



Survey of Central Public Authorities: opinions and experiences on communication with the Chamber of Accounts, professionalism and integrity of its auditors, as well as the implementation of Chamber's recommendations

Executive Summary

In order to further develop the institutional evaluation of the Chamber of Accounts (CoA) through the prism of the National Integrity System, analysed in March 2021, TI-Moldova conducted a survey in the central public authorities (CPA) audited by the CoA.

The survey was based on a questionnaire addressed to the heads of public entities and to the officials who communicated with the CoA during the external audit missions. The questionnaire was coordinated with the representatives of the CoA and tested in several CPAs. The survey took place between September 20 and November 5, 2021, with the participation of 14 CPAs (ministries and subordinated entities with high corruption risk). The survey covers the time period: 2018 - August 2021.

The questions addressed to the representatives of the public entities refer to their communication practices / relations with the audit teams of the CoA; assessments of professionalism, impartiality, the CoA's auditors and their confidence; opinions on the independence of the CoA; experiences related to the implementation of the CoA's recommendations and the publication of the measures taken; any objections and suggestions for improving external audit activities.

The findings of the survey in brief

Internal rules of communication with the CoA. Designation of persons in charge. Although the Prime Minister's Decision no.39 / 2020 recommends the CPA to develop internal rules that would improve communication with the CoA, only a little over ½ of the public entities that participated in the survey claim that they have such rules.

Most entities have designated subdivisions responsible for communicating with the CoA during audit engagements, with tasks usually assigned to internal audit services. In two entities (MAI and MECC), at the time of the interview, no such subdivisions were designated.

Some provisions of the model regulation on communication with the auditors of the CoA approved by the Prime Minister's Decision no. 39/2020 are excessively bureaucratic, which would delay the presentation of information and affect the audit process.

How many external audit missions have been performed in the last three years? Being asked to indicate about how many external audit missions have been performed in the last three years, all questioned entities provided information, some of them specifying, in the profile of the years, the subject of audits. MF (16 audit missions), SV (9), MEC and SFS (7 each) reported on most frequent external audit missions.

We could assume that public entities keep records of external audits performed and the recommendations of the CoA.

Did the CoA identify any deviations / abuses during the audit missions? About 86% of public entities confirmed that the CoA found deviations in the management of financial resources and public assets or in financial reporting, 14% noted that deviations were not identified. According to the respondents, 2/3 of the deviations are rarely detected and 1/3 - often.

Being summoned to assess how significant the identified deviations were, no entity categorized them as many and serious. As a rule, the assessments referred to insignificant / minor deviations and significant deviations.

All public entities noted that, following the external audit missions, they examined the draft audit reports and came up with explanations / comments on them. It should be noted that ½ of the entities claim that they did not have enough time to examine the draft audit reports of the CoA and come up with answers to them. With the reduction, based on Law 260/2016, of the deadline for examining draft audit reports, the audited entities could face an even greater time shortage.

Are the CoA's audit reports brought to the attention of employees and the public? In which way?

Virtually all public entities claim to have informed the public and employees about the results of audit missions, with one entity (PF) being the exception. The most used ways of information are: examining audit reports at working meetings with managers of the institution and uploading the information on their web pages. However, it should be noted that, following the TI-Moldova's verification, out of 9 entities that claim to place audit results on their website, 1/3 (MA, MS and ME) did not do so.

Have the entities taken steps to implement the CoAs' recommendations? Has the information been placed on their web pages?

All entities reported that they had taken steps to implement the CoAs' recommendations, which were usually included in an action plan approved by management. However, the level of transparency of information on the measures taken is low - only 43% of public entities have such information on their website, and 57% - do not. Moreover, the verification of the content of the web pages of the 6 entities that claim to publish the information on the web (SFS, MF, MAFI, MJ, SV, MS) shows that the information is missing on the web pages of two of them (MAFI, MS).

Were those guilty of violating the law sanctioned?

None of the entities reported any cases of sanctioning, by the management, of the persons guilty of violating the legislation on the use of financial resources / public patrimony and financial reporting, 57% answered that the persons were not sanctioned, 29% came with other appreciations / opinions, and 14% - did not answer the question. Recognizing that the CPA faces a number of difficulties related to the insufficiency of qualified financial staff, however, the application of measures to warn and empower employees is necessary to discourage violations of legislation in this area.

Opinions on the level of professionalism and impartiality of the auditors of the CoA.

The representatives of the public entities appreciated quite positively the level of professionalism of the auditors of the CoA, about 1/3 of the responding entities considering it being high and 2/3 - medium. And in the case of assessing the impartiality of the CoA's auditors, the opinions were quite favourable: 57% of the responding entities categorizing it as high, 36% - average, and 7% avoided answering.

Do the CoA's auditors ensure the confidentiality of information? Do they happen to use the information obtained at audit missions for personal purposes?

Although half of the public entities claim that the

auditors of the CoA ensure the confidentiality of information obtained during the performance of duties, a significant part (about 43%) do not know or avoid answering the question and 7% - consider that this requirement is not met.

Regarding the possible use of personal information by the CoA's auditors for personal purposes, 4/5 of the entities did not answer this question, possibly for reasons that they do not know such situations, respectively 1/5 claim that such situations did not happen.

Attitude of the auditors of the CoA towards the representatives of public entities during the audit missions. The vast majority (about 80%) of the entities positively appreciate the attitude of the auditors, considering it kind, respectful, 7% - indifferent, and the representatives of 13% of the entities came with special appreciations, reporting that there were cases when the CoA's auditors exposed some requests and expressed opinions from positions of superiority, as well as expressed reluctance towards contrary opinions and towards sustainable solutions to the detected deficiencies.

Did the auditors of the CoA inform you enough about the information / documents that you were expected to present during the audit missions? The vast majority of public entities (about 80%) reported that CoA's auditors fully informed them about the documents they were to present, 14% - that they were partially informed and one entity did not answer the question. At the same time, the entities also referred to the fact that auditors often exaggerate with requests for explanatory notes; require the presentation of information in certain forms / tables, although all that information is found in the materials submitted by the public entity; that the aggregated information in the form held by the entity is not accepted, etc.

Could the actions and decisions of the CoA be influenced by politicians, state dignitaries or the auditors' relations with close people? About 4/5 of the entities avoided answering the question, either out of ignorance or unwillingness to answer (representatives of some entities said they did not want to create problems or lose their jobs); two entities were of the opinion that the activities and decisions of the CoA could not be influenced and one entity argued that such situations would occur.

Were there any situations of unethical behaviour, conflicts of interest, abuses in the activity of the auditors of the CoA? Have you been told that the audit report could be "improved" in informal ways? Most public entities (93%) reported that in recent years there have been no situations when auditors have hinted that the audit report could be "improved" through informal channels, and 7% - that such situations would have had place. Regarding the eventuality of situations of unethical behaviour, conflicts of interest, abuses in the activity of public auditors, 78.6% of the entities reported that such situations did not take place, 14.3% - were and 7.1% - did not answer the question.

Possible abuses referred to situations when the public entity was obliged to execute some irrelevant indications and recommendations, due to the fact that the external auditor did not know the specifics of the audited institution's activity, as well as cases when the auditors requested information in a certain format (tables), although the data were found in the materials submitted by the public entity.

CPAs' proposals / suggestions regarding the activity of the CoA. Most entities came up with a number of suggestions to the CoA's work, many of which relate to extending the time allowed for examining the draft audit report and sending comments; avoiding the duplication of controls and audits performed on one and the same public entity due to the large labour intensity; greater attention and receptivity on the part of the auditors to the explanations / arguments of the audited authorities, etc.

Recommendations:

- Elaboration and application of internal rules of communication with the audit teams of the CoA, by entities that do not have such regulations or adjustment of existing internal documents to the approved model (Decision of the Prime Minister 39/2020);
- Designation of the subdivisions responsible for communication with the audit teams of the CoA in the public entities that do not have them;
- Publication of the decisions of the Prime Minister, implicitly of Decision 39/2020, on the website of the State Chancellery and in the State Register of legal acts;
- Publication on the web pages of public entities of the results of the audit missions of the CoA and of the measures taken in order to implement its recommendations;
- Adequate warning and accountability of those guilty of violating the law to the use of public funds and assets, financial reporting to discourage violations;
- Streamlining the documentary circuit within public entities and improving communication with subordinate institutions;
- Possible coordination, by the audit and control bodies, of the work plans / schedules within the CPA in order to avoid the duplication of audits / controls;
- Taking into account by the CoA the suggestions of the entities participating in the survey, including the possible extension of the time set for the examination of the draft audit report; a greater attention and receptivity of the auditors to the explanations / arguments of the audited authorities; information on the CoA's website about the degree of implementation of the recommendations by the audited entities;
- Continuation of the communication sessions of the CoA with the representatives of the internal audit subdivisions, they being a favourable way to elucidate the deficiencies of the normative framework, systemic problems and exchange of good practices;
- Continuous supervision of the observance of ethical norms by the auditors of the CoA, implicitly of the requirements related to integrity, conflicts of interests, confidentiality of information, respectful attitude towards the employees of the audited institutions;
- Examine the opportunity to revise the Model Regulation on how to communicate with the audit teams of the CoA in order to reduce the bureaucratic burden on public entities and the CoA.

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