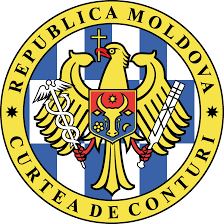
Annex

to the Court of Accounts’ Decision no. 49

dated September 2, 2022

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**COURT OF ACCOUNTS OF THE REPUBLIC OF MOLDOVA**

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| --- |
| MD-2001, mun. Chișinău, bd. Ștefan cel Mare și Sfânt nr.69, tel.: (+373) 26 60 02,  fax: (+373 22) 26 61 00, [www.ccrm.md](http://www.ccrm.md); e-mail: [ccrm@ccrm.md](mailto:ccrm@ccrm.md) |

**AUDIT REPORT**

**on the financial statements of Moldova Education Reform Project**

**for the year ended December 31, 2021**

1. **OPINION**

We have audited the Financial Statements of Moldova Education Reform Project for the year ended December 31, 2021, which include: (i) Report on financing sources and uses of funds; (ii) Report on expenditures shown under the main project components and by main categories of expenditures, both for the current fiscal year and accumulated to-date; (iii) Statement of Designated Account; (iv) Summary of Summary reports or SOEs (Statement of Expenditures) used as the basis for the submission of withdrawal applications[[1]](#footnote-1).

In our opinion, the mentioned financial reports, in all material respects, provide true and fair view according to the financial reporting framework applicable under the World Bank requirements[[2]](#footnote-2).

1. **BASIS FOR OPINION**

We have conducted the audit mission in accordance with the International Standards of Supreme Audit Institutions applied by the Court of Accounts[[3]](#footnote-3). Our responsibilities, based on these standards, are described in the “*Auditor’s responsibilities for the audit of the financial statements*” section of this Report. We are independent from the audited entity and we fulfilled the ethical responsibilities in line with the Ethical Code of the Court of Accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

1. **PARAGRAPH ON HIGHLIGHTING SOME ASPECTS** 
   1. **We draw attention to the fact that the issue remains on managing by MSIF of the operating costs provided for Component A.2.**

Preparation, implementation, monitoring and evaluation of Component A.2 of the Project are carried out by MSIF in compliance with the provisions of the Financing Agreement, WB rules and the POM. In 2020, POM[[4]](#footnote-4) was completed with paragraph 7.3 of the Chapter 7 „Component implemented by MSIF”, which provided the team members[[5]](#footnote-5) responsible for implementation of activities under the mentioned Component as well as the need to select and designate them in accordance with the Terms of Reference. In 2021, by the MoECRs’ Order no 640 dated May 31, 2021[[6]](#footnote-6), the chapter 7.7 "MSIF accounting and disbursements" was completed with provisions related to classification of operating costs for the activities under Component A.2.

The audit evidence attests that MSIF did not take into account the provisions of the mentioned norms, the staff remunerated from MERP was employed on the basis of individual employment contracts with duties related to the basic activities of MSIF.

The audit notes that there is a discrepancy between the functions approved in the POM and those established in the individual employment contracts. Therefore, the audit is in difficulty to integrate the functions established in the POM with the ones established in the individual employment contracts.

The audit evidence shows that the justifying calculations on substantiation of the operating costs budget in the MSIF Procurement Plan contain the amount of individual remuneration related to MSIF team, these not being included and regulated in other normative documents of the Project. Thus, the audit mentions the maintenance of uncertainties identified in the previous audit regarding the amount of remuneration paid per position to MSIF consultants/team members involved in the Project implementation.

At the same time, the salaries of employees remunerated from MERP are established according to the Government Decisions no. 743/2002[[7]](#footnote-7) and no. 165/2010[[8]](#footnote-8). It is noted that although the employees fulfil their duties for all MSIF activities, the source of funding for each employee was approved on a monthly basis by the MSIF Director’s Order. Thus, on average for 9 employees, salaries were paid in full from MERP, which include basic salaries and increases of around 40%.

As a result, in case of 5 positions, salaries were paid higher than the initially estimated ceilings, respectively, in 2021 the remuneration expenditures were increased by US$21.3 thousand. The most significant deviation can be seen in the remuneration of MSIF’s Director. Thus, for 7 months, for the position of Project manager, the amount of remuneration according to estimates was US$12.6 thousand (US$1.8 thousand monthly). The audit identified that for that period he was remunerated by US$8.7 thousand more than the originally estimated salary.

*The audit mentions that according to the MoECR ‘s Order no. 1701 dated December 28, 2021, the POM was completed with paragraph 174. „While there is an applicable regulation in place for MSIF staff compensation policy, the remuneration costs for MSIF staff involved in the project implementation shall not exceed the approved budget for salary under the Project. Any change in salary scale shall be coordinated with MoER and World Bank.”*

Thus, according to the MSIF Procurement Plan, the ceiling set for operating costs is US$877.8 thousand, of which US$782.3 thousand for remuneration, being paid US$772.5 thousand or at the level of 98,8%. For the year 2021, US$148.9 thousand were planned, being used US$131.9 thousand. Although the saving of US$9.8 thousand is attested, the audit evidence shows that 185.1 thousand lei (about US$10.5 thousand) were paid for August from the community's contribution for the civil works accumulated in the MSIF bank account. On December 29, 2021, as a result of amending the POM[[9]](#footnote-9), the salary calculated for the October-December period was paid in the total amount of 561.6 thousand lei, including contributions, from the amounts withheld as penalties.

At the same time, the audit notes that MSIF did not fully take into account the provisions of paragraph 219, namely: the amounts retained as penalties (liquidated damages), as well as the withhold of bank guarantees (performance security) under civil works contracts can be used by MSIF from operational expenditures within the implementation of the Component A.2 of the Project, which in the audit opinion were supposed to be coordinated with the Bank.

The audit found that MSIF officials admitted an irregular payment from MERP for payment of enforceable title[[10]](#footnote-10) in the amount of 44.2 thousand lei for termination of employment relationship by dismissal[[11]](#footnote-11) of the Head of Technical Monitoring and Evaluation Department[[12]](#footnote-12), being paid and reported in an ineligible manner to the Component for Project implementation.

1. **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of Project’s financial statements ended December 31, 2021. These matters were addressed in the context of audit of the financial statements as a whole and in forming our opinion on them, and we do not provide a separate opinion on these matters.

1. **OTHER INFORMATION**

In 2021, the MoECR organized 11 procurement procedures: 2 procedures for procurement of goods in the amount of US$3.1 thousand and 205.9 thousand lei, respectively; a procurement procedure for consulting services for the design, development and installation of a set of software for children with special education needs in the amount of US$144.5 thousand; 3 procedures for procurement of services in the total amount of 701.0 thousand lei and US$29.4 thousand respectively, and 5 procedures for procurement of consulting services in the amount of US$19.4 thousand and 3,252.5 thousand lei.

The procurements for components A.1, A.3, B.1, B.2 and C of the Project are fully implemented by the MoECR and Component A.2 is implemented by MSIF. To support the MoECR in this area, the Project includes a procurement specialist and a procurement assistant according to the WB rules.

The national legislation on public procurement was respected for implementing Components A.1 and B.1.

Under the original Project to implement Components A.2 and C and under the Additional Financing to implement Components A.3, B.2 and C, the following guidelines were followed:

• World Bank Guidelines "Selection and Employment of Consultants under IBRD loans, and IDA credits and grants by World Bank Borrowers", January 2011 edition (Consultant's Guide);

• World Bank Guidelines: "Procurement of goods, works and non-consulting services under IBRD Loans and IDA Grants and Credits by World Bank Borrowers ", January 2011 Edition (Procurement Guide);

• Provisions of Financing Agreement.

In the context of imposition of various restrictions in the conditions of crisis generated by COVID-19 pandemic and the transition from traditional to distance education, following the correspondence between the MoECR, MoF and WB regarding the procurement of IT equipment from MERP funds from the sources of activity on procurement of equipment for physics, chemistry and biology laboratories for 160 schools, on July 26, 2020 the World Bank agreed the possibility of using the MERP funds for the mentioned purpose. At the same time, due to the fact that the amount of the procurement considerably exceeded the threshold for the "Shopping" method provided by the World Bank Guidelines: "Procurement of goods, works and non-consulting services under IBRD Loans and IDA Grants and Credits by World Bank Borrowers", MERP team agreed this procurement method with the WB. Thus, on August 20, 2020, the procedure for procurement of IT equipment was launched, for which 3 bids were submitted. According to the published notice, the award criterion was the lowest price. The quotation of one bidder (Accent Tehno LTD) was rejected due to the fact that the bid was received after the submission deadline.

As a result, on October 26, 2020, the contract no. MD-MOED-188349-GO-RFQ was signed with "Accent Electronic" S.A for procurement of 10 thousand laptops in the total amount of US$2,914.2 thousand, the deadline for delivery being established up to 120 days from the date of signing the contract (February 23, 2021). On February 4, 2021, the MoECR received a Notification on occurrence of the justifying impediment (no. 17/21), the supplier being unable to deliver laptops on time due to the retention at the manufacturer. Thus, with the approval of the WB dated February 25, 2021, the Amendment no. 1 to the Contract no. MD-MOED-188349-GO-RFQ of 26.10.2020 was signed, setting the deadline April 30, 2021. The laptops were delivered to the headquarters of PI "Mold-Didactics" in parts, on 6 different days, being issued 7 invoices and 7 acts of delivery and acceptance. Subsequently, on May 4, 2021, the WB made a direct payment in the amount of US$2,914.2 thousand.

The audit mentions that this procurement was not provided in the Project Operational Manual, and the changes were made only on July 12, 2021.

At the same time, by the MoECR’s Order no 379 dated April 9, 2021[[13]](#footnote-13), the data were approved regarding the needs of computers for participation in the distance learning of students, registered in EMIS by the general schools and confirmed by the signature[[14]](#footnote-14) of school managers. Thus, 9.484 laptops were distributed to fully cover the students’ needs in gymnasiums and lyceums, and 516 laptops were distributed according to the number of needs of primary school students in the district/municipality compared to the total number of needs of primary school students in the country (11,214 needs).

According to the Instruction on distribution, acceptance and use of laptops[[15]](#footnote-15), the MoECR handed over laptops to district and municipal councils based on Free Lease Agreement, concluded between the MoECR and DC/MC and the Act of delivery and acceptance, which correspond to the model approved by the MoECR[[16]](#footnote-16).

Within two months from the date of conclusion of the Free Lease Agreement, each DC/MC was supposed to adopt decisions regarding the acceptance of transfer from the state property, administration of the MoECR to the property of the administrative-territorial unit of the laptops received in lease, and the MoECR was to ensure the drafting of the Government Decision regarding the transfer of laptops. Thus, only on December 14, 2021 the Government Decision no. 412 was approved[[17]](#footnote-17), through which the goods were transferred. Further, on December 16, 2021, the goods were transferred free of charge from the administration of the MoER to the property of the administrative-territorial units, and to the institutions under direct subordination of the MoER on December 7, 2021.

The audit selected 4 district councils to which 2,170 laptops were transferred and educational institutions under subordination of the MoECR, to test the correctness of distribution and registration in the accounting records of laptops, some irregularities being identified, as follows: i) the councils interpreted differently the provisions of Order no. 428 dated April 23, 2021[[18]](#footnote-18) regarding the distribution to the beneficiary institutions; ii) some entities involved did not correctly reflect the received laptops in the accounting records; iii) the completion of data in EMIS was not ensured with reference to the laptops distributed in institutions, the veracity of the data reported in EMIS being compromised; iv) in some cases, laptops were not used for participation in the remote educational process of students or for other educational purposes, these being stored until the time of the audit, which does not fully justify the need to purchase them.

1. **GOOD GOVERNANCE**

## **Although the Project's organizational management has established and regulated control activities, in some cases these were not functional.**

To ensure implementation of the Project Components, an internal managerial control system was established aimed at achieving the objectives set out, including control activities to address the assessed risks, which overall ensured the regularity of the Project resources management and accuracy of data reporting. At the same time, the audit emphasizes the need to improve the tools for implementing and planning the Project funds, both at the aggregate level and on some of its components. Also, some weaknesses are maintained in carrying out the control activities under Component A.2 managed by MSIF, which conditioned vulnerabilities in the good management of the Project funds, observations also mentioned in the previous Report.

* 1. **Recommendations of the Court of Accounts from the previous Financial Audit Report were implemented at the level of 60%.**

By the Court of Accounts’ Decision no.51 dated September 10, 2021[[19]](#footnote-19), 5 audit recommendations were submitted to the parties involved in the Project implementation, of which 3 recommendations were implemented and 2 recommendations have not been implemented, of which one recommendation lost its relevance. Implementation of the recommendations at the level of 60% allows the exclusion of the above-mentioned decision from monitoring, with reiteration of some issues targeted in the non-implementation recommendations.

Although the implementation of actions by the MoECR and MSIF to comply with the previous recommendations submitted by the Court of Accounts led to improvement of the Project institutional framework, by completing the POM with criteria for establishing and clearly defining operating costs for implementation of activities under component A.2 managed by MSIF[[20]](#footnote-20), in the absence of exhaustive rules regarding the remuneration of MSIF staff involved in the Project, there are uncertainties regarding the calculation and payment of employees' salaries. *The results of verifications conducted, as well as the information submitted by the MoER in order to implement the recommendations of Court of Accounts’ Decision no. 51 dated September 10, 2021 are presented in detail in Annex no. 7 to this Audit Report.*

## **The audit identified some deficiencies regarding the execution of civil works contracts by MSIF.**

The objective of Component A.2 is to contribute to the strengthening of the quality of education in the General Education subsector by rehabilitating and upgrading 17 receiving schools. The activities under component A.2 are being carried out by MSIF.

The audit notes that as of December 31, 2021, the renovation works of schools were completed and the procedure for acceptance of rehabilitation works completion was organized for 15 schools, of which for 5 schools the acceptance of rehabilitation works completion was organized during 2021, and 2 being in the process of renovation (Lyceum „Mihai Eminescu” in Anenii Noi Town– 81,7% execution of works, and Lyceum „Alecu Russo” in Cojușna village, Straseni District (Bill of quantities 2) – 84,0% execution of works*). The summary on use of funds for renovation of 17 schools from the credit (Credit 5196-MD) as of December 31, 2021 by MSIF are presented in detail in Annex no. 4 to this Audit Report.*

As of December 31, 2021, funds were disbursed in the total amount of US$12,707.8 thousand for Component A.2 managed by MSIF, of which US$2,119.2 thousand were disbursed in 2021. During Project implementation, expenditures were paid in the amount of US$12,283.3 thousand, of which US$11,426.8 thousand for renovation works, designs and technical supervisor, in 2021 being paid US$2,126.8 thousand.

The final acceptance of renovation works completion by the end of 2021 was organized for 10 schools in the total amount of 106,653.9 thousand lei, of which in 2021 (8 schools) - in the amount of 82,580.5 thousand lei. The audit reveals that, although the works were accepted, the investments made were transferred to only 6 beneficiary communities in the total amount of 72,034.2 thousand lei. Thus, the balance sheet information was distorted by overvaluing account groups 311 "Buildings" by 34,619.7 thousand lei. *The Minutes on completion and final acceptance of rehabilitation works and the act of transferring investments are presented in Annex no. 5 to this Audit Report*.

At the same time, it is attestednon-compliance with the regulations regarding the procurement of additional renovation works that exceed the value of 15% of the initial amount of the contract. Thus, contrary to the WB Guidelines[[21]](#footnote-21) which provide that „in cases of an increase of the initial amount of the contract by more than 15%, the Borrower shall request No Objection of the WB until it is agreed”, as well as clauses of the contracts [[22]](#footnote-22) signed between MSIF and entrepreneurs which stipulate that ”Project manager will not adjust the tariffs following the change of volumes, if by this the initial contract price is exceeded by over 15%, except for the prior approval of the Employer and Donor”. MSIF did not take into account the mentioned rules, the value of the contract being increased in 5 cases[[23]](#footnote-23), from 15.8% to 28.8%.

1. *Note. By the MoECR’s Order no. 1701 dated December 28, 2021, the POM was completed with paragraph 31: „**The following thresholds for change order procedures are established by the MSIF concerning the increase of the Contract cost:*

* *up to 15% of contract cost shall be approved by the MSIF Executive Committee, provided the cost is within the amount allocated for the relevant category of expenditures;*
* *15% and above of contract cost shall be approved by the MoER, provided the cost is within the amount allocated for the relevant category of expenditures*”.

1. **DESCRIPTION OF THE PROJECT**

Moldova Education Reform Project (MERP) supports the Government of Moldova’s reform program, being financed by the World Bank. The revised Project Development Objective [[24]](#footnote-24) is to improve learning conditions in targeted schools and strengthen the Recipient’s education monitoring systems, while promoting efficiency reforms in the education sector. The Project has three components (A, B and C), which are described in detail in Annex 6 to this Audit report.

To implement Project activities the MoF opened and registered at the State Treasury two special accounts, one for Component A.2 for which MSIF is responsible, and another for components A.3, B.2 and C for which the MoECR is responsible. The Project funds are disbursed from the WB as an advance to the special accounts, or as direct payment, based on requests for direct withdrawals. Quarterly IFRs are prepared and used for financial monitoring and supervision of Project activities, which consolidate the financial information for all Project components. The MoECR is responsible for consolidating the financial information of the Project into IFR, in accordance with the agreed form.

The total cost of the original Project *(Credit no 5196-MD)* is SDR26.1 million (USD40 million equivalent), necessary for implementation of the structural reform in the education sector. The modified closing date of the Project is December 31, 2022, and the amount of credit is repaid starting with May 15, 2018[[25]](#footnote-25). Thus,

* the total amount repaid as of December 31, 2021 is SDR5.6 million DST (21,5%) (US$7.9 million equivalent), of which the main amount is – SDR3.4 million (US$4.8 million equivalent), and the interest rate – SDR2.2 million (US$3.1 million equivalent);
* In 2021, SDR1.3 million has been repaid (US$1.9 million equivalent), of which the main amount is SDR0.9 million (US$1.2 million), and the interest rate in the amount of SDR0.5 million (US$0.6 million equivalent).

Further, in 2018, the Additional Financing was provided to the Republic of Moldova *(Credit no.6181-MD)* in the amount of SDR7.1 million, or US$10.0 million equivalent in support of Moldova Education Reform Project to expand the coverage of activities already initiated under MERP, such as teacher and school managers’ training, participation in PISA, development of an additional module to Education Management Information System (Technical Vocational Education Training module), financing of new activities (providing equipment to schools for science laboratories and specialized equipment and teaching/learning materials for children with special educational needs/disabilities). The amount of credit will be repaid in accordance with the repayment schedule set forth in the Agreement, starting with July 15, 2023[[26]](#footnote-26). As of December 31, 2021, the interest rate in the amount of SDR0.08 million (US$0.1 million equivalent) was paid.

According to the reporting data, as of December 31, 2021, out of the Project’s total amount of US$50.0 million, ***funds were disbursed in the total amount of******US$41.9 million or at the level of 83,9%,*** of which US$36.5 million (87,1%) – from the original credit, and US$5.4 million (12,9%) – from the Additional Financing.

As of December 31, 2021, ***the level of use of funds for Project implementation constitutes*** ***82,9%*** (US$41.4 million). The amount of US$7.6 million was paid in 2021 out of the total amount of expenditures of US$41.4 million paid per Project. *The summary of disbursements and use of funds under the Project components* *is presented in Table no. 1* *below.*

*Table no 1*

**Analysis of disbursements and use of funds allocated for the structural reform in the education sector**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Components*** | | ***Institution*** | ***Estimated cost of the Project, thousand USD*** | ***Data from MERP reports, including:*** | | | | | ***Project implementation, %*** |
| ***total Project*** | | ***2021*** | | |  |
| *thousand USD* | *thousand MDL* | *thousand USD* | | *thousand MDL* |  |
| *\** | | *\** | *1* | *2* | *3* | *4* | | *5* | *7=2/1\*100* |
| **I. TOTAL disbursements** | | | **50.000,0** | **41.943,6** | **719.060,2** | **5.926,1** | **105.022,5** | | **83,9%** |
| ***(33 200.0*** | ***(29 559,7 thousand SDR)*** |  |  |  | | **89,0%** |
| ***thousand SDR)*** |  |  |  |  | |  |
|  | |  | **40.000,0** | **36.514,9** | **623.824,5** | **2.119,2** | | **37.626,2** | **91,3%** |
| **IDA Credit no.5196/2013** | | ***(26 100.0 thousand SDR)*** | ***(25 740,6 thousand SDR)*** |  |  | |  | **98,6%** |
| Component A.1 and B1  (6 schools renovated by the MoECR) | | **MoF** | 24.500,0 | 22.523,2 | 389.592,2 |  | |  |  |
| Component A.2 (for 17 schools renovated by MSIF) | | **MSIF** | 14.000,0 | 12.707,8 | 212.390,0 | 2.119,2 | | 37.626,2 |  |
| Component C | | **MoECR** | 1.500,0 | 1.283,9 | 21.842,3 |  | |  |  |
|  | |  | **10.000,0** | **5.428,7** | **95.235,7** | **3.806,9** | | **67.396,3** | **54,3%** |
| **IDA AF 6181/2018** | | ***(7 100.0 thousand SDR)*** | ***(3 818,1 thousand SDR)*** |  |  | |  | ***53,7%*** |
| Component A.3 | |  | 9.280,0 | **-** | **-** | **-** | | **-** |  |
| Component B.2 | | **MoECR** | 160,0 | **-** | **-** | **-** | | **-** |  |
| Component C | |  | 560,0 | **-** | **-** | **-** | | **-** |  |
| **II. TOTAL expenditures** | | | **50.000,0** | **41.431,8** | **704.051,5** | **7.588,8** | **137.182,3** | | **82,9%** |
| **IDA Credit no. 5196/2013** | |  | **40.000,0** | **36.000,2** | **608.200,5** | **3.914,5** | | **71.743,1** | **90,0%** |
|  | Component A.1 and B1  (6 schools renovated by the MoECR) | **MoF** | 24.500,0 | 22.523,2 | 373 635,7 | 1.572,6 | | 27.805,5 |  |
|  | Component A.2  (17 schools renovated by MSIF) | **MSIF** | 14.000,0 | 12.283,3 | 213.568,9 | 2.276,9 | | 42.775,1 |  |
|  | Componenta C | **MoECR** | 1.500,0 | 1.193,7 | 20.995,9 | 65,0 | | 1.162,5 |  |
| **IDA FA 6181/2018** | |  | **10.000,0** | **5.431,6** | **95.851,0** | **3.674,3** | | **65.439,2** | **54,3%** |
|  | Component A.3 |  | 9.280,0 | 5.020,4 | 88.644,8 | 3.545,2 | | 63.151,2 |  |
|  | Component B.2 | **MoECR** | 160,0 | 6,9 | 122,5 | 6,9 | | 122,5 |  |
|  | Component C |  | 560,0 | 404,3 | 7.083,7 | 122,2 | | 2.165,5 |  |
| **III. TOTAL Deviations** | | | **\*** | **511,8** | **15.008,7** | **-1.662,7** | **-32.159,8** | |  |
|  | **IDA Credit no. 5196/2013** | | **\*** | 514,7 | 15.624,0 | -1.795,3 | -34.116,9 | |  |
|  | **IDA FA 6181/2018** | | **\*** | -2,9 | -615,3 | 132,6 | 1.957,1 | |  |

***Source:*** *Data summarised by the audit, based on the information submitted by the Ministry of Finance and the Project Management Team.*

Funds in the total amount of US$36.0 million were used out of *the original credit (5196 – MD),* which constitutes 90% of the planned amount (US$40.0 million), of which US$3.9 million were paid in 2021.

Funds in the total amount of US$5.4 million were used out o*f the additional financing credit (6181-MD),* which constitutes only 54,3%, of which US$3.7 million were paid in 2021.

Based on the audit findings and considering the Project closing date, some recommendations are submitted for the purpose of undertaking some monitoring and control activities to elucidate the shortcomings found.

1. **RECOMENDATIONS**

***Ministry of Education and Research:***

**8.1.** to ensure the correctness of spending of funds under Moldova Education Reform Project, provided by external funding, in accordance with the real needs;

**8.2.** to intensify the control and monitoring activities in order to ensure the efficient and compliant use of funds related to operating costs under Component A.2 managed by Public Institution National Office of Regional and Local Development[[27]](#footnote-27), including establishing the amount and limits of consultants' remuneration, in strict accordance with the Project documents;

**8.3.** to take effective measures to supervise activities at the end of the Project implementation, including to comply with the rules related to record keeping/compliant reporting of the Project results and of the process of acceptance and transfer of goods and works procured under it, in order to transfer them to the beneficiary communities.

***Public Institution National Office of Regional and Local Development:***

**8.4.** to ensure rigorous control over the performance of activities under the Project implementation process, in strict accordance with the Project documentation;

**8.5.** to ensure the correctness of the operating costs approved for Component A.2 financed from external funds;

**8.6.** to carry out the inventory of the renovation works financed by the Project, with updating of the accounting information, and to ensure compliance with the process of acceptance and transferring of investments to the beneficiary communities.

1. **MANAGEMENT’S RESPONSABILITIES FOR THE PROJECT FINANCIAL STATEMENTS**

*The Minister of Education and Research*, as Project General Director is responsible for preparation and correctly submission of the financial statements, in accordance with the WB requirements[[28]](#footnote-28), and respectively, with the Minister of Finance’ s Order no 216 dated December 28, 2015, as well as for establishing the internal control, which ensures the preparation of financial reports that do not contain significant misstatements, caused by fraud and/or error.

The Project financial management specialist is responsible for consolidating the Interim Financial Reports and ensures the financial management, planning and budgeting services, as well as that all financial reports are prepared and submitted correctly and in a timely manner.

*The Public Institution National Office of Regional and Local Development[[29]](#footnote-29)* has the responsibility to maintain proper control over accounting information and to ensure its introduction into the accounting system. At the same time, it will prepare the quarterly and annual financial and statistical reports required by the WB in accordance with the POM.

1. **THE AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our responsibility is to plan and conduct the audit mission, by obtaining sufficient and appropriate audit evidence in order to issue an audit opinion. Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an audit opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. At the same time, misstatements are considered material if, individually or in the aggregate, they could reasonably influence the economic decisions of users taken on the basis of these financial statements.

The detailed description of the auditor’s responsibilities for the audit of the financial statements is posted on the Court of Account’s web page: *https://www.ccrm.md/ro/cadrul-legal-3546.html.* This description is part of our Audit report.

**AUDITOR’S SIGNATURE**

**Audit Team:**

Head of the Audit Team,

Senior state auditor Svetlana Ostafi

Senior state auditor Vera Borșevschi

Senior state auditor Natalia Cabac

***Responsible for monitoring and ensuring audit quality:***

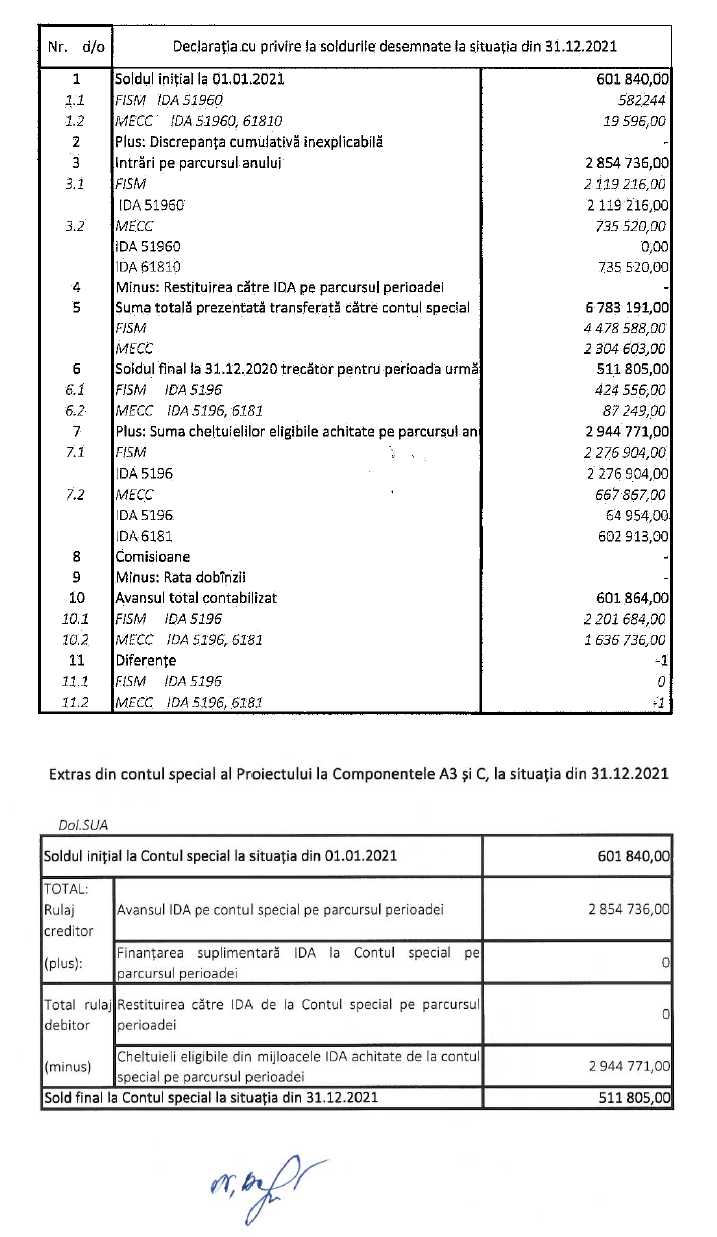
Head of the General Audit Department I, Natalia Trofim

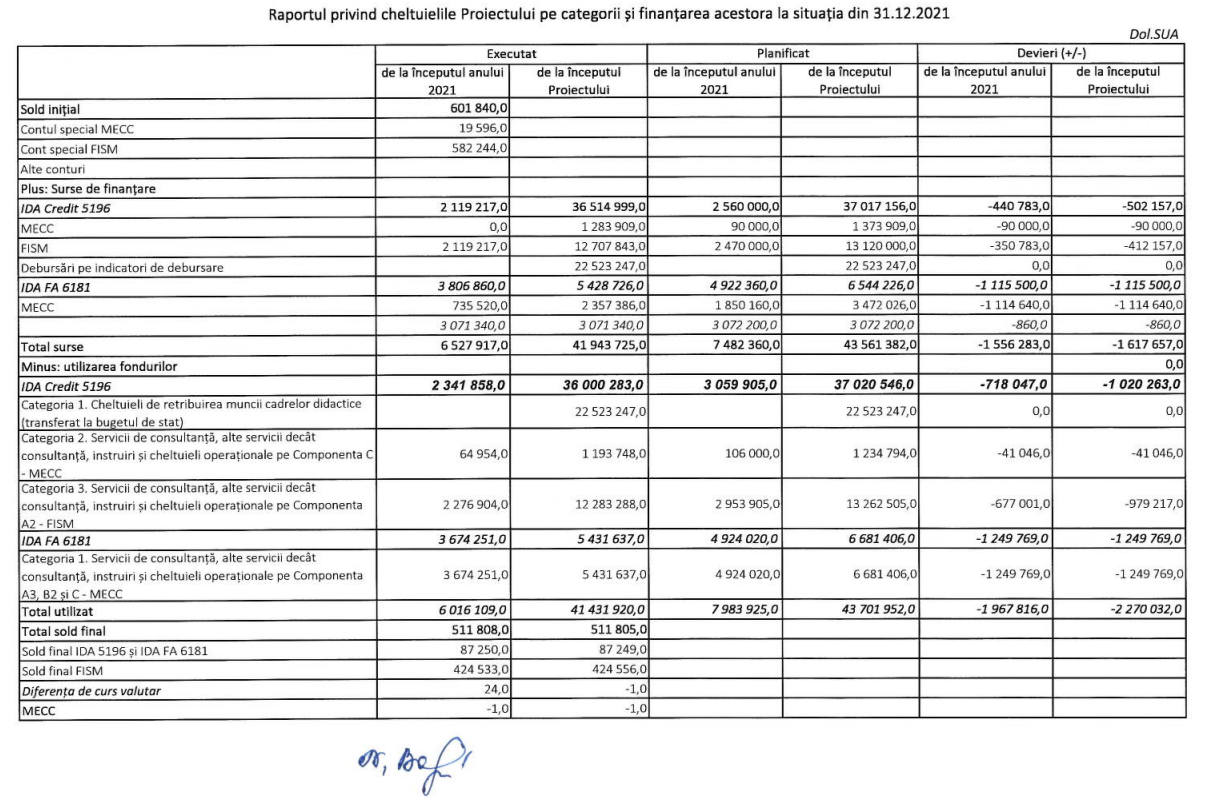
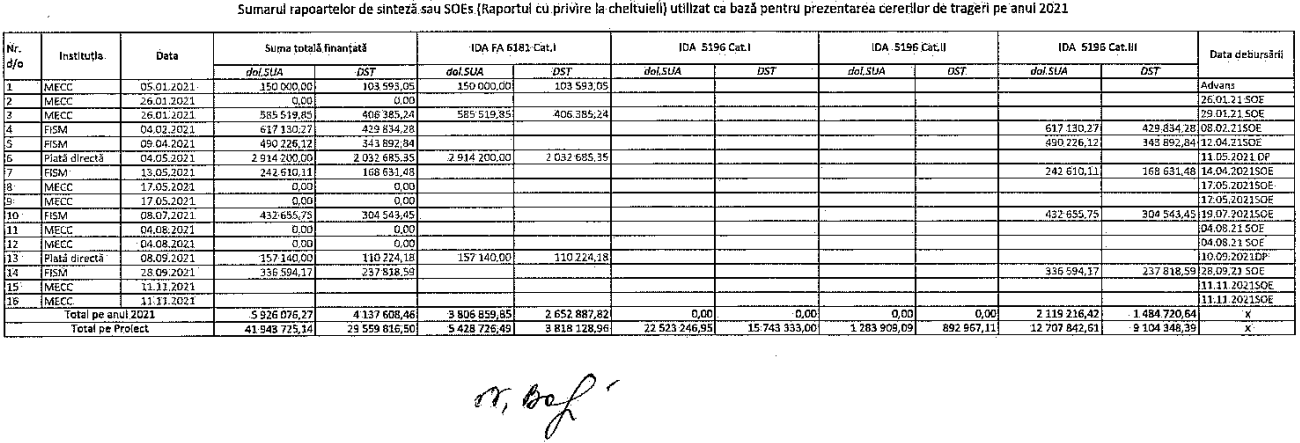
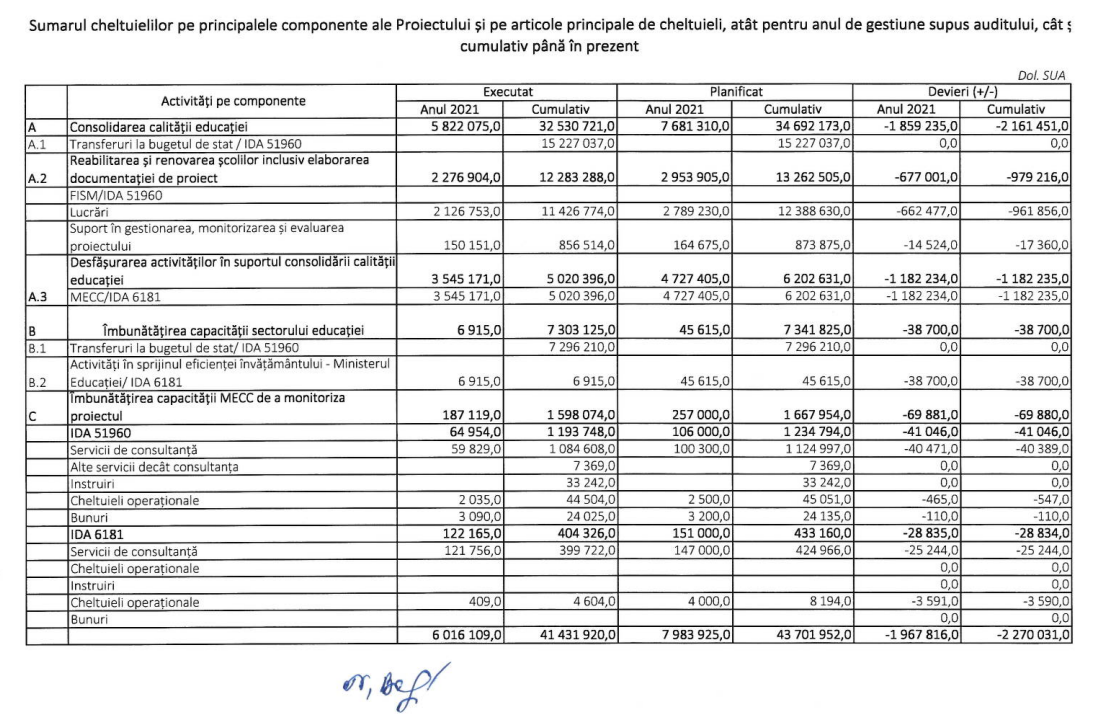
**ANNEXES**

*Annex no 1*

***Interim Financial Reports submitted to the WB for 2021***

*(US$)*



**

|  |  |
| --- | --- |
| *D:\v_borsevschi\Audit\Audit\2021 PRIM\3_Raportare\IMG_0001.jpg* | *D:\v_borsevschi\Audit\Audit\2021 PRIM\3_Raportare\IMG_0002.jpg* |

*Annex no 2*

**Summary of funds allocated from the state budget to the MoER, MSIF and the LPA for 2021 under the credit provided by the WB to Moldova Education Reform Project, thousand lei**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Destination of allocations** | **Institution** | **Approved by the State budget Law for 2021** | **Specified** | **Executed** | **Deviations (+/-) /level of execution** | | **Share of execution of specified expenditures, %** |
|  | *1* | *2* | *3* | *4* | *5* | *6=5-3* | *6=5-4* | *7=5/4* |
| 2 | Procurement of equipment and school furniture | APL | 25.389,0 | 29.506,3 | 27.198,0 | 1.809,0 | -2.308,3 | 92,2 |
| **Total budgetary support** | | | **25.389,0** | **29.506,3** | **27.198,0** | **1.809,0** | **-2.308,3** | **92,2** |
| 1 | Resources of the projects financed from external sources | MECC | 87.376,3 | 96.073,4 | 66.601,7 | -20.774,6 | -29.471,7 | 69,3 |
| 2 | Rehabilitation works of the primary schools, gymnasiums and lyceums subordinated to local public authorities | FISM | 71.874,0 | 56.419,6 | 42.775,1 | -29.098,9 | -13.644,5 | 75,8 |
| **Total designated account** | | | **159.250,3** | **152.493,0** | **109.376,8** | **-49.873,5** | **-43.116,2** | **71,7** |
| **Total MERP expenditures** | | x | **184.639,3** | **181.999,3** | **136.574,8** | **-48.064,5** | **-45.424,5** | **75,0** |

***Source:*** *State budget Law for 2021, Financial Reports on budget execution.*

*Annex no. 3*

**Analysis of the level of execution of data planned for implementation of MERP by MSIF, cumulatively for 2021, thousand US$**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Project activities** | **According to the Procurement Plan** | **Total planned and used sources by MSIF** | | **2021`** | | **Executed in 2021 compared to planned ones** | | **Executed compared to the Procurement Plan data (%)** |
| *Planned* | *used* | *Planned* | *used* | **(+/-)** | **(%)** |
| *1* | *2* | *3* | *4* | *5* | *6* | *7=6-5* | *8=6/5* | *9=4/2* |
| **Total sources managed by MSIF** | **14.000,0** | **13.262,5** | **12.283,3** | **2.953,9** | **2.276,9** | **-677,0** | **77,1** | **87,7** |
| **School renovation** | **13.122,2** | **12.388,6** | **11.426,8** | **2.789,2** | **2.126,8** | **-662,4** | **76,3** | **87,1** |
| Works | 12.427,7 | 11.775,9 | 10.823,0 | 2.725,9 | 2.072,1 | -653,8 | 76,0 | 87,1 |
| Designs and author supervision | 523,3 | 495,0 | 493,7 | 21,1 | 19,8 | -1,3 | 93,8 | 94,3 |
| Technical supervision of constructions | 171,2 | 117,7 | 110,1 | 42,2 | 34,9 | -7,3 | 82,7 | 64,3 |
| **Operating costs** | **877,8** | **873,9** | **856,5** | **164,7** | **150,1** | **-14,6** | **91,1** | **97,6** |
| Remuneration | 782,3 | 789,9 | 772,5 | 148,9 | 131,9 | -17,0 | 88,6 | 98,7 |
| Communications | 12,0 | 8,3 | 9,7 | 4,3 | 5,7 | 1,4 | 132,6 | 80,8 |
| Office rent | 30,0 | 28,2 | 28,2 | 5,5 | 5,5 | 0,0 | 100,0 | 94,0 |
| Transport costs | 37,0 | 32,0 | 32,6 |  | 2,9 | 2,9 | - | 88,1 |
| Operating costs | 16,5 | 15,5 | 13,5 | 6,0 | 4,1 | -1,9 | 68,3 | 81,8 |

***Source:*** *Financial report on expenditures under Component A.2 and other information submitted by institution.*

*Annex no 4*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Summary on use of funds for rehabilitation of 17 schools from the Credit*** | | | | | | | | | | | | | | | | | | | | | |  |
| **(Credit 5196-MD) as of December 31, by MSIF** | | | | | | | | | | | | | | | | | | | | | |  |
| **Nr. d/o** | **School name** | **Contracted by MSIF (thousand MDL)** | | | | | | **Expenditures paid / paid cumulatively until December 31, 2021 (thousand MDL) (** | | | | | | | | **Level of execution of contracts as of December 31, 2020 (%)** | | | | | **Status as of December 31, 2021** |
| **Total** | Works | Designs | Author supervision | Technical supervision | Publication of the announcement | **Total** | Works | Designs | | Author supervision | Technical supervision | Publication of the announcement | | **Total** | Works | Designs | Author supervision | Technical supervision |  |
|
| **\*** | **\*** | **1=2+3+4+5+6** | **2** | **3,00** | **4** | **5** | **6** | **7=8+9+10+ 11+12** | **8** | **9** | **10** | | **11** | | **12** | **13=7/1** | **14=8/2** | **15** | **16** | **17** |  |
|
| ***1*** | **LT „Mihai Eminescu”, or. Cimișlia** | ***10.666,10*** | 10.241,90 | 310,00 |  | 107,60 | 6,60 | ***10.666,10*** | 10.241,90 | 310,00 |  | | 107,60 | | 6,60 | **100,0%** | 100,0% | 100,0% |  | 100,0% | Subproject completed  Act of final acceptance of rehabilitation works dated 18.05.2021 |
| ***2*** | **LT „Alexandr Pușkin”, or. Ungheni** | ***12.353,60*** | 12.228,10 |  | 40.5 | 118,70 | 6,80 | ***12.353,60*** | 12.228,10 |  | 40,50 | | 118,70 | | 6,80 | **100.0%** | 100,0% |  | 100,0% | 100,0% | Subproject completed  Act of final acceptance of rehabilitation works dated 6.10.2020 |
| ***3*** | **LT „Ion Luca Caragiale”, or. Orhei** | ***12.715,50*** | 12.140,00 |  | 34,40 | 126,20 | 7,10 | ***12.707,10*** | 12.140,00 |  | 31,00 | | 126,20 | | 7,10 | **99,9%** | 100,0% |  | 79,5% | 99,6% | Subproject completed  Act of final acceptance of rehabilitation works dated Bill of quantities 2 - 10.08.2021 |
| 398,80 | 4,60 | 4,40 | 398,80 | 0,00 | | 4,00 | |
| ***4*** | **LT „Vasile Coroban”, or. Glodeni** | ***12.028,90*** | 11.867,00 |  | 39,20 | 115,30 | 7,40 | ***12.007,20*** | 11.845,30 |  | 39,20 | | 115,30 | | 7,40 | **99.8%** | 99,8% |  | 100,0% | 100,0% | Subproject completed  Act of final acceptance of rehabilitation works dated 24.11.2020 |
| ***5*** | **Gimnaziul „Mihai Eminescu”, or. Telenești** | ***13.112,00*** | 8.971,40 |  | 40,80 | 130,90 | 15,30 | ***11.834,60*** | 7.766,20 |  | 0,00 | | 99,50 | | 15,30 | **90,3%** | 88,3% |  | 0,0% | 82,3% | Subproject completed  Act of final acceptance of rehabilitation works dated - 28.05.2021 |
| 3.906,70 | 46,90 | 3.906,70 | 46,90 | |
| ***6*** | **LT „Mihai Eminescu”, or. Anenii Noi** | ***10.449,80*** | 9.856,90 | 485,40 |  | 97,80 | 9,70 | ***8.541,20*** | 8.045,80 | 436,80 |  | | 48,90 | | 9,70 | **81,7%** | 81,6% | 90,0% |  | 50,0% | Subproject completed - 81,7% |
| ***7*** | **LT „Mihai Eminescu”, or. Strășeni** | ***12.183,70*** | 11.392,30 | 658,60 |  | 125,80 | 7,00 | ***12.171,10*** | 11.392,30 | 658,60 |  | | 113,20 | | 7,00 | **99,5%** | 100,0% | 100,0% |  | 90,0% | Subproject completed  Act of final acceptance of rehabilitation works dated - 2.07.2021 |
| ***8*** | **LT „A. Agapie”, s. Pepeni, r-nul Sângerei** | ***14.970,00*** | 12.112,60 | 580,60 |  | 133,40 | 7,00 | ***14.862,20*** | 12.112,60 | 580,60 |  | | 133,40 | | 7,00 | **99,3%** | 99,3% | 100,0% |  | 98,7% | Subproject completed  Act of final acceptance of rehabilitation works dated - 12.11.2021 |
| 2.116,20 | 20,20 | 2.010,40 | 18,20 | |
| ***9*** | **LT „A. Doljenco”, or. Vulcănești** | ***12.261,10*** | 11.501,10 | 628,70 |  | 124,40 | 6,90 | ***12.261,10*** | 11.501,10 | 628,70 |  | | 124,40 | | 6,90 | **100,0%** | 100,0% | 100,0% |  | 100,0% | Subproject completed  Act of final acceptance of rehabilitation works dated. 1.04.2021 |
| ***10*** | **LT „A. Vartic”, or. Ialoveni** | ***12.396,40*** | 11.518,10 | 744,70 |  | 126,70 | 6,90 | ***12.396,40*** | 11.518,10 | 744,70 |  | | 126,70 | | 6,90 | **100,0%** | 100,0% | 100,0% |  | 100,0% | Subproject completed  Act of final acceptance of rehabilitation works dated 18.05.2021 |
| ***11*** | **LT „Petru Rareș”, or. Soroca** | ***15.856,30*** | 14.474,30 | 1.217,10 |  | 158,60 | 6,30 | ***15.116,70*** | 13.750,60 | 1.217,10 |  | | 142,70 | | 6,30 | **97,2%** | 97,1% | 100,0% |  | 90,0% | Subproject completed  Act of final acceptance of rehabilitation works dated - 6.08.2021 |
| ***12*** | **LT „S. Holban”, s. Cărpineni, r-nul Hâncești** | ***10.772,60*** | 10.069,10 | 595,60 |  | 100,90 | 7,00 | ***10.772,60*** | 10.069,10 | 595,60 |  | | 100,90 | | 7,00 | **100,0%** | 100,0% | 100,0% |  | 100,0% | Subproject completed  Act of final acceptance of rehabilitation works dated - 19.02.2021 |
| ***13*** | **LT „Vasile Alecsandri”, s. Colibași, r-nul Cahul** | ***12.308,20*** | 11.412,60 | 763,30 |  | 125,20 | 7,10 | ***12.308,20*** | 11.412,60 | 763,30 |  | | 125,20 | | 7,10 | **100,0%** | 100,0% | 100,0% |  | 100,0% | Subproject completed  Act of final acceptance of rehabilitation works dated 11.10.2021 |
| ***14*** | **LT „Ștefan Vodă”, or. Ștefan Vodă** | ***10.087,10*** | 9.874,40 |  |  | 109,70 | 10,60 | ***10.077,90*** | 9.874,40 |  |  | | 109,70 | | 10,60 | **99,7%** | 99,6% |  |  | 99,8% | Subproject completed  Act of final acceptance of rehabilitation works dated - 16.12.2021 |
| 91,10 | 1,30 | 82,00 | 1,20 | |
| ***15*** | **LT „Alexandru cel Bun”, or. Rezina** | ***13.722,30*** | 12.551,60 | 1.025,80 |  | 137,50 | 7,40 | ***12.992,10*** | 11.924,00 | 923,20 |  | | 137,50 | | 7,40 | **94,3%** | 94,7% | 90,0% |  | 100,0% | Subproject completed  Act of final acceptance of rehabilitation works dated - 12.11.2021 |
| ***16*** | **LT „Ion Pelivan”, Răzeni, r-nul Ialoveni** | ***9.820,50*** | 8.960,20 | 767,90 |  | 79,60 | 12,80 | ***9.372,50*** | 8.512,20 | 767,90 |  | | 79,60 | | 12,80 | **95,4%** | 95,0% | 100,0% |  | 100,0% | Subproject completed  Act of final acceptance of rehabilitation works dated - 13.10.2021 |
| ***17*** | **LT „Alecu Russo”, Cojușna, r-nul Strășeni** | ***14.989,40*** | 12.576,40 | 894,60 |  | 138,30 | 11,00 | ***13.997,00*** | 11.947,60 | 894,60 |  | | 124,50 | | 11,00 | **93,4%** | 85,9% | 100,0% |  | 81,3% | Under execution Bill of Quantities 2 - 84% |
| 1.354,20 |  | 14,90 | 1.019,30 | 0,00 | |
| ***TOTAL*** | | ***210.693,50*** | **199.615,00** | **8.672,30** | **159,50** | **2.144,30** | **142,90** | ***204.437,60*** | **193.699,10** | **8.521,10** | **110,70** | | **2.004,30** | | **142,90** | ***97,1%*** | **\*** | **\*** | **\*** | **\*** |  |

***Source****: Information summarised by the audit team according to the primary documents submitted.*

*Annex no 5*

**Minutes on completion and final acceptance of rehabilitation works and act of acceptance and transfer of investments**

*(lei)*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Institution** | **Minutes on works completion** | **Amount** | **Minutes on final acceptance of works completion** | **Amount** | **Act of acceptance and transfer of investments** | **Amount** |
| 1 | Sângerei , s. Pepeni, **Lyceum „A. Agapie”** | no. 1 datedin 12.11.2021  Energia SRL | 2.116.183,22 |  |  |  |  |
| no. 1 dated 24.12.2020 (Agentinter SRL) | 12.112.573,79 | nr. din 8.07.2021 (Agentinter SRL) | 12.112.573,79 |  |  |
| 2 | Strășeni, Cojușna **Lyceum ”Alecu Russo”** | no. 1 dated 14.09.2021 KVM Cons SRL | 12.576.367,74 | nr. 2 din 25.03.2022 KVM Cons SRL | 12.639.950,69 |  |  |
| no. 1 dated 25.03.2022 KVM Const SRL (const. Sondă) | 1.353.118,61 |  |  |  |  |
| 3 | Soroca **Lyceum ”Petru Rareș”** | no. 1 dated 6.08.2021 FPC Agentinter SRL | 14.474.274,93 | nr. 2/22 din 7.02.2022 FPC Agentinter SRL | 14.474.274,93 |  |  |
| 4 | Anenii Noi,  **Lyceum ”M. Eminescu”** | no. 1 dated 26.01.2022 | 9.445.660,59 |  |  |  |  |
| 5 | Ialoveni, Răzeni **Lyceum ”Ion Pelivan”** | no. 1 dated 13.10.2021 Unicons AI | 8.960.208,17 |  |  |  |  |
| 6 | Rezina **Lyceum „Al. cel Bun”** | no. 6 dated 12.11.2021 SRL Polimer Gaz Complet | 12.551.611,95 |  |  |  |  |
| 7 | Hâncești, s. Cărpineni **Lyceum ”Ștefan Holban”** | no. 1 dated 13.08.2020 ÎM Vivantis Plus SRL și Eurogalex Prim SRL | 10.069.050,73 | nr. din 19.02.2021 ÎM Vivantis Plus SRL și Eurogalex Prim SRL | 10.069.050,73 |  |  |
| 8 | Ialoveni **Lyceum ”Andrei Vartic”** | no. 1 dated 18.09.2020 Prestigiu AZ SRL | 11.518.146,61 | nr. 1 din 22.04.2021 Prestigiu AZ SRL | 11.518.146,62 | din 18.05.2021 | 12.397.423,24 |
| 9 | Telenești **Gymnasium ”M. Eminescu”** | no. 1 dated 21.08.2020 SC Invocom-Prim SRL Deviz 2 | 3.638.518,80 | nr. din 28.05.2021 | 3.906.741,28 |  |  |
| 10 | Vulcănești **Lyceum „A. Doljenco”** | no. 1/20 dated 4.09.2020 Giesena SRL | 11.501.055,30 | nr. 01/21 din 17.03.2021 Giesena SRL | 11.501.055,29 | din 01.04.2021 | 12.261.093,65 |
| 11 | Cahul, s. Colibași **Lyceum** **„Vasile Alecsandri”** | no. 1 dated 29.10.2020 ÎM Pro EX 2005 SRL | 11.412.593,38 | nr. 2 din 15.04.2021 ÎM Pro EX 2005 SRL | 11.412.593,38 | din 11.10.2021 | 12.308.241,77 |
| 12 | Cimișlia **Lyceum „M. Eminescu”** | No 1 dated 26.08.2020 SRL Agentinter | 10.241.868,00 | nr. 01.03 din 01.03.2021 SRL Agentinter | 10.241.868,00 | din 18.05.2021 | 10.666.028,63 |
| 13 | Ștefan Vodă **Lyceum ”Ștefan Vodă”** | no. 1 dated 18.11.2019 Eurocity Construct SRL | 9.874.404,88 | nr. 1 din 22.09.2020 Eurocity Construct SRL | 9.874.404,99 |  |  |
| no. 1 dated 16.12.2021 Alfa Electro-Montaj SRL | 91.146,06 | nr. 5 din 16.06.2022 Alfa Electro-Montaj SRL | 91.146,06 |  |  |
| 14 | Strășeni **Lyceum ”M. Eminescu”** | no. 1 dated 12.10.2020 SC Prestigiu-AG SRL | 11.392.289,45 | nr. 1 din 2.07.2021 SC Prestigiu-AG SRL | 11.392.289,45 |  |  |
| 15 | Orhei  **Lyceum ”I.L.Caragiale”** | no. 4103 dated 11.10.2019 Consit Pro SRL | 12.139.972,69 | nr. 1 din 22.08.2020 Consit Pro SRL | 12.139.972,69 |  |  |
| no. 1 dated 3.12.2020 Consit Pro SRL | 398.816,09 | nr. Din 10.08.2021 Consit Pro SRL | 398.816,09 |  |  |
| 16 | Ungheni **Lyceum ”Alexandr Pușkin”** | no. 5 dated 31.07.2019 Agentinter SRL | 12.228.065,56 | nr. 8 din 12.02.2020 Agentinter SRL | 12.228.065,57 | din 6.10.2020 | 12.394.129,08 |
| 17 | Glodeni **Lyceum ”Vasile Coroban”** | no. 2 dated 29.08.2019 Agentinter SRL | 11.845.324,41 | nr. 3/20 din 20.05.2020 Agentinter SRL | 11.845.324,41 | din 24.11.2020 | 12.007.305,07 |
| **Total** | |  | 189.941.250,96 |  | 155.846.273,97 |  | 72.034.221,44 |

***Source****: : Information summarised by the audit team according to the primary documents submitted.*

*Annex no.6*

***Financing by MERP components***

|  |  |  |
| --- | --- | --- |
| **Component A**  ,,Strengthening the quality of education”  (US$39.78 million) | **Sub-component A.1**  (US$16.5 million, DLI-based approach) | *The objective of sub-component A.1* is to contribute to the strengthening of the quality of education in the General Education subsector by improving systems in the following areas: school standards, teacher and school director training, student assessments, and data. |
| **Sub-component A.2**  (US$14.0 million) | *The objective of sub-component A.2* is to contribute to the strengthening of the quality of education in the General Education subsector by rehabilitating and upgrading 17 receiving schools. The activities under component A.2 are being carried out by Moldova Social Investment Fund. |
| **Sub-component A.3**  (Additional financing US$ 9.28 million) | *The objective of sub-component A3* is to contribute to the strengthening of the quality of education. |
| **Component B**  ,,Improving the efficiency of the education sector”  (US$8.16 million) | *The objective of this component* is to support the GoM’s efforts to improve the efficiency of the sector by eliminating excess capacity and creating a leaner education system, which will be better equipped to provide education that meets the demands of a modern economy. | |
| **Sub-component B.1** | US$8.0 million |
| **Sub-component B.2** | The Additional Financing is US$160,000. |
| **Component C**  ,,Improving the Ministry of Education’s capacity to monitor the project”  (US$2.06 million) | US$1.5 million, including Additional Financing – US$560,000.  *The objective of this component* is to finance Technical Assistance (TA) for the MoECR to support the implementation, monitoring and measurement of the MERP and AF. This component provides resources and expertise to MoECR to finance key activities and reach Project DLIs. | |
| **Total cost** | **US$50.0 million (including additional financing US$10.0 million)** | |

***Source:*** *Project Operations Manual.*

*Annex no.7*

**Implementation of the requirements and recommendations set out in the previous Decisions of the Court of Accounts (Decision of the Court of Accounts no. 51 dated September 10, 2021 "Regarding the Audit Report on the financial statements of Moldova Education Reform Project” ended on December 31, 2020")**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Recommendation** | **Actions taken** | **Implementation status of the requirement/recommendation** | | |
| **implemented** | **Partially implemented** | **unfulfilled** |
| ***Ministry of Education and Research*** | | | | | |
| 9.1. to ensure a correct and justified planning of the expenditures related to Moldova Education Reform Project in accordance with the real needs in order to exclude the discrepancies related to use of the provided funds; | The Ministry of Education and Research constantly monitors the effective implementation of Project activities. The Ministry adjusts the budget as necessary, based on the new terms of implementation of Project activities, approved by the World Bank, in case of their modification. | v |  |  |
| 9.2. to implement control and monitoring activities in order to ensure the correctness of use of funds related to operating costs under Component A.2 managed by MSIF, including establishing the amount and limits of consultants' remuneration, in strict accordance with the Project documents; | The Ministry of Education and Research coordinates the implementation of Component A.2 of the Project and monitors the implementation of this Component, for which MSIF is responsible. At the same time, the Ministry will analyse the implementation of activities of this Component in compliance with all requirements stipulated in the Financing Agreement. |  |  | v |
| 9.3. to complete the adjustment process and complete the Project Operations Manual with provisions regarding:  9.3.1 the procedure of use of funds resulting from the calculated penalties and the guarantee of good execution retained in cases of non-execution of the civil works contract;  9.3.2. description of the procedure for modification of the contract cost for procurement of renovation works in case of exceeding their initial amount by more than 15%. | The Project Operations Manual was adjusted with the provisions related to:  1) The amounts retained as penalties (liquidated damages), as well as the withhold of bank guarantees (Performance Security) under civil works contracts can be used by MSIF from operational expenditures within the implementation of the Component A.2 of the Project subject to MoER and Bank no objection (paragraph 219 of the POM);  2) POM was completed with new paragraph 199 regarding the cost of renovation works and Annex 16 was completed with paragraph 31, through which are established the limits and those responsible for increasing the contract cost:  MoER’ Order no 1701 dated December 28, 2021 ”On approval of modifications in the Project Operations Manual”. | v |  |  |
| **Public Institution National Office of Regional and Local Development**  **(Public Institution „Moldova Social Investment Fund”)** | | | | | |
| 9.4. to examine the reasons that determined the procurement of additional renovation works in the absence of their coordination and prior approval by the Bank (procedure established by the WB guidelines), as well as to establish controls to prevent these types of non-conformities. | During the meeting of the MSIF Executive Committee dated November 19, 2021, the circumstances have been examined regarding the increase of more than 15% of the contract cost no. IFB-W-11746-IDA(MERP) "Civil works at "Mihai Eminescu" Gymnasium in Telenesti, Bill of quantities 2, without prior approval of the Donor.  It was found that the increase in the amount of the contract for the respective sub-project was carried out through several additional agreements, namely:  1. Amendment no 1, increase by 270,368.03 lei or 7,63% of the contract cost;  2. Amendment no. 3, increase by 205,813.28 lei or 5.81% of the contract cost;  3. Amendment no. 4, increase by 159,667.62 lei or 4.51% of the contract cost;  4. Amendment no. 5, increase by 84,872.69 lei or 2,40% of the contract cost.  Due to the fact that the increase in the amount of the contract was carried out in stages, it was omitted that the total amount of the increases exceeded 15% of the initial amount of the contract and therefore no actions were taken to obtain prior approval from the MoER and the World Bank of the respective changes.  At the same time, it was found that the documents generated in the Management Information System, which are presented at the meetings of the Executive Committee, do not contain information indicating the total percentage of the increases made to the initial amount of the contracts, a fact that makes it difficult to identify whether the proposed increase exceeds or not 15%.  Therefore, it was recommended to operate changes in the MSIF Management Information System so that it issues automatic notifications in case the changes made exceed by 15% the initial amount of the contract.  It should be noted that at the stage of final acceptance of works, the rehabilitation works were accepted and paid in the total amount of 3,906.7 thousand lei, or 355.5 thousand lei less, which exceed only 11% from the initial amount of the contract. | v |  |  |
| 9.5. to publish in the national press the information on the results of biddings regarding procurement of civil works, in case of carrying out the procurement procedures through the National competitive bidding. | According to the provisions of the Guidelines for procurement of goods, works and non-consulting services under IBRD Loans and IDA Grants and Credits by World Bank Borrowers, January 2011 edition, Revised: July 2014, ANNEX no.1 point 7, "...Publication (of information on the results of the bidding regarding contracting of civil works) shall be within two weeks of receiving the Bank's no-objection to the award recommendation for contracts subject to the Bank's prior review, and within two weeks of the Borrower's award decision for contracts subject to the Bank’s post review”.  Taking into account the fact that the procurement procedures carried out through the National Competitive Bidding took place in previous years, including in the first half of 2021, and the civil works for some of the contracts have been completed and for others are at advanced stage, MSIF published the results of the procedures carried out only on the institution's official web page at the following link: https://fism.gov.md/ro/content/contracts-award-notice-ida-merp-0 |  |  | v |

# List of acronyms

|  |  |
| --- | --- |
| WB/Donor | World Bank |
| MoF | Ministry of Finance |
| MoECR | Ministry of Education, Culture and Research |
| MoER | Ministry of Education and Research |
| Project/MERP | Moldova Education Reform Project |
| IBRD | International Bank for Reconstruction and Development |
| SDR | Special Drawing Rights |
| IDA | International Development Association |
| POM | Project Operations Manual |
| MSIF | Public Institution „Moldova Social Investment Fund” |
| NCB | National Competitive Bidding |
| IFR | Interim Financial Reports |
| EMIS | Educational Management Information System |
| LPA | Local Public Authorities |
| DC/MC | District Councils/Municipal Councils |
| PISA | Programme for International Student Assessment |

1. Annex 1 presents Interim Financial Reports (hereinafter – IFR) submitted to the WB for 2020 and the Management’s statement. [↑](#footnote-ref-1)
2. Financing Agreement between the Republic of Moldova and the International Development Association for MERP implementation dated February 07, 2013, (Law no. 129 dated July 07, 2017 on ratification of Amendment no. 2 dated May 10, 2017 to the Financing Agreement), Law no.88 dated May 24, 2018 on ratification of the Financing Agreement (Additional Financing for Moldova Education Reform Project) between the Republic of Moldova and the International Development Association, Project Operations Manual approved by the Ministry of Education’ s Order no 661 dated June 27, 2021, with further amendments. [↑](#footnote-ref-2)
3. Court of Accounts’ Decision no.2 dated January 24, 2020 „INTOSAI Framework of Professional Pronouncements”. [↑](#footnote-ref-3)
4. MoECR’s Order no. 297 dated March 10, 2020 „On approval of modifications in the MERP Operations Manual”. [↑](#footnote-ref-4)
5. . Director/Project Manager, Head of the Finance and Administration Department, Head of the Procurement Department, Head of the Department for Community Development and Program Management, Head of the Monitoring and Technical Evaluation Department, Legal adviser, Environmental specialist and engineers. [↑](#footnote-ref-5)
6. MoECR’s Order no 640 dated May 31, 2021 „On approval of modifications in the Project Operations Manual”. [↑](#footnote-ref-6)
7. Government Decision no. 743/2002 „On remuneration of employees from the units with financial autonomy”. [↑](#footnote-ref-7)
8. Government Decision no.165/2010 „ Regarding the minimum guaranteed amount of salary in the real sector”. [↑](#footnote-ref-8)
9. MoECR’s Order no 1701 dated December 28, 2021 „On approval of modifications in the Project Operations Manual”. [↑](#footnote-ref-9)
10. Executory title dated February 22, 2021 (File no. 2-5905/20). [↑](#footnote-ref-10)
11. MSIF’s Order no. 8 of January 20, 2020 "Regarding the termination of service relations based on notification of the Disciplinary Committee by which he was sanctioned in the form of dismissal from the position of Head of the Technical Monitoring and Evaluation Department of MSIF”. [↑](#footnote-ref-11)
12. Contract no. SingleSS-C-11650 dated 01.07.2019. [↑](#footnote-ref-12)
13. MoECR’s Order no 379 dated April 9, 2021 „On the criteria for distribution of laptops purchased under MERP”. [↑](#footnote-ref-13)
14. MoECR’s Order no 263 dated March 15, 2021 „On data updating (Needs in ensuring distance educational process) in Educational Management Information System”. [↑](#footnote-ref-14)
15. Instruction on distribution, acceptance and use of laptops, approved by the MoECR’s Order no 428 dated April 23, 2021 „On distribution and use of laptops purchased under MERP”. [↑](#footnote-ref-15)
16. Annex no 1 to the Instruction on distribution, acceptance and use of laptops, approved by the MoECR’s Order no 428 dated April 23, 2021 „On distribution and use of laptops purchased under MERP”. [↑](#footnote-ref-16)
17. Government Decision no. 412 of 14.12.2021 "Regarding the transfer of some goods”. [↑](#footnote-ref-17)
18. Instruction on distribution, acceptance and use of laptops, approved by the MoECR Order no. 428 of 23.04.2021 "Regarding the distribution and use of laptops equipment purchased under Moldova Education Reform Project”. [↑](#footnote-ref-18)
19. Court of Accounts’ Decision no. 51 of 10.09.2021 "Regarding the Audit Report on the financial statements of Moldova Education Reform Project for the year ended December 31, 2020”. [↑](#footnote-ref-19)
20. Based on the MSIF Director’s Order, starting from 2021, the staff positions that will work under the Project and will be paid from its sources have been established. [↑](#footnote-ref-20)
21. Point 3 „Modification of the signed contract” of the Annex 1 „Examination by the Bank of the decisions on procurements and publication of the award of contracts” of the World Bank Guidelines: ”Procurement of goods, works and non-consulting services under IBRD loans and IDA credits and grants by World Bank borrowers”, edition from January 2011 (Procurement Guide). . [↑](#footnote-ref-21)
22. . Point 37.1 of the civil works contracts concluded in 2020. [↑](#footnote-ref-22)
23. Lyceum „A. Russo”, Strășeni Town(15,8%), Lyceum „P. Rareș”, Soroca Town (23,3%), Gymnazium „M. Eminescu”, Telenești Town (20,3%), Lyceum „V. Alecsandri”, Colibași village, Cahul District (28,8%), Lyceum „M. Eminescu”, Strășeni Town (22,7%). [↑](#footnote-ref-23)
24. Approved by the WB Board of Executive Directors on February 16, 2018. [↑](#footnote-ref-24)
25. Commencing May 15, 2018 to and including November 15, 2027 – 1,65%, commencing May 15, 2028 to and including November 15, 2037 – 3,35% of the principal amount of the credit to be repaid. [↑](#footnote-ref-25)
26. Commencing July 15, 2023 to and including January 15, 2043 – 1,65%, commencing July 15, 2043 to and including January 15, 2048 – 3,40% of the principal amount of the credit to be repaid. [↑](#footnote-ref-26)
27. Legal Successor of the Public Institution "Moldova Social Investment Fund" according to the Government Decision no. 271 of 20.04.2022 "Regarding the organization and operation of the Public Institution the National Office for Regional and Local Development”. [↑](#footnote-ref-27)
28. Paragraph 3 „Financial management procedures” of the Project Operations Manual. [↑](#footnote-ref-28)
29. Legal Successor of the Public Institution "Moldova Social Investment Fund" according to the Government Decision no. 271 of 20.04.2022 "Regarding the organization and operation of the Public Institution the National Office for Regional and Local Development ă”. [↑](#footnote-ref-29)