



## ROMANIAN COURT OF ACCOUNTS

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### REPORT SUMMARY

Controlled entity:



**National Company of Forests -Romsilva (NCF -Romsilva)**

Title of control mission :

*„ Control of forest regeneration works to improve the environment through afforestation of degraded lands, ecological restoration and sustainable management of forests ”*

Controlled period: 2014 - 2015

Mission conducted period : 01.03 – 20.04.2016

External public auditors: Cristian ECOBICI  
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**BUCHAREST**  
**20 april 2016**

## **National Company of Forests – Romsilva**

The National Company of Forests – Romsilva (NCF – Romsilva) is a company of national interest, under the central public authority that is responsible for forestry. Its main purpose is the unitary and sustainable management of the forest, that is public state property.

NCF – Romsilva has 42 units in its structure without legal personality (county forestry departments) and 22 units with legal personality (21 natural and national parks administrations and the Hunting Museum of the Carpathians "Posada").

The Court of Auditor's observations:

- ✚ there were no regeneration works carried out, according to the law, for around 500,000 ha of land (forests) that wasn't administrated as forestry, and where, mostly the forest vegetation was removed;
- ✚ They have not undertaken any steps in the development and promoting of normative acts for:
  - clarifying the legal issues relating to the transfer from the property of an company to the NCF – Romsilva, and also clarifying the legal aspects of the infrastructure built specifically for foresty management, made up of dams, channels and collection drainage, wharves, yards and forest cantons etc, with permanent risk of failure of the works of forest regeneration managed by NCF – Romsilva;
  - creating, with priority, the National System of Forest Belts Protection in order to prevent and diminish the consequences of natural phenomena and disasters;
  - the transfer of a degraded land area of 8,530 ha, from the State Domains Administration to the the NCF – Romsilva, in order to improve through forestation;
- ✚ The forest conservation and regeneration fund was wrongly registered in the ledger "Income from exploitation grants for other operating expenses ", the economic nature of the fund being matching for the account "Other operating income";
- ✚ The contributions to the Environment Fund, representing 2% of the proceeds from the sale of timber and/or wood materials obtained by the manager/owner of the forest, were calculated and transferred to an inferior level than the legal one.

*Court's observations about the subordinated entities to the National Company of Forests – Romsilva -checked in 2016:*

During audits conducted by the Chambers of Accounts to territorial forestry departments, in the control documents were recorded cases of non-compliance with legal regulations, resulting in finding additional revenues, due to "conservation and forest regeneration fund" and to "improvement of the land with forest destination fund".

We mention, below, some of them:

- ✚ the investments in progress and the capital put into operation were not registered in the assets, representing forested surfaces on degraded land;
- ✚ the amounts due to the *conservation and forest regeneration fund* and *improvement of the forestry fund*, were not constituted and transferred in accordance with legal frame;
- ✚ were not registered and no receipt was followed by the competent bodies of forest damage;
- ✚ forestry damages, were not registered and the collection was not pursued by the competent bodies;
- ✚ they did not track the rent collecting, legally owed, for the temporary occupation of forestry;
- ✚ the use of amounts from the *conservation and forest regeneration fund*, for other purposes than those stipulated by law, generated losses;

*Recommendations:*

- Given that in Romania there are about 500,000 ha of unmanaged forest, it is recommended that NCF – Romsilva should take all steps for:
  - identification, delimitation and setting up perimeters of regeneration of the land covered with single or definitive cuts, for which were not executed the reforestation works and the completion of natural regeneration, within no more than two seasons of vegetation;
  - inclusion in the revenue and expenditure budget of NCF – Romsilva sources of funding required to carry out forestation and maintenance;
  - execution by forestry districts of the NCF – Romsilva, of the forestation work and maintenance, until the closing state of massive;

- promoting the signing of forest management contracts by providing clear and attractive benefits to owners of forests;
  - recovery of the cost with forestation work and maintenance, where necessary, through enforcement, with priority for the regenerated land.
- NCF – Romsilva together with the central public authority responsible for forestry, will take all steps in the developing and approving of a normative act, regarding:
- clarifying legal issues relating to the transfer, from the property of a company to NCF – Romsilva, of the infrastructure built specifically for forestry management, and the mentioning in the income and expenses NCF – Romsilva’s budget of the necessary sources of infrastructure management financing;
  - Create a priority of the Forest Belts National System.
- The development and implementation of internal procedures, that leads to an operational identification of subordinate units which do not comply with the accounting principle of commitments and the accounting policies adopted by NCF – Romsilva and laying out measures to remedy these deficiencies; changes in accounting policies so that the reflection in accounting of the setting up and use of the *conservation and forest regeneration fund* meets up to the economic content of operations;
- Recalculation of the contribution of 2% of proceeds from the sale of wood and /or wood materials obtained by the administrator or owner of the forest, since 2011 (tax limitation period), with exceptions provided by law and adjustment of the situation in relation with the Environment Fund Administration.

Given the shortcomings noted and recommendations of the inspection team, both at headquarters and in the Chambers County of Accounts were issued decisions which ordered the removal of irregularities found. The decision issued at central level was not challenged, measures being implemented.