



REPUBLIKA E KOSOVËS / REPUBLIKA KOSOVA / REPUBLIC OF KOSOVA

**ZYRA KOMBËTARE E AUDITIMIT
NACIONALNA KANCELARIJA REVIZIJE
NATIONAL AUDIT OFFICE**

**Annual Work Plan
Of the National Audit Office**

**for the audit season 2017/18
(1st September 2017 to 31st August 2018)**

Prishtina, August 2017

Table of content

- 1. Introduction 3
- 2. Objectives of NAO 5
- 3. Types of Audits 7
- 4. Audit process 8
- 5. Annual audit plan and organising 9
- 6. Budget and human resources 16
- 7. Cooperation and projects 18
- 8. Implementation 20

1. INTRODUCTION

This document presents the Annual Plan of National Audit Office (NAO), which includes all activities of NAO and the Audit Plan for the audit season 2017/18, according to Article 20 of Law No. 05 / L-055, on the Auditor General and the National Audit Office of the Republic of Kosovo (Law of NAO), which is submitted to the Committee for Oversight of Public Finances (COPF) every year by 31st October.

When drafting this document was taken into account fulfilment of constitutional and legal obligations for regularity audits, widest possible coverage of performance audits based on assessment of importance and relevance of certain issues and addressing of specific requests by the Assembly and other stakeholders, such as donors, etc. Planning of these audits was done by also taking into account NAO's human and financial resources available.

The National Audit Office as a Supreme Audit Institution (SAI) carries out the external audit of public sector in the Republic of Kosovo. The mandate and duties of the Auditor General are determined under the Constitution of the Republic of Kosovo and the Law of NAO.

NAO audits Annual Financial Statements (AFS) for all Budget Organizations to determine whether they give a true and fair view and whether public money is spent for the intended purposes and carrying out performance audits in order to improve services and providing them cost-effectively.

The NAO is dedicated to provide quality information on the use of public funds, to assist audited entities improve their financial management and control systems through practical and constructive recommendations, and to add value to their operational and strategic activities. NAO's work results intend to increase credibility in spending of public funds.

The NAO will play an active role in securing taxpayers' and other stakeholders' interests through increase of public accountability. NAO reports contain recommendations on addressing identified weaknesses. By doing this, we want to provide the Assembly, Government, and taxpayers a professional and integrated audit service.

NAO's reports, including the Annual Audit Report, promote accountability between the Assembly, Government and public institutions at the institutional level through review of individual audit reports by the Assembly and the Committee for Oversight of Public Finance. Audits are conducted in accordance with recognized International Public Sector Accounting Standards (IPSAS) based on accountability, competence, professional excellence, independence and objectivity. All NAO reports are accessible to the public and are published on NAO's website.

1.1 Support and accountability to the Assembly

In order to increase accountability in public institutions and implementation of recommendations given in audit reports, NAO will provide all necessary support to the Assembly and will fully meet its constitutional and legal obligations towards the Assembly.

The NAO will continue producing a summary of individual audit reports for the needs of parliamentary committees, and will intensify participation in the meetings of the Committee for Oversight of Public Finance (COPF) and will provide advices and necessary and clarifications to members of committees of the Assembly on issues identified in audit reports.¹ For the purpose of better coordination, NAO has appointed a liaison officer for the Assembly and other relevant parliamentary committees. Furthermore, NAO will also coordinate activities with donors that provide technical assistance and professional support to the Assembly and its bodies.

As required under the Law on NAO, the Auditor General shall within the legal deadline submit to the Assembly an Annual Performance Report on the activities of the National Audit Office and shall closely cooperate closely with independent auditors that will conduct the audit on NAO's Annual Financial Statements.

In addition, in accordance with the Law on NAO, the Auditor General again this year shall present the Annual Audit Report in Assembly's plenary session.

1.2 Support to reforms on management of Public Finance

NAO officials have actively participated in the work group for the "Public Finance Management Reforms Strategy", wherein are included all relevant stakeholders and donors of the field. NAO will continue to provide its support for activities foreseen within the Strategy, that aim to increase the degree of implementation of audit recommendations and consequently increase officials' responsibility when spending public money and advance governance in public institutions.

1.3 Obligations of NAO under the Stabilisation and Association Agreement

Under NAO's work plan are also foreseen activities that are focused on implementation of key priorities that are related to Chapter 32 (Financial control) of Stabilisation and Association Agreement that intends to strengthen accountability, transparency and integrity of the Government and public sector entities.

¹ During 2016 we have supported the COPF of the Assembly of Kosovo to review 14 audit reports. This support was given through preparation of summaries and providing clarifications in preparatory meetings. As a result of these reviews, the COPF has issued 9 specific recommendations for BOs related to these reports.

2. OBJECTIVES OF NAO

NAO's primary objective is to assure taxpayers and international donors as to whether public funds are used in an economic, effective and efficient manner. We will do this by ensuring that public funds are reported, administered and used maturely and appropriately. NAO will assist in development of good governance and Public Financial Management and will contribute to further development of public administration.

Specific objectives of NAO for the audit season 2017/18 are:

2.1 Audit activities

- Execution of over 100 audits:
 - Audit the Annual Report of the Budget of the Republic of Kosovo;
 - Involve all budget organisations in statutory audits of regularity;
 - Double the number of audits of public enterprises compared to the prior year;
 - Increase the number of performance audits;
 - Furthered audits of information technology;
 - Audit of projects financed by state borrowing; and
 - Audit of projects financed by donors (upon request).

2.2 Legal framework, standards and corporate and professional development

- Review the corporate development plan, including drafting of the Audit Strategic Plan;
- Proposal for amendment - completion of basic legislation that defines activities of NAO as well as completion of secondary legislation in accordance with the Law on NAO and implementation of internal guidelines that derive from the new legislation;
- Establishment and further strengthening of internal administrative capacities and efficient management of organisational changes;
- Implementation of specific training plan, including activities that aim continuous professional education (certification of auditors);
- Follow up and implementation of new standards in order to maintain consistency and execution of audits in accordance with International Public Sector Auditing Standards;
- Review manuals for regularity and performance audits and updating of the Quality Control Guideline and work papers;

- Further improve the quality through increased controls when drafting audit plans and audit programs and reviewing individual audit reports, as well as the Annual Audit Report of the Kosovo Budget.

2.3 Cooperation and cultivation of relations with stakeholders in Kosovo and international organisations

- Increase cooperation with Civil Society (CS) with the aim of establishing a Consultative Forum;
- Increase cooperation with partner and donor organisations: during the audit season 2017/18, the NAO will continue to cooperate with various institutions and organisations in areas related to audit or professional development. In this context, we will continue cooperation with partner SAIs, in particular with the Swedish National Office (bilateral cooperation project); Poland’s Supreme Audit Institution (Twinning Project, financed by the European Union); World Bank (project “Strengthening NAO capacities in procurement audits”); USAID (Project “Transparent, Effective, and Accountable Municipalities – TEAM”); GIZ (Project “Reform of Kosovo’s Public Finances”); Swiss Office for Cooperation in Kosovo (Project “Decentralisation and Municipal Support – DEMOS”); OSCE for organisation of regional workshops to discuss implementation of recommendations given in audit reports for 2016 to Kosovo municipalities;
- Intensification of bilateral cooperation with SAIs of: Sweden, Wales, Albania, etc;
- Participation in activities of professional organisations of international and regional supreme auditing institutions: International Organisation of Supreme Audit Institutions (INTOSAI); European Organisation of Supreme Audit Institutions (EUROSAI); The European Court of Auditors (ECA); United States Supreme Audit Institution (GAO); Contact Committee of the Supreme Audit Institutions of the European Union, the Network of the SAIs of candidate and potential candidate countries to the EU, etc.

Detailed descriptions on activities within the abovementioned objectives are provided in Chapters 5 and 7 of this document.

3. TYPES OF AUDITS

In accordance with its scope, the NAO during the season 2017/18, will conduct two types of audits:

1. **Regularity audits** of Budget Organisations (based on cash based system) and Public Enterprises (based on accrual system).
2. **Performance audits**, including audits of projects financed by donors and international financial institutions, at request.

3.1 Regularity audits: Include the audit of AFS and main accounts of the audited institution in order to assess whether the reports are reliable and accounts reflect results of budget execution fairly; assessment as to whether the management has adhered to applicable laws and regulations and whether the funds have been used for the intended purpose; and assessment of the functioning of the financial management system, functions of the internal audit and internal control systems. These audits are carried out every year and are reported at a certain time. Audits start in September, and audit memos are submitted to entities in December, while audit reports for individual BOs are published by the end of June. The audit cycle completes at the end of August when the Annual Audit Report (AAR) on Annual Financial Report of Kosovo Budget (AFR/KB) is submitted to the Assembly of Kosovo.

The NAO will also conduct regularity audits in public enterprises, based on the accrual system.

3.2 Performance audits: represent an independent, objective and reliable examination of whether government engagements, systems, operations, programs, activities or organisations are operating in accordance with principles of economy (minimisation of resources cost), efficiency (benefiting to the greatest extent from resources available) and effectiveness (fulfilling established objectives and targeted results). These audits include various topics in the area of education, health, procurement, infrastructure, social-economic, information technology. Areas, objectives and audit time and reporting are determined on case by case basis, depending on the importance, risk, existing capabilities and other relevant criteria.

The Performance audit focuses on how organisations of public sector have used their available resources to achieve their objectives. This audit is related to what is known as the concept of three Es: economy, efficiency and effectiveness. In order to examine performance of the audited entity, NAO pursues one of the three approaches:

- *results-oriented* approach, which assesses whether the established objectives have been achieved;
- *problem-oriented* approach, which verifies and analyses causes of the problem/s; or
- *system-oriented* approach, which examines functioning of management systems: or a combination of the three approaches.

The NAO will also conduct audits of projects financed by donors and international financial institutions, based on the agreement with donors and/or their beneficiaries. For these audits NAO applies a fee, while the funds collected are deposited to the Kosovo Budget.

For the audit season 2017/18, NAO has also planned to conduct **information technology audits**.

Through audits and other advisory activities, NAO supports accountability and transparency of audited organisations upon use of public funds, compliance with legal requirements, good governance, achievement of value for money and in provision of quality services to citizens.

4. AUDIT PROCESS

4.1 Process of regularity audits this season is also based on the audit methodology described in the Regularity Audit Manual and International Public Sector Accounting Standards. Regularity audit is carried out in several phases starting from:

- knowing the entity and risk analysis;
- audit planning;
- execution of the audit (interim and final);
- provision of audit conclusions;
- reporting to the Assembly and informing public opinion (publication of reports); and
- follow up on addressing of audit recommendations.

The process of regularity audit in NAO is monitored and reviewed by the Division for Management of Audit Quality, which is responsible to ensure that audits are conducted based on International Public Sector Accounting Standards starting from the planning stage up to the stage of execution and reporting.

4.2 Process of performance audits based on the audit methodology described in the Performance Audit Manual and International Public Sector Accounting Standards. Performance audit is conducted in several stages, starting from:

Stage I. Proposal of audit topics. At this stage, proposals are put forward for potential audit topics. All proposals are taken into account through an evaluation process related to adequacy and importance of the subject to be audited.

Stage II. Preparation of a pre-study memo. At this stage, the audit topic has already been defined and audit teams conduct a deeper research related to the relevant topic, where is defined: audit problem, audit objectives, audit motive, audit scope, etc.

Stage III. Execution of field work. As soon as the audit teams have prepared a detailed work plan they begin executing the audit field work.

Stage IV. Reporting. Upon completing the field work, the audit team writes the audit report. The report has to be objective, comprehensive, clear to the reader, etc.; and

Stage V. Audit follow-up. According to audit standards as well as the Performance Audit Manual, follow-up audits are not necessarily done for each audit carried out. When it comes to conducting follow-up audits it is decided based on the importance of the topic.

5. ANNUAL AUDIT PLAN AND FORMAL ORGANISATION

For the audit season 2017/18 are included all statutory regularity audits as stipulated under the Law of NAO, Article 18.3 In addition, in order to meet legal obligations was included a greater number of regularity audits of public enterprises, and performance audits, compared to the prior season.

In accordance with the Annual Audit Plan for the audit season 2017/18, and in support of Article 10 of the Law on NAO, organizational units of NAO that handle auditing work have been reorganised. During this season, the NAO will have 5 Audit Divisions, including the Division for Management of Audit Quality and 17 audit departments, which will perform a total of 121 audits:

- 1 audit for the Annual Report of Kosovo Budget;
- 24 regularity audits of central level institutions;
- 30 Regularity audits of independent institutions;
- 38 Regularity audits of municipalities;
- 9 regularity audits of public enterprises;
- 13 performance audits; and
- 6 audits of procurements/projects.

The Auditor General can also authorise other audits, as needed and depending on financial and human resources, which will be added to the annex of this plan.

Regularity audit reports will be finalised by June 30th, 2018, except for the Annual Report of Kosovo Budget, which will be submitted to the Kosovo Assembly no later than August 31st, 2018. While performance and projects' audits shall be published according to the schedule defined and approved by the Auditor General for each audit season.

In the following was given a description of the audit plan and engagements of NAO's organisational structures in the audit process.

5.1 DIVISION OF CENTRAL LEVEL

The Division for auditing of central level institutions is led by the Assistant Auditor General and consists of four departments:

1. Department for Economy – three teams and nine entities;
2. Department for Education and Health – two teams and five entities; and

3. Department for Justice, Security and Foreign Affairs – two teams and six entities;
4. Department for Planning, Agriculture and Welfare – two teams and four entities.

This division will have a total of 32 employees (including the AAGs and Heads of Departments), organised in nine teams, which will conduct 24 regularity audits. This Division will conduct audits of projects according to agreement with requesting units.

Entities that will be audited by this Division have been presented in Table 1 below;

Table 1: Entities that will be audited by the Division of Central Institutions

	Entities under audit
1	Ministry of Finance
2	Tax Administration of Kosovo
3	Kosovo Custom
4	Office of the Prime Minister
5	Ministry of Infrastructure
6	Ministry of Public Administration
7	Ministry of Economic Development
8	Ministry of Trade and Industry
9	Ministry of Education, Science and Technology
10	University of Prishtina
11	Ministry for Communities and Return
12	Ministry of Health
13	Kosovo Hospital University Clinical Services
14	Ministry of Internal Affairs
15	Ministry of Foreign Affairs
16	Ministry of European Integration
17	Ministry of Justice
18	Ministry of Kosovo Security Forces
19	Ministry of Diaspora
20	Ministry of Environment and Spatial Planning
21	Ministry of Agriculture, Forestry, and Rural Development
22	Ministry of Labour and Social Welfare
23	Ministry of Culture, Youth and Sports
24	Ministry of Local Government Administration ²

5.2 DIVISION OF INDEPENDENT INSTITUTIONS AND PUBLIC ENTERPRISES

The division for auditing of independent institutions and public enterprises consists of three departments:

1. Department 1 for independent institutions – three teams and 15 entities;
2. Department 2 independent institutions – three teams and 15 entities; and

² Audit will be carried out by the auditing firm Deloitte.

3. Department for Public Enterprises – three teams and nine entities.

This Division will have a total of 31 employees (including the Assistant AG and Heads of Departments), which are organised in 9 teams, which will conduct 39 regularity audits.

For the audit season 2017/18 in the Audit Plan were included nine Publicly Owned Enterprises (POE). Two of POEs will be audited by the NAO for the second year in a row, while 7 POEs will be audited for the first time by the NAO. Their selection was mainly dictated due to contracted external audit services by the POEs, as a number of POEs have contracts to have their AFS audited for three subsequent years. In addition, was taken into consideration the coverage at three levels of organisation, POEs of central, regional and local level, as well as regional coverage.

Entities to be audited by the Division for Independent Institutions and POEs have been presented in Table 2 below.

Table 2: Entities to be audited by the Division for Independent Institutions and POEs

	Entities under audit
1	Office of the President
2	Constitutional Court of Kosovo
3	Independent Media Commission
4	Kosovo Anti-Corruption Agency
5	Academy of Justice (Kosovo Judicial Institute)
6	Kosovo Judicial Council
7	Kosovo Prosecutorial Council
8	Ombudsperson
9	Public Procurement Regulatory Commission
10	Procurement Review Body
11	Independent Commission for Mines and Minerals
12	Air Navigation Services Agency
13	Academy of Sciences and Arts
14	Civil Aviation Authority
15	Kosovo Competition Authority
16	Administration of Assembly
17	Central Election Commission
18	Energy Regulatory Office
19	The National Agency for the Protection of Personal Data
20	The Regulatory Authority for Electronic and Postal Communications
21	Privatization Agency of Kosovo
22	Privatization Fund
23	Election Complaints and Appeals Panel
24	Water Services Regulatory Authority
25	Free Legal Aid Agency
26	Kosovo Property Comparison and Verification Agency
27	Agency for Management of Memorial Complexes
28	Kosovo Council for Cultural Heritage

29	Railway Regulatory Authority
30	Independent Oversight Board for the Civil Service
31	Trainkos
32	Hortikultura Prishtina
33	RWC Drini i Bardhë
34	Kosovo Landfill Management Company
35	RWC Hidroregjioni Jugor
36	Bus Station – Prishtina
37	Airport of Gjakova
38	RWC Uniteti
39	RWC Prishtina

5.3 DIVISION OF MUNICIPALITIES

The division for auditing of municipalities is led by an Assistant Auditor and consists of four departments. Municipalities are divided into departments mainly based on geographical layout:

1. Department Centre/North – three teams and 10 entities;
2. Department South – four teams and 10 entities; and
3. Department West – three teams and nine entities.

This Division will have a total of 38 employees (including the Assistant AG and Heads of Departments), which are organised in 13 teams, which will conduct 38 regularity audits.

Entities to be audited by this Division have been presented in Table 3 below.

Table 3: Entities to be audited by the Division of Municipalities

	Entities under audit
1	Prishtina
2	Obilic
3	Podujeva
4	Fushë Kosova
5	Mitrovica South
6	Gracanica
7	Mitrovica North
8	Leposavic
9	Zubin Potok
10	Zveçan
11	Dragash
12	Prizren
13	Mamusha
14	Malisheva
15	Rahovec
16	Lipjan
17	Shtime

18	Suhareka
19	Shtërpca
20	Killokot
21	Kamenica
22	Gjilan
23	Viti
24	Novobërda
25	Partesh
26	Ranillug
27	Kaçanik
28	Hani i Elezit
29	Ferizaj
30	Klina
31	Peja
32	Istog
33	Glllogoc
34	Skenderaj
35	Vushtrri
36	Gjakova
37	Junik
38	Deçan

5.4 DIVISION OF PERFORMANCE, PROCUREMENT AND PROJECTS

The division for audits of performance, procurement and projects is led by an Assistant Auditor and consists of two departments:

1. Department for Performance Audit – nine teams and 13 topics;
2. Department for Audit of Procurement and Projects – four teams and six topics; and

This Division will have a total of 18 employees (including the Assistant AG and Heads of Departments), which are organised in 13 teams, which will conduct 19 performance audits.

Priorities to conduct performance audits were determined by taking into account the material and financial aspect as well as the impact to citizens' life and well-being. Performance audit topics have been selected based on the general criteria foreseen by the International Auditing Standards such as: adding value to government programs and activities, programs or activities that incur material costs and are of interest to the public, assessment of risk areas as well as areas that have strategic impact on the lives of citizens. In addition, into account were also taken human resource capacities of NAO and the timeframe for their implementation.

When deciding on performance audits topics, we have taken into consideration proposals and suggestions from several stakeholders, such as: (i) Assembly, namely parliamentary committees; (ii) civil society, NGOs, Academia, etc; and (iii) departments within the NAO. In order to ensure that selected performance audit topics for the audit season 2017/2018 are of public interest and

have impact on increase of transparency and accountability, the NAO has organised a working table with civil society organisations where were discussed topics of interest of performance audits identified by auditing teams of NAO as well as proposals by the civil society.

Performance audit reports, unlike regularity ones do not have a specific legal deadline for publication and are made public in accordance with NAO’s annual audit plan.

Topics that will be audited by this Division have been presented in Table 4 below.

Table 4: Topics that will be audited by the Division of Performance, Procurement and Projects

	Audit topics
1	Accommodation of homeless in apartment buildings
2	Government policies in opening new job positions
3	Kosovo Police Information System
4	Property Tax System
5	Follow up Audit – Management of Medical Equipment
6	Radio Television of Kosovo
7	Management of Own Source Revenues at the local level
8	Assessment of IT systems at the local and central level
9	Health Information System
10	System for Management of Municipal Performance
11	Management of e-assets system
12	Air Quality
13	Efficiency in Management of Court Cases
14	Centralised Procurement
15	Negotiated procedure without publication of a contract notice
16	Management of procurement contracts
17	Management of medicine
18	Co-financing
19	Special Services Agreements

5.5 DIVISION FOR MANAGEMENT OF AUDIT QUALITY

The Division for Management of Audit Quality Management is led by an Assistant Auditor General and consists of four Departments.

1. Department for Methodology, Standards and Development;
2. Department for Management of Audit Quality;
3. Legal Department in Audit; and
4. Department for Analysis and Audit of Kosovo Budget.

The total number of personnel (including the AAG and Heads of Departments) is 13.

Quality in auditing is a legal requirement also of International Standards on Auditing (ISA). The work of organisational units within the Division for Management of Audit Quality focuses on activities that are designated to create conditions for execution of audit work with the right quality as well as on implementation of designated quality control mechanisms throughout the entire audit process.

Core activities of this Division during this season will focus on:

- drafting and updating of audit manuals, work papers, keeping track and presenting changes into ISAs, providing professional support to auditors, identifying needs for training and providing them;
- reviewing the audit process at all stages and in implementing controls over audit quality in accordance with a specific work plan;
- analysing certain data and processing them for audit purposes and to coordinate activities for the audit of Kosovo Budget; and
- drafting legal documents, providing advices and legal opinions in order to achieve assurance in audit matters and matters related to audit.

5.5.1 Specific activities in the legal field by the Legal Department in Audit

During the execution of audit work for the season 2016/17 we have identified shortcomings and collisions between some legal acts that are directly related to the audit work of the NAO. In the following season, we plan to submit proposals to the relevant bodies to initiate amendment – supplement of these legal acts:

1. Proposal for amendment – supplement of the Law No. 05/L-055 on the Auditor General and the National Audit Office of the Republic of Kosovo.
2. Proposal for Amendment and Supplement of the Law no. 03/L-087 on Publicly Owned Enterprises and providing contribution for amendment and supplement of the Law No.03/L-014 on Accounting, Financial Reporting and Audit and their harmonisation with the Law No. 05/L-055 on the Auditor General and The National Audit Office of the Republic of Kosovo, in order to avoid legal collisions related to financial reporting of POEs.
3. Proposal for amendment and supplement of the legal framework on management of subsidies.

The reasons for amendment and supplement of legal acts will be presented in initiating proposals addressed to competent bodies.

Within the internal legal activities of the National Audit Office, we plan to continue working on supplementation of the sub-legal acts framework and of audit manuals in line with the NAO Law, other applicable acts and International Standards on Auditing. During this period, but without

limiting it to this, we plan drafting of these acts: Regulation on Administration of Documentation of the National Audit Office; Regulation on Management of Non-Financial Assets of the National Audit Office; Administrative Instruction on Assessment of Work Results; Classification of official documents; and Drafting of manuals for uncovered audit areas and updating of other manuals used for regularity audits and performance audits.

5.5.2 Cooperation with law implementing authorities in Kosovo

The Auditor General and NAO personnel will continue the inter-institutional cooperation with legal and other relevant bodies in combating corruption. Within this will be coordinated actions related to legally binding obligations with: the **Office of Chief State Prosecutor**, by informing him related to the cases that seem to have elements of criminal offense which are encountered during the audit work; **Anti-Corruption Agency**, by providing them additional information and clarification as needed related to handling of findings in audit reports; **Unit for Economic Crimes of the Kosovo Police**, by providing them relevant data and relevant documents obtained in audit processes for specific cases that are handled by the prosecution.

In relation to legal authorities and relevant bodies that combat corruption, NAO acts in full accordance with international standards on auditing and national legislation on criminal offense field.

6. BUDGET AND HUMAN RESOURCES

The only source that finances NAO's activity is the Budget of the Republic of Kosovo. Budget approval is an exclusive competence of the Assembly of the Republic of Kosovo, based on budget request of NAO.

NAO has cooperation agreements with several counterpart organisations and international partners. Activities foreseen under this cooperation will be mainly supported by NAO partners.

6.1. Budget

NAO's budget for 2017, approved under the Law no. 05/L-125, is €2,397,794. Due to legal requirements for statutory regularity audits of all budget organisations, including the auditing of POEs as well as the increase of the number of performance audits, have also increased operational, administrative, maintenance and utility costs. The budget in some economic sub-categories is not sufficient to implement the audit plan in accordance with the foreseen dynamics, thus the NAO has filed a request for additional funds in the budget review process for 2017.

Planning and budget request for 2018 is directly related to the needs of fulfilment of the audit activity determined for the audit season 2017/18 and to the continuous increase of the volume of audit activities for the audit season 2018/19. Therefore, in this context, it is necessary to increase

human capacities, thus in the budget request are included 10 new positions for the audit area. The budget request also relates to the achievement of other objectives, especially to the increase of employees' professional capacities and to the aim of NAO to obtain membership in the international and regional organisations of supreme audit institutions. NAO's budget request for 2018 is €2,853,953.

6.2 Human resources and training

For 2017, under the Budget Law, NAO has a total of 160 approved positions. Currently there are about 130 employees that are directly engaged in audit (auditors), while the rest are employed in administrative services. The qualification structure of auditors is satisfactory with the trend of continuous improvement. Around 70 auditors are certified in one or both schemes of public sector auditor and/or private sector auditor. Others are in the process of obtaining certifications at certain levels of respective schemes.

In order to achieve strategic goals, in addition to professional qualifications (audit and accounting certifications), NAO invests in professional development of human capacities, where through continuous professional development of employees and career building in the NAO, we aim to strengthen their professional competence. In relation to this, NAO meets the annual norm established by the ISSAI for continuous professional education as one of the basic prerequisites for quality assurance in auditing. Therefore, for this purpose, the NAO drafts an annual training plan that includes training from NAO experts and external experts. In this plan are also incorporated training activities foreseen within the projects with external partners and donors, domestic and foreign.

7. COOPERATION AND PROJECTS

The NAO during the audit season 2017/18 under the constitutional and legal mandate will cooperate with various institutions and organisations in areas related to the audit or professional development. In the following has been presented the basic information related to this cooperation and projects.

7.1 Cooperation project with the Swedish National Audit Office (SNAO)

Kosovo's National Audit Office and Swedish National Audit Office (SNAO) have started their cooperation in 2011, while as of 2013 this cooperation has intensified and expanded. The prior agreement was concluded on 30th of June 2017.

The new cooperation agreement will be implemented over the next three years, namely during the period July 2017 - June 2020 and aims to further strengthen institutional capacities of NAO. The agreement includes cooperation for professional development in the following areas:

Management, Performance Audits, Human Resources Management, Regularity Audits, Strategic Planning and Communication.

Cooperation can also be expanded in other areas that aim institutional development of the NAO in accordance with the International Standards on Supreme Audit Institutions (ISSAI) and best international practices. Implementation of activities within this cooperation is done based on annual plans approved by the Project's Steering Committee, while the financing of experts' missions for training and mentoring shall be done by the SNAO.

7.2 Twining project, financed by the European Union

The overall purpose of this project is to develop a general audit approach related to the accrual based accounting and drafting of relevant audit documents that relate to auditing of public enterprises by furthering skills and capacities of NAO for auditing of POEs in Kosovo. The project will be implemented by the Polish SAI and will directly support the Department for Audit of POEs and the Division for Management of Audit Quality in the NAO.

The project is expected to begin in September 2017 and will last for six months. Project activities have been divided into two components, which include: *(i) Development of the approach and methodology for auditing of POEs and (ii) Supporting the Division for Management of Audit Quality (DMAQ) and the Department for Audit of POEs.* The project also includes training and mentoring activities.

7.3 Project financed by the World Bank

The World Bank Project "Strengthening of NAO Capacities in Procurement Audits" aims to provide support to the strengthening of NAO capacities in the audit value for money and compliance audits in the area of procurement. The project includes the following activities: *(i) Review and analysis of key documents in the area of procurement; (ii) Update of Relevant Documents and Mentoring of Audits that focus on the Value for Money in Procurement; (iii) Training and pilot audits that focus on Compliance Audits; as well as (iv) Workshops on exchanging regional knowledge.*

The project is expected to start being implemented in the last quarter of 2017 and will last for 18 months.

7.4 Cooperation with USAID

The NAO will continue the cooperation with USAID within the project "Transparent, Effective and Responsible Municipality – TEAM". TEAM is a five year project financed by the USAID in Kosovo that started in January 2017 and is planned to be completed in January 2022. The project is designed to improve the process of procurement, transparency and oversight, through provision of comprehensive assistance to 38 municipalities of Kosovo in order to improve accountability for public funds and spending.

At the central level, TEAM will provide support for municipal efforts on anti-corruption, by working closely with a number of national-level stakeholders, including the National Audit Office. The project will assist the NAO in development of capacities in the areas of fraud detection at the local governance level, and detection of fraud in the procurement area at the central government. In particular, the purpose of the activity is to increase the ability of the Division for Auditing of Municipalities and the Department for Performance Audits in the NAO in the area of fraud detection so that audit reports effectively produce systemic weaknesses encountered in the procurement process where the corruption may occur.

7.5 Cooperation with GIZ

The NAO will continue its cooperation with GIZ in the project “Reforming Kosovo’s Public Finances”, which represents the third stage of technical support to the Assembly and the Kosovo Government. Cooperation with GIZ shall especially focus within the activities foreseen under the Kosovo Assembly, namely the Committee for Budget and Finance, and the Committee for Oversight of Public Finances.

Within this cooperation were planned informative and advisory activities for the Members of the Assembly of the Republic of Kosovo and the members of abovementioned Committees on increase of accountability of public administration in Kosovo.

7.6 Cooperation with the Swiss Office in Prishtina

The NAO will continue cooperation with the Swiss Cooperation Office in Kosovo within the project “Decentralisation and Municipal Support - DEMOS”, which aims to provide support to Kosovo’s municipalities. The second stage of DEMOS project is expected to begin implementation in January 2018. This project is planned to cover all municipalities in Kosovo and aims to improve: i) democratic municipal governance; ii) management of municipalities’ human and financial resources and iii) important policies’ matters related to local governance. In addition to municipalities, the project will also cooperate with relevant ministries. While, the NAO through activities of this project is particularly interested to improve financial administration and transparency, as well as increase the level of implementation of recommendations given by the Auditor.

With the support of DEMOS project, NAO has engaged consultants in order to provide support to the Auditor General and the audit staff of NAO in the areas such as institutional performance, information technology audits and performance audits.

7.7 Cooperation with OSCE

Cooperation with Mission in Kosovo of the Organisation for Security and Co-operation in Europe (OSCE) for organising of regional workshops to discuss recommendations of audit reports for Kosovo municipalities. Workshops will serve as a forum to discuss issues related to the financial

performance and accountability of municipal institutions to the public, as well as implementation of audit recommendations by the municipalities which were provided in reports.

7.8 Other cooperation activities within and outside the country

7.8.1 Bilateral cooperation with SAIs

The NAO has signed a cooperation agreement with the SAI of Sweden, Wales and Albania. Under these agreements will be undertaken joint activities that aim exchanging of experiences and further increase of NAO's institutional capacities.

The NAO will continue its good cooperation with other SAIs in the region, either through parallel audits or other joint activities.

7.8.2 Cooperation with international and regional SAIs

After the participation in the works of respective congresses of INTOSAI (INCOSAI 2016) and EUROSAI (2017), the NAO will continue with an active participation in the activities organised within these mechanisms, and will continue to participate in the activities organised by the European Court of Auditors (ECA), the Contact Committee (SAIs of EU Member States) as well as the Network of SAIs of the countries that are Candidates and Potential Candidates of EU, and we will initiate the cooperation with the US Supreme Audit Institution (GAO).

7.8.3 Cooperation with Civil Society Organisations and Media

We will continue with the cycle of periodic meetings, but also random, with Civil Society Organisations (CSOs), which include: NGOs of the field, professional auditing and accounting associations, public university, private colleges, Medias, etc. The NAO aims to increase this cooperation at the level of a consultative forum that would serve as an exchange of ideas and to raise initiatives by the CSOs for further improvement of external audit in Kosovo and to support the NAO, especially in the performance audit.

8. IMPLEMENTATION

The plan will be implemented as of 1st of September 2017 up to 31st August 2018. For implementation of activities foreseen in this document, the NAO will prepare special action plans based on certain areas and projects.

Prishtina, August 2017

Besnik Osmani
Auditor General