Financial reports of public corporations owned by Ungheni rayon council as of January 1, 2021

Municipal enterprises	Equity (MDL)	SNG-held assets	Percent age	Date of audit of the financial report	Date of presentation of FY2020 financial statements	Date of submitting financial report to govt.	Consolid ated report (Y/N)
1. IM “Apa-Ungheni”	100,000	100,000	100%	N/A	N/A	N/A	N
2. IM Centrul Stomatologic	102,500	102,500	100%	N/A	February 19, 2021	N/A	N
3. IM Biroul de Proiectări, arhitectură și sistematizări raional Ungheni	5,400	5,400	100%	N/A	March 11, 2021	N/A	N

Data source: Public Property Agency: <https://app.gov.md/registrul-patrimoniului-public-3-384>, copies of PCs’ financial statements

151. The annual financial reports of the public corporations under the rayon council presented to the assessment team, were not complete and did not have explanations regarding the changes in their performance indicators in some cases. The financial statements of those corporations are not regularly published or audited.¹⁹ The national legislation in fact does not require annual financial audits of municipal enterprises unless they fit into category of public interest entity, medium entity, or large entity²⁰ according to the criteria established in the law no.287/2017²¹ on accounting and financial reporting (with respect to the thresholds for assets, turnover and average number of employees). The rayon council also does not prepare a consolidated report on the financial performance of the corporations under its ownership.

152. The evaluation of systems and processes of the public corporations is performed by the internal audit unit of the Ungheni rayon council. So far internal audit covered two municipal enterprises, the water utility and the Dental Care Centre. There are no other external reviews of performance.

153. The score for this dimension is C.

Dimension PI-10.2 Monitoring of SNGs

154. There are no SNGs under the rayon as per definition of the PEFA Framework.

¹⁹ <http://acu.md/acasa1/>

²⁰ Article 11 of the Law on state enterprise and municipal enterprise: https://www.legis.md/cautare/getResults?doc_id=120887&lang=ro#

²¹ Article 4 of the Law on accounting and financial reporting: https://www.legis.md/cautare/getResults?lang=ro&doc_id=120938

155. The score for this dimension is NA.

Dimension PI-10.3 Contingent liabilities and other fiscal risks

156. The rayon has no extra-budgetary units under its ambit but has two ongoing PPPs per information published on the website of the Public Property Agency.²²

- “Provision of services for delivery of biomass thermal energy” -- The contract type is the provision of services, signed on October 3, 2016, for 10 years with an investment value of MDL 3.0 million.
- “Computerized Tomography Centre within Rayon Hospital Ungheni” -- The contract type is a concession, signed on January 17, 2015 for 25 years with an investment value of MDL 8.0 million. This PPP along with similar PPPs implemented by other local authorities was covered by the compliance audit carried out by the Court of Accounts for 2013 – 2019 to assess the level of organization, implementation and monitoring of PPPs in the health sector.²³ The volume of investments carried out by the private partner was MDL 148,000 as of January 1, 2021. The contribution paid to the public partner in 2020 was MDL 21,930.72.

157. Under the first PPP, no compensation is expected to be paid by the public partner in the event of early termination.

158. For the second PPP, the contract provides the compensation payments to be paid by the public partner in case of early termination which are differentiated by the reasons for termination (legislative modification, extended force majeure, termination by the private partner for no execution by the public partner in case of force majeure of political nature). In any of such circumstances the public authority has to reimburse at least the cost of equipment and furniture at its net value adjusted to inflation based on Producer Price Index. This value has to be established by the independent auditor selected according to an established procedure.

159. The information on the PPPs is provided to the Public Property Agency to be included in the PPP sub-register of its Public Property Registry that is updated annually.²⁴ The Public Property Agency consolidates the information regarding all PPPs at both central and local level in its annual public property report²⁵ based on the information provided by the subnational governments.

160. There is no information on contingent liabilities and other fiscal risks regarding these PPPs. Such information is not quantified and not monitored. However, from the information supplied there is no contingent liability relating to the provision of services for delivery of biomass thermal energy and a declining liability of the computerized tomography centre given that it has operated for more than 7 years with small investment to date.

161. The PPP liabilities are not significant.

²² file:///C:/Users/wb354640/Downloads/proiecte_locale_de_parteneriat_public-privat_in_derulare.pdf

²³ https://www.ccrm.md/ro/decision_details/1071/hotararea-nr-80-din-24-decembrie-2020-privind-raportul-auditului

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

²⁵

<https://app.gov.md/storage/upload/administration/reports/83/Raport%20privind%20administrarea%20C8%99i%20deetatiza%20propriet%C4%83%C8%9Bii%20publice%20de%20stat%20C3%AEn%20anul%202020.pdf>

162. The score for this dimension is NA.

PI-11. Public investment management

163. 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)	NA	
11.1 Economic analysis of investment proposals	NA	This dimension is not applicable, since there were no investment projects funded by own budget sources.
11.2 Investment project selection	NA	This dimension is not applicable, since there were no investment projects funded by own budget sources.
11.3 Investment project costing	NA	This dimension is not applicable since there were no investment projects funded by own budget sources.
11.4 Investment project monitoring	NA	This dimension is not applicable since there were no investment projects funded by own budget sources.

164. The rayon budget co-financed investment projects are selected at the CG level only. Those co-financed projects can follow the Government's regulation on the state capital investments projects,²⁶ or National Regional Development Fund,²⁷ or Government's order on Ecology Funds.²⁸ Each of these regulations establishes procedures for project preparation, economic analysis, selection, and monitoring. In 2020, the rayon co-financed investment projects under the National Ecology Fund and Regional Development Fund, while the representatives of rayon authorities did not participate in the project selection process. In addition, the rayon contributes with co-financing to externally financed projects.

165. There were no investment projects funded by own budget sources. Normally, the contributions for investment projects mentioned above are made from the remaining budget balance of the tier II LPA. It is also used for distribution of contributions for minor capital investments to tier I LPAs under its administration or subordinated entities. The distribution is done based on the council's decision. The contributions for minor capital expenditures for educational facilities are financed from the rayon component, which is formed from the difference between the special-purpose transfers for education and actual amount of expenditures cost per student formula. Such contributions are approved through the council's decision as well.

²⁶ Approved by the Government's Decree no.1029 dated December 19, 2013.

²⁷ Approved by the Government's Decree on measures to implement the 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 new regulation on National Fund of Regional and Local Development approved by Government Decision on 9 March 2022

²⁸ Approved by the Government's Decree on the approval of the regulation on ecological funds no.988/1998 dated September 21, 1998.

Dimension PI-11.1 Economic analysis of investment proposals

166. For externally financed projects, economic analysis was conducted, as established in the guidelines, and reviewed by an entity other than the sponsoring entity. Proposals for any externally financed projects were developed by the Center of Attraction of Investments established by the rayon council. All procedures for the National Ecology Fund were established by the order of the Ministry of the Environment no.73 dated September 10, 2013, and for the Regional Development Fund – by the decision of the national council for the Coordination of Regional Development no.4/16 dated March 10, 2016. Mentioned documents include project templates and requirements for their justification.

167. There were no public investment projects funded by own budget sources.

168. **This dimension is NA.**

Dimension PI-11.2 Investment project selection

169. The CG selected some of rayon level investment projects based on established and published standard criteria while the rayon authorities did not participate in the project selection process. The main criteria for the National Ecological Fund²⁹ include the following: contribution of the project to the implementation of environmental protection strategic documents; clearly defined, obvious and concretely measurable environmental impact; sustainability and continuity of activities after a project completion; availability of co-financing; a clear statement of project's goals and results; justification of proposed budget and total project's cost etc. The administration council (interdepartmental) approved the list of projects to be financed from the National Ecological Fund.³⁰ The main criteria for the Regional Development Fund³¹ included: contribution of the project to achieving the goals of sectoral strategies; project implementation methodology; contribution of project activities to the development of disadvantaged areas; sustainability of the project after the project completion, etc.

170. There were no investment projects funded by own budget sources.

171. **This dimension is NA.**

Dimension PI-11.3 Investment project costing

172. The capital expenditures for investment projects co-financed from the rayon budget for the forthcoming budget year were included in the budget documents, but projections of total costs were not reflected. Rayon council departments did not consolidate information on total capital costs of co-financed investment projects, or projections of their total life-cycle cost, including both capital and recurrent costs together with a year-by-year breakdown for at least the next three years.

173. There were no investment projects funded by own budget sources.

174. **This dimension is NA.**

²⁹ The criteria were approved by the Order of the Ministry of the Environment no.73 dated September 10, 2013.

³⁰ Established by the Government's Decree on the approval of the regulation on ecological funds no.988/1998 dated September 21, 1998.

³¹ The criteria were approved by the annex 7 to the Decision of the National Council for the Coordination of Regional Development no.4/16 dated March 10, 2016.

Dimension PI-11.4 Investment project monitoring

175. The total cost and physical progress of co-financed investment projects are monitored but reports for the National Ecological Fund do not identify deviations from plans, do not allow for identification of appropriate actions in response, and reports for both funds³² are not published. The information on implementation of co-financed investment projects within the National Ecology Fund is prepared before an interim tranche and after the project completion. The spending units prepare such information which includes payments details and progress report (work performed), certified mandatorily by the customer, contractor, and technical manager, and submit it to the Ministry of the Environment. Regional Development Agencies monitor the total cost and physical progress of the Regional Development Fund investment projects, including those co-financed by the rayon budget, prepare monthly and quarterly reports which present deviations from plans, and submit quarterly reports to the Ministry of Infrastructure and Regional Development.

176. There were no investment projects funded by own budget sources.

177. **This dimension is NA.**

³² National Ecological Fund and Regional Development Fund.

PI-12. Public asset management

178. 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)	A	
12.1. Financial asset monitoring	A	The Ungheni rayon maintains a record of its holdings in <i>all</i> categories of financial assets, which are recognized at fair or market value, in line with international accounting standards. Information on the performance of the portfolio of financial assets is published annually.
12.2. Nonfinancial asset monitoring	B	The Ungheni rayon maintains a register of its holdings of fixed assets including information on their usage and age, which is published at least annually. The CoA mentioned qualification on valuation.
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 rayon council for information or approval. Information on transfers and disposal is included in budget documents, financial reports, or other reports.

Dimension PI-12.1 Financial asset monitoring

179. The major categories of the financial assets held by the Ungheni rayon as stated in the balance sheet prepared by the finance division as part of tier II LPA's financial statements for the MoF (following template FD-041) are cash, loans, receivables, equities, and other forms of participation in the capital of the public corporations. Financial assets are listed at fair value. The MoF consolidates this information in the annual budget execution report for all SNGs and publishes it. The national accounting standards for accounting methods and asset valuation are developed based on the Directive 2013/34/EU, IAS 38 "Intangible assets", IAS 16 "Tangible assets".

Table 12.1: Record of financial assets, FY 2020

Asset type	Asset value, end FY2020, MDL
Shares and other forms of equity participation within the country	150,356,789
Other receivables from budgetary institutions	3,576,301
Current accounts in the treasury system	6,551,477
Other cash and cash equivalents	155
Total financial assets	160,484,722

Data source: FD-041 report attached to annual financial statements prepared by Ungheni rayon

180. The report on the value of public shares (shares) in companies owned by the rayon on January 1, 2021, lists inter alia the date the ownership was recorded, the number of shares held and their value, the net profit/loss, and land surface owned. This report is sent to the Public Property Agency which includes this information in the public property registry which is published annually.

181. The rayon maintains records of its loans. The annual loan program is part of the rayon budget documentation, and it is reported through regular budget execution reports. Nevertheless, the CoA in the financial audit report produced for the rayon council for 2020³³ highlights errors in the valuation of assets transmitted as from participation in the equity of the entities where the rayon council acts as a founder. The CoA estimated that the financial assets were undervalued by 9%.

The score for this dimension is A.

Dimension PI-12.2 Nonfinancial asset monitoring

182. The Ungheni rayon maintains records of its nonfinancial assets in accordance with the Chart of Accounts at balance sheet value (purchase price minus any amortization) and performs analytical accounting of the assets through inventory sheets filled in for each item.

183. The SNG reports their value to MoF through a report on circulation of fixed assets according to the prescribed template (FD-045) that is part of the annual financial reports. This information is then captured in the NPB 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. A separate form (FD-045A) is prepared for capturing the information on depreciation of fixed assets and amortization of intangible assets.

184. In addition, according to the Government's decision no.675/2008³⁴ on Public Property Register the SNG must report by April 15 each year regarding the public property that it administers according to the prescribed template: (i) assets held by public institutions (most of them are health care facilities), (Annex 8), (ii) value of public patrimony in state / municipal enterprises (Annex 9), and (iii) value of shares held by SNG in the commercial entities (Annex 10). This data is transferred into the Public Property Registry kept by the Public Property Agency, and published on its website. A separate sub-register is kept for the property held by subnational public institutions at each level of local government and spending units which includes the value of fixed assets, value of stationary items, total area of immovables (in square meters), area given in lease / rent (square meters), and total area of land in use.

185. The reports of individual institutions also provide a breakdown of assets by each subordinated entity that includes land, garages, constructions, deposits, installations, electricity transmission lines, and buildings. The following information is provided: address where the item is located, number and date of registration in the Immovable Asset Registry, number of floors where appropriate, book value, area at the ground, total area, area in use by administrator, area given in use to somebody else, unused area, area transmitted, date of transmission, reference to legal acts, and name of the legal administrator. Other moveable assets covering vehicles and office equipment are recorded by the institution that holds them.

186. The Public Property Registry and its sub-registers are kept manually. However, in 2021 the PPA contracted a software company to work 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.

³³ https://www.ccrm.md/ro/decision_details/1156/hotararea-nr9-din-28-februarie-2022-cu-privire-la-raportul

³⁴ https://www.legis.md/cautare/getResults?doc_id=103503&lang=ro#

Table 12.2: Categories of non-financial assets

Asset category	Asset value as of the end of 2020, MDL
Buildings	56,854,376
Special constructions	166,097,345
Transmission installations	88,448,683
Machines and equipment	44,390,772
Means of transport	15,269,878
Tools and utensils, production and household inventory	29,295,747
Intangible assets	510,161
Other fixed assets	15,798,983
Capital investments in assets under construction	19,512,777
Total fixed assets	436,178,722
Depreciation of fixed assets	245,217,021
Amortization of intangible assets	377,053
Total	245,594,074
The balance sheet value of fixed assets	190,584,648
Total stocks of materials	14,752,120
Land	289,610
Total	205,626,378

Data source: FD-045 report attached to annual financial statements prepared by Ungheni rayon

187. The 2020 rayon budget execution report has two attachments that lists all the various categories of fixed assets and their value and includes depreciation and wear and tear.

188. Nevertheless, the CoA in the financial audit report produced for the rayon for 2020³⁵ highlights errors in the valuation of land and transmission installations being significantly underestimated. While the rayon quantified the land, in the balance sheet as MDL 289,610.08 the CoA assessed it as being significantly undervalued (valuing it as MDL 449.5 million) mainly because of the wrong application of valuation rules for the roads. The CoA also commented that there are significant underestimations of special constructions and some other assets, but they were not able to quantify them. They modified their opinion in this respect.

The score for this dimension is B.

³⁵ https://www.ccrm.md/ro/decision_details/1156/hotararea-nr9-din-28-februarie-2022-cu-privire-la-raportul

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 rayon council (Y/N)
Y	Y	Y	N/A	Y

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

189. 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.

190. These laws and regulations are applied at the central and subnational levels of government.

191. 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 rayon in accordance with these regulations that prescribes the establishment of internal Write-off Committee through the council's 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 rayon budget. The decisions regarding the write off of the obsolete assets for council's own subdivisions and for its subordinated units are approved through rayon council Decisions which are published.³⁶

192. 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.

193. 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 cannot no longer be used, the procedures for obtaining authorization for commercialization from relevant public authority

³⁶ Example of the decision: <http://www.crungheni.md/wp-content/uploads/2020/01/Project.pdf>

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

194. The procedures for disposal of financial and non-financial assets are established in law and information on original cost, disposal value, date of acquisition, and date of disposal is submitted to the rayon council and contained in the annual financial report.

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

PI-13. Debt management

196. 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. Both budgetary units of the SNG were included in the assessment of this indicator. The indicator contains three dimensions and uses the M2(AV) method for aggregating the scores. The time period assessed was at time of assessment for PI-13.1, the last completed FY (2020) for PI-13.2, and at time of assessment with reference to the last three completed FY 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	B	Domestic debt records are complete, accurate, and updated quarterly. Most 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.
13.2. Approval of debt and guarantees	A	Debt is managed by the rayon finance division in accordance with the provisions of the law no.419/2006. The public debt and state guarantees is endorsed by the Minister of Finance. The issue of new debt is approved by the rayon council, as a deliberative authority of the local public administration.
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 which is publicly available.

197. The law no. 419 of December 22, 2006 on public sector debt, state guarantees, and state re-credit defines the recording and reporting of debt and guarantees procedures. The law has been amended eight times in order introduce modifications on local borrowing policy, improvement of recording and reporting of on-lent loans, and to generally align the law to international best practice (based on a debt management performance assessment tool). The administrative-territorial units are responsible for managing the debt contracted in their own name and for the guarantees granted.

198. The decision of the local council of the administrative-territorial units regarding the debt contracting, the granting of the guarantee for the loan, is taken on the basis of the Ministry of Finance opinion.

199. The debt of the administrative-territorial units, as well as the guarantees granted by them, are fully administered by the executive authority of the respective contracting administrative-territorial unit.

200. 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 finance division of the Ungheni rayon council. The accounting office of the finance division manages relations with the Treasury through which debt service payments are made and reconciles the payments and outstanding amounts. The debt data are recorded in the 1C accounting software used for day-by-day accounting and reporting which is connected with treasury payment system. Records are reconciled quarterly. Debt is denominated in MDL.

201. At the end of 2021 the Ungheni rayon budget total debt amounted to MDL 2.7 million, or 0.8 per cent of the annual revenue. At the moment the rayon budget has no foreign debt. There are no guaranties issued at the moment of evaluation.

Dimension PI-13.1 Recording and reporting of debt and guarantees

202. The local authority follows the provisions on debt recording and reporting of the chapter VII from the law no. 419³⁷ 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.1136³⁸ of October 18, 2007, regarding some measures for the execution of the law no. 419 of December 22, 2006. Ungheni rayon 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 Ungheni rayon uses the accounting program 1C to record and monitor the debt it has, 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 related to all rayon debts are reconciled by the Ungheni rayon with the creditor institution quarterly.

203. Ungheni rayon reports the status of its debts to the rayon council quarterly. Comprehensive information about the debt service, stock, and operation for all public sector is available through the consolidated reports prepared by the MoF on semiannual basis which are public³⁹

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	Statistical reports (covering debt service, stock and operations prepared) M/Q/A/N	Additional information from reconciliation reported (if no statistical report) (Y/N)

³⁷ Link for the Law no.419/2006 https://www.legis.md/cautare/getResults?doc_id=116876&lang=ro#

³⁸ Link for the GD no.1136/2007 https://www.legis.md/cautare/getResults?doc_id=121747&lang=ro#

³⁹ <https://mf.gov.md/ro/datoria-sectorului-public/rapoarte/datoria>

			(Add whether All; Most: Some; Few)		
Y	M	Y	M	Q	N

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

204. The score for this dimension is B.

Dimension PI-13.2 Approval of debt and guarantees

205. The decision regarding the contracting of the debt/ granting of the loan guarantee is taken by the rayon council based on the proof of the conformity of the 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 rayon budget, excluding special purpose transfers. In 2019 this threshold was exceeded by 5.3% as stated by the CoA in their financial audit report, however for the last assessed year (2020) the limit was respected.

206. 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 on the rayon.

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

<p>The law no.419 of December 22, 2006, on public sector debt, state guarantees and state re-credit</p>	<p>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.</p>	<p>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 local council)</p>	<p>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</p>	<p>The annual borrowing is approved by the local council decision within the annual budget. Last approved in 2021</p>
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Data Source: country's legal framework

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

Dimension PI-13.3 Debt management strategy

208. The Ungheni SNG has not prepared a debt management strategy (DMS). The long-term objective of contracting debt within robust cost–risk trades-off is described only for the current borrowing in a separate note to the acceptance request which is presented to the MoF.⁴⁰ A separate explanatory note for the rayon 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.

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

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

⁴⁰ Link to the government decision no.1136 of October 18, 2007, on some measures for implementing the Law no.418 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

211. 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

212. 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 and expenditures for the budget year are based on information on transfers, revenue and expenditure estimates and key demographic and macroeconomic indicators
14.2. Fiscal impact of policy proposals	B	The Ungheni rayon prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year
14.3. Medium-term expenditure and revenue estimates	D	The rayon budget is 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 rayon budget, it is not possible to compare the previous year’s forward estimate with the actual that occurred in that year.

Dimension PI-14.1 Underlying forecasts for medium-term budget

213. The following documents are readily available: the approval of the budget for FY 2021 (after the second reading); Explanatory note to the budget of Ungheni rayon for FY 2021 and Informative note regarding the elaboration of the rayon budget for FY 2021.

214. The budget for the rayon sets out:

- Synthesis of revenues, expenditures and sources of financing of the rayon council budget (annex 1 to the budget documentation);
- The composition of the rayon budget revenues (annex 2 to the budget documentation);
- Resources and expenditures of the rayon council budget, according to the functional classification and by programs (annex 3 to the budget documentation);
- Summary of revenues collected by public authorities/institutions (annex 4 to the budget documentation);
- the tariffs for the provision of services by the public institutions financed from the rayon budget (annex 5 to the budget documentation);
- The staff numbers of the authorities / institutions financed from the rayon budget (annex 6 to the budget documentation);
- The annual loan program (annex 7 to the budget documentation);

- The amount of the reserve fund of the rayon budget.
- the debt ceiling of the rayon.⁴¹

215. The budget is for the upcoming year and does not extend into medium term but includes programs based on the strategies developed as well as the fiscal constraints imposed by the legal framework.

216. The estimates of revenue and expenditures for the budget year are based on information on transfers, revenue and expenditure assignments and key demographic and macroeconomic indicators.

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

Dimension PI-14.2 Fiscal impact of policy proposals

218. The Informative note regarding the elaboration of the rayon budget for FY 2021 in the budget documentation sets out:

- For revenues the drivers of their calculation for FY 2021: the changes in the law regarding application of individual taxes and exemptions, changes in transfers by type and how they impact of revenues, the estimations of water extraction and wood cuts that form basis for calculation of local taxes.
- Expenditure calculations are based on the costs related to the budget and consider:
 - Normative and legislative acts, which regulate the activity of the respective areas;
 - Legislative and normative acts that regulate the aspects related to the remuneration (with subsequent amendments and completions);
 - Commitments of expenditures incurred in the years previous with financial impact on the year planned (increasing wages in the previous years, repayment of long-term loans, pay of interest, etc.);
 - Reforms promoted within the rayon subdivisions (institutional changes);
 - The volume of own source revenues generated within the public institutions.

219. Thus, the rayon prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year.

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

Dimension PI-14.3 Medium-term expenditure and revenue estimates

221. The discussion with the officials revealed that the council is only interested in forthcoming budget year from a political perspective and not the medium-term implication of the current budget policy and framework. It was considered that the wherewithal to develop a medium-term budget was available given that program budget is in place.

⁴¹ The council is allowed by Law to borrow no more than 20% of own source revenue. Along with the requirement of not having an annual fiscal deficit, the borrowing limit provides the council with a fiscal rule.

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

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

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

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

224. As there is not a medium terms perspective to the rayon budget, it is not possible to compare the previous year's forward estimate with the actual that occurred in that year. The council does review its annual budget execution and compares it to the approved planned budget.

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

PI-17. Budget preparation process

226. 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	A clear budget instruction and calendar is issued for all public sector authorities and spending units, along with multiple budget request forms to be fulfilled. A deadline for 2021 budget drafting was less than one month (3 working weeks). Submissions are made in accordance with the timetable approved for each budget cycle separately.
17.2 Guidance on budget preparation	C	A comprehensive and clear budget circular is issued to budgetary authorities and spending units, covering total budget expenditure for the full fiscal year. The budget reflects sectors ceilings per each subnational unit. The ceilings were not approved by the government before the circular was issued.
17.3 Budget submission to the legislature	C	The executive authority of the Ungheni rayon 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

227. Law no.181/2014 on public finance and fiscal budget accountability establishes the overarching calendar for the budget process with sequenced activities and deadlines. Interim activities of the budgetary calendar regarding the elaboration of local budgets and the deadlines for their realization are established by the executive authority, considering the methodology approved by the MoF.

228. The budget circular for the 2021 budget, which also covered budget forecast for 2022-2023, was issued on September 15, 2020, requiring 3 weeks for submission of the preliminary estimates by the rayon budgetary units (subdivisions of the rayon council and tier I spending units) to the Finance division. Thereafter further changes could be made following discussions and negotiations with each budget unit. The submissions, which are entered directly into FMIS, cover all medium-term projection. All budgetary units made their submissions in accordance with the timetable set out in the MoF circular.

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 spending units complying with deadline	Date Cabinet approved ceilings	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: Ungheni rayon Head's disposition no.115-02/1-5 from September 15, 2020, regarding to organization of the budget process for 2021 and estimates for 2022-2023

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

Dimension PI-17.2 Guidance on budget preparation

230. The Ungheni rayon finance division issue a budget circular 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.

231. Ceilings are treated as maximum budget allocations calculated for the budgetary units and are distributed within the budget circular. The final budget allocations could subsequently be adjusted on the basis of the quality and justification of their detailed proposals.

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

233. The entire budget preparation process is carried out within the FMIS through 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.

234. 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 but not yet formally approved through the Government Decision MTBFs 2021-2023 ceilings in the 2021 state budget circular. The ceilings were approved after the budgetary units completed their submissions.

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

Dimension PI-17.3 Budget submission to the subnational council

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

Table 17.2: Budget submission to legislature

FY	Date of submission of budget proposal
2018	December 10, 2018
2019	November 14, 2018
2020	November 29, 2019

Data source: Ungheni rayon council decisions

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

PI-18. Legislative scrutiny of budgets

238. 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 are the last three completed FYs (2018-2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-18. Legislative scrutiny of budgets (M1)	B+	
18.1. Scope of budget scrutiny	B	The rayon council review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue. The medium-

		term fiscal forecasts and medium-term priorities are not included in the tables to the Explanatory Note.
18.2. Legislative procedures for budget scrutiny	B	The procedures to review budget proposals are covered by the national legislation and are adhered to. There are no separate procedures adopted for the Ungheni rayon council. The current procedures include internal organizational arrangements such as committees, technical support, and negotiation procedures. There are arrangements for public consultation.
18.3. Timing of budget approval	A	The rayon 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 by the executive. 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

239. The rayon budget scrutiny, approval, and amendment system is set in the Article 21 of the law no.397 from October 16, 2003, on local public finance. The scrutiny performed by the Ungheni rayon 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 divisions and the detailed expenditures within each sector. The document has the following compulsory annexes:

- Synthesis of general indicators and sources of financing of the local budget;
- The 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 authorities / 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.

240. Medium-term fiscal forecasts and budget priorities are not included in the submitted draft budget documentation.

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

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	N	N	Y	Y
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Data source: Ungheni rayon council decision no.6/3 of December 03, 2020⁴²

Dimension PI-18.2 Legislative procedures for budget scrutiny

242. General legislative procedures for analyzing, voting and passing the budget are set in the Article 21 of the law 397 from October 16, 2003, on local public finance. There are no separate detailed procedures adopted by the Ungheni rayon that would include internal organizational arrangements, such as committees. For the purpose of the budget scrutiny a working group⁴³ is created. Separate meetings are organized in the standing committees for agriculture, social affairs and budget of the rayon council.

243. rayon finance division presents the draft budget for the first reading and conducts the negotiation processes within the working group and rayon council committees by analyzing the proposals and presenting the amendments for the corresponding budgetary unit/division.

244. The public consultation used to be organized before the hearings within the rayon council session. Together with negotiations in the local council committees, it takes in average 10-15 working days for the budget scrutiny, having regard to the terms established by the MoF for the presentation of the draft budget. For FY 2021 budget the public consultations were organized along with the debates in the agriculture committee, social affairs committee and budget commission.

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 rayon council website⁴⁴

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

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.

246. 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.

⁴² Link for Rayon Council Decision no.6/3 of December 03, 2020, <http://www.crungheni.md/wp-content/uploads/2020/12/Project-1.pdf>

⁴³ For 2020 budget drafting process the Rayon Head's Disposition no.126-02/1-5 from August 21, 2019, was issued: <http://www.crungheni.md/wp-content/uploads/2019/09/126.pdf>.

⁴⁴ <http://www.crungheni.md/transparenta-decizionala/decizii-aprobate/>

247. The public hearings have been organized during the 2020 budget approval. For citizens and the civil society representatives a separate meeting has not been organized. They had an opportunity to participate in all rayon committee’s meetings.

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

Dimension PI-18.3 Timing of budget approval

249. According to Article 21 of the law no.397 from October 16, 2003, on local public finance, Local council should approve the annual local budget by December 10. However, the approval of the annual rayon budget during last 3 years was in line with the requirement to “be published before the beginning of the budget year”.

Table 18.3: Timing of budget approval

Budget for FY	Date of budget approval
2018	December 14, 2017
2019	November 29, 2018
2020	December 12, 2019

Data source: Ungheni rayon council website⁴⁵

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

Dimension PI-18.4 Rules for budget adjustments by the executive

251. During the budget year, without affecting the indicators approved by the annual budget decision, the redistribution of budget allocations could be performed⁴⁶ as follows:

- By the budget administrator (head of the rayon council) – between the economic categories of expenditures, without increasing the personnel expenses and without modifying the expenditures for capital investments and inter-budgetary transfers;
- By budgetary authorities – between the subordinated budgetary institutions within a sub-program, respecting the limits established by the budget administrator;
- By budgetary institutions – other redistributions of allocations that do not affect the limits set by the hierarchically superior budgetary authority.

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

253. The redistribution of budget allocations for the approved annual budget shall be carried out by rayon council not later than November 30 of the budget year. In 2020, the last amendments to the budgets were approved on November 19, 2020⁴⁷.

254. 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 date of each month.

⁴⁵ <http://www.crungheni.md/transparenta-decizionala/decizii-aprobate/>

⁴⁶ Provisions are set in the Article 26 of the law no.397 from October 16, 2003, on local public finance

⁴⁷ Link for the last 2020 budget amendment Decision no.5/1 of November 19, 2020, <http://www.crungheni.md/wp-content/uploads/2020/11/Project-3.pdf>

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

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

PILLAR 5: Predictability and control in budget execution

257. 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

258. 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	All tax revenues and fees are administered and collected by the central authority- State Tax Service (STS) of Moldova on behalf of Ungheni rayon.
19.2. Property tax register and valuation	NA	Ungheni rayon does not levy any property tax nor property transfer tax (in case of sale or inheritance).
19.3. Tax risk management, audit, and investigations	NA	All tax revenues and fees are administered and collected by the central authority- STS of Moldova on behalf of Ungheni rayon.
19.4. Tax arrears monitoring	NA	All tax revenues and fees are administered and collected by the central authority- STS of Moldova on behalf of Ungheni rayon.

259. According to the SNG Guidance for PEFA assessment, 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.

260. According to Article 5 of the law on local public finance⁴⁸, the revenues of the rayon consist of the following: (i) *General revenues*: a) own revenues: tax on natural resources; private tax (according to property belonging); other revenues according to legislation; b) transfers from the income tax of individuals – 50% from the total amount collected on the territory of the municipality that is HQ in the rayon; c) general designation transfers and special designation transfers; d) grants for budget deficit; (ii) *collected revenues*; and (iii) *grants financed from external sources*.

261. The table below lists the own source of revenues for the Ungheni rayon for the last completed FY2020. As shown in the table, almost all tax revenues and fees are administered and collected by the central authority- State Tax Service (STS) of Moldova on behalf of Ungheni rayon in compliance with the Tax Code of Moldova and the existing legal and regulatory framework. The way how revenues are collected is regulated by the MoF.⁴⁹ Hence there are no core taxes.

⁴⁸ https://www.legis.md/cautare/getResults?doc_id=121302&lang=ro#

⁴⁹ https://www.legis.md/cautare/getResults?doc_id=119656&lang=ro

Table 19.1. Revenues related to Ungheni rayon (Ungheni rayon council)

The name	Executed in 2020 (thousand MDL)	Unit responsible for collection and administration
Taxes and fees	14,625.7	
Income tax withheld from salary	13,572.5	STS (Ungheni State Tax Service Directorate (DDF), subdivision of the central apparatus, within the limits of its competences)
Personal income tax payable / paid	305.3	STS (DDF, subdivision of the central apparatus, within the limits of its competences)
Personal income tax in the field of road passenger transport by taxi	23.5	STS (DDF, subdivision of the central apparatus, within the limits of its competences)
Income tax related to the transfer of possession and / or use of real estate	74.3	Administered by STS (DDF, subdivision of the central apparatus, within the limits of its competences) and collected by SNG
Water fee	405.7	STS (DDF, subdivision of the central apparatus, within the limits of its competences)
Fee for timber released on foot	3.2	STS (DDF, subdivision of the central apparatus, within the limits of its competences)
Fee for the extraction of useful minerals	241.2	STS (DDF, subdivision of the central apparatus, within the limits of its competences)
Grants received	1,152.9	-
Grants received from international organizations for projects funded from external sources for the local level II budget	1,152.9	-
Other incomes	3,139.4	-
Tax on the purchase of foreign currency by individuals in foreign exchange offices	333.8	STS (DDF, subdivision of the central apparatus, within the limits of its competences)
Receipts from the provision of paid services	2,372.7	-
Payment for the lease of public property	405.5	STS (DDF, subdivision of the central apparatus, within the limits of its competences)
Fines imposed by the Financial Inspection collected in the local budget of level II	0.6	STS (DDF, subdivision of the central apparatus, within the limits of its competences)

Voluntary donations for current expenditure from internal sources for budgetary institutions	26.8	-
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Source: State Tax Service and Ungheni rayon authorities.

PI-19.1. Rights and obligations for tax measures

262. Almost all tax revenues and fees are administered and collected by the central authority, STS on behalf of Ungheni rayon in compliance with the Tax Code of Moldova and the existing legal and regulatory framework. **Hence there are no core taxes.**

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

PI-19.2. Property tax register and valuation

264. Ungheni rayon does not levy any property tax nor property transfer tax (in case of sale or inheritance), making this dimension non applicable.

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

PI-19.3. Tax risk management, audit and investigations

266. Almost all tax revenues and fees are administered and collected by the central authority – STS on behalf of Ungheni rayon in compliance with the Tax Code of Moldova and the existing legal and regulatory framework. **Hence there are no core taxes.**

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

PI-19.4. Tax arrears monitoring

268. Almost all tax revenues and fees are administered and collected by the central authority- STS of Moldova on behalf of Ungheni rayon in compliance with the Tax Code of Moldova and the existing legal and regulatory framework. **Hence there are no core taxes.**

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

PI-20. Accounting for revenue

270. 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	The State Treasury provides to both the STS and the finance division of Ungheni rayon information on collected revenues on monthly/daily/real-time basis. The information on total revenue collections is broken down by type of revenue and the finance division prepares a consolidated report covering all own source of revenues (both tax and non-tax revenue, broken down by revenue classification codes).
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	All tax revenues and fees are administered and collected by the central authority- STS of Moldova – on behalf of Ungheni rayon.

271. According to the SNG Guidance for PEFA assessment, for the application of this indicator, the revenues to be assessed are all own source revenues of the subnational government, excluding transfers which are assessed in HLG-1 (*refer to the HLG-1 above*). The coverage of the assessment for the first and the second dimension is the same as for PI. 3, while for the third dimension is the core local taxes.

Dimension PI-20.1 Information on revenue collections

272. Almost all tax revenues and fees are administered and collected by the central authority- STS of Moldova on behalf of Ungheni rayon. The State Treasury provides to both the STS and the Finance Department of Ungheni rayon information on collected revenues on monthly/daily/real-time basis. The information on total revenue collections is broken down by type of revenue and the Finance Department prepares a consolidated report covering all own source of revenues (both tax and non-tax revenue, broken down by revenue classification codes).

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

Dimension PI-20.2 Transfer of revenue collections

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

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

Dimension PI-20.3 Revenue account reconciliation

276. As indicated under the PI-19 indicator, all tax revenues and fees are administered and collected by the central authority- STS of Moldova – on behalf of Ungheni rayon.

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

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

PI-21. Predictability of in-year resource allocation

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

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-21. Predictability of in-year resource allocation (M2)	A	
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.
21.2. Cash forecasting and monitoring	A	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 and adjusted based on when revenues are received on a monthly basis (including own source revenues). Based on this revenue forecast, procurement is planned accordingly.
21.3. Information on commitment ceilings	A	The rayon 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	A	There have been two in-year adjustments requiring the approval of the rayon council.

Dimension PI-21.1 Consolidation of cash balances

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

280. 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.

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 rayon council and regional treasury department

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

Dimension PI-21.2 Cash forecasting and monitoring

282. 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 local public finance law no.397/2003). Given that transfers form the greatest part of Ungheni raion budget revenues, these are received monthly. A monthly plan is prepared and adjusted based on received own and shared revenues on a monthly basis. Ungheni rayon finance division prepares daily operative

information on cash flow estimates for its internal use while the Regional Treasury prepares consolidated weekly and monthly cash flow forecasts for the entire budget sector. Based on this revenue forecast, spending and procurement is planned accordingly.

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

Dimension PI-21.3 Information on commitment ceilings

284. The information about the amount resources to be received from the central government are available once the state budget is approved. The rayon is also aware of the time when the transfers are released (please refer to HLG-1). There are no cash ceilings established. The rayon plans its budget execution for the whole year based on its cash flow projections so commitments can be planned accordingly.

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

Dimension PI-21.4 Significance of in-year budget adjustments

286. Article 28 of local public finance law no.397/2003 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. Yet, 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 two in-year adjustment requiring the approval of the rayon council in each of the assessed three years. Changes to the budget happened mainly due to increase of the transfers from the state budget.

Table 21.4: Ungheni rayon council budget amendments 2018- 2020, MDL thousand

FY2020 state budget	Initial budget (December 12, 2019)	1 st amendment (August 13, 2020)	2 nd amendment (February 25, 2021)
Revenues	321,615.4	332,100.1	337,493.4
Expenditure	317,847.4	333,283.3	339,848.8
FY2019 budget	Initial budget (November 29, 2018)	1 st amendment (July 25, 2019)	2 nd amendment (February 20, 2020)
Revenue	272,410.5	279,237.6	296,529.3
Expenditure	268,882.5	297,536.5	316,255.0
FY2018 budget	Initial budget (December 14, 2017)	1 st amendment (August 2, 2018)	2 nd amendment (December 27, 2018)
Revenue	243,563.2	250,728.7	253,357.8
Expenditure	241,067.2	255,676.1	264,230.6

Source: rayon council budgets

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

PI-22. Expenditure arrears

288. 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 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	Arrears are insignificant as a percentage of expenditure.
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

289. 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)). However, arrears are low and insignificant and registered only in 2019 in amount of MDL 98.3 thousand. In 2018 and in 2020 there were no arrears. These arrears are less than 0.1% of expenditure. There are no arrears for subsidies.

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

Dimension PI-22.2 Expenditure arrears monitoring

291. 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.

292. 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.⁵¹ 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.

293. 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. Form 9 in the annual state budget execution report reflects all arrears. The rayon complies with all of the requirements.

⁵¹ accessed at the link: <http://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare>

294. The score for this dimension is A.

PI-23. Payroll controls

295. 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 EBU's.

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-23. Payroll controls (M1)	B+	
23.1. Integration of payroll and personnel records	A	The payroll is 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. Retroactive adjustments are rare.
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	A payroll audit covering all SNG entities of Ungheni rayon has been conducted by CoA for FY2020 and by Financial Inspection agency for the last four completed fiscal years.

296. 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.⁵²
- (ii) Law no.158 dated July 4, 2008 on civil service and status of the civil servant.⁵³
- (iii) Law no.155 dated July 21, 2011 for approving the unified classification of the public functions.⁵⁴
- (iv) Government decision no.1231 dated December 12, 2018 on implementation law no. 270/2018.⁵⁵
- (v) MoF order no.218 dated December 28, 2018 on staffing for public sector.⁵⁶

⁵² https://www.legis.md/cautare/getResults?doc_id=128269&lang=ro#

⁵³ https://www.legis.md/cautare/getResults?doc_id=128500&lang=ro#

⁵⁴ https://www.legis.md/cautare/getResults?doc_id=125244&lang=ro#

⁵⁵ https://www.legis.md/cautare/getResults?doc_id=126510&lang=ro#

⁵⁶ https://www.legis.md/cautare/getResults?doc_id=111381&lang=ro

297. 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 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

298. Individual units are responsible for keeping records of their employees' payroll, for some units this is made by a higher-level unit, and the unit is only responsible for keeping personnel records. Record-keeping for personnel and staffing tables is made in the accounting program. Payroll accounting is done both in the automated system and manually in MS Excel. 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.

299. 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 their payroll are automatically accompanied by a corresponding change in the payroll accounting module of the software program, without human intervention.

300. Reconciliation of employees' payroll with personnel records is carried out monthly, before the payment is made. The HR unit (clerk) verifies the time sheet of work hours with the information contained in the personnel file and submits them to the accounting office (accountant responsible for payroll calculation). The accounting office verifies and calculates the salaries based on the submitted time sheets using the software accounting program. These calculations are made considering all personnel changes.

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 when 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 when 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 when changes are approved
Audit trail of internal controls	Y	Internal audit	According to the annual internal audit plan

Payroll audits in last three years	Y	Internal audit, Financial Inspection, Court of Account	During audits: 2020 and 2021
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Data sources: Interview results, audit reports

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

Dimension PI-23.2 Management of payroll changes

302. 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.

303. 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.

304. 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 at the highest level of management 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.

305. 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. All budgetary institutions store data in accounting program for budgetary institutions.

306. 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.

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

Dimension PI-23.3 Internal control of payroll

308. Based on the provisions of the MoF order no. 4⁵⁷ of January 09, 2019 regarding the regulation on self-evaluation related to internal control reporting, each public entity is obliged to self-evaluate annually the functionality of its own internal managerial control system. This order also contains a self-assessment questionnaire (report). It has a separate section VI, which also contains minimum criteria for evaluating the payroll component.

309. In the accounting unit of the finance division there is one person responsible for salary calculation and its records. The internal controls are performed by the chief accountant who is responsible for separate verification, calculations and correctness of payments.

⁵⁷ Link for Ministry of Finance Order 4/2019 https://www.legis.md/cautare/getResults?doc_id=119967&lang=ro

310. The accounting system has restricted access. 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.

311. Internal audit missions are carried out regularly by the local council internal audit unit that highlights any weakness in payroll approval and personal records maintenance. The last internal audits attested that the data and procedures have full integrity which means that the existing processes ensure that all data is accurate.

312. Moreover, according to the provisions of Article 17 of law no.229⁵⁸ dated September 23, 2010, regarding public finance internal control, the internal audit ensures the evaluation at least once every three years of high-risk processes including the payroll procedures and payments such as:

- Control of the terms of reference;
- Correct attribution of the payroll based on terms of reference;
- Share of the responsibilities within the finance division and accounting office.

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

Dimension PI-23.4 Payroll audit

314. Payroll audits are undertaken regularly but not on annual basis. Payroll is a subject to each internal audit carried out by the internal audit unit. During the last three years two on site internal audits were carried out that included the payroll calculation verification. Such audits took place in 2019 in the rayon's subordinated educational facilities, the Lyceum "A. Pushkin" and in 2021 in the Lyceum "A. Mateevici."

315. 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.

316. The CoA, during the last financial audit mission for 2020, verified the payroll of the rayon council itself and its subordinated public authorities and spending units. The public auditors checked staff records, payroll calculation and the existence of internal controls over the staff-related changes. The auditors verified whether modifications in the staff records, and payroll calculations were carried out timely, whether payroll lists were appropriately documented, and whether the respective employees were authorized to receive a particular amount of pay, and if they actually physically exist. The CoA confirmed that as result of their audits of the Ungheni rayon for 2020 the errors or failures in compliance in the public sector payroll were insignificant.

317. At the same time, the financial inspection agency during its inspection conducted in 2021 (which covered 2016 – 2020) also checked the correctness of the calculation and application of the provisions of law no.270/2018 for the salaries calculated to all staff paid from the rayon budget. Their findings have been included in the CoA report.

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

⁵⁸ Link to the Law no. 229/2010 https://www.legis.md/cautare/getResults?doc_id=125252&lang=ro#

PI-24. Procurement

319. 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 EBU. 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)	B+	
24.1. Procurement monitoring	B	Procurement databases and records are maintained by individual spending units of the Ungheni rayon. The information is complete and accurate for the most procurement methods as evidenced by the CoA audit report.
24.2. Procurement methods	A	In 2020, out of all procurement procedures within the thresholds defined by the public procurement law, 98.75% of the total value of contracts was awarded through competitive methods (open tenders, request for Quotations).
24.3. Public access to procurement information	C	3 out of 6 key procurement information requirements are made available to the public.
24.4. Procurement complaints management	A	The procurement complaint system meets every one of the listed criteria. The procurement complaint body is a national entity.

General description of the public procurement system in Moldova

320. The public procurement law⁵⁹ (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 thresholds⁶⁰: goods and services – MDL 200,000, works – MDL 250,000 and social services and other services defined in the law – MDL 400,000⁶¹ (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.⁶² In addition to the PPL, there are several regulations that are meant to guide contracting authorities throughout the procurement process.

321. 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.

322. 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

⁵⁹ Law no.131/2015 dated July 3, 2015, on public procurement, as subsequently amended

⁶⁰ PPL, Art. 2(1)

⁶¹ Official exchange rate of Moldovan Leu to 1 US Dollar was 17.3201 in 2020

⁶² Government decision no.665 dated May 27, 2016, for approving the regulation on small value public procurement

smooth functioning of the public procurement system, and the National Agency for the Resolution of Complaints (ANSC), in charge of reviewing and ruling on complaints from tenderers and other interested parties.

323. 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.⁶³

Dimension PI-24.1 Procurement monitoring

324. Procurement within the PPL thresholds and small-value procurement is managed centrally for several sub-divisions by the office of the rayon council head. Several sub-divisions, which have legal entity status, manage procurement separately, and not through that office. The entities managing procurement separately are: (i) General Social Assistance and Family Protection Division; (ii) Education Division; (iii) Culture and Tourism Section; and (iv) Territorial Military Center. These sub-divisions have various subordinate institutions. Procurement for most of these institutions is managed centrally by the respective sub-division, however some subordinate institutions (which are financially autonomous) manage procurement separately.

325. The audit compliance report for year 2020 issued by CoA evaluates the procurement practices conducted by the Ungheni rayon authorities and their subordinated units. The report does not provide aggregate procurement data for all the entities. However, it refers to the Education Division and its subordinated entities that perform the largest number of procurement activities. The information included in the monitoring reports shared by the Ungheni Rayon representatives to the assessment team (in Tables 24.1.1 and 24.1.2) is consistent with the data provided in the CoA report. According to the CoA report, 46 subordinated institutions reported 1,772 contracts for year 2020 for a total value of MDL 44,476,400 out of which 1,508 contracts being small-value contracts for a total of MDL 34,221,200 thus representing 77% of the total value of procurement. Moreover, as evidenced by the CoA report out of 23 small value contracts reported by the Office of the Rayon Council Head, only 6 contracts were included in the Procurement Plan for year 2020 (as of February 28, 2020).

326. For the purposes of assessing the procurement practices, public monitoring reports of 7 sub-divisions and respective subordinate units have been provided. The analysis of these reports showed that all the sub-divisions keep procurement records using MS Excel documents covering the following information: (i) category (goods, works, services); (ii) contract number; (iii) contract description; (iv) procurement method; (v) supplier's name; (vi) date of contract signing; (vii) contract amount; (viii) financial progress; and (ix) number of bidders. Based on the CoA report the procurement method data kept by the Ungheni rayon authorities is complete and accurate at least for the Education Division.

⁶³ 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.

Table 24.1.1. Total procurement for year 2020

Total procurement for year 2020 (MDL)			
	PPL threshold	Small Value Contracts	Other ⁶⁴
Number of contracts	60	1,683	n/a
Total contract value	24,316,415	42,904,792	11,227,690

Source: Ungheni rayon council

Table 24.1.2. Total procurement for year 2020 by sub-division/subordinated institutions

Name of division/subordinated institution	Threshold	No. of contracts	Contract value (MDL)
Education Division	PPL	2	1,827,000
	Small Value Contracts	64	2,842,600
	Other	n/a	743,100
Education Division- Subordinated institutions	PPL	45	4,606,300
	Small Value Contracts	1,508	34,221,200
	Other	n/a	8,960,390
Territorial Military Center	PPL	0	0
	Small Value Contracts	6	279,000
	Other	n/a	21,000
Office of the rayon council Head	PPL	13	17,883,115
	Small Value Contracts	23	2,042,159
	Other	n/a	0
General Social Assistance and Family Protection Division	PPL	0	0
	Small Value Contracts	50	2,597,500
	Other	n/a	1,164,400
Finance Division	PPL	0	0
	Small Value Contracts	15	413,200
	Other	n/a	148,800
Culture and Tourism Section- Subordinated institutions	PPL	0	0
	Small Value Contracts	17	509,133
	Other	n/a	190,000

Source: Ungheni rayon council

327. In addition, procurement within the PPL threshold is mandatorily conducted through Mtender by Contracting Authorities and data can be extracted from the website <https://mtender.gov.md/>. Information on contracts can only be collected for those that are awarded using Mtender and only for the planning and tendering phase. The system does not cover contract management.

328. All sub-divisions which manage procurement individually use Mtender for procurement within the PPL threshold. Analysis could not be conducted using only the information available in Mtender.

⁶⁴ Includes utilities and procurement below MDL 10,000

Therefore, most of the information has been extracted from the monitoring reports shared by the Ungheni rayon council with the assessment team. The format of the reports was slightly inconsistent from one sub-division to another. Consistency was noted only in the reports generated by the accounting system – registry of contracts’ status. However, given that these reports are mainly used for budget monitoring purposes (at contract implementation stage), these reports provide limited information on procurement cycle (contract description, selection method, number of bidders, etc.). On contract implementations status, these provide information on financial progress under each contract and no information on physical progress. There was another set of reports on procurement procedures, and these provide information on the tendering process in an aggregate manner (by subordinate institution or by method).

329. The use of Mtender is not mandatory for small value procurement. Procurement at this value is conducted by Ungheni rayon council and subordinate institutions outside Mtender, however, records are being maintained by each institution/division in MS Excel. Regular reporting on small-value procurement is submitted to the PPA but not by all entities subordinated to the Rayon Council as evidenced by the CoA compliance report for year 2020.

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

Dimension PI-24.2 Procurement methods

331. For the purposes of assessing this dimension, the same monitoring reports have been analysed. 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.

332. Based on the reports provided by the rayon council, in 2020, out of all procurement procedures within the thresholds defined by the PPL, 98.75% of the total value of contracts were awarded through competitive methods (open tenders, request for quotations) and 1.25% of the total value of contracts were awarded through non-competitive methods (negotiated procedures 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)
24,316,115	300,000	24,016,115	98.75%

Source: Ungheni rayon council

333. 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 under dimension PI-24.1, procurement of small value considerably exceeds procurement within the thresholds defined in the PPL.

334. 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 is to be flagged given that numbers could have been different had a proper approach been adopted for small value procurement.

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

Dimension PI-24.3 Public access to procurement information

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

337. Public procurement information is available on the website of the Ungheni rayon council, 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 rayon council or of any sub-division with a legal entity status. However, various communiques of the PPA are duplicated on the Ungheni rayon council website (www.crungheni.md)	YES
Government procurement plans	Ungheni rayon council website (www.crungheni.md). Procurement plans of the Ungheni rayon council are republished, if modified. These are available on the above website. These also include procurement of small value. Procurement plans of sub-divisions could not be located other than for the education division. The plans for this division are published only in its original version (once per year). No modifications have been published. These also cover small-value procurement. As evidenced by the Court of Accounts report for year 2020, entities subordinated to the rayon council did not publish their procurement plans.	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	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. http://etender.gov.md/contracte https://mtender.gov.md/en/tenders?procedures=commercial https://tender.gov.md/ro/bap https://achizitii.md	NO

	<p>Small-value procurement reports which also provide information on contract awards are not published on the website of the Rayon Council. Given that small-value procurement represents a large part of procurement conducted for 2020 by Ungheni Rayon Council, availability of contract award information cannot be considered as complete.</p> <p>Additionally, as evidenced by the Court of Accounts report for year 2020, most of the subordinated entities did not submit their small value procurement reports to the PPA.</p>	
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	Other than the procurement statistics published on the PPA website as part of its monitoring reports which provide an aggregate value for the entire public procurement system, no such information is published by the Ungheni rayon council, its sub-divisions or subordinate institutions.	NO

338. 3 out of 6 key procurement information requirements are made available to the public.

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

Dimension PI-24.4 Procurement complaints management

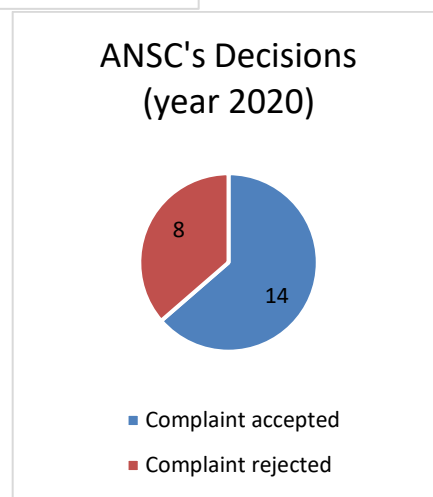
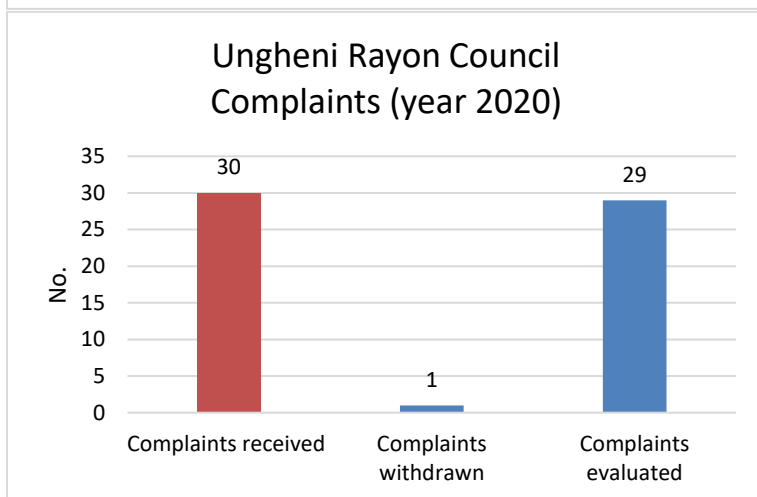
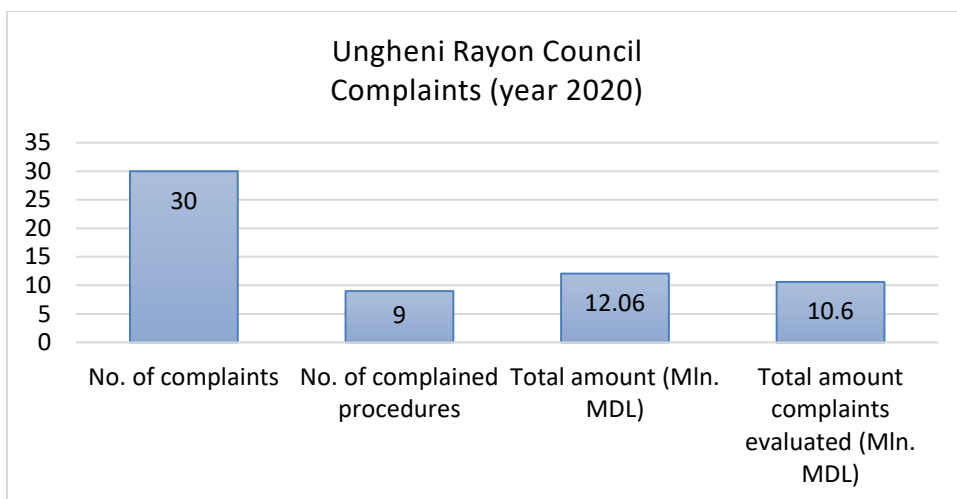
340. There is an effective and independent administrative complaint resolution mechanism. The review body is the ANSC which is a public authority, autonomous and independent from other public authorities, legal entities, and physical persons, and which examines complaints arising from public procurement tenders.

341. In 2020,⁶⁵ ANSC registered 30 complaints under 9 procedures managed by the Ungheni rayon council: the overall estimated amount for challenged procedures was MDL 12,065,450. However, it should be noted that this amount represents the total value of the procedure which in most of the cases was tendered in lots and in many cases only certain lots from the procedure were challenged. Further analysis of the exact amounts challenged by each complaint could not be performed because such data was not collected by ANSC or the Ungheni rayon council for 2020. To summarize, the total of 30 complaints can be classified as follows: withdrawn – 1 complaint, rejected – 8 complaints, partially approved/approved – 21 complaints, for which were issued 14 decisions (approved/partially approved with remedial measures). More details can be found in the charts below:

Chart 1. Ungheni rayon procurement complaints and ANSC decisions in FY 2020.⁶⁶

⁶⁵ https://www.ansc.md/sites/default/files/document/attachments/raport_2020_final.pdf

⁶⁶ Total amount complaints evaluated (million MDL) constitute the amount of the complaints with status rejected, partially approved, approved.



Source: ANSC

342. The table below provides the details for each criterion.

Table 24.4. Procurement complaints management

Criteria for the reviewing body	Findings	Met/ Not met
Not involved in any capacity in procurement transactions or in the process leading to contract award decisions	According to Article 80 of the PPL, ANSC is independent and autonomous. The responsibilities of ANSC are clearly defined in the PPL and are limited to the resolution of complaints. Article 86 of the PPL states that ANSC cannot decide on the award of the contract to a particular economic operator https://www.legis.md/cautare/getResults?doc_id=128126&lang=ro#	YES
Does not charge fees that prohibit access by concerned parties	Complaints can be submitted either online ⁶⁷ or physically with ANSC. No fee is currently charged for filing complaints.	YES
Follows processes for submission and	The complaints procedures are clearly defined in the law on public procurement and readily available through the electronic portal.	YES

⁶⁷ https://ansc.md/en/depunere_contestatie

resolution of complaints that are clearly defined and publicly available		
Exercises the authority to suspend the procurement process	According to Article 85 of the PPL, the ANSC has the right to issue a decision to suspend the public procurement procedure. https://www.legis.md/cautare/getResults?doc_id=128126&lang=ro#	YES
Issues decisions within the timeframe specified in the rules/regulations	Decisions of ANSC are made in writing within the time limit defined by the PPL (10 working days) and these are published on ANSC's website (as .pdf files). Therefore, the possibilities to search for and analyse these decisions from several points of view are very limited. At the same time, viewing these decisions in Mtender is possible by accessing an external link ⁶⁸ which allows to see the complaints in the same format for procedures which have been challenged.	YES
Issues binding decisions for each party (without precluding access to an external higher authority)	Article 86 of the PPL states that the decisions of ANSC are binding on parties. ANSC decisions are binding on parties. Similarly, the contracting authority does not have the right to conclude the public procurement contract until the final decision by the ANSC. Any public procurement contract concluded in non-compliance with the decision of the ANSC is struck by absolute nullity. Nevertheless, the decisions of the ANSC can be challenged in court.	YES

343. The score for this dimension is A.

PI-25. Internal controls on non-salary expenditure

344. 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)	A	
25.1. Segregation of duties	B	Appropriate segregation of duties is prescribed through the entire expenditure process. Responsibilities are clearly laid down for most key steps.
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.

345. Requirements for internal management control system at all levels of the government are set by law no 229 / 2010⁶⁹ on public internal financial control (PIFC). In particular, the law states that such a

⁶⁸ <https://mtender.gov.md/tenders/ocds-b3wdp1-MD-1631014574522?tab=review>

⁶⁹ <http://lex.justice.md/md/336794/>

system shall ensure the fulfillment of the objectives of the public entity through economy, effectiveness and efficiency of 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.

346. 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.

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

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

349. Ordinance 216 / 2015⁷⁰ 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 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

350. 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.

351. 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 organization of the management internal control system. The MoF has revised and published an internal management control manual. This manual contains a set of practical instructions and related guidelines.

352. 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, they issue recommendations to the management that are meant to improve the internal control system by following their implementation.

⁷⁰ https://www.legis.md/cautare/getResults?doc_id=125434&lang=ro

353. 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.

354. At the Ungheni rayon level the MoF regulations are applied. The individual responsibilities are prescribed in the job descriptions of the staff in each of the subdivisions of the rayon council and its subordinated units. The subdivisions of the rayon council organize the segregation of duties at their own level. All subordinated budget units of the rayon enter payments orders into the system 1C that is linked to the TREZ system of the MoF. The Finance Division of the rayon council has the right to prioritize payments and it verifies the availability of funds. 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.

355. In the procurement process, the responsibilities are defined in the regulations regarding the procurement working groups, and in individual staff job descriptions. However, the CoA compliance audit for FY2020 determined that the delegation of responsibilities to use the electronic procurement platform was not approved by the Ungheni council and not specified in the job descriptions. Also, not all spending units under the rayon council have created working groups for public procurement.

356. Verifications are performed to comply with the provisions of the MFO no.60/2012⁷¹ 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. According to the CoA audit findings, the material responsibility for the assets was not defined by some rayon public entities with respect to the staff that have them in their custody.

357. There is an internal audit unit established at the rayon level. Its FY2020 Annual Consolidated Internal Management Control Report states that the activities of initiation, verification, validation, and approval of transactions comply. It assesses that these functions are separated and exercised by different persons. FY2020 audit performed by the CoA did not reveal any deficiencies in this respect. However, they mentioned that the responsibility for coordination of activities related to organization, maintenance, and development of internal managerial systems is handled by the internal audit unit, although it should not be responsible for this. The head of the rayon council should delegate it formally to another subdivision.

Table 25.1: Segregation of duties and commitment controls

Segregation of duties		Commitment controls		
Prescribed throughout the process (Y/N)	Responsibilities	In place (Y/N)	Limited to cash availability	Limited to approved budget allocations
	C= Clearly laid down M= Clearly laid down for most key steps N= More precise definition needed		A= All expenditure M= Most expenditure P= Partial coverage	A= All expenditure M= Most expenditure P= Partial coverage

⁷¹ https://www.legis.md/cautare/getResults?doc_id=13507&lang=ro

Y	M	Y	A	A
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Data source: FY2020 Annual Consolidated Internal Management Control Report produced by the internal audit unit, FY2020 CoA compliance and financial audit reports

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

Dimension PI-25.2 Effectiveness of expenditure commitment controls

359. 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).

360. 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 rayon 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.

361. 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.

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

363. Commitment management is implemented within the 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

364. 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 commitment 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.

365. The Ungheni rayon has limited autonomy in the process of expenditure controls. All the rules and procedures are established at central level.

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

Dimension PI-25.3 Compliance with payment rules and procedures

367. 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).

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

369. 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.

370. Local public authorities are required to submit in the FMIS payment documents electronically signed by the authorized persons. The FMIS covers all Treasury operations and is the main tool in ensuring processes of authorization and control of expenditures are fully adequate. These ensure that budgetary authorities / institutions are not able to exceed the approved budgetary limits and their payments are executed within the balance of available funds. Automated controls exist both for checking the balance of allowances and for the balance of funds on a bank account. The 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).

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

372. 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 to the payments made by the rayon.

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

PI-26. Internal audit

374. 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	The rayon expenditures coverage by the IAU is less than 10%.
26.2. Nature of audits and standards applied	C	Internal audit activities are less focused on evaluation of the adequacy and effectiveness of managerial internal control system. Internal audit activities are guided by the internal audit methodology that complies with the international professional practices framework issued by the Institute of Internal Auditors. A quality assurance process is not used within the internal audit unit (IAU) and by the nature the compliance audits are only audits conducted during the year.
26.3. Implementation of internal audits and reporting	A	Annual audit plans exist, and they are monitored by the Division on Policies in Public Internal Financial Control (Central Harmonization Unit or PIFC Unit) at the MoF. In fiscal year 2020, planned audits were 5 out of which all were completed, and their reports distributed to appropriate parties.
26.4. Response to internal audits	C	Management implemented less than 75% of internal audit recommendations made over fiscal years 2018-2020.

Dimension PI-26.1 Coverage of internal audit

375. 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.

376. The requirements for the establishment of internal audit units (hereinafter – IAU) are provided in art. 19 of the law on Public Internal Financial Control (no.229 of 23 September 2010). Specifically, it requires at least two staff units in the structure of the tier 2 local public administration authorities. 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.

377. The internal audit unit of the Ungheni rayon council has been staffed with one person since 2017. Before the beginning of the year the auditor prepares a risk-based annual audit plan.

378. In 2018-2020 all planned audits were fulfilled. In addition to the planned ones one ad hoc audit in each year was performed.

Table 26-1 Calculation of the internal audit coverage in terms of expenditures

	Year	Actual expenditure allocated (MDL thousand)	Amount of expenditure covered by audit missions (MDL thousand)	Percentage of audits coverage by internal audit
1	2018	241,067.2	23,846.8	9.89
2	2019	268,882.5	21,120.8	7.86
3	2020	317,847.4	18,733.8	5.89

Data source: Internal audit unit of the Ungheni rayon council. The table does not include the internal audit carried out for the subordinated institutions like healthcare centres because their budget is not part of the rayon council budget.

379. The actual coverage of rayon expenditures by the internal audit function is less than 50%.

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

Dimension PI-26.2 Nature of audits and standards applied

381. The PIFC system has been developed in Moldova to provide a structured and operational model to assist central and subnational authorities in redesigning their own management internal control system in line with international standards. The MoF is responsible for designing and modelling the PIFC system. It performs the following activities through Central Harmonized Unit (the PIFC Unit):

- Develops, promotes and monitors PIFC policies.
- Develops, updates, and harmonizes the PIFC regulatory framework.
- Monitors and evaluates the quality of internal audit activities, as well as managerial internal control systems.
- Prepares and submits to the Government by June 1 for approval the annual consolidated report on PIFC for the previous year.
- Coordinates training on managerial internal control, and internal audit, and develops certification mechanisms for internal auditors in the public sector.

382. Article 21 of the internal audit norms in the public sector approved by MFO no.161/2020 defines types of internal audit engagements:

- (i) System audit, which considers internal management control within a system, process, or activity, to assess the effectiveness and efficiency of its functioning.
- (ii) Compliance audit, which checks compliance with the regulatory framework, policies, and applicable procedures and, as appropriate, the need to improve control activities.
- (iii) Financial audit, which evaluates the appropriate and effective functioning of the financial systems control activities.
- (iv) Performance audit, which looks at the use of resources within a single program, function, operation, or system to determine if resources are used in the most economic, efficient, and effective way to accomplish tasks.
- (v) audit of information technology, considering the effectiveness of internal management control over information systems.

383. The norms clearly define the process of internal audit report preparation and its issuance to relevant parties. The main findings and recommendations are discussed with the auditee, whose view is expressed in the final internal audit report.

384. Internal audit norms comply with the international professional practice framework issued by the Institute of Internal Auditors that ascertains compliance with international standards for internal auditing. The norms envisage a risk-based audit planning that guides the risk assessment and the internal review process to ensure quality control of the process.

385. There is also a code of ethics adopted in accordance with government decision no.557/2019 on the approval of the code of ethics of the internal auditor and the internal audit charter that all internal auditors should comply with.

386. Each IAU must have the quality assurance and improvement program, approved at the level of the local public authority, to assess the performance of the internal audit activity as well as its compliance with national internal audit standards and to evaluate the application of code of ethics by internal auditors.

387. However, since Ungheni IAU is staffed with only one person, the quality assurance process within IA function is not provided properly. It has not been yet subject to external evaluation that has to be conducted once in five years by a qualified independent assessor or by an assessment team outside the public entity as envisaged by IA regulations. Instead, annually by February 15 the IAUs' chief conducts self-assessment of the quality of internal audit activity for previous year according to the prescribed template. The self-evaluation is part of IAUs' annual reporting to MoF and must be submitted by March 1. The Ungheni rayon council prepared this report with a slight delay and approved it on March 9, 2021. It is also published on the council's website.⁷²

388. Regarding the types of audit missions, compliance audits covering separate processes (inventory, HR and payroll management, procurement, public property administration, etc.) is the only type of audit performed at the rayon level. Limited emphasis is placed on the evaluation of the adequacy and effectiveness of internal controls.

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

Dimension PI-26.3 Implementation of internal audits and reporting

390. In accordance with the requirements of international standards, all internal auditors in budgetary units, based on risk assessment and with consideration of the goals and mission of the institution, prepare strategic and annual plans and submit them to the Head of the Institution for approval. These annual audit plans are also sent to the PIFC unit at the MOF and are monitored.

391. Ungheni rayon council prepared FY2020 annual audit plan that was approved by the council Head on December 20, 2019. The latest strategic plan was approved on September 21, 2020, for five years.

392. Internal auditors within tier 2 local public administration authorities report directly to the heads of the rayon council. Those in turn appraise the organization of the managerial internal control system and issue annually for the preceding year a management responsibility statement. This was done by the council and the statement is published on their website.⁷³ IAUs submits a copy of their annual IA Plan and activity report to the CoA, upon request.

393. The MoF discharges its responsibility of monitoring the activities of public sector internal auditors through annual reports of the IAUs submitted to PIFC Unit and quality reviews. This information is thoroughly analyzed and serves as the basis for development of the Consolidated Annual PIFC Report covering both central and local levels, which the MoF presents to the Government. FY2020 annual consolidated PIFC report was approved by the Government through its ordinance no 47-d on June 16, 2021.

394. In the last fiscal year of the assessment of Ungheni rayon IAU, 2020, a total 5 audits were planned during the reporting period and all were completed.

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

Dimension PI-26.4 Response to internal audits

⁷² http://www.crungheni.md/wp-content/uploads/2021/11/RaportAnual_scanat-1.pdf

⁷³ <http://www.crungheni.md/wp-content/uploads/2021/11/DECLARA%C5%A2IA-DE-R%C4%82SPUNDERE-MANAGERIAL%C4%82.pdf>

396. The Ungheni IAU has systems for monitoring the implementation of the recommendations, with their records, the indication of the implementation deadlines, and those responsible.

397. The table below summarizes the number of recommendations issued and accepted during fiscal years 2018-2020.

Table 26.4.: Response to IA during years 2018 – 2020

Number of recommendations issued			Number of recommendations accepted			Number of recommendations implemented			% of recommendations implemented		
2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
53	54	39	53	54	39	32	34	29	60	63	74

398. The score for this dimension is C.

PILLAR 6: Accounting and reporting

399. 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

400. 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	Centre regional treasury unit under the State Treasury/MoF reconciles on daily basis all balances held by Ungheni rayon 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 only with few balances are brought forward and are cleared in a timely way, with minor exceptions.
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. Internal auditors and the CoA as part of their audits verify financial data integrity.

Dimension PI-27.1 Bank account reconciliation

401. All budgets, including SNGs budgets, are executed through the TSA held by NBM. The Ungheni rayon 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 rayon and performs daily processing of the account statement for the rayon.

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

403. After processing the bank statements by the regional treasury of the MoF, FMIS ensures that this reflects operations in the accounting statements of the rayon. The finance division of the rayon can view daily account statements in the Treasury's payment system, "edocplata." The reconciliation of balances is done by them at detailed and aggregate level.

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

Dimension PI-27.2 Suspense accounts

405. There is no suspense account at the Ungheni rayon level.

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

Dimension PI-27.3 Advance accounts

407. 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.

408. 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

409. In the financial statements submitted by the Ungheni rayon 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.

410. The receivable accounts balances at Ungheni rayon level can be seen in Table 27.3.

Table 27.3. Advance account balances by year, MDL

	2018	2019	2020
Advance account balances	561,269.10	645,548.39	2,840,672.34

Source: report FD-044

411. The CoA compliance audit report revealed that in 2020 around 1.3% of advances were not cleared on time.

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

Dimension PI-27.4 Financial data integrity processes

413. 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. 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. Such report is generated annually by CITF, and it is used for staff performance appraisal.

414. 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 rayon. CITF monitors unauthorized accounting system access. Internal auditors and the CoA conduct 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.

415. At Ungheni the rayon finance division has full access to the data of budgetary institutions under its subordination and makes all necessary changes to plans and commitments in the system on their behalf. However, the audit trail is available, and all changes can be traced to individuals and records.

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

PI-28. In-year budget reports

417. 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 over the last completed FY (2020).

INDICATORS/ DIMENSIONS	SCORE	ASSESSMENT OF PERFORMANCE
PI-28. In-year budget reports (M1)	B+	
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	A	Reports are prepared monthly and issued in average within 2 weeks from the end of reporting period.
28.3. Accuracy of in-year budget reports	B	There are no issues with quality. The monthly reports provide information on expenditures at the payment stage.

Dimension PI-28.1 Coverage and comparability of reports

418. 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.

419. 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.

420. Reports on the execution of the rayon budget are generated from the treasury system. The MoF publishes monthly budget execution reports according to economic and functional classifications consolidated for all SNGs.⁷⁴

421. The finance division submits the monthly budget execution reports to the rayon head according to the functional 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.

422. Semi-annual reports produced by the finance division contain more comprehensive information. They are prepared according to the functional, economic, and program classification. According to the article 31 of law on local public finance semiannual local budget execution reports are subject to hearings in the council. The report for semester II counts as the annual report.

423. The semi-annual report on the execution of the rayon level II budget was prepared by August 13 (semester I) of 2020, passed through the council's decision and subsequently placed on the Ungheni rayon council website.⁷⁵

424. The report on the execution of the rayon tier II budget for 2020 was prepared and heard in the council on February 25, 2021, and can be accessed at the Ungheni rayon council website.⁷⁶

Table 28.1: In-year budget reports (monthly)

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	M	2	N	Y	E

Data source: Ungheni rayon council

425. The score for this dimension is A.

Dimension PI-28.2 Timing of in-year budget reports

426. The monthly reports on the execution of the rayon local budget, accompanied by brief analysis and comments on the budget execution, including transfers from the state budget, are prepared, and are submitted to the rayon council during the following month. The average submission time after the reporting month in 2020 was within two weeks. The only exception was the month of March 2020 when

⁷⁴ <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare>

⁷⁵ <http://www.crungheni.md/wp-content/uploads/2020/08/Project-2.pdf>

⁷⁶ <http://www.crungheni.md/wp-content/uploads/2021/03/Project-1.pdf>

the state of emergency due to COVID-19 was declared and all public entities were closed until May 2020. Reports to MoF are being prepared and submitted semi-annually, and for 9 and 12 months.

Table 28.2: Issue dates of monthly in-year budget reports

Period covered by the report	Actual date of issuance	Number of days after the end of the reporting month
January	February 12, 2020	12
February	March 6, 2020	06
March	Not available	
April	May 5, 2020	05
May	June 12, 2020	12
June	July 13, 2020	13
July	August 12, 2020	12
August	September 10, 2020	12
September	October 13, 2020	13
October	November 13, 2020	13
November	December 14, 2020	14
December	January 20, 2021	20

Data source: Ungheni rayon council internal letters

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

Dimension PI-28.3 Accuracy of in-year budget reports

428. There are no major concerns about the accuracy of the information submitted in the in-year budget reports as discussed with the MoF. According to the rayon finance division, the cases when the revisions or adjustments are needed after the reports have been finalized are extremely rare. All budget transactions (revenues and expenditures) are managed and accounted for in the TSA.

429. 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 a thorough and regular monitoring and verification of financial information and cash flows (in particular, conducting of cross-checks).

430. The Ungheni rayon 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.

431. All budgetary authorities / institutions under Ungheni rayon, submit 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 the expired term (arrears) (Form FD-044).

432. These reports are accompanied by a comprehensive narrative report prepared in accordance with para 4.2. of MoF ordinance no.216/2015. Annex 3 to the report includes breakdown of accounts receivable and accounts payable per 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. The monthly reports do not include commitments.

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

PI-29. Annual financial reports

434. 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 rayon 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.
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 2020 were audited by the CoA, the Ungheni rayon council presented its statements on September 6, 2021, which exceeded nine months of the end of the fiscal year.
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.

Dimension PI-29.1 Completeness of annual financial reports

435. The annual report on the execution of the rayon 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 2020 rayon financial statements	Y	F	Y	F	September 6, 2021	More than 9 months

Data source: Ungheni rayon council

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

Dimension PI-29.2 Submission of reports for external audit

437. 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. This is done only upon request when the CoA initiates the financial audit. For FY2020 such an audit was conducted, and the financial reports were submitted on September 6, 2021, for audit.

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

Dimension PI-29.3 Accounting standards

439. Beginning 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.

440. 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 the financial statements.

441. Ungheni rayon prepares its financial in accordance with the norms above. However, the reference standards are not disclosed in the notes to the annual financial reports.

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

PILLAR 7: External scrutiny and audit

443. 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

444. 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.

445. 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)	C+	
30.1. Audit coverage	A	Financial reports of Ungheni rayon have been audited at least once during the last three completed fiscal years. The audit has highlighted relevant material issues and systemic and control risks.
30.2. Submission of the 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 for the last three completed fiscal years.
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 head of the rayon issued a disposition with the remedial action plan and informed formally the Court of Accounts about how the recommendations are to be addressed.
30.4. Independence of the public audit institution in charge of subnational governments	C	The CoA is independent from the executive with respect to procedures for appointment and removal of the CoA head, the planning of audit engagements, arrangements for publicizing reports, and execution of the CoA's budget. However, the budget is approved as part of the state budget process. The CoA shall have unrestricted and timely access to records, documentation, and information from auditees (budgetary units). The independence of the CoA is assured by the law on the Court of Accounts.

Dimension PI-30.1 Audit coverage

446. 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 of the CoA of Republic of Moldova adopted in December 2017.

447. 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.

448. The financial reports of the Ungheni rayon administrative-territorial unit (tier II) have been audited by the CoA in 2021 for the fiscal year ended December 31, 2020, which include 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 audit started on September 6, 2021, and the audit report was issued on February 28, 2022. The auditor issued a qualified opinion. Concurrently, the CoA conducted the compliance audit evaluating the budgetary process and administration of public property.

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

Dimension PI-30.2 Submission of audit reports to the legislature

450. The financial statements of Ungheni rayon were submitted to the auditor on September 6, 2021. The auditor issued the audit report on February 28, 2022. The audit report was submitted to the subnational council within six months from receipt of the financial reports by the audit institution in charge of subnational governments for the last three completed fiscal years.

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

Dimension PI-30.3 External audit follow-up

452. Based on the draft audit report submitted by the Court of Accounts to the rayon authorities, the head of the rayon on February 8, 2022, issued a disposition⁷⁷ on approval of remedial action plan to address the auditors' observations and appointed the responsible persons to implement the plan and inform him quarterly on the progress achieved. A formal written response was submitted to the Court of Accounts on April 12, 2022.⁷⁸

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

Dimension PI-30.4 SAI independence

454. Article 133 of the Constitution addresses the role of the CoA, its structure, the appointment procedure of the President and the responsibility of the CoA to submit an annual report to Parliament. However, the Constitution does not specify the most important issue – the status of the CoA – that it is an independent institution and that it is the supreme audit institution in the country.

455. In this case, as the status of the CoA is not enshrined in the constitution, the norms included in the second level legislation are subject to possible changes more often and thus pose a risk of the institution's dependence on political demands and decisions.

456. The CoA law, however, states that the CoA has organizational, functional, operational, and financial independence and in discharging its duties and powers it cannot be directed or controlled by any legal

⁷⁷ <http://www.crungheni.md/wp-content/uploads/2022/02/10.pdf>

⁷⁸ https://www.ccrm.md/ro/decision_details/1156/hotararea-nr9-din-28-februarie-2022-cu-privire-la-raportul

entity or individual.⁷⁹ The CoA operates independently from the Government, other public organizations, legal entities of public or private law, and individuals.⁸⁰

Table 30.3: SAI Independence – requirements

Element/ Requirements	Met (Y/N)	Evidence used/Comments
1.The SAI operates independently from the executive with respect to:		
- procedures for appointment and removal of the head of the SAI	Y	<p>The Constitution expressly provides for the procedure of appointment and term of office of the President and members of the CoA. The appointing body is Parliament. The organic law of the Court of Accounts (no.260/2017) expressly provides for the status, independence and guarantees required in the process of exercising the function of President and member of the Court of Accounts, describes the appointment procedure, stipulates the circumstances in which the term of office of the member of the Court of Accounts may end and invokes cases in which the member may be revoked or suspended. After the mandate is granted, the President and the members of the CoA obtain the status of person of public dignity, apolitical, independent and irremovable, criteria provided by the organic law of the CoA. Thus, the protection against arbitrary dismissal is legally ensured by 2 laws: the organic law of the CoA (no.260/2017) and the law on the status of persons with positions of public dignity no.199 of July 16, 2010. The participation of the Government is excluded in the selection and appointment of the President and the members of the CoA.</p> <p>The appointment of the President and the members of the CoA were organized and carried out in compliance with the provisions of law no.260/2017, the conditions provided by the Rules of Procedure of the Parliament and regulation of the Court of Accounts on the procedure for organizing and conducting the public competition for the selection of candidates for the position of member of the Court of Accounts.</p>
- the planning of audit engagements	Y	<p>Article 9 ,”Planning of the audit activity” of law no.260/2017 provides for independence of the decision-making process on the planning of the CoA’s audit activity. The CoA shall decide independently on the program of the audit activity, as well as on how to implement it. No authority shall have the right to intervene in the modification of audit programs. Legal entities and / or individuals may provide suggestions on the topics to be audited, but the final decision on the audit activity belongs exclusively to the CoA. Yet, the Parliament is entitled, by its decision, to demand the CoA to carry out certain tasks. The CoA’s planning of its work is made more manageable by the fact that the Parliament has a specific time limit of 15 September by which it must submit its proposals for the annual audit program.</p>

⁷⁹ CoA Law, Article 3 (2), (3)

⁸⁰ CoA Law, Article 5 (3)

Element/ Requirements	Met (Y/N)	Evidence used/Comments
		<p>The CoA plans its activity in an independent way, by elaborating an Annual Program of the audit activity. This document integrates the audit missions to be performed during a year. The process of drawing up the Annual Program of the audit activity is a complex one and reflects the priorities of the Court’s core work for the next calendar year. The audit program is designed to cover the mandatory annual financial audit mandate, public sector areas with a pronounced impact on the lives of citizens, public authorities and institutions benefiting from significant budgetary resources, including specialized central public authorities and government authorities, local public authorities, projects and programs financed from external sources, etc. After the distribution of resources for the performance of the mandatory tasks, the rest of the audit missions are planned, based on priorities and requests corroborated with the available resources.</p> <p>The CoA’s mandate extends to all CG activities and provides the capacity to perform all types of audits: financial audits, compliance audits and performance audits. However, in some cases, the CoA is limited in choosing the appropriate type of audit in some autonomous and independent entities, as their regulations expressly provide for the type of external public audit that can be performed (for example: National Financial Market Commission; National Bank Of Moldova; National Energy Regulatory Agency).</p>
- arrangements for publicizing reports	Y	<p>The CoA complies with national legislation (Art.15 of law no. 239/2008 on transparency in the decision-making process, art. 12 of law no.181/2014) and the requirements of the INTOSAI Standards on transparency and the decision-making process.</p> <p>Art. 10, “Transparency and accountability” of law no.260/2017 expressly establishes the legal obligation of the Court of Accounts to inform the public about its activity by: 1) publishing its decisions on audit reports in the Official Gazette of the Republic of Moldova; and 2) publishing the reports on its official website.</p> <p>The audit reports of the CoA are official documents of a public nature and are made available to citizens and decision-makers by posting on the institution’s website. The decisions approving the audit reports are published in the Official Gazette of the Republic of Moldova.</p> <p>The plenary meetings of the CoA regarding examining the results of the audit are public and are broadcast live on the official website and youtube. The Court also publishes press releases on the official web site and in other electronic sources like Facebook.</p>
- the approval and execution of the SAI’s budget.	Partially	According to Article 4 “Budget of the Court of Accounts” of law no.260/2017, the CoA has its own budget, which is administered independently in accordance with the legal provisions.

Element/ Requirements	Met (Y/N)	Evidence used/Comments
		<p>The activity of the CoA is financed from the state budget. The budget of the CoA is elaborated and approved according to the principles, rules and procedures provided by the law on public finances and budgetary-fiscal responsibility no.181/2014 for the independent / autonomous budgetary authorities. The CoA has the right to address Parliament if the resources provided are insufficient to fulfill its mandate.</p> <p>However, the CoA does not have financial independence according to INTOSAI principles. The CoA budget is incorporated in the draft annual budget law, prepared by the Ministry of Finance, an institution audited by the CoA. As well all employees of the COA are civil servants and are subject to the same employment regulations as government employees.</p> <p>With respect to the implementation of its approved budget there are no specific restrictions on how the CoA uses its funds. However 83% of the approved budget is for staff costs leaving little flexibility.</p>
2. This independence is assured by law.	Y	CoA independence is enshrined in the law.
3. The SAI has unrestricted and timely access to records, documentation and information for:	Y	<p>Art. 32 para (8) states that the CoA has unrestricted, direct and free, and timely access to digitized informations, data bases in order to discharge its legal duties.</p> <p>Art. 36 para (2) states that audited entities must (i) allow access to its premises, and (ii) submit at the public auditor's request information, documents and data bases in reasonable timeframe not exceeding the terms established by the auditor, provide any necessary explanations.</p> <p>In cases where the audited entity fails to comply with these requirements, the CoA law provides for the application of sanctions in accordance with the Code of Offences. In turn, if the management of the audited entity fails to fulfil its obligations, the President of the CoA may inform the Parliament, the President of the Republic of Moldova, the Government or the competent local public administration authority about this.⁸¹</p> <p>Yet, there are instances when during the audit the audited entity refuses access to the databases and delays the submission of information. The main argument provided by the audited entities relates to rules for protecting personal data, and interpreting the CoA's right as the right to obtain data, but not to process the data, resulting in CoA auditors spending more time in obtaining information. In 2018, the CoA twice exercised the right granted by the CoA law to impose administrative penalties on the audit entity for failing to provide information.</p>

⁸¹ CoA Law, Article 36 (3), (4)

Data source: CoA law

457. The score for this dimension is C.

PI-31. Legislative scrutiny of audit reports

458. 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)	C	
31.1. Timing of audit report scrutiny	B	The scrutiny of audit report on financial audit has been carried out by the subnational council within 6 months from the receipt of the report.
31.2. Hearings on audit findings	D	The hearings by the rayon council were conducted for the audit report but the auditors did not attend them.
31.3. Recommendations on audit by the legislature	C	The rayon council issued the recommendations on the audit report to the executive. No follow up took place since the hearings.
31.4. Transparency of legislative scrutiny of audit reports	C	The hearings were not public but the decision and accompanying documents are made public.

Dimension PI-31.1 Timing of audit report scrutiny

459. The obligation for the rayon 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 last audit report of the rayon was finalized on February 28, 2022. The hearing on the findings of the audit report by the rayon council took place on July 28, 2022.⁸²

460. The score for this dimension is B.

Dimension PI-31.2 Hearings on audit findings

461. Public hearings were conducted by the Court of Accounts on February 28, 2022, where the audit team reported the observations and the findings of the report, and the representatives of the rayon authorities presented their views. The Court of Accounts did not attend the hearings at the level of rayon council. In the meeting the responsible staff presented the remedial action plan and the measures undertaken to address the audit recommendations. The justification documents were provided to the councilors.

462. The score for this dimension is D.

Dimension PI-31.3 Recommendations on audit by legislature

⁸² <http://www.crungheni.md/transparenta-decizionala/decizii-aprobate/>

463. The finance division has prepared a remedy plan to address the recommendations and intends to implement them in line with the established timeline of six months. The rayon council in its decision issued the recommendations in relation to the audit and delegated the monitoring function to the head of the rayon.

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

Dimension PI-31.4 Transparency of legislative scrutiny of audit reports

465. The hearings were not public. After the hearings were finished, the decision taken was published as is routinely done for all the decisions.

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

3 CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS

3.1 . Integrated assessment across the PIs

3.1.1. Intergovernmental fiscal relations

467. The Ungheni rayon's expenditure is almost fully financed (95%) by transfers from the central government. During the assessment period all dimensions relating to these transfers scored A except for the composition variance which scored B.

3.1.2. Budget reliability

468. As a result of the positive transfer system, the aggregate expenditure side of the budget has scored A, with the expenditure composition by administrative type scoring B. However economic type composition scored D as there was significant under-spending in procurement of goods and services and overspending in fixed assets and other expenses as compared to the original estimates. COVID-19 was undoubtedly a factor in this reallocation within categories. This overall result has been achieved in the context of strengths in virement rules (Score A) and supplementary budgets being restricted to two in each year (Score A). 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 not significant (Score A) which reflects the strong commitment control (Score A).

3.1.3. Transparency of public finances

469. The Ungheni rayon has an impressive array of information regarding the finances of budgetary CG. 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 of the basic information, required to support a transparent budget process except that the budget proposal is compared with the initially approved budget, not with the previous year's budget execution as good practice requires. (Score B).

470. There are extrabudgetary units but their funding is provided by central government. The transfers to lower-level administrations and extrabudgetary units within the rayon are funded from the rayon's unspent balances and are allocated in response to specific requests. Information on performance plans and achievements in service delivery outputs and outcomes across the rayon sectors 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.

471. Public access to fiscal information is good (Score B). Audited financial statements (which are not mandatory) are made publicly available. Citizens are able to access the rayon council web page where the rayon finance division publishes PowerPoint presentations with summarized and accessible explanation of the key elements of the budget along with draft budget proposals to rayon council members. In 2020 all rayon council meetings were publicly available including for the budget hearing.

3.1.4. Management of assets and liabilities

472. During the assessment period the rayon did not fund investment projects. Reporting of risks associated with public corporations scores C as SOEs' audited financial statements are provided between

6 and 9 months after the year end. Public assets management – financial, nonfinancial, and disposal scores A. Debt recording and management (Score B) and approval (Score A) are strong, but the rayon lacks a basic debt management strategy (Score D).

3.1.5. Policy-based fiscal strategy and budgeting

473. The budget is presented for the upcoming year only (Score D), but the rayon does make revenue and expenditure forecasts and assesses the fiscal impact of policy changes (Score B). 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 rayon legislature 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). The procedures and timetable for budget scrutiny are well established (Score B).

3.1.6. Predictability and control in budget execution

474. The State Tax Service is responsible for revenue collection. 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 rayon's sub-account. A revenue report is prepared for management purposes (Score A).

475. The consolidation of cash balances in TSA at the National Bank of Moldova is made on a daily basis (Score A). 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 (Score A). Management of budget releases has been successful in controlling arrears (Score A).

476. Overall the payroll system scores A. The rayon 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 must be included in all audits of the Court of Accounts as well as the inspections of the Financial Inspection Agency. There was a CoA audit in 2020.

477. The public procurement system operating in the rayon scores B+ overall. The procurement monitoring system (which has problems in recording nationally) is managed well in the rayon. Competitive tendering is applied to over 98 per cent of relevant expenditures above the threshold. Public access to procurement information scores C as there is only partial information relating to procurement plans. Procurement complaint management scores A and follows the national system, and has the key independent agency to address complaints. Internal controls on non-salary expenditure scores an A with effective commitment controls and compliance with payment rules and procedures. There is good segregation of duties with clear responsibilities. This achievement is ensured by the management information system that supports the Treasury Single Account. The internal audit function in the rayon is staffed with only one internal auditor (score D+). The effective coverage of internal audit scores D as expenditure coverage is less than 10 per cent of expenditure but all planned and ad hoc audits are performed. Internal audit activities are primarily focused on compliance. Internal audit activities in Moldova are guided by the international methodology of the Institute of Internal Auditors. The implementation of internal audit recommendations is fair good with two-thirds of recommendations implemented over the 2108 -2020 assessment period (Score C).

3.1.7. Accounting and reporting

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

479. 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). There are monthly execution reports that are normally issued within 2 weeks from the end of month. COVID has suspended the issuance only once in March 2020 (Score A). There are no material concerns regarding data accuracy. Information on expenditure is provided at the payment stage only (Score B).

480. 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 rayon 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 ensures a D score.

3.1.8. External scrutiny and audit

481. 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 that are 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 2020 accounts has been carried out (Score A). The Audit Report was submitted to the rayon council within 6 months (Score B) but it too early to assess whether recommendations are implemented although a commitment to do so has been given. The Court of Accounts is a national body. Independence of the Court of Accounts is assured by the law on the Court of Accounts with respect to appointment and removal of the CoA Head as well as access to information. However, while the Court of Accounts is able to execute its budget freely the budget is formulated as part of the State budget process which limits its independence (Score C). The audit report was scrutinized by the rayon council within six months after submission of the audit report, but the hearings were not attended by the CoA. A remedial action plan was adopted (Score C).

3.2 Effectiveness of the internal control framework

482. An effective internal control system plays a vital role across every pillar in addressing risks and providing reasonable assurance that operations meet the control objectives. The objectives of an internal control framework are a budget executed in an orderly, ethical, economical, efficient and effective manner; accountability for results; compliance with applicable laws and regulations; and safeguarding of resources against loss, misuse and damage.

483. The internal control environment, as set out in annex 2, is generally sound. The scores in related indicators and dimensions reinforce the assessment that controls associated with the day-to-day transaction of the budgetary CG are functioning and result in good data integrity regarding the activities of these entities. The laws and regulations provide the legal framework, and allow for specific roles and responsibilities, segregation of duties, and operating processes. The system embeds access controls and audit trails that support the internal control framework.

484. 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.

485. There is a strengthening risk-based approach supported by a developing internal and external audit and oversight function. Risk assessment is becoming an important part of the control framework that applies to internal audit and analysis. The financial inspection process covers procurement and all payments. Audits related to payroll, which is a significant expenditure, are an integral part of the annual control process and this is supported by financial inspections to monitor the eligibility, timeliness and completeness of salary payments.

486. Control activities are generally strong, in particular with regard to reconciliation of accounts. Segregation of duties includes definition of responsibilities and an operational body focusing on financial data integrity processes. Budget rules for supplementary estimates and virement are met.

487. Information and communication of internal control awareness is continuously promoted through internal audit (Central Harmonization Unit). Evaluation of information and communication systems is carried out through the processes of internal and external audit, with follow-up improving.

488. Budget execution reporting system that provides information on performance relating to service delivery is very good. While internal and 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

489. Aggregate fiscal discipline is achieved due to control over spending during budget execution, as well as relatively realistic revenue forecasts. Transfers from the CG finance almost all of the rayon expenditure and the assured predictability of the transfers has been essential in maintaining fiscal discipline. The planned budget, on an aggregate basis, is not normally circumvented using virement and supplementary budgets even in the context of policies to mitigate the impact of COVID. 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 limited internal audit function, financial inspection and possibility of external audit enhance fiscal discipline.

3.3.2 Strategic allocation of resources

490. 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 has relied on the evaluations supported by Moldova's development partners.

3.3.3 Efficient use of resources for service delivery

491. The strength in the procurement process is good and the rayon 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 limited internal audit means that in-year system assessments do not contribute as much as they could. The annual production of consolidated annual financial statements ensures the timely impact of audits when the rayon is selected for audit. The monthly budget execution reports also ensure that there is well-timed assessment of resource usage relating to the planned budget. 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

492. This is the first assessment of the tier II public authority of Ungheni.

4 GOVERNMENT PFM REFORMS

493. 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

494. PFM related reforms are contained in the Public Administration Reform Strategy (PAR) for 2016 – 2020.⁸³ 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.

495. 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.

496. 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

⁸³ 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.

497. 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.

498. 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.

499. 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.

500. 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.⁸⁴ 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.

501. 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.

502. 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.

503. 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

504. Reforms in public financial management in Moldova are driven by the central government and 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, MTBF 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.

505. 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

⁸⁴ PFM Annual Action Plans and Progress reports: <https://www.mf.gov.md/ro/managementul-finan%C8%9Belpublice/strategia-de-reform%C4%83-a-mfp/planuri-%C8%99i-rapoarte>

about by the pandemic. Moldova continued prudent fiscal management and disciplined budgetary planning in spite 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.

506. The main accomplishments 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.

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

508. 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.

509. 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.

510. 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.

511. 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.

512. 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: 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.

513. 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.

514. 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.

515. 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

516. 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.

517. 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.

518. 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.

519. 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

520. 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.

521. One of the problems identified in the PAR Strategy in relation to local public administration was the inefficiency of the second level local authorities – the rayon councils. The rayon authorities have functional purposes that are not important for service delivery, their main purpose being to allocate resources and financial transfers from the state to the first-tier authorities, intervening in the elaboration and implementation of local policies.

522. The rayons have in practice assumed a higher hierarchical role in relation to the local authorities even if this role is not provided for in the legislation and does not already correspond to the existing realities. In recent years, the rayons have been entrusted with functional responsibilities, the administration of some important social services, the management of the school network, and the coordination of some social safety net services. At the same time, the new system of local public finances is taking over which the rayons had in allocating financial resources, because it establishes fixed quotas for the sharing of taxes, clear budget balancing formulas, and allows the direct allocation of funds from state to local authorities.

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	A	
HLG-1.1 Outturn of transfers from higher-level government	A	Outturn of transfers from the state budget was between 97% and 106% of the estimate in all three years.
HLG-1.2 Transfers composition outturn	B	Transfer composition outturn was less than 10% in all 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 MFO no.3/2017 that was respected in all 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 local public finance law.
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	A	Aggregate expenditure outturn was between 95% and 105% in two of the last three years.
PI-2 EXPENDITURE COMPOSITION OUTTURN	D+	
PI-2.1 Expenditure composition outturn by function	B	Expenditure composition outturn by function was less than 10% in 2019 and 2020.
PI-2.2 Expenditure composition outturn by economic type	D	Expenditure composition outturn by economic classification was more than 15% in all three years.

PI-2.3 Expenditure from contingency reserves	A	Actual expenditure charged to the Reserve Fund of the Ungheni rayon council was on average 0.1% of the original budget.
PI-3- REVENUE OUTTURN	C	
PI-3.1 Aggregate revenue outturn	B	Actual revenue was between 94% and 112% of budgeted revenue in two of the last three years, 2019 and 2020.
PI-3.2 Revenue composition outturn	D	Variance in revenue composition was more than 15% in two of the last three years, 2018 and 2020.
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	B	Annual budget documentation fulfills 5 elements, including 3 basic elements and 2 additional elements. 2 other elements are not applicable at the subnational level.
PI-6 SUBNATIONAL GOVERNMENT OPERATIONS OUTSIDE FINANCIAL REPORTS	A	
PI-6.1 Expenditure outside financial reports	A	All expenditures are reported by the spending units.
PI-6.2 Revenue outside financial reports	A	All revenues are reported by the spending units.
PI-6.3 Financial reports of extrabudgetary units	A	The extrabudgetary units identified in the rayon report to the central government and to the rayon within three months.
PI-7 TRANSFERS TO SUBNATIONAL GOVERNMENTS	NA	
PI-7.1 System for allocating transfers	NA	There are no SNGs as defined by the PEFA Framework.
PI-7.2 Timeliness of information on transfers	NA	There are no SNGs as defined by the PEFA Framework.
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 outcome objectives for the rayon programs at entity level
PI-8.2 Performance achieved for service delivery	A	The budget execution reports provide information on outputs and outcome objectives realized for the rayon programs for each entity
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.
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 rayon

PI-9 PUBLIC ACCESS TO FISCAL INFORMATION	B	
PI.9bis. PUBLIC CONSULTATION	C	
PI-9bis.1 Public consultation in budget preparation	B	Public consultation in budget preparation is conducted prior to approval of the budget by the subnational council. Public consultation is facilitated by the availability of accessible reader-friendly and understandable information on the budget proposal (in PowerPoint presentation format). In 2021 2 weeks were provided for the budget consultations. The inputs from the consultations are not published.
PI-9bis.2 Public consultation in the design of service delivery programs	D	Participation processes are carried out only for some local government programs, strategies and services. Reports regarding the opinions, observations and proposals made by citizens, as well as its feedback and conclusions are not published for each participatory process.
PI-9bis.3 Public consultation in investment planning	NA	There were no investment projects managed and decided by the subnational government in 2020.
PILLAR III: MANAGEMENT OF ASSETS AND LIABILITIES		
PI-10 FISCAL RISK REPORTING	C	
PI-10.1 Monitoring of public corporations	C	The financial reports of two of the three SOEs are received within 3 months of the end of the financial year.
PI-10.2 Monitoring of subnational governments	NA	There are no SNGs under the rayon as per definition of the PEFA Framework.
PI-10.3 Contingent liabilities and other fiscal risks	NA	The rayon does have two public-private partnership arrangements, but their liabilities are not significant, and it has no extra-budgetary units under its ambit.
PI-11 PUBLIC INVESTMENT MANAGEMENT	NA	
PI-11.1 Economic analysis of investment proposals	NA	This dimension is not applicable, since there were no investment projects funded by own budget sources.
PI-11.2 Investment project selection	NA	This dimension is not applicable, since there were no investment projects funded by own budget sources.
PI-11.3 Investment project costing	NA	This dimension is not applicable since there were no investment projects funded by own budget sources.
PI-11.4 Investment project monitoring	NA	This dimension is not applicable since there were no investment projects funded by own budget sources.
PI-12 PUBLIC ASSET MANAGEMENT	A	
PI-12.1 Financial asset monitoring	A	The Ungheni rayon council maintains a record of its holdings in all categories of financial assets, which are recognized at fair or market value, in line with international accounting standards. Information on the performance of the portfolio of financial assets is published annually.

PI-12.2 Nonfinancial asset monitoring	B	The Ungheni rayon maintains a register of its holdings of fixed assets including information on their usage and age, which is published at least annually. The CoA has some qualification on valuation.
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 rayon council for information or approval. Information on transfers and disposal is included in budget documents, financial reports, or other reports.
PI-13 DEBT MANAGEMENT	B	
PI-13.1 Recording and reporting of debt and guarantees	B	Domestic debt records are complete, accurate, and updated quarterly. Most 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.
PI-13.2 Approval of debt and guarantees	A	Debt is managed by the rayon finance division in accordance with the provisions of the law no.419/2006. The public debt and state guarantees are to be endorsed by the Minister of Finance. The issue of new debt is approved by the rayon council, as a deliberative authority of the local public administration.
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 which is publicly available.
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 and expenditures for the budget year are based on information on transfers, revenue and expenditure estimates and key demographic and macroeconomic indicators.
PI-14.2 Fiscal impact of policy proposals	B	The Ungheni rayon council prepares estimates of the fiscal impact of all proposed changes in revenue and expenditure policy for the budget year.
PI-14.3 Medium-term expenditure and revenue estimates	D	The rayon council budget is 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 rayon council's budget, 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	A clear budget instruction and calendar is issued for all public sector authorities and spending units, along with multiple budget request forms to be fulfilled. A deadline for 2021 budget drafting was less than one month (3 working weeks). Submissions are made in accordance with the timetable approved for each budget cycle separately.
PI-17.2 Guidance on budget preparation	C	A comprehensive and clear budget circular is issued to budgetary authorities and spending units, covering total budget expenditure for the full fiscal year. The budget reflects sectors ceilings per each subnational unit. The ceilings were not approved before the circular was issued to the budgetary units.
PI-17.3 Budget submission to the subnational council	C	The executive authority of the Ungheni rayon 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		
PI-18.1 Scope of budget scrutiny	B	The rayon council review covers fiscal policies and aggregates for the coming year as well as details of expenditure and revenue. The medium-term fiscal forecasts and medium-term priorities are not included in the tables to the Explanatory Note.
PI-18.2 Legislative procedures for budget scrutiny	B	The rayon council's procedures to review budget proposals are approved in advance of budget hearings and are adhered to. The procedures include internal organizational arrangements such as committees, technical support, and negotiation procedures. There are arrangements for public consultation.
PI-18.3 Timing of budget approval	A	The rayon 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 by the executive. 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		
PI-19.1 Rights and obligations for tax measures	NA	Almost all tax revenues and fees are administered and collected by the central authority- STS of Moldova on behalf of Ungheni rayon.
PI-19.2 Property tax register and value assessment	NA	Ungheni rayon does not levy any property tax nor property transfer tax (in case of sale or inheritance).
PI-19.3 Tax risk management, audit and investigations	NA	Almost all tax revenues and fees are administered and collected by the central authority- STS of Moldova on behalf of Ungheni rayon.

PI-19.4 Tax arrears monitoring	NA	almost all tax revenues and fees are administered and collected by the central authority- STS of Moldova on behalf of Ungheni rayon.
PI-20 ACCOUNTING FOR REVENUE	A	
PI-20.1 Information on revenue collections	A	The State Treasury provides to both the STS and the finance division of Ungheni rayon information on collected revenues on monthly/daily/real-time basis. The information on total revenue collections is broken down by type of revenue and the finance division prepares a consolidated report covering all own source of revenues (both tax and non-tax revenue, broken down by revenue classification codes).
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	Almost all tax revenues and fees are administered and collected by the central authority- STS of Moldova – on behalf of Ungheni rayon.
PI-21 PREDICTABILITY OF IN-YEAR RESOURCE ALLOCATION	A	
PI-21.1 Consolidation of cash balances	A	The Government of Moldova operates a Treasury Single Account 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	A	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 and adjusted based on when revenues are received on a monthly basis (including own source revenues). Based on this revenue forecast, procurement is planned accordingly.
PI-21.3 Information on commitment ceilings	A	The rayon 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	A	There have been two in-year adjustments requiring the approval of the rayon council.
PI-22 EXPENDITURE ARREARS	A	
PI-22.1 Stock of expenditure arrears	A	Arrears are insignificant as a percentage of expenditure.
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 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. Retroactive adjustments are rare.
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	A payroll audit covering all SNG entities of Ungheni rayon has been conducted by CoA for FY2020 and by Financial Inspection for the last four completed fiscal years
PI-24 PROCUREMENT	B+	
PI-24.1 Procurement monitoring	B	Procurement databases and records are maintained by individual spending units of the Ungheni rayon. The information is complete and accurate for the most procurement methods.
PI-24.2 Procurement methods	A	In 2020, out of all procurement procedures within the thresholds defined by the PPL, 98.75% of the total value of contracts was awarded through competitive methods (open tenders, Request for Quotations).
PI-24.3 Public access to procurement information	C	Three out of 6 key procurement information requirements are made available to the public.
PI-24.4 Procurement complaints management	A	The procurement complaint system meets every one of the listed criteria. The procurement complaint body is a national entity.
PI-25 INTERNAL CONTROL ON NONSALARY EXPENDITURES	A	
PI-25.1 Segregation of duties	B	Appropriate segregation of duties is prescribed through the entire expenditure process. Responsibilities are clearly laid down for most key steps.
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	The rayon expenditures coverage by the IAU is less than 10%.

PI-26.2 Nature of audits and standards applied	C	Internal audit activities are less focused on evaluation of the adequacy and effectiveness of managerial internal control system. Internal audit activities are guided by the Internal Audit Methodology that complies with the International Professional Practices Framework issued by the Institute of Internal Auditors. A quality assurance process is not used within the internal audit unit (IAU) and by the nature the compliance audits are only audits conducted during the year.
PI-26.3 Implementation of internal audits and reporting	A	Annual audit plans exist, and they are monitored by the Division on Policies in Public Internal Financial Control (Central Harmonization Unit or PIFC Unit) at the MoF. In fiscal year 2020, planned audits were 5 out of which all were completed, and their reports distributed to appropriate parties.
PI-26.4 Response to internal audits	C	Management implemented less than 75% of internal audit recommendations made over fiscal years 2018-2020.
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 rayon 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 only with few balances are brought forward and are cleared in a timely way, with minor exceptions.
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. Internal auditors and the CoA as part of their audits verify financial data integrity.
PI-28 IN-YEAR BUDGET REPORTS	B+	
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	A	Reports are prepared monthly and issued in average within 2 weeks from the end of reporting period.
PI-28.3 Accuracy of in-year budget reports	B	There are no issues with quality. The reports provide information on expenditures at the payment stage.
PI-29 ANNUAL FINANCIAL REPORTS	D+	

PI-29.1 Completeness of annual financial reports	A	The report on rayon 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 2020 were audited by the Court of Accounts, the Ungheni rayon council presented its statements on September 6, 2021, 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	C+	
PI-30.1 Audit coverage	A	Financial reports of Ungheni rayon have been audited at least once during the last three completed fiscal years. The audit has highlighted relevant material issues and systemic and control risks.
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 government.
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. A formal response was provided by the rayon authorities.
PI-30.4 Independence of the public audit institution in charge of subnational governments	C	The Court of Accounts is independent from the executive with respect to procedures for appointment and removal of the CoA Head, the planning of audit engagements, arrangements for publicizing reports, and execution of the CoA's budget. However, the budget is approved as part of the state budget process. The CoA shall have unrestricted and timely access to records, documentation, and information from auditees (budgetary units). The independence of the CoA is assured by the law on the Court of Accounts.
PI-31 LEGISLATIVE SCRUTINY OF AUDIT REPORTS	C	
PI-31.1 Timing of audit report scrutiny	B	Scrutiny of audit report on financial reports was completed by the subnational council within six months.
PI-31.2 Hearings on audit findings	D	The hearings were conducted for the audit report but the CoA did not attend them.
PI-31.3 Recommendations on audit by the legislature	C	Recommendations were issued by the rayon council.

PI-31.4 Transparency of legislative scrutiny of audit reports	C	The hearings were not public.
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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 systems of management internal controls by the budget spending units were approved by the PIFC law no.229/2010, MoF Ordinance 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 assigning 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); (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 the internal control system 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 a general consolidated system set up in the public sector, and the functions of coordination and centralized harmonization of PIFC policies are exercised by 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>1.2 Commitment to competence</p>	<p>The existence of the Internal Audit and Central Harmonization Unit and Financial Inspection Agency indicates a commitment to competence in implementing internal controls and is evidence by high scores in PI-25.</p>
<p>1.3 The tone at the top (i.e., management’s philosophy and operating style)</p>	<p>There is a positive approach to implementing internal controls as evidenced by the organisational structure in the finance division which will be strengthened by ensuring that there is greater response to recommendations.</p> <p>MoF actively promotes managerial accountability. The regulations on the self-evaluation, reporting on the managerial internal control system and issue of the</p>

Internal Control Components and Elements	Summary of Observations
	<p>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. In line with this regulation the managers shall issue annually a Managerial Responsibility Declaration and place it on the website of the respective institution. This is being observed across the public institutions.</p>
1.4 Organizational structure	<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 which, through the Central 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, decree and decision 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>A cadre of professional in internal is in place and follows standard public sector policies and practices. However, the rayon has only 1 member in its IA unit which is below the norm of 2 given the rayon's size. The Financial Inspection Agency is able to fill that gap and has carried out a control of financial and economic activity covering the past 4 years and this has not uncovered deficiencies.</p>
2. Risk Assessment	
2.1 Risk identification	<p>Several PIs are related to the extent to which risks under the control of the rayon are identified, notably:</p> <p>Cash flow forecasting and monitoring is rated A 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)	See risk identification (2.1 above)
2.3 Risk evaluation	<p>Annual audit plans exist, and they are monitored by the MOF PIFC Unit. In fiscal year 2020, planned audits were 5 out of which all were completed, and their reports distributed to appropriate parties. (Implementation of internal audits and reporting – 26.3 rated A). Internal audit activities are less focused on evaluation of the adequacy and effectiveness of managerial internal control system. Internal audit activities are guided by the internal audit methodology that complies with the International Professional Practices Framework issued by the Institute of Internal Auditors. A quality assurance process is not used within the internal audit unit (IAU) and by the nature the compliance audits are only audits conducted during the year. (Nature of internal audits and standards applied – 26.2 rated C).</p>
2.4 Risk appetite assessment	<p>The development and implementation of identification and assessment of risk indicates a positive risk appetite which will grow as these become more mature.</p>
2.5 Responses to risk (transfer, tolerance, treatment, or termination)	<p>Standard public sector HR policies are in place throughout the areas of control.</p>

Internal Control Components and Elements	Summary of Observations
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 B in 13.1. Domestic debt records are complete, accurate, and updated quarterly. Most 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.</p> <p>Approval of debt and guarantees are rated A in 13.2. Debt is managed by the rayon finance division in accordance with the provisions of the law no.419/2006. The public debt and state guarantees are to be endorsed by the Minister of Finance. The issue of new debt is approved by the rayon 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 personal 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. Personal records are updated monthly with few retroactive changes.</p> <p>Compliance with payroll payment rules and procedures is rated A in 23.3. Budget institutions have 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)	<p>Segregation of duties is rated B in 25.1. Appropriate segregation of duties is prescribed throughout the entire expenditure process. Responsibilities are clearly laid down.</p>
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 very high.</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. Internal auditors and the CoA as part of their audits verify financial data integrity. The Financial Inspection Agency also assesses conformity.</p>
3.4 Verifications	<p>Accuracy of in-year budget reports which is rated B in 28.3. There are no material concerns regarding data accuracy. Reports are prepared monthly and issued in average within 2 weeks from the end of reporting period.</p>
3.5 Reconciliations	<p>Banks account reconciliations are rated A in 27.1. A TSA is in place and is reconciled on a daily basis.</p>
3.6 Reviews of operating performance	<p>The CoA carried out an audit of the rayon in 2020. The audit has highlighted relevant material issues and systemic and control risks.</p>

Internal Control Components and Elements	Summary of Observations
3.7 Reviews of operations, processes and activities	Procurement monitoring is rated B in 24.1. Procurement databases and records are maintained by individual spending units of the Ungheni rayon. The information is complete and accurate for the most procurement methods as verified with the CoA.
3.8 Supervision (assigning, reviewing, and approving, guidance and training)	The audit trail in place indicates a supervisory focus. Personnel development though mentoring and training is in place.
4. Information and Communication	
1.1. Information and Communication	The rayon 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 C in 10.1. The financial statements of public corporations under the rayon are not audited and the rayon council does not produce a consolidated report on their financial performance. The financial information for most PCs is received by the rayon council.</p> <p>Monitoring of subnational governments is rated C in 10.2. Unaudited annual financial statements for subnational governments are submitted to the MoF.</p> <p>Quality of the rayon's financial asset monitoring is rated A in 12.1. There is a record of all categories of financial holdings at fair value using international accounting standards. The annual financial statement includes a statement on financial assets.</p> <p>Quality of the rayon's 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 their 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.</p> <p>Procurement monitoring is rated B in 24.1. Procurement databases and records are maintained by individual spending units of the Ungheni rayon. The information is complete and accurate for the most procurement methods.</p> <p>Implementation of internal audits and reporting is rated A in 26.3. Annual audit plans exist, and they are monitored by the Division on Policies in public internal financial control at the MoF. In FY 2020, planned audits were 5 out of which all were completed, and their reports distributed to appropriate parties.</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 but an absence of internal performance audit in the past 3 years.
5.3 Management responses	Response to internal audits is rated C in 26.4. Management implemented less than 75% of internal audit recommendations made over fiscal years 2018-2020. External audit follow-up is rated C in 30.3 Audit recommendations are included in the CoA decision on approval of the audit reports that are published. A formal response on the audit recommendations was provided by the rayon council.

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
HLG-1. Transfers from an HLG	Local public finance Law 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-autoritator-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	Local public finance Law 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 the MoF: https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale
1. Aggregate expenditure out-turn	FY2018-2020 Annual budget execution reports and financial statements of the Ungheni tier II local public authority
2. Expenditure composition out-turn	FY2018-2020 Annual budget execution reports and financial statements of the Ungheni tier II local public authority
3. Revenue out-turn	FY2018-2020 Annual budget execution reports and financial statements of the Ungheni tier II 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	Local public finance law no.397 from October 16, 2003 rayon council decision on 2021 rayon budget approval no.6/3 of December 3, 2020 rayon program budgets
6. SNG operations outside financial reports	Ungheni rayon budget reports
7. Transfers to SNGs	Ungheni rayon 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 Ungheni rayon budget documentation and budget execution reports Performance reports produced by Ungheni rayon council and its subdivisions
9. Public access to fiscal information	Rayon council decision on 2020 rayon budget approval no.11/2 from December 12, 2019 6-month and 12-month budget execution reports FY2020 audit report on the Ungheni tier II annual financial statements FY2020 compliance audit report
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 rayon council
11. Public investment management	FY2020 budget documentation and budget execution reports rayon council's decisions approved for FY2020 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 report of February 28, 2022 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 rayon and MoF debt reports FY2020 CoA audit reports for Ungheni rayon
14. Macroeconomic and fiscal forecasting	FY2020 Ungheni rayon Budget and its Annexes
17. Budget preparation process	Budget circular for FY 2021 budget Ungheni rayon Head's disposition nr.115-02/1-5 from September 15, 2020, regarding to organization of the budget process for 2021 and estimates for 2022-2023 Budget submission letters
18. Legislative scrutiny of budgets	Law 397 from October 16, 2003, on local public finance Ungheni rayon council decision no.6/3 of December 03, 2020 Ungheni rayon councils' decisions on budget approval
19. Revenue administration	FY 2020 Ungheni rayon budget reports Information provided by STS
20. Accounting for revenue	FY2020 Ungheni rayon budget reports
21. Predictability of in-year resource allocation	Local public finance law no.397 dated October 16, 2003 Ungheni rayon council Budget amendments Operative information and monthly cash flow forecast for 2020
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
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 Internal audit reports 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 rayon council and its subdivisions
25. Internal controls on non-salary expenditure	<p>Law on public internal financial control no.229 of September 23, 2010</p> <p>Law on public finances and budgetary-fiscal responsibility no.181 of July 25, 2014</p> <p>MFO no.216 of December 28, 2015, regarding methodological norms for accounting and financial reporting in the public sector</p> <p>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</p> <p>MFO no.189 of November 5, 2015, regarding the approval of National Standards for Internal Control in public sector</p> <p>MFO no.60 of May 29, 2012, regarding the approval of inventory regulations</p> <p>MFO no.3 of January 9, 2017</p> <p>CoA financial audit and compliance audit reports</p> <p>FY2020 Annual Consolidated Internal Managerial Control Report</p>
26. Internal audit	<p>Law no.229 on public internal financial control of September 23, 2010</p> <p>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</p> <p>MFO no.153 dated September 12, 2018, on the National Internal Audit Standards</p> <p>MFO no.161 dated December 17, 2020, on the Internal Audit Standards in the public sector</p> <p>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)</p> <p>MFO no.176 dated December 26, 2019, on the approval of the regulation on the reporting of internal audit activity in the public sector</p> <p>Internal audit reports produced by the internal audit unit of the Ungheni rayon council for 2018 - 2020</p> <p>Annual consolidated report on managerial internal control for FY2020: http://www.crungheni.md/wp-content/uploads/2021/11/RaportAnual_scanat-1.pdf</p>
27. Financial data integrity	<p>Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014</p> <p>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</p> <p>Regulation related to detachment of employees on business trips approved through the government decision no.10 of January 5, 2012</p> <p>FY2020 budget execution reports, including form FD-044</p> <p>COA Compliance audit report for FY2020</p>
28. In-year budget reports	<p>law no.181 of July 25, 2014, on public finances and budgetary-fiscal responsibility</p> <p>law no.397 of October 16, 2003, on local public finances</p> <p>MoF methodological norms on accounting and financial reporting in the budget system approved by order no.216 of December 28, 2015</p> <p>Budget execution report for semester 1, 2020: http://www.crungheni.md/wp-content/uploads/2020/08/Project-2.pdf</p> <p>Budget execution report for FY2020: http://www.crungheni.md/wp-content/uploads/2021/03/Project-1.pdf</p> <p>MoF consolidated local budget execution reports: https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare</p> <p>In-year budgets reports produced by the rayon council</p>
29. Annual financial reports	<p>Annual financial statements produced by the rayon council for FY2020</p> <p>Letter no.39 of September 6, 2021, regarding the submission of the financial statement for external audit</p> <p>MoF methodological norms on accounting and financial reporting in the budget system approved by order no.216 of December 28, 2015</p>
30. External audit	<p>Law no.436 of December 28, 2006, on local public administration</p> <p>Financial audit report for Ungheni tier II level local public authority for FY2020: https://www.ccrm.md/ro/decision_details/1156/hotararea-nr9-din-28-februarie-2022-cu-privire-la-raportul-auditului-asupra-rapoartelor-financiare-ale-unitatii-administrativ-teritoriale-raionul-ungheni-incheiate-la-31-decembrie-2020-uatbugetul-de-nivelul-ii</p>

	<p>Head's disposition on approval of remedial action plan: http://www.crungheni.md/wp-content/uploads/2022/02/10.pdf</p> <p>Evidence of rayon council follow up: https://www.ccrm.md/ro/decision_details/1156/hotararea-nr9-din-28-februarie-2022-cu-privire-la-raportul</p>
31. Legislative scrutiny of audit reports	<p>Law no.436 of December 28, 2006, on local public administration</p> <p>Financial audit report for Ungheni tier II level local public authority for FY2020</p> <p>Rayon council hearing: http://www.crungheni.md/transparenta-decizionala/decizii-aprobate/</p>

Annex 3.2 List of persons interviewed

Institution	Department	Name	Position
Ungheni rayon council	Apparatus of the Head of the rayon	Tatiana Lazar	rayon Deputy Head
	Apparatus of the Head of the rayon	Vasile Lupu	rayon Deputy Head
	Finance Division	Tatiana Struc	Head of Department
	Finance Division	Stela Bîstrițchi	Deputy Head of Department, Head of Division
	Finance Division	Nina Iurii	Head of Division, Chief - accountant
	Finance Division	Svetlana Nagnibeda	Principal specialist
	Apparatus of the Head of the rayon	Mariana Pisarciuc	Head of Legal and Human Resources Department
	Apparatus of the Head of the rayon	Natalia Gurău	Chief-accountant
	Apparatus of the Head of the rayon	Angela Straticiu	Principal specialist
	Apparatus of the Head of the rayon	Larisa Racoviță	Principal internal auditor
State Tax Service	Apparatus of the Head of the rayon	Ilina Casian	Principal specialist
	Education Department	Iulia Pancu	Head of Division
	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
Court of Accounts	General Division for organization, service and recovery of arrears	Corneliu Prisacaru	Head of Division
		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
Financial Inspection	General Audit Division V, Division II	Ion Plesca	Head of Division
	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)	15,621.5	16,728.9	16,100.2	628.7	628.7	3.9%
Equalization Grant	33,875.3	33,875.3	34,913.4	-1,038.1	1,038.1	3.0%
Other general-purpose grant	0	395.7	0	395.7	395.7	0%
Targeted Grants for Social Protection of Population	5,131.3	4,903.6	5,288.5	-384.9	384.9	7.3%
Targeted Grant for Education	164,660.9	165,650.1	169,706.7	-4,056.6	4,056.6	2.4%
Targeted Grant for Sport Schools	1,718.3	1,249.0	1,771.0	-521.9	521.9	29.5%
Targeted Grant for Road Infrastructure	15,375.2	15,375.2	15,846.3	-471.1	471.1	3.0%
Special purpose current transfers between state budget institutions and level II local budget institutions	3,257.7	2,489.8	3,357.5	-867.7	867.7	25.8%
Special purpose capital transfers between state budget institutions and level II local budget institutions	0	6,063.9	0	6,063.9	6,063.9	0%
Other Grants	0	252.0	0	252.0	252.0	0%
Grand Total	239,640.2	246,983.6	246,983.6		14,680.7	
					<i>HLG-1 indicator variation</i>	<i>103.1%</i>
					<i>HLG-2 indicator structure</i>	<i>5.9%</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)	14,594.7	16,852.8	15,030.0	1,822.8	1,822.8	12.1%
Equalization Grant	38,817.5	38,817.5	39,975.3	-1,157.8	1,157.8	2.9%
Other general purpose grant	3,560.7	7,400.6	3,666.9	3,733.7	3,733.7	101.8%
Targeted Grants for Social Protection of Population	7,144.0	6,310.6	7,357.1	-1,046.5	1,046.5	14.2%
Targeted Grant for Education	182,829.0	180,047.1	188,282.1	-8,235.0	8,235.0	4.4%
Targeted Grant for Sport Schools	1,858.1	1,892.4	1,913.5	-21.1	21.1	1.1%
Targeted Grant for Road Infrastructure	16,196.0	15,979.3	16,679.1	-699.8	699.8	4.2%
Special purpose current transfers between state budget institutions and level II local budget institutions	2,284.4	2,257.1	2,352.5	-95.4	95.4	4.1%
Special purpose capital transfers between state budget institutions and level II local budget institutions	0	3,952.7	0	3,952.7	3,952.7	0%
Other Grants	0	1,746.4	0	1,746.4	1,746.4	0%
Grand Total	267,284.4	275,256.5	275,256.5		22,511.2	
					<i>HLG-1 indicator variation</i>	<i>103.0%</i>
					<i>HLG-2 indicator structure</i>	<i>8.2%</i>

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)	13,689.7	13,572.5	13,928.3	-355.8	355.8	2.6%
Equalization Grant	50,311.1	50,311.1	51,187.9	-876.8	876.8	1.7%
General purpose transfer from the Compensation Fund	332.9	332.9	338.7	-5.8	5.8	1.7%
Other general purpose grant	0	1,433.0	0.0	1,433.0	1,433.0	0.0%
Targeted Grants for Social Protection of Population	7,215.7	8,039.8	7,341.4	698.4	698.4	9.5%
Targeted Grant for Education	212,957.8	208,559.5	216,668.9	-8,109.4	8,109.4	3.7%
Targeted Grant for Sport Schools	2,154.4	2,233.4	2,191.9	41.5	41.5	1.9%
Targeted Grant for Road Infrastructure	27,174.7	26,630.0	27,648.3	-1,018.3	1,018.3	3.7%

Special purpose current transfers between state budget institutions and level II local budget institutions	2,133.0	4,370.5	2,170.2	2,200.3	2,200.3	101.4%	
Special purpose capital transfers between state budget institutions and level II local budget institutions	0	3,256.4	0	3,256.4	3,256.4	0.0%	
Other Grants	0	2,736.5	0	2,736.5	2,736.5	0.0%	
Grand Total	315,969.3	321,475.6	321,475.6	17,639.8			
						<i>HLG-1 indicator variation</i>	<i>101.7%</i>
						<i>HLG-2 indicator structure</i>	<i>5.5%</i>

Data on functional classification for 2018 (MDL thousand)

Functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	11,898.90	17,161.30	12,110.9	5,050.4	5,050.4	41.7%
National defense	585.10	581.50	595.5	-14.0	14.0	2.4%
Public order and national safety	0	275.20	0	275.2	275.2	0%
Economic affairs	17,623.40	17,422.80	17,937.4	-514.6	514.6	2.9%
Housing and community amenities	0	7,342.30	0	7,342.3	7,342.3	0%
Healthcare	0	1,305.10	0	1,305.1	1,305.1	0%
Culture, sport, youth, and recreation	8,174.20	8,102.70	8,319.8	-217.1	217.1	2.6%
Education	172,090.00	163,905.70	175,156.2	-11,250.5	11,250.5	6.4%
Social protection	30,395.60	28,960.50	30,937.2	-1,976.7	1,976.7	6.4%
Allocated expenditure	240,767.20	245,057.10	245,057.1	0.0	27,946.0	
interests						
contingency	300.00	279.40				
Total expenditure	241,067.20	245,336.50				
aggregate outturn (PI-1)						101.8%
composition (PI-2) variance						11.4%
contingency share of budget						0.1%

Data on functional classification for 2019 (MDL thousand)

Functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	13,293.1	19,644.4	14,476.7	5,167.7	5,167.7	35.7%
National defense	585.1	675.0	637.2	37.8	37.8	5.9%
Public order and national safety	0	1,022.7	0	1,022.7	1,022.7	
Economic affairs	18,524.9	19,479.8	20,174.3	-694.5	694.5	3.4%
Housing and community amenities	0	3,981.2	0	3,981.2	3,981.2	0%
Healthcare	0	1,127.8	0	1,127.8	1,127.8	0%
Culture, sport, youth, and recreation	9,798.9	12,323.5	10,671.4	1,652.1	1,652.1	15.5%
Education	191,206.2	199,382.0	208,230.4	-8,848.4	8,848.4	4.2%
Social protection	35,174.3	34,859.5	38,306.1	-3,446.6	3,446.6	9.0%
Allocated expenditure	268,582.5	292,495.9	292,495.9	0	25,978.8	
interests						
contingency	300.0	285.3				
Total expenditure	268,882.5	292,781.2				
aggregate outturn (PI-1)						108.9%
composition (PI-2) variance						8.9%
contingency share of budget						0.1%

Data on functional classification for 2020 (MDL thousand)

Functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	10,519.4	13,994.9	10,711.5	3,283.4	3,283.4	30.7%
National defense	717.7	722.4	730.8	-8.4	8.4	1.2%
Public order and national safety	0	433.4	0	433.4	433.4	0
Economic affairs	29,838.2	28,729.6	30,383.1	-1,653.5	1,653.5	5.4%
Housing and community amenities	0	3,684.6	0	3,684.6	3,684.6	0%
Healthcare	0	1,065.5	0	1,065.5	1,065.5	0%
Culture, sport, youth, and recreation	13,856.4	13,151.5	14,109.4	-957.9	957.9	6.8%
Education	223,040.6	219,752.8	227,113.7	-7,360.9	7,360.9	3.2%
Social protection	39,575.1	41,811.7	40,297.8	1,513.9	1,513.9	3.8%
Allocated expenditure	317,547.4	323,346.4	323,346.4	0	19,961.6	
interests						
contingency	300.0	425.2				
Total expenditure	317,847.4	323,771.6				
aggregate outturn (PI-1)						101.9%
composition (PI-2) variance						6.2%
contingency share of budget						0.1%

Data on economic classification for 2018 (MDL thousand)

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	151,343.6	146,596.9	154,023.9	-7,427.0	7,427.0	4.8%
Use of goods and services	51,198.6	19,669.3	52,105.3	-32,436.1	32,436.1	62.3%
Transfers within public budget	0	7,682.9	0	7,682.9	7,682.9	0%
Interest	1,030.0	1,034.0	1,048.2	-14.2	14.2	1.4%
Subsidies	0	1,610.3	0	1,610.3	1,610.3	0%
Social benefits	11,630.0	9,315.8	11,836.0	-2,520.2	2,520.2	21.3%
Other expenses	472.0	613.9	480.4	133.6	133.6	27.8%
Fixed assets	6,378.7	38,621.4	6,491.7	32,129.7	32,129.7	494.9%
Stock of materials	19,014.3	20,192.1	19,351.0	841.0	841.0	4.3%
Total expenditure	241,067.2	245,336.6	245,336.6	0.0	84,795.0	
composition variance						34.6%

Data on economic classification for 2019 (MDL thousand)

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	164,119.90	183,906.20	178,707.2	5,199.0	5,199.0	2.9%
Use of goods and services	37,652.70	20,614.80	40,999.3	-20,384.5	20,384.5	49.7%
Transfers within public budget	0	9,716.30	0	9,716.3	9,716.3	0%
Interest	899.70	1,011.80	979.7	32.1	32.1	3.3%
Subsidies	0	1,959.80	0	1,959.8	1,959.8	0%
Social benefits	12,258.20	12,556.50	13,347.7	-791.2	791.2	5.9%
Other expenses	570.80	1,887.40	621.5	1,265.9	1,265.9	203.7%
Fixed assets	27,301.90	39,126.60	29,728.5	9,398.1	9,398.1	31.6%
Stock of materials	26,079.30	22,001.90	28,397.3	-6,395.4	6,395.4	22.5%
Total expenditure	268,882.50	292,781.30	292,781.30	0	55,142.3	
composition variance						18.8%

Data on economic classification for 2020 (MDL thousand)

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	207,344.4	209,798.5	211,209.1	-1,410.6	1,410.6	0.7%
Use of goods and services	39,125.8	18,584.1	39,855.1	-21,271.0	21,271.0	53.4%
Transfers within public budget	0	4,032.6	0	4,032.6	4,032.6	0%
Interest	982.0	952.2	1,000.3	-48.1	48.1	4.8%
Subsidies	0	1,425.5	0	1,425.5	1,425.5	0%
Social benefits	13,453.2	13,057.3	13,704.0	-646.7	646.7	4.7%
Other expenses	682.8	2,958.5	695.5	2,263.0	2,263.0	325.4%

Fixed assets	31,290.2	55,177.1	31,873.4	23,303.7	23,303.7	73.1%
Stock of materials	24,969.0	17,785.9	25,434.4	-7,648.5	7,648.5	30.1%
Total expenditure	317,847.4	323,771.7	323,771.7	0	62,049.5	
composition variance						19.2%

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	425.7	363.2	627.1	-263.9	263.9	42.1%
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	3.1	25.1	4.6	20.5	20.5	449.6%
Water fee	216.7	322.4	319.2	3.2	3.2	1.0%
Fee for timber released on foot	15.0	15.0	22.1	-7.1	7.1	32.1%
Fee for the extraction of useful minerals	153.4	204.8	226.0	-21.2	21.2	9.4%
Grants						
Grants received from international organizations for projects funded from external sources for the local level II budget	0	1607.1	0	1,607.1	1,607.1	0
Other revenue						
Registration fee for public associations and media collected in the local budget of level II	0	0.20	0	0.2	0.2	0%
Payment for town planning certificates and building or establishment authorizations in the local budget of level II	0	0.70	0	0.7	0.7	0%
Tax on the purchase of foreign currency by individuals in foreign exchange offices	400.0	391.8	589.3	-197.5	197.5	33.5%
Receipts from the provision of paid services	1,776.1	2,035.0	2,616.5	-581.5	581.5	22.2%
Payment for the lease of public property	773.0	699.5	1,138.8	-439.3	439.3	38.6%
Fines and contravention sanctions	0	0.5	0	0.5	0.5	0%
Fines imposed by road traffic surveillance and control units	100.0	3.0	147.3	-144.3	144.3	0%
Voluntary donations for current expenditure from internal sources for the budgetary institutions	60.0	106.0	88.4	17.6	17.6	19.9%
Voluntary donations for capital expenditure from internal	0	5.0	0	5.0	5.0	0%

sources for the budgetary institutions						
Total revenue	3,923.0	5,779.3	5,779.3	0.0	3,309.6	
Overall variance						147.3%
Composition variance						57.3%

Revenue Data for 2019, (MDL thousand)

Revenue type	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Personal income tax payable / paid	335.5	453.0	335.3	117.7	117.7	35.1%
Personal income tax in the field of road passenger transport by taxi	0	61.8	0	61.8	61.8	0%
Income tax related to the transfer of possession and / or use of real estate	15.5	55.3	15.5	39.8	39.8	257.0%
Water fee	321.4	290.4	321.2	-30.8	30.8	9.6%
Fee for timber released on foot	11.7	11.7	11.7	0.0	0.0	0.1%
Fee for the extraction of useful minerals	256.4	231.5	256.2	-24.7	24.7	9.7%
Grants						
Grants received from international organizations for projects funded from external sources for the local level II budget	0	0	0	0	0	0%
Other revenue						
Tax on the purchase of foreign currency by individuals in foreign exchange offices	400.0	444.8	399.8	45.0	45.0	11.3%
Receipts from the provision of paid services	3,088.3	2,801.7	3,086.5	-284.8	284.8	9.2%
Payment for the lease of public property	637.3	673.6	636.9	36.7	36.7	5.8%
Fines and contravention sanctions	0	7.0	0	7.0	7.0	0%
Voluntary donations for current expenditure from internal sources for the budgetary institutions	60.0	80.6	60.0	20.6	20.6	34.4%
Voluntary donations for capital expenditure from internal sources for the budgetary institutions	0	11.7	0	11.7	11.7	0%
Total revenue	5,126.1	5,123.1	5,123.1	0.0	680.7	
Overall variance						99.9%

Composition variance						13.3%
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Revenue Data for 2020, (MDL thousand)

Revenue type	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Personal income tax payable / paid	232.1	305.3	219.7	85.6	85.6	38.9%
Personal income tax in the field of road passenger transport by taxi	11.0	23.5	10.4	13.1	13.1	125.6%
Income tax related to the transfer of possession and / or use of real estate	44.7	74.3	42.3	32.0	32.0	75.6%
Water fee	355.0	405.7	336.1	69.6	69.6	20.7%
Fee for timber released on foot	3.2	3.2	3.0	0.2	0.2	5.6%
Fee for the extraction of useful minerals	175.9	241.2	166.5	74.7	74.7	44.8%
Grants						
Grants received from international organizations for projects funded from external sources for the local level II budget	0	1152.9	0	1,152.9	1,152.9	0
Other revenue						
Tax on the purchase of foreign currency by individuals in foreign exchange offices	400.0	333.8	378.7	-44.9	44.9	11.9%
Receipts from the provision of paid services	3,693.1	2,372.7	3,496.5	-1,123.8	1,123.8	32.1%
Payment for the lease of public property	671.0	405.5	635.3	-229.8	229.8	36.2%
Fines and contravention sanctions	0	0.6	0	0.6	0.6	0
Voluntary donations for current expenditure from internal sources for the budgetary institutions	60.0	26.8	56.8	-30.0	30.0	52.8%
Voluntary donations for capital expenditure from internal sources for the budgetary institutions	0	0	0	0	0	0
Total revenue	5,646.0	5,345.5	5,345.5	0.0	2,857.1	
Overall variance						94.7%
Composition variance						53.4%

Annex 5. Transfers from the rayon budget to lower-level budgets as share in the central government transfers

	Tier I local public authority	Transfer from CG (thousand MDL)	Allocation from Ungheni rayon budget available balance (thousand MDL)	Percentage (%)
1	Primaria Agronomovca	1,685.2	190	11.3
2	Primaria Alexeevca	1,852.0	178	9.6
3	Primaria Boghenii Noi	5,431.5	100	1.8
4	Primaria Buciumeni	2,251.8	150	6.7
5	Primaria Bumbata	3,069.7	50	1.6
6	Primaria Busila	3,544.7	0	0.0
7	Primaria Cetireni	4,833.8	320	6.6
8	Primaria Chirileni	3,119.2	115	3.7
9	Primaria Cioropcani	3,231.0	44.2	1.4
10	Primaria Condratesti	2,280.5	100	4.4
11	Primaria Cornesti	3,095.1	150	4.8
12	Primaria Cornova	3,223.0	0	0.0
13	Primaria Costuleni	4,258.9	100	2.3
14	Primaria Floritoaia Veche	4,209.3	105	2.5
15	Primaria Hircesti	3,589.9	100	2.8
16	Primaria Macaresti	8,718.0	0	0.0
17	Primaria Magurele	3,658.3	0	0.0
18	Primaria Manoilesti	5,820.2	100	1.7
19	Primaria Morenii Noi	2,182.1	50	2.3
20	Primaria Napadeni	3,320.0	100	3.0
21	Primaria Negurenii Vechi	3,718.1	100	2.7
22	Primaria orasului Cornesti	6,825.4	0	0.0
23	Primaria municipiului Ungheni	56,028.5	0	0.0
24	Primaria Petresti	5,059.4	290	5.7
25	Primaria Pirlita	7,827.6	100	1.3
26	Primaria Radenii Vechi	6,329.5	0	0.0
27	Primaria Sculeni	6,711.6	0	0.0
28	Primaria Sinesti	2,183.3	200	9.2
29	Primaria Tescoreni	2,086.7	150	7.2
30	Primaria Todiresti	6,117.8	75	1.2
31	Primaria Untesti	2,637.2	440	16.7
32	Primaria Valea Mare	6,238.0	699	11.2
33	Primaria Zagarancea -	4,065.5	95	2.3
	Total	189,202.8	4,101.2	2.2