



KPMG Moldova S.R.L.
171/1 Stefan cel Mare Bd.
8th floor, MD-2004
Chisinau
Republic of Moldova

Tel: +373 (22) 580 580
Fax: +373 (22) 540 499
www.kpmg.md

Independent Auditors' Report

To the Management of Moldovan State Tax Service

Opinion

We have audited the Project Financial Statements of "Tax Administration Modernization" Project – financed by International Development Association ("IDA") and International Bank for Reconstruction and Development ("IBRD") in accordance with Agreement 5829-MD and Agreement 8625-MD, respectively ("the Project"), which comprise the Balance sheet as at 31 December 2019, the Summary of Sources and Uses of Funds and the Designated Account Statement for the period from 01 January 2019 to 31 December 2019 and notes, comprising significant accounting policies and other explanatory information (together referred to as "the Project Financial Statements").

In our opinion, the accompanying Project Financial Statements are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the Project Financial Statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Project Financial Statements* section of our report. We are independent of the Project in accordance with *International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the Project Financial Statements in Republic of Moldova 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 opinion.



Emphasis of Matter - Basis of Accounting and Restriction on Use.g

We draw attention to Note 2 to the Project Financial Statements, which describes the basis of accounting. The Project Financial Statements are prepared solely for the purpose of complying with the terms of the IDA 5829-MD and IBRD 8625-MD financing agreements signed between the Government of Republic of Moldova and IBRD and IDA on 28 June 2016. As a result, the Project Financial Statements may not be suitable for another purpose.

Our report is intended solely for the Management of Moldovan State Tax Service. Our report should not be used by other parties other than the Management of Moldovan State Tax Service. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those charged with Governance for the Project Financial Statements

Management is responsible for the preparation of the Project Financial Statements in accordance with the basis of accounting described in Note 2 to the Project Financial Statements, for the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable the preparation of Project Financial 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 relevance of the going concern basis of accounting, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Project 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 auditors' 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 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, as applicable, 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 going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Project Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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.

Other matter

Our audit work has been undertaken so that we might state to the Management of Moldovan State Tax Service those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of Moldovan State Tax Service for our audit work, for this report, or for the opinion we have formed.

KPMG Moldova SRL

KPMG Moldova S.R.L.
Chisinau, Republic of Moldova
21 September 2020