



## TI–Moldova Releases New Monitoring Report on Court of Accounts Recommendations. Local Public Authorities Are Targeted.

*What deficiencies did the Court of Accounts (CoA) find during its audit missions to local public authorities (LPAs)?; What measures have LPAs taken to implement the CoA recommendations?; How did the CoA assess the level of implementation of the recommendations?; What problems do LPAs face in this process and how could they be overcome? – these and other questions are answered in the TI-Moldova study "Budgetary Process and Management of Public Assets in LPAs: How Court of Accounts Recommendations Are (Not) Implemented," launched on 21 June 2023.*

The **goal of the research** is to analyze the progress of implementation of the recommendations of the Court of Accounts (CoA) of the Republic of Moldova, identify the problems faced by LPAs in this process, and make proposals to remedy the situation. The research was conducted with the support of the Criminal Justice and Law Enforcement Section of the US Embassy in Chişinău.

TI–Moldova monitored the implementation of the recommendations of four CoA decisions (CoAD)<sup>1</sup>, which drew attention to the multiple systemic deficiencies/irregularities that persist in the work of LPAs. They include non-compliance with the legal framework in the calculation and collection of local taxes/charges, expenditure, registration and management of assets, whose impact is loss of considerable revenues to local budgets, waste of public money on non-transparent and non-competitive procurement, loss of public property. To remedy the irregularities, the CoA issued 83 recommendations, *some of them repetitive.*

### Monitoring results

**Measures taken by authorities to implement CoA recommendations.** All entities audited<sup>2</sup> provided information on the measures taken to implement the CoA recommendations; however, *the quality of the answers leaves something to be desired, some of them being superficial, with unconvincing data or irrelevant to the task at hand and without supporting documents attached.*

Although the information on the measures taken by LPAs to implement the CoA recommendations is to be published on the CoA website, an analysis of the website content shows that information is missing in the profile of some CoAD. In addition, some supporting documents referred to by LPAs are not posted on the CoA website, possibly due to insufficient space for their storage.

An analysis of audited LPAs' websites shows that some information on the implementation of the CoA recommendations is posted on them but it is insufficient. Although the websites of the mayoralties of Ungheni, Comrat and Bălţi contain the decisions of local councils on the examination of audit results and the action plans approved to remedy the deficiencies, *none of them had data inserted on concrete measures to implement those plans.* The website of Nisporeni Mayorality contains no data on the results of the audits or on the measures taken to remedy the deficiencies found.

**Level of implementation of recommendations as assessed by CoA.** Although the deadlines for implementation of CoA recommendations for three LPAs (Ungheni, Nisporeni and Comrat) expired in January 2022 – *more than a year ago*, while for Bălţi LPA – in April 2023, *the level of implementation of the recommendations is very low*: on average, only about 16% of the recommendations have been implemented; 24% – partially implemented; and 60% – not implemented.<sup>3</sup> Some LPAs do not respect the periodicity of informing the CoA (quarterly) about the measures taken to remedy the deviations.

Among the reasons for the slow implementation of the CoA recommendations (as well as the problems found during the audits) are the lack of internal managerial control in LPAs; insufficient accountability of decision-makers; staff shortages; and low staff qualifications. Gaps in tax legislation, lack of a regulatory/methodological framework in the financial/accounting field, imperfection of the information systems managed by the State Tax Service (STS) and Public Services Agency (PSA), and slowness in recording and delimiting public assets also make it difficult to implement the CoA recommendations.

The LPAs audited noted that some of the CoA recommendations *were general, ambiguous or quite complex, which created uncertainties in their implementation.* At the same time, the LPAs drew attention to some problems that depended on the central authorities to solve, as failure to solve them amplified the risks of loss of revenues to local budgets. In particular, the imperfections of the AIS Tax Cadastre 2.0 were noted, whereby revalued real estate is entered into the system up to 22 years late; real estate tax payments – up to 15 days late, leading to artificial arrears and unjustified calculation of penalties. Some LPAs point out that the

<sup>1</sup> CoAD 4/2021 on Audit Report on Compliance of Budgetary Process and Management of Public Assets in TAU municipality of Ungheni in 2019; CoAD 6/2021 on Audit Report on Compliance of Budgetary Process and Management of Public Assets in TAU town of Nisporeni in 2019; CoAD 10/2021 on Audit Report on Compliance of Budgetary Process and Management of Public Assets in TAU municipality of Comrat in 2019; CoAD 12/2022 on Audit Report on Compliance of Budgetary Process and Management of Public Assets in TAU municipality of Bălţi in 2018-2020.

<sup>2</sup> Mayoralties of Ungheni, Nisporeni, Comrat and Bălţi.

<sup>3</sup> As at 1 May 2023.

valuation/revaluation procedure for real estate, which is the PSA responsibility, has not been carried out for many years (for residential buildings – 8 years; garages – 16 years; land – 12-15 years).

***Reaction of law enforcement to documents sent to CoA for examination and referral.*** According to the CoA, between 2018 and 2022, fourteen audit reports/materials on suspected fraud in LPA work were submitted to the Prosecutor General (PG) and National Anticorruption Center (NAC), based on which 74 criminal cases were initiated, most of which (68) based on CoAD 39/2018 *on Compliance of Management of Funds of National Ecological Fund in 2017*.<sup>4</sup> Although TI–Moldova requested information from the PG and NAC about the materials/reports received from the CoA, *they only provided data about the materials reviewed*. The information provided by the CoA, the PG and the NAC on the audit materials examined and the criminal cases initiated *seems rather contradictory and difficult to systematize*. *Neither the PG nor the NAC indicated the number of cases sent to court*.

The risks of fraud and corruption arising from the non-reporting and non-resolution of conflicts of interest by local elected officials are quite high, with virtually every second finding by integrity inspectors of violations of the conflict of interest regime being issued against local elected officials.

### **Recommendations:**

- Improve communication between the CoA and the audited LPAs; it would be useful to develop and implement a simple and explicit mechanism, based on the one set out in Prime Minister's Decision No 39/2020;
- Familiarize LPA representatives with AIS "CoA Audit " CIS and develop skills for using this system;
- More actively involve the State Chancellery (SC) in overseeing the implementation of CoA recommendations, in particular, those whose implementation has long been delayed (recommendations concerning MoF<sup>5</sup>, STS<sup>6</sup>, PSA<sup>7</sup>);
- Improve the quality of CoA recommendations, avoiding vague and complex formulations, specifying concrete measures to be implemented;
- Ensure that civil society and the media have access to AIS "CoA Audit " as simple external users/viewers of information in this system;
- Post CoA audit results, local council decisions, action plans, and concrete measures taken to remedy deficiencies on LPA websites, under a separate heading;
- Organize joint meetings of representatives of CoA, SC, STS, MoF, CALM and LPAs to discuss financial–accounting, taxation, etc. issues and to remedy the situation in the implementation of CoA recommendations;
- Provide ongoing training of local elected officials on integrity and anti–corruption issues, supported by National Integrity Agency (NIA) and civil society;
- Systematize and disseminate good practices in implementing CoA recommendations among LPAs, possibly with the support of CALM.

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<sup>4</sup> On the commission of offences of abuse of office, fraud, embezzlement of foreign assets, passive and active corruption, abuse of power or abuse of office by decision-makers in several municipalities.

<sup>5</sup> Ministry of Finance.

<sup>6</sup> State Tax Service.

<sup>7</sup> Public Services Agency.