

Independent Auditor's Report

To: Management of "Modernization of Government Services" Project

Qualified opinion

We have audited the Project financial statements of "Modernization of Government Services" Project – financed by International Development Association (IDA) and International Bank for Reconstruction and Development (IBRD) in accordance with Credit No. 6126-MD and Loan No. 8774-MD (including Project Preparation Advance (PPA) IBRD P487-MD), for the period January 1, 2020 – December 31, 2020 prepared in accordance with the cash receipts and disbursements basis of accounting, comprising of the Balance Sheet, the Summary of Sources and Uses of Funds, the Statement of Designated Account and notes to the Project financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying Project financial statements for the period January 1, 2020 – December 31, 2020 have been prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting as described in the Note 2 of these Project financial statements.

Basis for qualified opinion

The total expenditure from financing source IDA 6126-MD in amount of USD 2,826,667 according to the Statement of Sources and Uses of Funds includes expenditure with individual consultants in amount of USD 622,296. Based on the audit procedures conducted for the year ended 31 December 2020, we identified deficiencies in applying the controls for reviewing and approving of the work provided by individual consultants as per the Guidelines of Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers. Considering that the above-mentioned audit procedures were done on a sample basis and that we did not obtain sufficient and appropriate audit evidence for validating the work provided by individual consultants, we were unable to determine if any adjustment in respect of the expenditures with individual consultants were needed.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibility for the audit of Project financial statements* section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Moldova, including the law and we have fulfilled our other ethical responsibilities in accordance

with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter – Basis of accounting and restriction of use and distribution

We draw attention to the Note 2 to the Project financial statements, which describes the basis of accounting. The Project financial statements have been prepared solely for the purpose of complying with the terms of the IDA 6126-MD and IBRD 8774-MD (including PPA IBRD P487-MD) agreements, signed on November 28, 2017. As a result, the Project financial statements may not be suitable for any other purpose. Our report is intended solely for the information and use of the Project Management and should not be distributed to or used by any other parties, except as required by "The World Bank Policy on Access to Information". Our opinion is not modified in respect of this matter.

Responsibilities of management for the Special purpose Project financial statements

Management is responsible for the preparation and fair presentation of these Project financial statements in accordance with the cash receipts and disbursements basis of accounting described in Note 2; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the Project financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the Project financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's responsibility for the audit of the Project financial statements

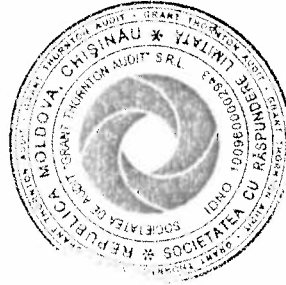
The objectives of our audit are to obtain reasonable assurance about whether the Project financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Project financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the Project financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the Project financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- These Project financial statements are prepared in accordance with the cash receipt and disbursement basis of accounting and do not include any assets and liabilities. Therefore, going concern basis of accounting is not one of the major presumptions under which these Project financial statements are prepared.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Grant Thornton Audit S.R.L.
Chisinau, Republic of Moldova
04 August 2021



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