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INDEPENDENT AUDITORS' REPORT

To the Ministry of Environment, Waters and Forests (former Ministry of Waters and Forests) – Project Management Unit (PMU) - Integrated Nutrients Pollution Control Project, financed by IBRD Loan 8597-RO

Report on the Project Financial Statements

Opinion

We have audited the accompanying Project Financial Statements of the Integrated Nutrients Pollution Control Project which comprise statement of resources and uses of funds, statement of expenditures, financial statement of loan, statement of treasury account and other explanatory notes for the period January 01, 2020 – December 31, 2020. The project is funded the International Bank for Reconstruction and Development (IBRD) through the Loan no. 8597 – RO signed on April 14, 2016, ratified through the decision no. 46 on April 03, 2017.

In our opinion, the accompanying Project Financial Statements for the year ended 31 December 2020 is prepared, in all material respects, in accordance with the basis of accounting procedures and to meet the requirements of the General Conditions for the loans issued by IBRD.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), including *ISA 800 "Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks"*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Project Financial Statements* section of our report. We are independent of the Project in accordance with ethical requirements that are relevant to our audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 5 to the Project Financial Statements, which describes the basis of preparation. The Project Financial Statements are prepared to assist the Project to meet the requirements of the Contract. As a result, the Schedules may not be suitable for another purpose. Our report is intended solely for the PMU and IBRD, should not be distributed to parties other than the PMU or the IBRD. Our opinion is not modified in respect of this matter.

Project Status

We draw attention to the General information of the Project Financial Statements – “General information” where it is stated that the deadline of the project is 31 March 2022 with a four-month grace period until 31 July 2022. As at 31 December 2020 the Project Management Unit still has to absorb the amount of EUR 29.740.472 out of EUR 48.000.000. The Ministry has requested from the World Bank with another 12 months, extension that should be approved by a Governmental Decision. The decision is still due at the date of the project financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the Project Financial Statements in accordance with the General Conditions for the loans issued by IBRD, and for such internal control as management determines is necessary to enable the preparation of the Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Project Financial Statements, management is responsible for assessing the PMU’s ability to continue as a going concern in accordance with agreements provisions, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the PMU or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PMU’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

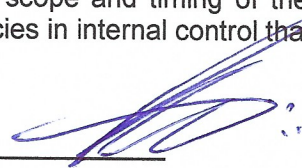
Our objectives are to obtain reasonable assurance about whether the Project Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 a basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout 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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Project Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.

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.



MAMAS KOUTSOYIANNIS

Autoritatea pentru Supravegherea Publica a
Activității de Audit Statutar (ASPAAS)

Auditor Financiar: **MAMAS KOUTSOYIANNIS**
Registrul Public Electronic: AF 1515

Registered in the Electronic Public Register of Financial Auditors and
Audit firms with number AF1515



On behalf of **MOORE STEPHENS KSC ASSURANCE S.R.L.**

Autoritatea pentru Supravegherea Publica a
Activitatii de Audit Statutar (ASPAAS)

Firma de Audit: **MOORE STEPHENS KSC
ASSURANCE S.R.L.**
Registrul Public Electronic: FA 1266

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Bucharest, 14 June 2021

