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Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

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AUDIT REPORT
ON THE ANNUAL FINANCIAL STATEMENTS OF THE MINISTRY
OF INFRASTRUCTURE 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 Ministry of Infrastructure 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 Jusuf Kryeziu (team leader), and Nora Rashiti Nishefci (team member), under the management of the Head of Audit Department Samir Zymberi.

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Executive Summary

Introduction

This report summarises the key issues arising from our audit of the 2017 Annual Financial Statements of Ministry of Infrastructure 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 for 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 Ministry of Infrastructure.

The National Audit Office acknowledges the Ministry's Senior Management and Staff for cooperation during the audit process.

Opinion of the Auditor General

Qualified Opinion with Emphasis of Matter

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 aspects, *apart from the following issues*:

Article 14 - Budget Execution Report - cash inflow in treasury account, initial budget of €35,400,000 and final budget €1,300,000 from borrowings, also the initial budget from KPA in the amount of €51,400,000 and final budget in the amount of €1,000,000 should have not been presented.

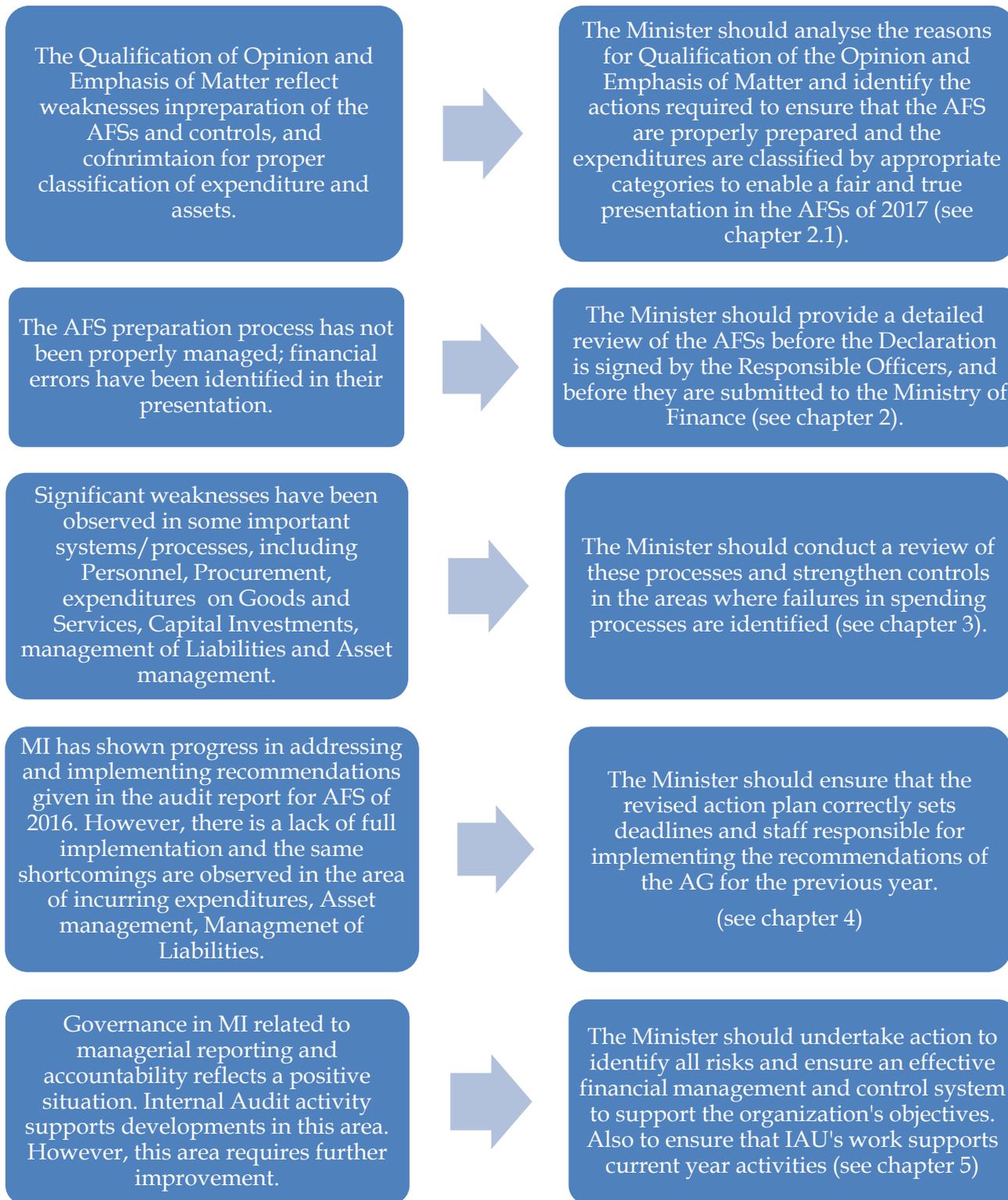
Emphasis of Matter

We draw your attention to the fact that from the expenditures (contracts) for road maintenance in the amount of €760,014 were budgeted and paid from the category of Capital Projects for the projects that do not meet the definition of being "capital" but, by nature belong to the category of Goods and Services, also and Assets are overstated for the same value.

For more, please refer to Section 2.1 of this report.

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

Key Conclusions and Recommendations



Management response to audit 2017

Management has considered and agreed on the audit findings and conclusions and has committed to address all given recommendations.

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 the Ministry of Infrastructure. We have analysed the MI'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

Qualified Opinion with Emphasis of Matter

We have audited the AFS of the Ministry of Infrastructure for the year ended on 31st of December 2017 which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement and the Explanatory Notes of the Financial Statements and other accompanying reports.

In our opinion, except for the effects of the issue described in the Basis for Qualified Opinion paragraph, the Annual Financial Statements for the year ended on 31st of December 2017 present a true and fair view in all material respects of receipts and payments and the budget executed by the Ministry of Infrastructure in accordance with International Public Sector Accounting Standards (cash based Accounting), Law no.03/L-048 on Public Finance Management and Accountability (as amended and supplemented) and Regulation MoF no.01/2017 on Annual Financial Reporting by Budget Organisations.

Basis for Qualified Opinion

Article 14 in the AFSs - Budget Execution Report - the part on cash inflow in treasury account, initial budget of €35,400,000 and final budget €1,300,000 from borrowings, also the initial budget of KPA in the amount of €51,400,000 and final budget in the amount of €1,000,000 should not been presented. The budget presented from borrowings and KPA is a budget that is planned for expenditures and not the budget planned to be collected.

Our audit was conducted 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 qualified opinion.

Emphasis of Matter

We draw your attention to the fact that: a part of the expenditures are budgeted and executed/spent by inadequate categories, and assets are overstated such as:

- **Miss-classification of assets from the category of capital investments.** In the category of capital investments, for the samples in the total amount of €760,014 we have observed that payments for road maintenance were carried out. These payments do not meet the criteria to be considered as 'capital' such as monitoring and inspection, vegetation removal, lawn mowing, dewatering, supply with salt, etc. These services were planned by MI and budgeted by the Ministry of Finance, resulting with overstatement of Capital Investments and understatement of Goods and Services.
- **Evaluation of Assets.** Assets are overstated by €760,014, including the purchase of Goods and Services in this sum.

Our opinion has not been modified for these issues.

Key audit issues:

During the audit, the MoI faced difficulties in some cases to submit its official documentation in time. Furthermore, in one case/sample for the audit of procurement procedures, a part of the dossier/documentation was missing in the file.

Poor safekeeping of documentation and lack of complete audit documentation is in contradiction with the Law on Public Procurement specifying that the Contracting Authority keeps a regulated and comprehensive record of each procurement activity that it performs, without considering whether such activity results in awarding a contract or design contest. While the MPA no. 01/2015 specifies that in general the procurement documents should be stored for 7 years while the tender dossiers are 10 years. Lack of documentation besides being in violation of the applicable legislation also risks the scope of the work/audit and gives a signal towards lack of transparency in the process.

Responsibility of the Management and Persons Charged with Governance for AFS

The Secretary General of the Ministry 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 number 03/L-048 on Public Finance Management and Accountability (as amended and supplemented).

The Minister is responsible to ensure oversight the MI'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 any material misstatement that might exist. Misstatements can 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 Management, as well as evaluating the presentation of the financial statements.

2.2 Compliance with AFS and other reporting requirements

MI 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.

Declaration made by MI 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 to be incorrect given the material errors and other issues identified during the audit.

In the context of other external reporting requirements, we have no issues to raise.

2.3 Recommendations related to Annual Financial Statements

In relation to the above issues we give the following recommendation:

Recommendation 1 The Minister should ensure that an analysis is undertaken to determine the causes of the qualification of the opinion. The preparation of AFSs is subject to proper controls and review in order not to repeat the errors in the presentation of KPA borrowings and revenues.

Recommendation 2 The Minister should analyse the causes for Emphasis of Matter and ensure/undertake specific actions to eliminate errors in classification of expenditures, and to provide correct presentation of the assets of the Ministry.

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

MI continuously has shown willingness to improve financial management and control in order to achieve the set objectives. Our audit findings have highlighted that MI has established adequate controls in most operational and financial activities.

However, controls in the category of capital investments, goods and services, asset management and unpaid obligations need to be improved. While controls in the field of revenue management are functional and are being implemented effectively.

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	305,581,540	238,515,438	234,379,055	213,025,341	166,658,872
Government Grant -Budget	192,581,540	236,215,438	234,309,830	213,025,341	166,658,872
Investment Clause	26,200,000	2,000,000	-	-	-
Revenues from KPA	77,600,000	-	-	-	-
Revenues from Borrowings	9,200,000	300,000	69,225	-	-

The final budget is lower than the initial budget by €67,066,102. In 2017, MI used 98% of the final budget or €234,379,055, this realization compared to 2016 is 9% higher. Below are the explanations for the current position.

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	305,581,540	238,515,438	234,379,055	213,025,341	166,658,872
Wages and Salaries	1,718,796	1,756,796	1,743,492	1,716,303	1,509,799
Goods and Services	5,903,323	6,127,733	5,776,727	5,883,302	5,794,374
Utilities	375,190	253,265	137,337	153,637	180,489
Subsidies and Transfers	1,443,814	1,620,044	1,442,658	832,678	1,012,234
Capital Investments	296,140,417	228,757,600	225,278,842	204,439,421	158,161,976

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries in relation to the initial budget is increased by €38,000, while 99% was spent;
- The final budget for Goods and Services in relation to the initial budget is increased by €224,410; of which €102,485 are separate funds from borrowings and €121,925 from Kosovo budget. The budget spent for this category was about 94%;
- The final budget for Utilities compared to the initial budget is decreased by €121,925. The final budget was spent about 54%;
- The final budget for Subsidies and Transfers in relation to the initial budget is increased by €176,230 from Kosovo budget. The budget for this category was spent about 89%;
- The final budget for Capital Investments in relation to the initial budget is decreased by €67,382,817, out of which the amount of €9,002,485 has been reduced by borrowings, the value of €24,200,000 has been reduced by the Capital Investment clause and the value of €77,600,000 has been reduced by KPA Revenues. While from Kosovo's budget it is increased by €43,419,668. The final budget for this category was spent about 98%.

Recommendations

We have no recommendation in this area.

3.2 Revenues

In general, the Ministry of Infrastructure has a functional system in place in management of revenues. Revenues planned for 2017 are €1,785,000, while collection was in the amount of €2,501,388. These revenues are mainly collected by issuing driving licenses, renewing licenses, applications for local licenses and transportation, etc.

Table 3. Own Source Revenues (in €)

Description	Initial Budget	Final Budget	2017 Receipts	2016 Receipts	2015 Receipts
Revenues	1,785,000	1,785,000	2,501,388	2,510,869	1,883,850
Total	1,785,000	1,785,000	2,501,388	2,510,869	1,883,850

The revenues in 2017 are almost the same as those in 2016. MI collects these revenues for the Budget of Kosovo. From our testing we have not identified any non-compliance.

Recommendations

We have no recommendations in this area.

3.3 Wages and Salaries

Wages and Salaries are paid through a centralised system managed by MPA and MoF. The key controls in this process have proven the completeness and accuracy of the data presented in the AFSs of the MI. In this category, approximately 99.24% of the final budget was spent. We have examined several samples and applied substantive and compliance tests.

Issue 3 - Covering position with Acting for longer than three months

Finding According to Article 30 of LSCS 03/L-149: Civil Servants, by order of the superior, are obliged to temporarily replace a colleague who is absent or fill a vacancy if the institution's normal activity would be prevented by the lack of a civil servant. If a position in the Civil Services becomes vacant, acting civil servants in that position shall not be appointed for a period exceeding three months. In MI, in two cases we have observed that civil servants (division leader) have held their acting post for more than three months (18 respectively 23 months).

Risk Covering positions with Acting for long periods of time exceeding the set legal deadlines increases the risk of inefficient management, irresponsibility and incompetence.

Recommendation 3 The Minister should ensure that sustainable solution for positions covered by Acting is found including full compliance with the legal framework.

3.4 Personnel Management

The Ministry is responsible for the implementation of personnel procedures in accordance with the Law on Civil Service. We have tested a number of samples to ensure that the actions taken in this area are in accordance with the relevant legislation.

Issue 4 - Compensation of employees who were absent from work or have not performed their duties

Finding Regulation no. 05/2010 on working hours, article 4, point 3 states that: the working time starts at 8:00 and ends at 16:00 unless otherwise regulated by the organization. Also article 7 attendances at work: during the working hours all civil servants are obliged to be at their workplace. Every civil servant is checked in in the attendance sheet or electronic register, and disrespecting of working hours is a disciplinary violation. In one case we have observed that MI had no evidence for attendance at work of one employee. The same employee is never recorded in the check-in register during 2017, while the annual compensation for this employee was €4,564. There is also no evidence on performance of work in accordance with the description of duties and responsibilities under MI. From the list that was provided to us by MI officials, it is observed that there are also 31 other employees/similar cases, all of which belong to the minorities.

Risk Absence from work and non-fulfilment of duties and responsibilities in accordance with the employment contract is a violation of the applicable legislation, and it is not a good example of other employees. Compensation of such officials constitutes budget loss and undermines the reputation of the organization in general; it also increases the risk for the Organisation will not meet its objectives.

Recommendation 4 The Minister should ensure adequate controls in the area of personnel, take appropriate steps to apply the legislation in force, and ensure efficient and effective management of the organization, in order to meet its objectives.

3.5 Goods and Services and Utilities

The final budget of Goods and Services and Utilities in 2017 was €6,380,998, out of which €5,914,063 was spent. For category of Goods and Services were spent €5,776,727 and for Utilities €137,337. In this category, about 93% of the final budget was spent (ref: table no.2). We have applied substantive and compliance tests, and as a result of the examination we found the following:

Issue 5 - Misclassification of expenditures within the category of Goods and Services

Finding

According to Treasury Rule 02/2009 on Expenditure of Public Money, article 24 point 4 (Initiation of expenditures), expenditures should be in adequate codes, in accordance with administrative instructions for economic classification issued by the Treasury, according to the structure of the accounting plan set in KFMIS. In three cases totalling €65,204 we have noticed misclassification of expenditures within the category of Goods and Services. They are as follows:

- The payment in the amount of €53,910 for the annual membership / MI contributions to SEETO (South East Europe Transport Observatory) was paid by economic code 14030 (Maintenance of Motorways). This has occurred in the absence of funds from other codes since the payment should be made out of the expenses for membership - code (13480);
- Payment in the amount of €155 was made for the payment of the tax on the rent for the facility in Mitrovica by economic code 14110 (rent on building), instead of being executed by economic code 14510 (payment of tax on rent); and
- The payment in the amount of €11,139 for the survey sheets and leaflets for the Municipality of Prishtina, Gjilan and Mitrovica was made by economic code 13460 (Other contracting services). Payment should have been executed by economic code 14230 (public information costs).

Risk

Incorrect classification of expenditures produces overstatement and understatement of the relevant categories, and an incorrect presentation of expenditures in the AFSs.

Recommendation 5

The Minister should ensure proper management and strengthen controls in execution of the expenditures, to ensure their proper classification for a fair and accurate financial disclosure.

Issue 6 – Separating procedures of the same type on low value purchases**Finding**

According to the *Operational Guidelines on Public Procurement*, point 48.2, in calculating the value of a contract for the use of a low value procedure, a contracting authority will consider only a group of goods, services or similar works, which are usually procured together and which should not be separated for the purpose of using such a procedure. While paragraph 48.1 states that the Contracting Authority may apply the low value procedure for any public contract whose estimated value is less than €1,000.

The procurement office had applied low value procedures/ contracts, being supplied and carried out several times within a year for the same services/items: three times the supply of air conditioners, three times the supply with the computers, five times the supply of toners, twice the supply with blank paper and two times the supply of static chairs.

The amount of €1,000 was exceeded in the procedure for supply with air conditioners, contracting services in the amount of €1,200.

Risk

Applying separate contracts for the same goods/service is not efficient, and it affects in elimination of competition, may constitute higher price bids, and additional costs for the Ministry.

Recommendation 6

The Minister should strengthen controls over procurement office and the requesting units in order to apply a proper procurement/contracting procedure for the same supplies.

3.6 Subsidies and Transfers

The final budget of Subsidies and Transfers was €1,620,044, out of which €1,442,658 or 89% of the final budget was spent in 2017. ref: table no.2). MI subsidizes public rail transport (Supporting and Financing of Passenger Ticket on Functional Railway Lines and Public Road Transport (Financing Landline Road Transport on Unsustainable Road Transport Lines).

We have applied substantive and compliance tests from which we have not identified any non-compliance.

Recommendations

We have no recommendations in this area.

3.7 Capital Investments

The final budget of Capital Investments was €228,757,600, out of which €225,278,842 or 98% were spent in 2017. In this category we applied substantive and compliance tests. As a result of the examination of these samples we observed the following:

Issue 7 – Shortcomings in project management co-financed by respective Municipalities

Finding The Ministry of Infrastructure has a considerable number of infrastructure projects co-financed by respective Municipalities. The Municipality is obliged to develop the projects in accordance with the public procurement rules and the law on management of public finance, while MI provides the funds for the projects and executes the payments for financing the projects in accordance with the completion of the works according to the terms of the contract.

Pursuant to Article 3, point 3 of the MM, “MI assigns an officer to oversee implementation of projects from the beginning to the end of the contract”.

In 12 tested cases in the amount of €628,419 we have observed that the Lot was not signed by the project manager by the Ministry. Project managers have only issued a certificate of payment which does not confirm that the receipts for the quantity and quality of the works was carried out. In these cases we could not be assured that proper verifications were made for the works performed by the Ministry.

Risk Lack of adequate monitoring by the Ministry for financing projects risk with project deviation and increases the risk for improper payments.

Recommendation 7 The Minister should ensure proper management of co-financed projects, and through the Department of Road Management to strengthen controls on the receipt of services by established supervisory authorities.

Issue 8 – Misclassification of funds by category of Capital Investments and shortcomings in the process of receipt

- Finding** In 10 cases in the category of Capital Investments, in the amount of €738,529, payments for road maintenance have been made, but these payments do not fully meet the criteria to be classified as Capital Investments. These payments contain elements of the category of Goods and Services such as (monitoring and inspection, vegetation removal, lawn mowing, dewatering, supply with salt supply, etc.) as well as elements of capital investments such as. (excavation of the soil, asphalt/concrete patching, concreting poles, reinforcement of the protective wall etc.). From these payments, we have not been able to generate the accurate value of misclassification (expenditures that should have been paid by the category of Goods and Services), as the Lots received by the managers present the total work of signed contract (2014) up to the date of payment, rather than the Lot / work related to the current payment. Payments were made by economic code 31210 (construction of Motorways) and 31220 (construction of regional roads). These services were planned by MI and budgeted by the Ministry of Finance.
- Risk** Failure to receive clarified works/lots in relation to executed works makes it difficult to classify the expenditures (Goods and Services in relation to investments). While incorrect spending /classification of funds of capital investments by Goods and Services results with overstatement of Capital Investments and understatement of the category of Goods and Services. This reduces the effectiveness of budget control and produces misclassification in the AFSs.
- Recommendation 8** The Minister, in cooperation with the CFO and the Department for Road Management, should identify the measures to be undertaken for the receipts of Lots disclose the accurate value within a payment presents the value for maintenance and which one presents the value for capital investments. Also, in cooperation with the MoF, assets are classified / budgeted correctly by the economic categories that have a material impact on the Organization's AFSs.

Issue 9 – Entering into Contractual Obligations without funds available

Finding According to the *Operational Guidelines for Public Procurement*, Article 7, Section 7.1 CA will initiate a procurement activity only after having performed a formal needs assessment, on why exactly the procurement is needed to be carried out. The assessment shall include: a clear indication of the works, services or supplies required; estimated value of works, services or supplies; as well as other information.

Contract/Project "Construction of the Roadway Dragash/Shishtavec at border crossing with Albania Intersection with the national road R113 to the border crossing point Borje Jazhince" was contracted in the amount of €199,877, and according to the statement of the availability, the vehicles were budgeted in the amount of €50,000.

Risk Entering into liabilities without funds available increases the risk of constituting delays in execution of contract and increase of outstanding liabilities, and this will burden the budget of the upcoming year.

Recommendation 9 The Minister should strengthen the controls during project development by ensuring that before the initiation of procurement procedures any capital project has sufficient funds for its realization.

Issue 10 – Non-compliances in Contract Award Notification

Finding According to the Article 41 of the LPP (Contract Award Notice) If a contracting authority has awarded any public contract using open, restricted, or negotiated procedures, or price quotation procedures, such contracting authority shall, within two (2) days after the award of such contract, prepare a contract award notice in the languages mentioned in article 13 of this law.

The contract "Construction of the Crossroad in village Xërxë" in the amount of €89,891 with procurement no. MI 17 039 521, the Procurement Office did not make notification for contract award notice to be submitted to the PPRC, instead have sent only a standard letter to the bidders.

Risk Lack of the Contract Award Notice presents weaknesses in the procurement process and risks the transparency over project activities.

Recommendation 10 The Minister should ensure controls in the procurement field by determining the reasons for not complying with the legal requirements in the procurement process, in order to eliminate them in the future.

Issue 11 – Expired coverage of Performance Security

Finding According to the Operational Guidelines for Public Procurement, Article 27, Point 6, Performance Security is valid for a period of thirty (30) days after implementation of the contract. In six cases², performance security in the amount of €1,028,291 had expired the validity period even though the contracts were not completed.

Risk The expiration of the performance security period would risk fulfilment of the projects under the contract.

Recommendation 11 The Minister should ensure/undertake a review to identify why procurement requirements have not been implemented, and to ensure adequate controls for such failures will not occur in the future.

Issue 12 – Improper planning of procurement activities and shortcomings in presentation of the report on executed contracts

Finding According to the Article 8 paragraph 1 of the LPP: Not less than sixty (60) days prior to the commencement of each fiscal year, each contracting authority shall prepare and submit to the CPA a preliminary procurement planning in writing which identifies with reasonable details all supplies, services and works that the contracting authority foresees to procure during the concerning fiscal year. Such prior procurement planning specifies that in case of future supply contracts, services and works, the total procurement value for each product and the essential characteristics that the contracting authority intends to provide during the fiscal year shall be calculated.

During 2017, the Procurement Office in the procurement plan has foreseen to contract supplies and services in a total value of €3,964,884, and work in the amount of €9,477,000. But, in the report of the signed public contracts with the additional works, the Procurement Office has signed contracts in the amount of €22,549,873. There was a lack of full consistency between the plan and the performance of the contracts. This was mainly due to the entry into contractual obligations without sufficient financial coverage, not incorporating the capital projects contracted in 2017 in the procurement plan, and the double inclusion of some contracts in the report.

² "Expansion of National Road N25.3 Segment Livoç Gjilan L=3.135km st.0+000.00 - 3+135.00"; "Restructuring of National Road N2 - Segment Veternik (Crossroad to Gjilan) QMI Lot 2L-3883.00m"; "Expansion of National Road N2, Segment Entrance to Prishtina City, Loti 2"; "Asphalting of Roadway Hamez Jashari - Kaçanik L=2284.21"; "Expansion of National Roadway N25 - Segment Round About in Besi - Podujeve", and "Road Construction Vojnik Osojan, Lot 1".

Also, our tests have found projects in the amount of €480,369 which were not included in the procurement plan, while they were contracted during 2017 and that as follows:

- “Construction and Asphalting of the roadway in Skivjan Novosellë, MA Gjakova” in the amount of €189,334, and
- “Construction of Roadway Junik Nivokaz, Municipality of Junik” in the amount of €291,036.

Whereas, contracts that were twice included in the report of signed contracts are:

- “Construction and asphalting of the roadway Skivjan Novosellë” in the amount of €189,334,
- “Expansion of the roadway Entry to the city of Prishtina, lot 1 and 2” with contracted value of €1,374,517,
- “Construction of a crossroad in the village of Xërxe” in the amount of €189,891, and
- “Asphalting of the roadway in Rahovë e Madhe – Mitrovica” with a contracted value of €567,880.

Risk

Inaccurate procurement planning may risk for the Ministry’s goals may not be met by constituting additional costs. It also risks the budget available for the current year and the upcoming year.

Recommendation 12 The Minister should ensure proper controls and in cooperation with the Procurement Office should eliminate non-compliances by collecting the specific requirements of each requesting unit of the organization for all completed procurement procedures are in line with the final plan. Each contract should be disclosed in the annual report of signed public contracts.

Issue 13 – Delays from Bid Opening to their Evaluation

Finding

According to the Operational Guidelines for Public Procurement, Article 35 paragraph 2, the tender evaluation process will begin immediately upon conclusion of the bid opening process, and no later than 96 hours after the conclusion of the bid opening process. In 4 cases³ we have found delays up to 2 months from bid opening up to their evaluation.

³ Contract “Construction of the Crossroad village Xërxe” with the contracted value of €189,891.28. Bid opening was on 28.07.2017, while evaluation of bids was performed on 17.08.2017; Contract “Construction of Roadway Bardh i Madh – Lismir – Fushë Kosovë” with the contracted value of €434,013.57. Bid opening was on 14.08.2017, while evaluation of bids was performed on 25.09.2017; Contract “Construction and Asphalting of Roadway Skivjan-Novosellë, Municipality of Gjakova” with the contracted value of €189,334.16. Bid opening was on 29.06.2017, while evaluation of bids was performed on 01.08.2017; and Contract “Expansion of National Road N2, at the entrance of Prishtina City, Lot II” with the contracted value of €1,374,516.70. Bid opening was on 11.01.2017, while evaluation of bids was performed on 16.02.2017.

Risk Delays between the bid opening and their evaluation risks the process and results in delays in the implementation of capital projects.

Recommendation 13 The Minister should ensure mechanisms to strengthen controls in the procurement area, by correctly applying the deadlines foreseen in the LPP.

3.8 Common Issues on Goods and Services and Capital Investments

The following common issues relate to Goods and Services and Capital Investments:

Issue 14 - Shortcomings in commitment of funds and processing of purchase orders

Finding According to the Treasury Rules, the purchase, the commitment of the funds, the purchase order must be initiated, the Goods or Service must be accepted, and after receipt of the invoice the payment is executed. In five cases in the category of Goods and Services in the amount of €587,227 the commitment of funds and the purchase orders were processed after receipt of the invoice. These cases had occurred in the payment for road maintenance.

Further on, in 14 cases in the Capital Investments category in the amount of €2,020,724, the purchase orders were processed after receipt of the invoice. These cases had occurred in payments for asphaltting, repairing and road construction. Also, in seven cases of this category in the amount of €977,736, the commitment of funds was made after receipt of the invoice.

This was due to the lack of monitoring and non-compliance with Treasury Rules.

Risk Receipt of Goods and Services prior to determining requirements/needs increases the risk of receiving poor quality goods and insufficient quantities.

Recommendation 14 The Minister, together with the finance office, should strengthen controls in execution of expenditures and ensure full compliance with the steps established by the LPFMA and the Treasury Rules.

3.9 Capital and Non-Capital Assets

The value of non- capital assets (over €1,000) reported in the AFSs was €1,274,178,142, while the value of non-capital assets (under €1,000) was €177,470, and the value of stocks was €78,633.

Issue 15 – Shortcomings in management of MI assets

Finding According to MoF regulation no.02/2013 article 22 paragraphs 3 specifies that all capital and non-capital assets will be subject to depreciation rates. In MI, out of the 100 cases examined, in 45 of them we have identified that no depreciation has been applied for them.

Further on, MI for 2017 had not established the committee for valuation of inventory and valuation of assets, and subsequently in 2017 there was no inventory and no valuation of the assets of the organization.

Risk Poor controls in asset management have resulted in shortcomings in this section that increase the risk for loss or misuse.

Recommendation 15 The Minister should review the current controls on asset management. Controls in this area need to be strengthened so that assets are properly recorded, evaluated and recorded and prevented from loss or misuse.

3.10 Receivables

According to AFSs 2017, MI has uncollected revenues in the amount of €184,540. In this category we applied substantive and compliance tests.

Recommendations

We have no recommendations in this area.

3.11 Outstanding Liabilities

MI has disclosed Outstanding Liabilities in the AFSs for 2017 in the amount of €22,588,872, and outstanding liabilities at the beginning of 2017 were €15,535,336. The most part of the outstanding liabilities (€15,306,323) belong to Bechtel & Enka, and they relate to the construction of highway Prishtina - Hani i Elezit. These liabilities were carried forward to be paid in 2018.

Further on, the contingent liabilities presented in the AFS on 31.12.2017 are €14,708,862 whereas on 31.12.2016 they were €14,407,675. MI in coordination with the State Advocacy Office was informed about most of the liabilities/claims reflected in the AFS 2017.

In this category we have examined several samples and as a result of the examination we identified the following:

Issue 16 – Increase of Outstanding Liabilities and incomplete reporting of Liabilities

Finding During 2017 the liabilities have increased by €7,053,536. According to the responsible officials, the main reason for incurring of these liabilities was poor budget.

Payment and Reporting of Liabilities - The BO must pay every valid invoice within 30 days upon receipt of the invoice. BOs are also obliged to report to the Ministry of Finance on monthly basis about the received and unpaid invoices. In ten cases we found that invoices/ obligations towards suppliers in the amount of €3,588,671 were not paid within the deadline of 30 days. Furthermore, in two cases we have found the invoices/obligations towards the suppliers in the amount of €1,044, which were not included in the monthly reports of liabilities.

Risk The increase in outstanding liabilities is an indicator of ineffective management of public money for the fiscal year and affects the budget of the upcoming year. Delays in execution of payments increase the risk for constituting additional costs that may result by penalties from suppliers. Further on, failure to report liabilities implies that the organization does not have complete/accurate information about liabilities.

Recommendation 16 The Minister should ensure proper controls and good management of liabilities analyse the reasons for their increase, and that obligations towards suppliers are paid within the statutory deadline to avoid additional costs, and to ensure that the reporting of outstanding liabilities is made in accordance with the rules.

4 Progress in implementing recommendations

Our Audit Report on the 2016 AFS resulted in 18 recommendations. MI prepared an Action Plan stating how all recommendations will be implemented, within a specified period of time.

At the end of our 2017 audit, eight recommendations have been fully implemented; two were in process (partly addressed); and eight have not been addressed yet. Issues that have been repeated from previous years are related to the shortcomings in classification of expenditures, delays in execution of outstanding invoices and their monthly reporting at MoF. While, in the audit report for 2015 was given 20 recommendations, five of them were not addressed yet. For a more thorough description of the recommendations and how they are addressed, see Annex II.

Issue 17 - Implementing Prior and Earlier Year Recommendations

Finding Upon receipt of the audit report for 2016, MI management has taken measures to address the raised issues. In particular there is a progress in addressing recommendations in the area of Accounts Receivable. However, there is a lack of full implementation and the same shortcomings are observed in classification of expenditures, asset management, personnel management and liability management. Further on, the recommendations of 2015 have not been fully addressed, unapplied recommendations relate to: classification of expenditures, expenditure and asset management, risk management and reporting of liabilities.

Risk Failure to fully implement recommendations results with non-improvement of the identified shortcomings, and subsequently recurrence of the same shortcomings.

Recommendation 17 The Minister should apply an effective process for monitoring implementation of the Auditor General's (AG) recommendations, which sets the deadline and the responsible officials. Recommendations that are not implemented by deadlines should be revised as soon as possible, and proactive actions should be taken against the barriers that may arise during the process.

5 Good Governance

Introduction

Good Governance implies basic principles of accountability, effectiveness of controls, risk management, independence of internal audit, and 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

Governance in MI related to managerial reporting and accountability reflects a positive situation. However, further improvements are still required. The level of implementation of the Auditor General's recommendations was inadequate, some of the recommendations were implemented and some are under implementation. Further on, although MI in previous years have not established the system for risk management but, at the beginning of 2018 there was a progress in this regard with the draft of the risk report, including risk management.

We should emphasize that the Internal Audit Unit (IAU) continuously demonstrates a good quality of work through which provides consistent assessments of the functioning of the audits within the organization. In this regard, the benefit from internal audit work should be taken into account by MI management to improve areas with significant shortcomings.

In general, controls over the overall management of the budget process are good. MI has managed to execute about 98.27% of the final budget for 2017.

Further on, the performance on management of expenditures, apart from misclassifications in the category of capital investments, has further improved this year compared to other years. However, in terms of compliance with legislation, our audit has found the presence of some shortcomings which mainly relate to the procurement, asset management and liability management.

5.1 Internal Audit System

The internal audit unit in MI is an important segment of controls in general, and it is comprised of: the Head of the Internal Audit Unit (IAU) and three auditors.

The Internal Audit Unit for 2017 has planned nine audits **and** four audits **upon** request. In 2017, this unit carried out 13 audits. MI had prepared a plan for implementing the IAU recommendations and is in the process of implementing them. The IAU has also prepared quarterly reports on its activities to the CHIAU at MoF.

Issue 18 – Failure to cover current period of time with IAU audits

Finding Our opinion is that the IAU reports are proper and they provide specific recommendations for further improvement. However, finalized audits did not cover current year activities, but mainly focused on 2016 activities.

Risk Failure to cover the current period with IAU audits reduces the assurance provided to management in relation to the functioning of financial systems. This could result in unidentified shortcomings and in continuation of ineffective practices that may end up with financial losses for the Ministry of Infrastructure.

Recommendation 18 The Minister, in cooperation with the Audit Committee, should review the internal audit plans in critical manner to confirm that they are based on current year processes, and to provide management with the adequate assurance.

5.2 Management Reporting, Accountability and Risk Management

MI management had designed a good system of internal control and financial management. In this regard, the management maintains regular meetings with all departments and units, reporting and discussing all of its activities.

Further on, all budget organizations are expected to perform risk assessment. The legal provisions stipulate that the organization is responsible for implementing arrangements, procedures and systems to ensure that the organization's key objectives are met, and to identify the risks that hinder the achievement of these objectives, and take response actions to have those risk under control.

Issue 19 – Risk Management

Finding MI during 2017 had not drafted the risk register. For this reason we have not been able to assess the identification of all significant risks that may have an impact on the organization in relation to the achievement of its objectives. However, at the beginning of 2018, MI took measures and drafted the risk report, including their management, which will be assessed by the 2018 audit.

Risk Failure to prepare a risk register implies that management will not be able to identify and have under control risks that may affect the achievement of the organization's objectives.

Recommendation 19 The Minister should take appropriate measures to continuously identify all significant risks as means of testing the effectiveness of the financial management and control system in support of the organization's objectives.

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
1.2 Audit Opinion	<p>Issue 1 - Asset and expenditures management</p> <p>High Priority - The Minister should consider the issue of expenditures on investment maintenance of roads and analyse the issue during the budget allocations in order to enable a fair appropriation of expenditures by economic categories. On the other hand, he should ensure that an effective process is implemented which will allow a complete asset valuation for the 2015 AFS. This process should improve the accounting considerations regarding co-financing and ensure that any movement or distribution of assets is accurately documented. All capital projects financed by the Ministry, as the co-financer, should be recorded as on-going investments accompanied by a plan with details and dates of transfer, beneficiaries, cost, etc. He should also ensure there are accurate reports on the management of salt stocks, its supply and distribution. This process should accurately determine the yearend balance on quantity and value.</p>			Not implemented.
2.3 Prior Year Recommendations	<p>Issue 3 - Addressing Prior Year Audit Recommendations - High Priority The Minister should ensure that a revised action plan is implemented which clearly sets out a timetable for addressing the recommendations made by the AG with accountable staff members identified and with initial focus on those of greatest significance.</p>			Not implemented.

2.5.2 Risk Assessment	Issue 6 - Request for Risk Management - High Priority The Minister should ensure that immediate responsibility for risk management is delegated to a named Director and ensure monthly reporting on the implementation of requirements in this area and the risks that are being managed.			Not implemented.
3.3 Budget Planning and Execution	Issue 9 - Classification of expenditures in inadequate codes - Medium Priority The Minister should ensure that during the budgeting process, the budgeted expenditures are classified according to the accounting plan.			Not implemented.
3.7.2 Handling of Debts	Issue 20 - Shortcomings in reporting liabilities - High Priority The Minister should ensure that the whole process of reception and forwarding invoices for payment is reviewed in order to enable proper management and to fully support reporting of outstanding liabilities.			Not implemented.
Audit Component	Recommendation given in 2016	Implemented	Under implementation	Not implemented
1.1 Audit Opinion	Issue 1 - Unmodified Opinion with emphasis of matter The Minister should ensure that a thorough analysis is made in order to determine the reasons for the Emphasis of Matter. Actions need to be taken to address the causes in a systematic and pragmatic manner to avoid errors in the classification of expenditure, asset evaluation and to ensure fair presentation of AFS; and			Not implemented.

1.2 Compliance with AFS and other reporting requirements	<p>Issue 2 - Compliance with AFS and other reporting requirements</p> <p>The Minister should ensure the establishment of effective processes to confirm that drafted plan AFS 2016 addresses all issues pertaining to compliance and external reporting requirements. This should also include reviewing of AFS draft by the management, with particular focus on high risk areas and/or areas where errors have been identified in previous years.</p> <p>The statement made by the Chief Administrative and Financial Officer should not be submitted, unless all the necessary checks have been applied to AFS draft.</p>	Implemented.		
2.1 Progress in the Implementation of Prior Year Recommendations	<p>Issue 3 - Implementation of Prior Year Audit Recommendations - High Priority</p> <p>The Minister should ensure the implementation of a revised action plan that will determine timelines for implementing the AG recommendations with identified responsible staff focusing primarily on the most important areas. The progress of the plan should be systematically monitored by the management in order to ensure implementation of recommendations within established deadlines.</p>		There is a lack of full implementation and the same shortcomings are observed in classification of expenditures, asset management, personnel management and management of liabilities.	
2.2 Self-Assessment Checklist of FMC components	<p>Issue 4 - Self Assessment Checklist - High Priority</p> <p>The Minister should ensure that the completion of the self-assessment checklist is analysed and that the areas of vulnerability have been addressed proactively. A specific mechanism should be applied to confirm the accuracy of the questionnaire as well as to provide supporting documentation. Particular importance should be given to further advancing of the risk management process, including also other aspects of Ministry's scope of work.</p>	Implemented.		

2.3 Specific Governance Reviews	<p>Issue 5 - Lack of Strategic Plans within Ministry- High Priority</p> <p>The Minister should take concrete steps in the process of drafting the strategic plan and setting of ministries objectives, as well as draft an action plan for monitoring the achievement of objectives by establishing effective oversight functions.</p>	Implemented.		
2.3.2 Management Reporting	<p>Issue 6 - Weaknesses in Management Reporting - High Priority</p> <p>The Minister should ensure that a review has been carried out to establish an appropriate financial and operational reporting format to senior management, as well as enhance the quality of information that they receive in order to support the effective management of the ministry's activity.</p>	Implemented.		
2.4 Internal Audit System	<p>Issue 7 - Internal Audit System - High Priority</p> <p>The Minister should ensure that the annual audit plan is more inclusive, risk-based, and is fully implemented by IAU. AC should be more objective, and ensure that the composition of committee does not include staff engaged in executive affairs from the budget and finance area. Actions taken by the Management to implement internal audit recommendations should also be reviewed.</p>	Implemented.		
3.1 Budget Planning and Execution	<p>Issue 8 - Inadequate execution of the budget for capital investments - High Priority</p> <p>The Minister should ensure that budget performance is systematically monitored on a monthly basis, and that this review identifies and addresses barriers to budget execution at a planned level. In case the initial budget assumptions are incorrect; they should be fully reflected in the final budget position.</p>	Implemented.		

3.1.4 Subsidies and Transfers	<p>Issue 13 - Delays in bid evaluation - Medium Priority</p> <p>The Minister should analyse the reasons on the failure of controls and identify the causes that have led to delays in the implementation of the projects. An effective control design fully in line with the regulations should be provided, and monitored by the management in systematic manner.</p>	Implemented		
3.1.5 Capital Investments	<p>Issue 14 - Management of Capital Projects - High Priority</p> <p>The Minister should ensure that project planning is subject to an organization's capacity-building analysis for project management, in accordance with the initial plans. Controls in project planning and budget execution should be strengthened to overcome the identified challenges in order to achieve the ministry's objectives within set timeframes. A cash flow harmonization with project planning is indispensable to address the low levels of financial performance of capital projects.</p> <p>Issue 15 - Weaknesses in procurement - High Priority</p> <p>The Minister should analyse the reasons for the identified incompatibilities and strengthen the procurement controls to ensure the fulfilment of all legal requirements. Only the operators that fully meet the defined requirements should be rewarded with a contract in order to ensure compliance with the regulations and proper value for the money spent.</p>			<p>Not implemented.</p> <p>Not implemented.</p>

3.1.6 Common issues on Goods and Services and Capital Investments	<p>Issue 16 - Non provision of full audit information - High Priority</p> <p>The Minister should review the document archiving, retention and filing processes and identify the reasons for not providing full audit information. The Minister should strengthen control mechanisms and require accountability from procurement officers in order to ensure that such situations are not repeated in the future.</p>		There is progress made compared with previous years in relation to providing documentation, in this regard documentation is in general provided apart from a bid which was missing and not provided.	
3.2.2 Receivables	<p>Issue 17 - Poor management of accounts receivable - High Priority</p> <p>The Minister should identify barriers in collecting receivables and provide effective mechanisms, including legal remedies, to ensure that debtor invoices are paid or are being addressed. In addition, effective controls should be put in place in order to prevent further increase of these accounts.</p>	Implemented.		
3.3 Outstanding Liabilities	<p>Issue 18 - Poor management of liabilities - High Priority</p> <p>The Minister should strengthen management controls by providing a detailed budget planning and utilization of funds based on a clear cash flow plan, by not exceeding in any case the funds allocated according to economic categories. The Minister should also present a plan which will foresee the budget and concrete actions for the gradual payment of accumulated debts. This plan should be monitored directly by the management. All liabilities must be timely reported to MoF / Treasury.</p>			

Annex III: Letter of confirmation

REPUBLIKA E KOSOVËS - REPUBLICA KOSOVA - REPUBLIC OF KOSOVO ZYRA KOMBËTARE E AUDITIMIT NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
27.06.2018			
Klasifikimi Class - Code	Shtetësi Citizenship	Nr. Prot. En. Prot. Prot. No.	Nr. Stranica No. Stranica No. Pages
03	47	1192	1



REPUBLIKA KOSOVËS - REPUBLICA KOSOVA - REPUBLIC OF KOSOVO MINISTRIA E INFRASTRUKTURËS MINISTARSTVO INFRASTRUKTURE MINISTRY OF INFRASTRUCTURE			
Mbiemri Org. Istituc. Org. Unit	04	Nr. i Prot. Broj Prot. Prot. No.	6163
Nr. i Fajet Broj Stranica No. Pages	01	Data Datum Date	27.06.18
PRISHTINE/A			

Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada - Government
Ministria e Infrastrukturës
Ministarstvo Infrastrukture
Ministry of Infrastructure

LETËR E KONFIRMIMIT

Për pajtueshmërinë me të gjeturat e Auditorit të Përgjithshëm në Raportin e auditimit për vitin 2017 dhe për zbatimin e rekomandimeve

Për: Zyrën Kombëtare të Auditimit

Të nderuar,

Përmes kësaj shkrese, konfirmoj se:

- kam pranuar draft raportin e Zyrës Kombëtare të Auditimit për auditimin e Pasqyrave Financiare të Ministrisë së Infrastrukturës, për vitin e përfunduar më 31 dhjetor 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 zbatimin e rekomandimeve, i cili do të përfshijë afatet kohore dhe stafin përgjegjës për implementimin e tyre.


Nebih Shatri
 Sekretar i Përgjithshëm

Data: 27 qershor 2018, Prishtinë,