

**“INCREASING OF CHILDREN ACCESS AND PARTICIPATION TO THE EARLY  
EDUCATION IN THE REPUBLIC OF MOLDOVA” PROJECT**

Funded by  
**GOVERNMENT OF ROMANIA GRANT DATED 14 NOV 2014**

Implemented by  
**MOLDOVA SOCIAL INVESTMENT FUND**

**MANAGEMENT LETTER**

**On the audit of  
Project Special Purpose Financial Statements  
for the year ended 31 December 2015**

**CHISINAU  
March 2016**



"ՍՕՍ-ԱՈՒԴԻՏ" ՍՊԸ  
"SOS-AUDIT" LTD

To the Management of the Moldova Social Investment Fund (the MSIF)

We completed the audit of the financial statements of "Increasing of children access and participation to the early education in the Republic of Moldova" project (the Project) financed by Government of Romania grant dated 14 Nov 2014, and implemented by the MSIF, for the year ended 31 December 2015.

The purpose of the audit is to express an opinion on the special purpose financial statements of the Project prepared in accordance with cash bases of accounting.

During the audit work, we visited randomly selected communities which benefited from the project grants. The information is attached.

During the course of current year audit we have identified matters which we would like to draw the attention of the MSIF's management.

Please be advised that the audit does not necessarily disclose all drawbacks and issues encountered by the internal control. The objective of the audit is to express an opinion on the special purpose financial statements. To meet this objective we have reviewed the internal control for the purpose of disclosing material shortcomings. However, this review cannot be expected to disclose all matters that a special review of the internal control might identify.

We thank your staff for cooperation and assistance we have received during the course of our audit.

Best regards,

  
Manvel Ghazaryan  
Director



  
Gnel Khachatryan, FCCA  
Auditor

"SOS-Audit" LLC  
10 March 2016

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## **1. Project implementation delay**

### **Observation**

The Grant from Government of the Romania was provided in accordance with Memorandum dated 14 November 2014. On 5 December 2014, the 100% of the Grant financing: EUR 3 million was transferred to the Designated Account opened by the MSIF in commercial bank.

Closing date for the completion of the Project is set at 31 December 2016.

However, as at 31 December 2015 only 14% of the Project Budget is implemented. Particularly, budget for kindergartens' renovation and equipment is completed just for 8%, while for project administration is for 47% due to facts explained in the Management Response section below.

### **Implication**

Significant delay of implementation could risk effectiveness of the Project as well as damage reputation of the MISF among donors and other stakeholders.

### **Recommendation**

Take required measures to improve the implementation of the Project as well as improve project implementation monitoring system at MSIF.

### **Management response**

The official launch of the Project commenced at the end of July 2015, after the new Mayors were approved by the Central Electoral Commission.

The delay in the Project implementation occurred as a result of objective reasons: (a) national local elections and electoral campaign in spring-summer of 2015, thus MSIF being unable to initiate sub-projects identification, and (b) little capacity of communities to provide the compulsory financial contribution to the sub-project as a result of national budget issues in the second half of 2015, including the lack of state budget law for 2016.

Currently, from the total number of 49 sub-projects, 4 sub-projects are finalized, 7 in the process of civil works and other 30 sub-projects are ready to be started as soon as the local contribution is transferred to the MSIF account.

The request to extend the Project deadline will be submitted to the donor enclosed to the quarterly report in April 2016.

## 2. Visits to selected beneficiaries

During the audit work, we visited randomly selected communities which benefited from the project grants.

#	Beneficiary	Location	Sub-grant number	Description	Subgrant amount, MDL	Existence of assets created	Condition of assets created	Supported by required documents
1	Kindergarten	Codru, Chisinau, Moldova,	RO 2	Roof (1000 sq.m.), facade (630 sq.m.), Other works	987,351	Yes	Normal	Yes
2	Kindergarten	Colonita, Chisinau, Moldova,	RO 2	Roof (1710 sq.m.), facade (1505 sq.m.), Doors, windows, Other works	2,836,655	Yes	Normal	Yes