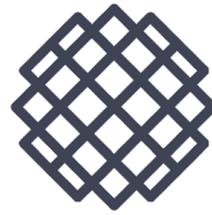




Republika e Kosovës
Republika Kosova
Republic of Kosovo



Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

Document No: 24.31.1-2017-08

**AUDIT REPORT ON THE ANNUAL FINANCIAL STATEMENTS OF
THE INDEPENDENT COMMISSION FOR MINES AND MINERALS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Prishtina, june 2018

The National Audit Office of the Republic of Kosovo is the highest institution of economic and financial control which, according to the Constitution and domestic laws, enjoys functional, financial and operational independence. The National Audit Office undertakes regularity and performance audits and is accountable to the Assembly of Kosovo.

Our Mission is through quality audits strengthen accountability in public administration for an effective, efficient and economic use of national resources.

We perform audits in line with internationally recognized public sector auditing standards and good European practices.

The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Independent Commission for Mines and Minerals In consultation with the Assistant Auditor General, Emine Fazliu, who supervised the audit.

The report issued is a result of the audit carried out by Shemsije Llugiqi (Team Leader) and Refiqe Morina (Team member) under the management of the Head of Audit Department, Ramadan Gashi.

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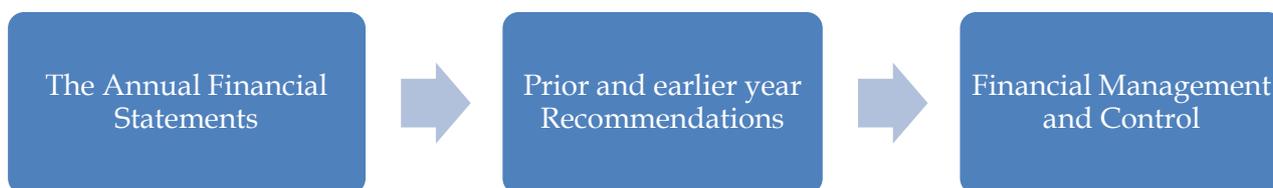
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Executive Summary

Introduction

This report summarises the key issues arising from our audit of the 2017 Annual Financial Statements of Independent Commission for Mines And Minerals, which determines the Opinion given by the Auditor General. The examination of the 2017 financial statements was undertaken in accordance with the International Standards on Supreme Audit Institutions (ISSAIs). Our approach included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements. The applied audit approach is set out in our External Audit Plan dated 02/10/2017.

Our audit focus has been on:



The level of work undertaken by the National Audit Office to complete the 2017 audit is determined depending of the quality of internal controls implemented by the Management of the Independent Commission for Mines And Minerals.

The National Audit Office acknowledges the Independent Commission for Mines And Minerals' Senior Management and Staff for cooperation during the audit process.

Opinion of the Auditor General

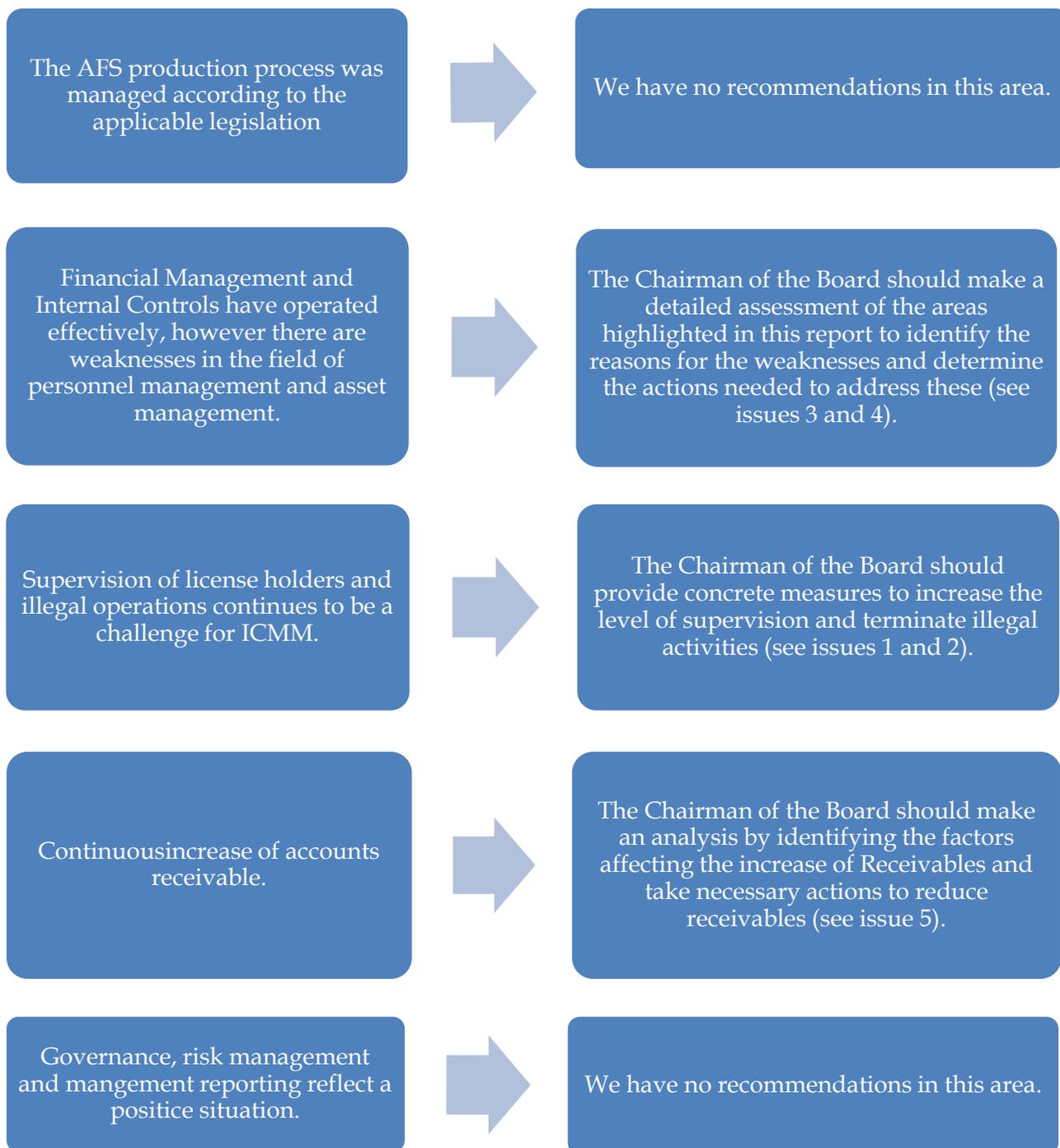
Unmodified Opinion

The Annual Financial Statements for 2017 *present a true and fair view* in all material aspects.

For more, please refer to Section 1.2 of this report.

Annex I explains the different types of Opinions applied by the National Audit Office.

Key Conclusions and Recommendations



Response of Management- 2017

Management has considered and agreed with detailed findings and audit conclusions, and has expressed commitment to address all recommendations given.

1 Audit Scope and Methodology

Introduction

The National Audit (NAO) is responsible for carrying out a Regularity Audit which involves the examination and evaluation of Financial Statements and other financial records and expression of opinions on:

- Whether the financial statements give a true and fair view of the accounts and financial affairs for the audit period;
- Whether the financial records, systems and transactions comply with applicable laws and regulations;
- The appropriateness of internal controls and internal audit functions; and
- All matters arising from or relating to the audit.

Audit work undertaken reflected our audit risk assessment for Independent Commission for Mines And Minerals'. We have analysed the Institution's business to the extent to which management controls can be relied upon when determining the overall testing required to provide the necessary level of evidence to support the AG's opinion.

The following sections provide a more detailed summary of our audit finding with emphasis on observations and recommendations in each area of review.

Our procedures included a review of the internal controls, accounting systems and related substantive tests and related governance arrangements to the extent considered necessary for the effective performance of the audit. Audit findings should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

2 Annual Financial Statements and other External Reporting Obligations

Introduction

Our audit of the Annual Financial Statements (AFS) considers both compliance with the reporting framework and the quality and accuracy of information recorded in the AFS. We also consider the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the draft AFS are submitted to the Ministry of Finance.

The declaration regarding presentation of the AFS incorporates a number of assertions relating to compliance with the reporting framework and the quality of information within the AFS. These assertions are intended to provide the Government with the assurance that all relevant information has been provided to ensure that an audit process can be undertaken.

2.1 Audit Opinion

Unmodified Opinion

We have audited the AFS of the Independent Commission for Mines And Minerals for the year ended on 31st of December 2017 which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement, Disclosure and other accompanying reports.

In our opinion, the Annual Financial Statements for the year ended on 31st of December 2017 present a true and fair view in all material respects in accordance with International Public Sector Accounting Standards (according to cash based accounting), Law no.03/L-048 on Public Financial Management and Accountability (as amended and supplemented) and Regulation MoF no.01/2017 on Annual Financial Reporting by Budget Organisations.

Basis for the opinion

The audit is carried out in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the AFS section of our report. We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for the opinion.

Responsibility of Management and Persons Charged with Governance for AFS

The Director General is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Modified Cash based Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law

no. 03/L-048 on Public Financial Management and Accountability (as amended and supplemented).

The Chairman of the Board is responsible to ensure the oversight of the ICMM's financial reporting process.

Auditor General's Responsibility for the audit of the AFS

Our responsibility is to express an opinion on the AFS based on our audit. We conducted our audit in accordance with ISSAIs. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will detect every material misstatement that might exist. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could influence the decisions taken on the basis of these AFS.

An audit involves performing procedures to obtain evidence about the financial records and disclosures in the AFS. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the AFS, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the entity's circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the presentation of the financial statements.

2.2 Compliance with AFS and other reporting requirements

ICMM is required to comply with a specified reporting framework and other reporting requirements. We considered:

- Compliance with MoF Regulation no.01/2017 on the Annual Financial Reporting of Budget Organisations;
- Requirements of LPFMA no. 03/ L-048, (as amended and supplemented);
- Compliance with Financial Rule no.01/2013 and 02/2013;
- Action Plan on implementation of recommendations; and
- Requirements of Financial Management and Control (FMC) procedures.
- Nine-Month Financial Statements in time;
- Procurement Plan for 2017; and
- AFS prepared in time and signed by the CAO and CFO.

In the context of reporting requirements, we have not identified any irregularities.

DECLARATION MADE BY ICMM MANAGEMENT

Given the above - the Declaration made by the Chief Administrative Officer and Chief Financial Officer when the draft AFS are submitted to the Ministry of Finance can be considered correct given that material errors were not identified during the audit.

2.3 Recommendations related to Annual Financial Statements

We have no recommendations related to the AFS.

3 Financial Management and Control

Introduction

Our work related to Financial Management and Control (FMC) reflects the detailed audit activities undertaken on Revenue and Expenditure Systems within Budget Organisations. Specifically, the focus of the audit was Budget management, Procurement issues, Human Resources as well as Assets and Liabilities.

Financial Management and Control Conclusion

ICMM in general has good controls in relation to its statutory obligations. However, the area of revenues, such as ongoing supervision of license holders, prohibition of illegal operations and receivables, remain a challenging field. Asset management remains a further challenge for the institution.

3.1 Budget Planning and Execution

We have considered the sources of budget funds, spending of funds and revenues collected by economic categories. This is highlighted in the following tables:

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ¹	2017 Outturn	2016 Outturn	2015 Outturn
Sources of Funds	1,386,981	1,350,981	1,292,277	1,239,655	1,129,638
Government Grant -Budget	1,386,981	1,350,981	1,292,277	1,239,655	1,129,638

The final budget in relation to the initial budget was reduced by €36,000. This difference is a result of a reduction of a Government grant under a budget review within the capital investment category for the "Rope defectograph" project. In 2017, the ICMM spent €1,292,277 or 96% of the final budget, an increase of 2% compared with 2016. In general, budget execution remains at a satisfactory level.

¹ Final budget - the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance.

Table 2. Spending of funds by economic categories (in €)

Description	Initial Budget	Final Budget	2017 Outturn	2016 Outturn	2015 Outturn
Spending of funds by economic categories	1,386,981	1,350,981	1,292,227	1,239,655	1,129,638
Wages and Salaries	780,100	780,100	773,366	744,619	712,787
Goods and Services	386,281	386,281	354,964	367,258	331,864
Utilities	30,600	30,600	22,731	20,932	22,328
Subsidies and Transfers	-	-	-	-	13,000
Capital Investments	190,000	154,000	141,166	106,846	49,659

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries did not change compared with the initial one, and it was almost fully executed (99%);
- Even the final budget for Goods and Services did not change compared with the initial one. The unspent funds at the end of the year were €31,317, as a result of closing regional offices. From closing of these offices, €7,869 of Utilities at the end of the year were still spent; and
- The final budget for Capital Investments compared with the initial one was reduced by €36,000, and the budget execution for this category was 92%.

3.2 Revenues

In 2017, the ICMC planned revenues amounting to €30,510,000, whilst €31,229,252 were collected, exceeding the plan for €719,252 or at a rate of over 2%. Revenues are generated from administrative fees, administrative fines and royalties.

Table 3. Detailed revenues by type (in €)

Description	2017 Outturn	2016 Outturn	2015 Outturn
Revenues by Type	31,229,252	31,206,899	30,141,403
Administrative fees	454,370	461,722	292,390
Administrative fines	204,406	190,895	149,503
Royalties	30,570,476	30,554,282	29,699,510

From the table above we notice that the trend of collecting revenues in 2017 is almost the same as in previous year (an increase of € 22,353).

From our testing we identified the following issues:

Issue 1 - Revenues from Royalties

Finding Article 34 of Law no. 03/L-163 on Mines and Minerals amended by Law no. 04/L-158 foresees that: - License holders for the use of mining assets must report a summary of all results mining asset, exploitation activities, accurate details of tonnage, volume, composition, scale and value of manufactured minerals covering the relevant period.

From the tested samples, it has been noticed that in two cases, mining assets license holders, we have not reported on exploitation activities as exact details of the tonnage, volume, composition, scale and value of the produced minerals.

Risk Failure to report regularly by license users increases the risk of lack of complete information regarding the volume of manufactured minerals and the value of obligations each license holder has towards the ICMM.

Recommendation 1 The Chairman of the Board should ensure that appropriate measures are taken to increase the accountability and efficiency of the relevant mechanisms in order to provide complete information on the volume of manufactured minerals and the activity of the licenses users as provided under the applicable law.

Issue 2 - Revenues from illegal operations

Finding The ICMM during 2017 identified 80 cases of illegal operations, resulting in 76 criminal charges in the relevant Basic Prosecution Offices. For identified cases, ICMM imposed fines in the amount of €605,200 and filed 115 cases/proposal for execution² in the amount of €743,684 against illegal operators. Although ICMM Inspectorate having undertaken co-operation with relevant institutions action to stop illegal operations and impose fines, we noticed that the effect was poor.

Risk Continuing with the activities of illegal operators may result in unauthorised use of mineral resources and their destruction. On the other hand, the failure to collect fines imposed and the continuing with such practices may encourage illegal operators to avoid payment for using of mineral resources.

Recommendation 2 The Chairman of the Board should ensure immediate and effective co-ordination and efficient action is taken through state bodies³ in order to influence the prohibition of illegal activities. It should also analyse the effectiveness of the available mechanisms for collection of fines, as well as propose additional measures and procedures that have a direct impact on the prohibition of illegal operations, collection of debts and protection of the country's property.

3.3 Wages and Salaries

Wages and Salaries are paid through a centralised system managed by MPA and MoF. The approved number of employees at ICMM was 77, while the number of employees at the end of the year was 76 employees. We tested the compliance of payroll lists with the payroll system (current employees, recruitments, turnover, maternity leaves and retired employees). Further on, we reviewed whether employees were paid under the contract.

Recommendations

We have no recommendations in this area.

² The value of private bailiffs includes the cases of enforced duties from previous years, while the imposition of fines is for cases of illegal operations during 2017.

³ ICMM, MESP, MIA, Kosovo Police, Prosecution, Courts, MAFRD.

3.4 Personnel Management

Personnel management includes all actions related to recruitment, contracts, training, promotion, leaves, etc. We have tested a number of samples ensuring that the actions taken in this area are in line with applicable regulations. From our testing we identified the following issues:

Issue 3 - Certifying Officer

Finding LPFMA no.03/L048, articles 14 and 15, stipulate that any Budget Organisation, autonomous Executive Agency and Publicly Owned Enterprise should have a Certifying Officer in place who is appointed and reports to the Chief Administrative Officer.

Finding ICMM does not have a Certified Certifying Officer in place, but this function is performed by the Head of Administration Department which manages and oversees the logistics and transportation division, the personnel division and the language sector. In the Act of Appointment is "Head of Department of Administration" while the description of duties also foresees that he acts also as Certifying Officer for certification and approval of payments. During the audit we have noticed that the Head of the Administration Department also certifies the expenditures that he/she approves for divisions under supervision.

According to the ICMM, the engagement of the Head of the Department as a Certifying Officer is justified in the period when the ICMM was UNMIK reserved competence when the management then tasked the Head of the Administration with additional responsibilities such as Certifying function and the current management did not handle it as a matter of special importance.

Risk Exercising certification and approval function by the same official represents a conflict of interest and does not provide assurance that the certification process is independent and professional.

Recommendation 3 The Chairman of the Board should ensure that an appropriate solution is found to cover the position of the Certifying Officer under the LPFMA.

3.5 Goods and Services and Utilities

The final budget for Goods and Services and Utilities was €416,881. Out of these, €377,695 or 91% were spent. Most of the expenditures in these categories include travel and accommodation expenses, rent expenses, maintenance and insurance of vehicles and buildings, education and training costs, other contractual services as well as Utilities. For the tested samples we have not noticed any irregularities.

Recommendations

We have no recommendations in this area

3.6 Capital Investments

The final budget for Capital Investments was €154,000. Out of them, €141,166 or 92% was spent. The projects executed were "Upgrading the Web Site-Data Portal /GIS" and "IT Equipment - Software for Inspector". For the tested samples, we have not noticed any irregularities.

Recommendations

We have no recommendations in this area.

3.7 Common Issues on Goods and Services and Capital Investments

Asset management is an important part of Financial Management and control. Good asset management requires the organization to have their own control and management procedures, as well as accurate and complete records of assets through continuous data update.

ICMM capital assets above €1,000 were in the amount of €942,720, while non-capital assets under €1,000 amounted to €78,555 as well as stocks in the amount of €108,302.

Our audit on asset management identified weaknesses presented below.

Issue 4 - Asset Management

Finding Finding In asset management we identified the following shortcomings:

- On 31.01.2017, ICMM issued a decision (no.05/07) on the donation of assets to the Correctional Centre in Lipjan. Whereas with the decision no. 40/2017 dated 28.09.2017, the ICMM establishes a committee for evaluating non-financial assets. The relevant committee after finalising its work, identified the assets that are out of use for disposal. We identified that donated and destroyed assets were not removed from the non-financial assets register;
- We also identified that 20 laptops and accompanying devices in the amount of 14,524 although they were registered in the KFMIS, they were also registered in the e-assets system. In this case, the assets were overstated by €14,524.

Finding Failure to update the asset registry after every change, and duplicate records, does not provide us with assurance that the asset registry is complete and accurate, as well as the assets of the organization reflected in the AFS is overvalued.

Recommendation 4 The Chairman of the Board should strengthen controls on asset management by making proper records and removing from the register all donated and disposed assets so that the asset presented in the AFS at the end of the year is accurate and complete.

3.8 Receivables

The ICMM has declared significant amounts of receivables in the amount of € 23,220,146 in AFS, whereas receivables only for 2017 were €3,646,182. Receivables consist mainly of royalties, administrative fees and administrative fines.

It is worth mentioning that the obligations of Trepça company under the management of the Privatisation Agency of Kosovo in 2017 were €10,118,246, while New Ferronikeli for 2017 had liabilities of €1,447,413.

Issue 5- Increase of receivables

Finding It is noticed that The ICMM has an ongoing increasing trend of receivables from year to year (16% only 2017). This was despite the fact that ICMM applied debt programming, conditioning permits, imposing fines and engaging private bailiff in order to achieve the best results, but this action had not shown any concrete effect. We have also recommended these issues in the past year, but this is still a challenge for ICMM.

Risk Increase of receivables and inefficiency in process of collecting revenues (debts) makes it difficult to collect them over time. In the upcoming period this situation may create dissatisfaction with customers, others who make payments in time and under the agreement.

Recommendation 5 The Chairman of the Board should ensure that appropriate measures are taken including legal actions in order to increase the efficiency in collecting receivables.

3.9 Outstanding Liabilities

The statement of liabilities not paid to suppliers at the end of 2017 was €15,774, compared with 2016, outstanding liabilities were €7,929. Most of the outstanding liabilities relate to phone expenses, premise maintenance, vehicle servicing, and vehicle fuel costs.

Recommendations

We have no recommendations in this area

4 Progress in implementing recommendations

Our Audit Report on the 2016 AFS of xxx resulted in seven recommendations. ICMM prepared an Action Plan stating how all recommendations will be implemented.

At the end of our 2017 audit, two recommendations have been implemented; one was in process; and four have not been addressed yet. Furthermore, since 2015, three recommendations had been carried forward which were not yet implemented, while one was a process. For a more thorough description of the recommendations and how they are addressed, see Annex II.

Issue 6 – Implementing Earlier Year Recommendations

Finding The ICMM implemented a formal process of managing and monitoring the implementation of earlier year recommendations given by AG, the Action Plan has not been fully met and some shortcomings are repeated from the previous year. This relates to failure to report license holders, continuing with illegal operations, and continued increase of receivables.

Risk Failure to fully implement the recommendations increases the risk of continued presence of the same shortcomings, which may affect the weaknesses in financial management and controls.

Recommendation 14 The Chairman of the Board should ensure that a revised action plan has been implemented to address the remaining 2015 and 2016 recommendations. This plan should define reasonable timetable for the implementation of the recommendations made by the AG, with the accountable staff identified. Progress towards the plan should be systematically monitored by management to ensure full implementation of the recommendations.

5 Good Governance

Introduction

Good Governance implies basic principles of accountability, effectiveness of controls, risk management, independence of internal audit, coordination of NAO with internal audit and good governance with public assets.

A key tool supporting effective governance is the implementation of audit recommendations as this demonstrates that Management are seeking to develop existing processes and controls. The level of compliance with FMC requirements by Budget Organizations is monitored by the self-assessment checklists completed by all BOs, which are submitted at the end of the year to the Ministry of Finance.

Specific areas of our governance-related reviews have been the accountability and risk management process, while the other components are handled within the chapters or subchapters above.

Overall Governance Conclusion

The ICMM has prepared a risk register, identifying some risks that might impact the organization in achieving its objectives, and the self-assessment questionnaire reflects the current situation.

The ICMM has implemented some recommendations but still requires additional engagement in order to fully implement the recommendations.

5.1 Internal Audit System

The Internal Audit Unit (IAU) is comprised of an auditor (IAU Director), who had approved the annual and strategic plan. IAU had fulfilled the audit plan, which for 2017 planned and carried out five regular audits. The audits carried out by the IAU cover the following departments, such as the joint departments for miners and minerals (scope 2016/2017), finance department (scope 2017) and procurement department (scope 2017).

In the internal audit reports, 53 recommendations were given. Out of these, 30 were implemented, 15 were in process of implementation, and 8 recommendations were not implemented. We encourage the management to take actions in order to fully implement the recommendations arising from the IAU reports.

Further on, IAU reported on quarterly basis to the Central Harmonisation Unit within the Ministry of Finance.

The Audit Committee held four meetings. Issues raised by audit reports were evaluated and addressed by them, drawing conclusions and recommendations for the management.

5.2 Management Reporting, Accountability and Risk Management

In order to have a proper planning, supervise the activities on a regular basis and allow effective decision-making, the Management needs to have regular reports. Accountability as a process is the acceptance of responsibilities, holding persons into account for their actions and disclosing results in a transparent way. Whereas, risk management is a process related to identification, analysis, evaluation and actions/measures taken by the Management to control and respond to risks threatening the Organization.

Although, a range of internal controls are applied by Management to ensure that systems and operate as intended, we have noticed that the measures applied are weak and ineffective and therefore do not provide an effective and timely response to the identified operational problems.

Departments and divisions prepare regular reports to the Director General, who also organised regular working meetings with Heads of Units, which are followed with the minutes of meeting.

This report is a translation from the Albanian original version. In case of discrepancies, Albanian version shall prevail.

Annex I: Explanation of the different types of opinion applied by NAO

(extract from ISSAI 200)

Form of opinion

147. The auditor should express **an unmodified opinion if** it is concluded that the financial statements are prepared, in all material respects, in accordance with the applicable financial framework.

If the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor should modify the opinion in the auditor's report in accordance with the section on "Determining the type of modification to the auditor's opinion".

148. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor should discuss the matter with the management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether it is necessary to modify the audit opinion.

Modifications to the opinion in the auditor's report

151. The auditor should modify the opinion in the auditor's report if it is concluded that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement, or if the auditor was unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement. Auditors may issue three types of modified opinions: a qualified opinion, an adverse opinion and a disclaimer of opinion.

Determining the type of modification to the auditor's opinion

152. The decision regarding which type of modified opinion is appropriate depends upon:

- The nature of the matter giving rise to the modification – that is, whether the financial statements are materially misstated or, in the event that it was impossible to obtain sufficient appropriate audit evidence, may be materially misstated; and
- The auditor's judgment about the pervasiveness of the effects or possible effects of the matter on the financial statements.

153. The auditor should express a **qualified opinion if**: (1) having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or (2) the auditor was unable to obtain sufficient appropriate audit evidence on which to base an opinion, but concludes that the effects on the financial statements of any undetected misstatements could be material but not pervasive.

154. The auditor should express an **adverse opinion if**, having obtained sufficient appropriate audit evidence, the auditor concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

155. The auditor should **disclaim an opinion if**, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, the auditor concludes that the effects on the financial statements of any undetected misstatements could be both material and pervasive. If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the audit scope that the auditor considers likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor should request that management remove the limitation.

156. If expressing a modified audit opinion, the auditor should also modify the heading to correspond with the type of opinion expressed. ISSAI 1705¹⁹ provides additional guidance on the specific language to use when expressing a modified opinion and describing the auditor's responsibility. It also includes illustrative examples of reports.

Emphasis of Matter paragraphs and Other Matters paragraphs in the auditor's report

157. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that is of such importance that it is fundamental to their understanding of the financial statements, but there is sufficient appropriate evidence that the matter is not materially misstated in the financial statements, the auditor should include an Emphasis of Matter paragraph in the auditor's report. Emphasis of Matter paragraphs should only refer to information presented or disclosed in the financial statements.

158. An Emphasis of Matter paragraph should:

- be included immediately after the opinion;
- use the Heading “Emphasis of Matter” or another appropriate heading;
- include a clear reference to the matter being emphasised and indicate where the relevant disclosures that fully describe the matter can be found in the financial statements; and
- indicate that the auditor’s opinion is not modified in respect of the matter emphasised.

159. If the auditor considers it necessary to communicate a matter, other than those that are presented or disclosed in the financial statements, which, in the auditor’s judgement, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report, and provided this is not prohibited by law or regulation, this should be done in a paragraph with the heading “Other Matter,” or another appropriate heading. This paragraph should appear immediately after the opinion and any Emphasis of Matter paragraph.

Annex II: Progress in implementing Prior and Earlier Year Recommendations

Audit Component	Recommendation carried forward from 2015	Implemented during 2017	Under implementation during 2017	Not implemented
3.3.1 Revenues	The Chairman of the Board should ensure that adequate measures are taken to strengthen management controls associated to licenses and to ensure that license holders after the deadline to have sufficient funds for the rehabilitation of areas/surfaces used and security to third parties.		The recommendation was partially implemented for the fact that some measures have been taken to rehabilitate the utilized areas.	
3.3.1 Revenue	The Chairman of the Board should ensure a good coordination between the inspectorate sector, legal office and Kosovo Police in order to influence the prevention of illegal activities/ operations ensuring collection of revenue and protecting the interests of citizens (local population).			The recommendation has not been implemented
3.8.3 Handling of Debts	The Chairman of the Board should ensure that adequate measures are taken to increase accountability and efficiency by providing comprehensive reporting of licenses users associated to their activities, as defined by the applicable legal framework.			The recommendation has not been implemented

Audit Component	Recommendation carried forward from 2016	Implemented	Under implementation	Not implemented
2. Financial Statements	The Chairman of the Board should ensure that the action plan is reviewed by analysing the causes behind unimplemented recommendations, and set out a timetable for addressing of remaining recommendations with accountable staff members and with initial focus on those of greatest significance. Implementation of this plan should be monitored constantly.			Not implemented Recommendations given in the key areas have not been implemented. Unimplemented recommendations relate to areas such as: non-reporting of license holders, continuing illegal operations and increasing receivables from year to year.
2.2 FMC Component Self-Assessment Questionnaire	The Chairman of the Board should ensure that mechanisms for implementation of strategy and risk management are established in full and operate in a systematic manner, by providing monthly reporting and constant monitoring. Particular importance should be paid to the development of risk management process so that are prevented risks that hinder achievement of organization's objectives.	Recommendation is implemented		

2.3 Internal Audit system	<p>The Chairman of the Board should ensure an effective cooperation between the management, AC and IAU to identify causes behind this situation and</p> <p>take concrete actions so that is achieved maximum benefit from the internal audit. Furthermore, the Audit Committee should strengthen its role in this process, my holding the management more accountable for implementation of recommendations.</p>	Recommendation is implemented		
3.3 Revenues	<p>The Chairman of the Board should ensure equal treatment in terms of imposing fines. In addition, adequate actions should be taken to enhance the reporting responsibility by increasing the efficiency, in order to obtain complete information on the quantity of minerals manufactured, and the activity of license users as defined in the legal framework.</p> <p>The Chairman of the Board should ensure efficient coordination between state mechanisms so that illegal operations are completely prevented. In addition, should consider the possibility that collection of funds from fines are collected through private bailiffs as a more efficient mechanism for collection of fines, as this will have a direct impact on prevention of illegal operations.</p>			<p>Recommendation is not implemented Companies continue to not report regularly.</p> <p>Recommendation is not implemented</p>

3.2 Assets	The Chairman of the Board should ensure that are placed appropriate controls that ensure that assets management processes are transparent and in full compliance with asset management Rule, by reconciling the condition of assets with the results of assets inventory.		The recommendation was partially implemented, as stocks were recorded and 122 unlisted items were recorded in the e-asset system, while the asset register with the inventory register was not harmonized.	
3.3 Handling of Receivables	The Chairman of the Board should review policies and regulations of the ICMM in order to increase the efficiency of debt collection, by taking all measures against operators who do not meet the obligations in accordance with the law and regulations.			Recommendation not implemented the increase of receivables continues to increase.

Annex III: Letter of confirmation



Republika e Kosovës – Republika Kosova – Republic of Kosova
Komisioni i Pavarur për Miniera dhe Minerale
Nezavisna Komisija za Rudnike i Minerale
Independent Commission for Mines and Minerals



DATE/A :	04.06.2018
REFERENC/Ë :	
PËR/ZA/TO :	Zyrën Kombëtare të Auditimit
CC :	Musa Shabani – Kryesues i Bordit te KPMM-së
NGA/OD/FROM :	Ramiz Krasniqi – Drejtor, Komisioni i Pavarur për Miniera dhe Minerale
TEMA/SUBJEKAT/SUBJECT:	Letër e Konfirmimit

Të nderuar/a,

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm për periudhën 01.01.2017 deri më 31.12.2017 dhe për implementimin e rekomandimeve.

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për Auditimin e Raportit Financiar të Komisionit të Pavarur të Minerave dhe Mineraleve për periudhën 01.01.2017 deri më 31.12.2017 (në tekstin e mëtejshëm “Raporti”);
- pajtohem me të gjeturat dhe rekomandimet dhe nuk kam ndonjë koment për përmbajtjen e Raportit; si dhe
- brenda 30 ditëve nga pranimi i Raportit final, do t’ju dorëzoj një plan të veprimit për implementimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.

REPUBLIKA E KOSOVËS - REPUBLIC OF KOSOVO Zyra Kombëtare e Auditimit NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
06. 2018			
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REPUBLIKA E KOSOVËS - REPUBLIC OF KOSOVO Komisioni i Pavarur për Miniera dhe Minerale Nezavisna Komisija za Rudnike i Minerale COMMISSION FOR MINES AND MINERALS	
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PËRSHITUR/A	

z. Ramiz Krasniqi

Drejtor, Komisioni i Pavarur për Miniera dhe Minerale

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Assembly of Kosovo