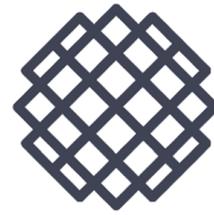




Republika e Kosovës  
Republika Kosova  
Republic of Kosovo



Zyra Kombëtare e Auditimit  
Nacionalna Kancelarija Revizije  
National Audit Office

**Document No: 23.15.1-2017-08**

**AUDIT REPORT**  
**ON THE ANNUAL FINANCIAL STATEMENTS OF THE ENERGY**  
**REGULATORY OFFICE**  
**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 organizations 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 Energy Regulatory Office in consultation with the Assistant Auditor General, Valbon Bytyqi, who supervised the audit.

The report issued is a result of the audit carried out by Team Leader Selvete Foniqi and Members Shefkije Beka and Adelina Selmani, under the management of the Head of Audit Department Faruk Rrahmani.

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## Executive Summary

### Introduction

This report summarizes the key issues arising from our audit of the 2017 Annual Financial Statements of the Energy Regulatory Office, 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 25/04/2018.

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 Energy Regulatory Office.

The National Audit Office acknowledges the Senior Management and Staff of the Energy Regulatory Office for cooperation during the audit process.

### Opinion of the Auditor General

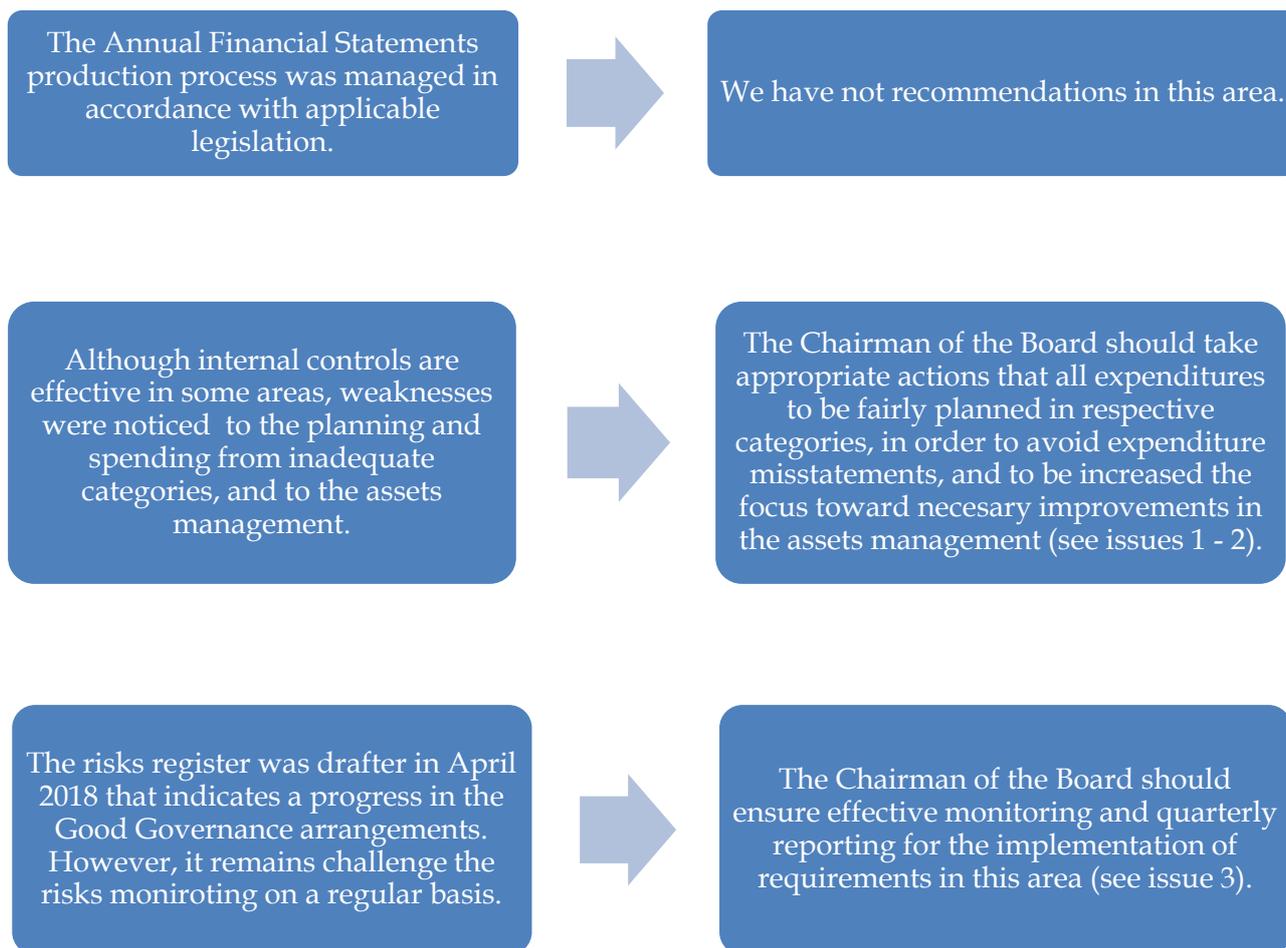
#### Unmodified Opinion

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

For more, see Section 2.1 of this Report.

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

## Key Conclusions and Recommendations



## The Chairman of the Board Response

The Chairman of the Board of the Energy Regulatory Office has considered and agreed on audit findings and conclusions and committed to address the 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 the Energy Regulatory Office (ERO). We have analyzed the ERO'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 Auditor General'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.

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## 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 (MoF).

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 Energy Regulatory Office for the year ended on 31<sup>st</sup> 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 31<sup>st</sup> of December 2017 present a true and fair view in all material aspects, 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 Organizations.

#### 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 Financial Statements” 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 Chairman of the Board 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

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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 ERO'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

ERO 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 Organizations;
- Requirements of LPFMA no. 03/ L-048, (as amended and supplemented);
- Compliance with Financial Rule no. 01/2013 and 02/2013;
- Action Plan on addressing of recommendations;
- Requirements of Financial Management and Control procedures;
- Other requirements for budget reporting's, such as: quarterly reports including also the nine-month statements in time; and
- Reports for outstanding liabilities.

In the context of the AFS, receivables we have noticed that have been correctly disclosed but that to the column of 2017 have been presented only the current year's receivables. Since they are correctly disclosed we will not treat this issue.

All requirements for reporting, as in the context of AFS as well as of the external reporting were fulfilled and we have no issue to raise.

### **Recommendations**

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 Organizations. Specifically, the focus of the audit was Budget management, Procurement issues, Human Resources as well as Assets and Liabilities.

### Financial Management and Control Conclusion

In the context of financial systems, controls over revenues are generally appropriate and are being implemented effectively, however some areas require further enhancement.

In 2017, ERO has a budget execution of 87%, where the execution was for 11% lower than in the previous year.

Deficiencies were identified to the planning and spending from inadequate categories and of assets management which require enhancement and a significant focus by Management. Further on, it remains challenge the execution of planned capital projects.

### 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 <sup>1</sup>	2017 Outturn	2016 Outturn	2015 Outturn
<b>Sources of Funds</b>	<b>768,316</b>	<b>684,516</b>	<b>592,128</b>	<b>678,711</b>	<b>544,150</b>
Government Grant -Budget	768,316	684,516	592,128	678,711	544,150

With Government decision<sup>2</sup>, the final budget in relation with the initial budget was decreased for €83,300. This decrease was in wages and salaries €25,000 and capital investments €58,800.

For the project "Equipment of informative technology – Server" in the amount €58,800, funds were reduced by Government after the Central Procurement Agency (CPA) had not managed to complete the procurement procedures, despite that ERO had initiated the requirement on time.

<sup>1</sup> Final budget – the budget approved by the Assembly subsequently adjusted by MoF.

<sup>2</sup> With Government decision no. 01/21 of date 22/12/2017.

ERO has spent 87% of the final budget in 2017 or €592,128. Explanations for the current position are detailed below.

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

Description	Initial Budget	Final Budget	2017 Outturn	2016 Outturn	2015 Outturn
<b>Spending of funds by economic categories</b>	<b>768,316</b>	<b>684,516</b>	<b>592,128</b>	<b>678,711</b>	<b>544,150</b>
Wages and Salaries	476,184	451,184	416,031	442,487	336,277
Goods and Services	199,332	199,332	149,256	176,577	189,001
Utilities	22,000	22,000	18,196	17,119	18,872
Capital Investments	70,800	12,000	8,645	42,528	-

Explanations for changes in budget categories are given below:

- The final budget in the category of Wages and Salaries was spent 92%. The funds of €35,153 had remained unspent by the fact that during the year were not appointed by the Assembly three board members, and one official had resigned;
- The budget for Goods and Services was spent 75%. The low level of expenditures for this category was as a result because some contracts and expenditures were lower than planning's. further on, in this level has impacted that some activities planned expenditures had not occurred as a result of non-completion of the Board; and
- The Capital Investments were spent 72% in relation with the final budget. However, this level a little low is justified by the fact that the project was executed but with lower cost than that what was budget.

From this analysis is noticed that low budget performance was mainly impacted by external partners such as the Assembly and CPA.

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### *1 - Inadequate classification of expenditures*

**Finding** “The project for equipment of informative technology – License” was budgeted and paid in the amount of €8,644 from capital investments. These licenses are not capital expenditures and considering this fact it should have been budgeted and paid from the category of goods and services.

**Risk** Classification and payment of expenditures from the inadequate economic category impacts in overstating and/or understating of respective expenditures categories. As a result of this, their presentation in financial statements is unfair.

**Recommendation 1** The Chairman of the Board should ensure that specific actions are taken in order that expenditures are planned and executed from the adequate economic categories, to enable their fair reporting according to the public sector accounting standard in accordance with the chart of accounts.

## 3.2 Revenues

Revenues generated during 2017 were €1,412,853, which is lower than in the previous year of €1,573,000. These revenues relate to annual licensing fee for heating generation, annual licensing fee for electricity generation, fee on imported energy and fee for reviewing the application for authorization, for construction of generating capacities. The collected revenues by ERO are deposited in the Kosovo Budget.

### **Recommendations**

We have no recommendations in this area.

## 3.3 Wages and Salaries

Wages and Salaries are paid through a centralised payroll system managed by the Ministry of Public Administration (MPA) and MoF. Controls that operate in ERO level relate to the control of payments each month, verification of possible changes, budget review for this category and reconciliations with Treasury.

The final budget for Wages and Salaries was €451,184, while expenditures were €416,032. Those relate to wages of the Governing Board, professional staff and administration.

### **Recommendations**

We have no recommendations in this area.

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### 3.4 Personnel Management

The approved number of employees in ERO was 33, while the current number at the end of the year according to the AFS was 29 employees including the members of the Board. The vacant positions relate to mandate expiration of three members of the Board and one official had resigned.

#### **Recommendations**

We have no findings in the area.

### 3.5 Goods and Services and Utilities

The final budget for Goods and Services and Utilities was €221,232. Out of them €167,451 were spent. Those mainly relate to: rent expenditures, expenditures for official travels, other services and utilities.

#### **Recommendations**

We have no recommendations in this area.

### 3.6 Capital Investments

According to the AFS and account registers the net value of capital assets was €52,457, while the value of non-capital assets was €31,803, and stocks €8,470.

We have reviewed if the recording process and how the evidences are kept are in accordance with the requirement of the financial rule no. 02/2013 on Management of non-Financial Assets in Budget Organizations, inventory process, depreciation and physical existence of assets.

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## 2 – Weaknesses in assets management

### Finding

In the assets management we have identified the following deficiencies:

- The regulation on assets management requires that non-capital assets and stocks are recorded in the “e-Asset” system. ERO still has not in function the e-Asset system, despite that it had made requests to MPA for the functionalizing of this system. In lack of this system, the assets register with value under €1,000 is being kept in Excel;
- According to the regulation on assets management, inventory report should be completed before the preparation of AFSs, in order to be compared the situation from inventory with the situation in assets registers. The Committee had timely completed the inventory, but had not completed the reconciliation of inventoried assets with the non-financial assets registers; and
- Vehicle management is defined with Regulation on use of ERO official vehicles, which determines that for each official travel should be kept evidences of vehicles’ kilometers. We verified that for four vehicles that are in use were not recorded the past kilometers.

### Risk

Shortcomings identified above reflect weaknesses in assets management and exposes assets to risk of loss or mismanagement. Further on, recording of non-capital assets in Excel where there is the possibility of changes at any time without leaving track, increases the risk that produced information for AFS to be incorrect and incomplete.

### Recommendation 2

The Chairman of the Board should ensure active oversight to the personnel dealing with the assets management including ongoing efforts with MPA to put the e-Asset system into function. Further on, it should ensure the keeping of vehicles’ records and reconciliation of assets between registers from inventory with that of assets registers.

## 3.7 Receivables

Accounts receivable mainly relate to debtors liabilities regarding the annual fee for licensing and the fee for the imported energy. At the end of 2017 the accounts receivable were €67,580.

The value of receivables is very high, but the major part of this value of €46,243 belongs to the current year and results by the fact that billings of 2017 are of November-December. The other part of €21,337 consists of carried forward balances from 2010, where the major part of €19,837 belongs to Termokos.

ERO had developed communications with Termokos, where a part of receivables was collected, but it remains challenge the complete collection. It is worth to mention that since 2015, ERO does not bill Termokos, now after the functionalization of the heating with the application of co-generation, this is billed to Kosovo B, for the production of energy.

#### **Recommendations**

We have no recommendations in this area.

### **3.8 Outstanding Liabilities**

The statement of liabilities not paid to suppliers at the end of 2017 was €8,054. These liabilities are carried forward to be paid in 2018, which were mainly end of year liabilities.

#### **Recommendations**

We have no recommendations in this area.

## **4 Progress in implementing recommendations**

Our Audit Report on the 2016 AFS of ERO has resulted with five recommendations. ERO had prepared the Action Plan where it had presented the activities details on how it will implement all given recommendations. From five given recommendations, three were implemented, one is in process and one has not been implemented yet.

While for 2015 the audit report has result with five recommendations, out of them, four were carried forward to be implemented in 2017. From the carried forward recommendations, two have been implemented, one in process and one have not been implemented. The recommendation which has not been implemented relate to assets management, which issue has been handled also in this report to the issue 2.

For a more thorough description of the recommendations and how they are addressed, see Annex II.

#### **Recommendations**

We have no recommendations in this area.

## 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 indicator supporting effective governance is the implementation of audit recommendations as this demonstrates to what extent the Management is taking actions to improve existing processes and controls. The level of compliance with FMC requirements by Budget Organizations is monitored by the completion of the self-assessment checklists completed by all BOs, which are submitted at the end of the year to the MoF.

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

ERO has taken into consideration legal requirements foreseen with MFC regulations and has timely completed the self-assessment. Further on, it has timely prepared the plan for the implementation of recommendations, and has managed to implement a major part of them.

With all the executed progress we appreciate that some aspects of governance within ERO require further improvement such as risks management and monitoring. In April 2018 was prepared the risks register, with functionalizing of the Board. It remains challenge the risks register management and monitoring, in quarterly periods.

#### 5.1 Internal Audit System

Based on A/I no.23/2009 on Establishing and Functioning of the Internal Audit Unit (IAU), ERO does not meet the criteria for the establishment of this unit.

#### Recommendations

We have no recommendations in this area.

## 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.

The internal reporting process in ERO operates according to the accountability chain and according to the law and organizational structure. Management has placed communication lines and is notified through monthly reporting's, for organization's operational and financial activities. Until May 2017 the Board meetings have been followed with minutes, since after this date, after the expiration of the Board Chairman's mandate, it was not functional as there were only two Board members. The Board was not completed until March 2018.

Further on, there are also financial quarterly reporting's, as well as reporting's according to the legal requirements.

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### 3 - Weaknesses in risk management

<b>Finding</b>	ERO for 2017 had not drafted the risks register as required with MFC regulations. With the functionalization of the Board, in April 2018 was drafted the register. It remains challenge the active risks management and monitoring regarding the update and assurance that actions are being taken to prevent and mitigate the risks.
<b>Risk</b>	The lack of effective and comprehensive risk management disables the timely response to risks with which the organization is facing, whether from the internal or external environment. This because that the proactive needed actions to prevent or avoid such risks will not be undertaken in a planned and systematic way.
<b>Recommendation 3</b>	The Chairman of the Board should ensure that the risks register drafted in 2018 to have an effective monitoring and updating on a quarterly basis for the implementation of requirements in this area, with the purpose to prevent and mitigate the risks.

*\* 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.

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*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 1705<sup>19</sup> 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 emphasized 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 emphasized.

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 judgment, 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 recommendations of previous two years

Audit Component	Recommendations carried forward from 2015	Implemented during 2017	Under implementation during 2017	Not implemented
Recommendations of 2015	The Chairman of the Board has to ensure that a revised action plan clearly specifies a timetable and the staff responsible for implementation of recommendations that relate to assets management.	Yes		
Good Governance	The Chairman of the Board has to ensure that is drafted a register of operational and financial risks, as a tool that test effectiveness of the financial management and control as a support to their work objectives.		The risks register was drafted in April 2018, and it remains challenge the management and monitoring of this process.	
Wages and Salaries	The Chairman of the Board has to ensure that all procedures for selection of candidates are developed in accordance with applicable laws and regulations.	Yes		
Capital and non-Capital Assets	The Chairman of the Board has to review existing controls over assets management. Controls in this area should be strengthened in order to keep assets from loss or misuse.			No measures taken.

Audit Component	Recommendations given in 2016	Implemented	In process of implementation	Not implemented
Progress in the Implementation of Prior Year Recommendations	The Chairman of the Board should ensure a revised plan which determines timelines as well as responsible officers for implementation, and implement an effective and formal process for monitoring the implementation of GA recommendations. The progress of the plan should be reviewed in systematic manner and undertake proactive measures towards the obstacles emerging during the implementation.	Yes		
Self-Assessment Checklist	The Chairman of the Board should identify the reasons of delays in risk management process and ensure the identification of responsible staff and relevant documentation until 1st of October 2017. The process of risk management should be reviewed in systematic manner by the senior management		The risks register was drafted in April 2018, and it remains challenge the management and monitoring of this process.	
Recruitment process	The Chairman of the Board should analyze the reasons why recruitment controls have not functioned, and strengthen them to ensure a timely process and in compliance with legal requirements. The recruitment processes should provide a basis for competition and equal treatment to ensure the selection of professional staff.	Yes		
The lack of the plan for contract management	The Chairman of the Board should strengthen public procurement controls and ensure that for each contract a plan on contract management is drafted, in order to	Yes		

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	comply with legal requirements.			
Weaknesses in asset management	The Chairman of the Board should review the existing controls and strengthen them to ensure that identified weaknesses will be eliminated by 1st of October 2017. The general asset register should be updated and the asset-related reports should be drafted fully in compliance with the requirements of the Regulation.			No measures taken.

## Annex III: Letter of confirmation

**Republika e Kosovës**  
**Republika Kosova - Republic of Kosovo**

**ZYRA E RREGULLATORIT PËR ENERGJI**  
**REGULATORNI URED ZA ENERGIJU**  
**ENERGY REGULATORY OFFICE**



05.Qershor 2018, Prishtinë

**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 Raportit/Pasqyrave Financiare të Zyrës së Rregullatorit të Energjisë, 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.

**z. Arsīm Janova,**  
  
**u.d Kryesues i Bordit të ZRRE-së**



