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Zyra Kombëtare e Auditimit
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National Audit Office

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AUDIT REPORT
ON THE ANNUAL FINANCIAL STATEMENTS OF THE
MUNICIPALITY OF SKENDERAJ
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 Municipality of Skenderaj, 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 Ajtene Llapashtica, Team Leader and Ylber Sadiku, Member, under the management of the Head of Audit Department Zuke Zuka.

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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 Municipality of Skenderaj, 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. 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 21/11/2017.

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 Municipality.

The National Audit Office acknowledges the Staff of Municipality for cooperation during the audit process.

Opinion of the Auditor General

Unmodified Opinion with Emphasis of Matter

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

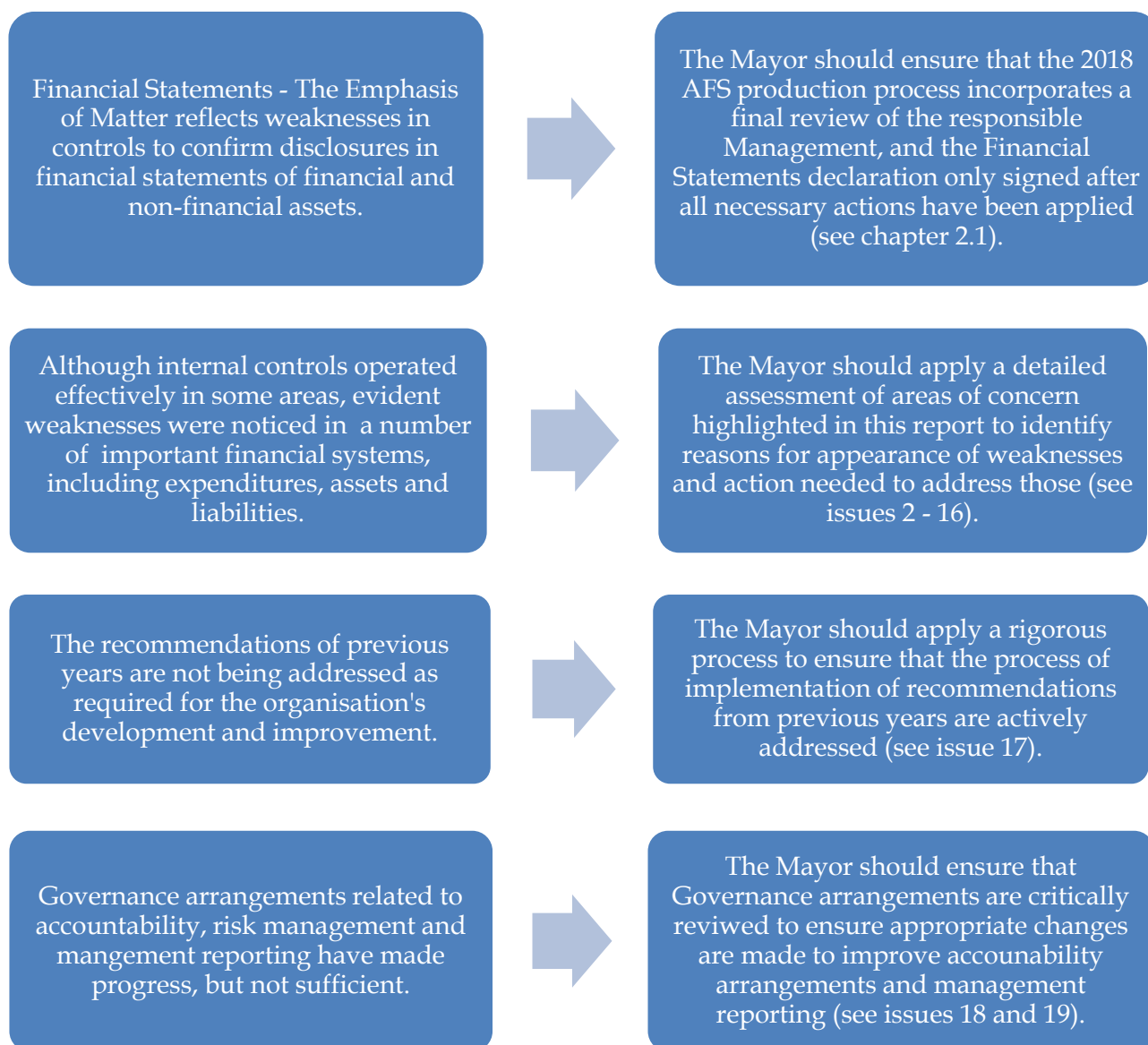
Emphasis of Matter

As Emphasis of Matter, we want to mention the fact that information disclosed in Annual Financial Statements in relation to assets is not correct.

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



Response of the Mayor

The Mayor has taken into account and is reconciled with the detailed audit findings and conclusions, and is committed to address all recommendations given.

1 Audit Scope and Methodology

Introduction

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

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

Audit work undertaken reflected our audit risk assessment for the annual financial statements. We have analysed the Municipality'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.

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 with Emphasis of Matter

We have audited the AFS of the Municipality of Skenderaj for the year ended on 31st of December 2017, which comprise of the Statement of Cash Receipts and Payments, Budget Execution Statement, Disclosures and other accompanying reports.

In our opinion, the Annual Financial Statements for the year ended on 31st of December 2017 present a true and fair view in all material aspects, 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 MoF Regulation no. 01/2017 on Annual Financial Reporting of Budget Organisations.

Basis for the opinion

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 opinion.

Emphasis of Matter

We draw your attention to the fact that:

- Nine payments¹ with amount of €207,625 and two payment in amount of €13,513 have not been presented in the assets register in KFMIS;
- The assets register in KFMIS has been overstated with recorded assets that were poorly planned/budgeted for the amount of €32,495, also even the assets register under €1,000 has been understated for €1,595 for the new purchases of 2017; and
- The assets register has been understated as a result of calculated depreciation (€12,419) for the 11 uncompleted project which were wrongly recorded as assets in use, while were only investments in following.

Responsibility of Management and Persons Charged with Governance for AFS

The Mayor of the Municipality of Skenderaj is responsible for the preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Modified Cash based Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law no. 03/L-048 on Public Finance Management and Accountability (as amended and supplemented).

The Mayor of the Municipality is responsible to ensure the oversight the Municipality'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.

¹ Payments related to: "Projects drafting" and "Demolition of facilities", that should have been recorded and attached to main projects.

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

Municipality 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 addressing of recommendations;
- Requirements of Financial Management and Control procedures; and
- Other requirements for budget reporting, such as: quarterly reports including here even nine-month statements in time, operational reports (of performance).

Given the above, the Declaration made by the Chief Administrative Officer and the Director for Budget and Finance, when the draft AFS are submitted to the Ministry of Finance, can be considered correct in all material aspects.

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

2.3 Recommendations related to Annual Financial Statements

For the above-mentioned issues are given the recommendations:

Recommendation 1 The Mayor should ensure that an analysis is undertaken to determine the causes of the Emphasis of Matter in the Audit Opinion. Specific actions should be taken to address the causes systematically to confirm the management and full recording of assets, including even their fair disclosure in AFS.

Further on, the Mayor should ensure that effective processes are in place to confirm that the 2018 AFS production plan addresses all issues related to compliance. The Declaration made by the Chief Administrative Officer and Chief Financial Officer should not be signed unless all necessary checks have been applied to the draft AFS.

3 Financial Management and Control

Introduction

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

Financial Management and Control Conclusion

The Municipality of Skenderaj had spent 98% of the final budget for 2017, that means a good execution in general level.

In the context of financial systems, controls over revenues are generally appropriate and are being implemented effectively, however, additional mechanisms are needed to respond in their collection and collection of receivables on a greater extent.

Further on, controls over a range of expenditure areas require further enhancement to prevent irregular payment execution, and delays for the completion of projects. Furthermore, the Municipality should take action to improve the assets management and reporting.

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 ²	2017 Outturn	2016 Outturn	2015 Outturn
Sources of Funds	11,932,216	12,285,771	12,065,482	11,640,027	11,235,296
Government Grant -Budget	10,744,341	10,703,964	10,575,442	10,539,790	10,548,574
Carried forward from previous year ³ -	-	184,938	168,199	276,513	250,467
Own Source Revenues ⁴	1,187,875	1,393,441	1,320,642	816,824	419,732
Internal Donations	-	501	-	6,900	8,449
External Donations	-	2,927	1,199	-	8,074

² Final budget – the budget approved by the Assembly subsequently adjusted by the Ministry of Finance.

³ Own Source Revenues of Municipalities unspent in previous year carried forward into the current year.

⁴ Receipts used by the entity for financing its own activities.

The final budget in relation to the initial budget was increased for €353,555. This change is a result of the current year revenues and revenues carried forward from the previous year, from donations and the decrease from the Government grant.

The level of budget execution in the Municipality was in a satisfactory level. The Municipality has spent around 98% of the final budget in 2017, similar to the previous year.

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	11,932,216	12,285,771	12,065,482	11,640,027	11,235,296
Wages and Salaries	7,372,119	7,332,629	7,267,204	7,322,830	7,244,135
Goods and Services	983,432	1,108,422	1,042,725	964,549	870,692
Utilities	200,440	205,496	187,782	233,088	210,757
Subsidies and Transfers	180,642	202,138	197,944	252,965	203,787
Capital Investments	3,195,583	3,437,086	3,369,827	2,866,595	2,705,925

Explanations for changes in budget categories are given below:

- The final budget for Wages and Salaries was increased initially with the own source revenues carried forward in the amount of €887, while after with Government decision had decrease in the amount of €40,377. Such adjustments have impacted to have budget reduction in this category for €39,490;
- The final budget for Goods and Services was increased from the own source revenues for €124,990, while for Utilities €5,056;
- The final budget for Subsidies compared to the initial budget was increased from the own source revenues for €21,496; and
- The budget for Capital Investments was increased from the own source revenues of €241,503.

Based on court decisions from the Treasury have been executed in total 11 payments in the amount of 74,480, and one payment has been executed according to the article 39.2 with the amount of €129,325. Payments were executed in lack of funds and delays in payments by the Municipality.

The budget execution process was at a satisfactory level. Although, only in the first quarter the executed expenditures were 41%, as a cause were executed payments for the delayed/executed projects in the earlier years.

Issue 2 – Misclassification of expenditures

Finding Expenditures for goods and services in the amount of €43,681 for the project – Supplying with containers for garbage were wrongly budgeted and paid from the capital investments category.

Expenditures for subsidies in the amount of €9,950 have been wrongly executed from the capital investments budget, while expenditures made for capital investments in the amount of €13,513 were wrongly executed from goods and services.

Risk Inappropriate planning of allocations of budget funds by needs, has impacted in misclassification of expenditures. Incorrect reporting or classification of data in financial statements leads in misunderstanding of Municipality's financial activities, as well as in non-execution of all capital projects intended for the achievement of the Municipality's objectives.

Recommendation 2 The Mayor should ensure that expenditures are planned in accordance with economic codes allocated for relevant categories depending on benefits.

3.2 Revenues

Revenues generated by the Municipality in 2017 were in the amount of €1,413,200, these revenues the Municipality generates from the property tax, construction permits, administrative fees, revenues from business activities, revenues from rent, etc. Further on, during this period, for the Municipality of Skenderaj the revenues that other institutions collect are: from traffic fines €42,893, and court penalties €17,844.

Table 3. Own Source Revenues (in €)

Description	Initial Budget	Final Budget	2017 Receipts	2016 Receipts	2015 Receipts
Own source revenues	1,187,875	1,187,875	1,413,200	994,851	702,249
Total	1,187,875	1,187,875	1,413,200	994,851	702,249

The Municipality had executed good performance in the generation of revenues, respectively had exceeded the planning's for 18%. The reason of this exceeding relate to the collection of the concession payment in the amount of €624,165.

Issue 3 – Failure to verify the 1/3 of the properties under the Municipality’s management

Finding	According to the Administrative Instruction (AI) no. 03/2011, article 13 – field verification of properties, the Municipal Office for property tax is obliged that each year to do the verification in field of 1/3 of the recorded properties. According to the registers of the Municipal Office for property tax, in total are 10,914 recorded properties in the Municipality of Skenderaj, out of them for 2017 have been verified only 1,396 properties, or 13%.
Risk	Failure to verify the 1/3 of the properties can result with incomplete information of the current taxable property, as changes in property are not included and can have potential financial losses from the lower collection.
Recommendation 3	The Mayor should analyse barriers in implementation of this requirement and identify ways for addressing of the recommendation in this area. The Mayor should ensure effective mechanisms to verify the quota determined of 1/3 of properties, for property tax as required by administrative instruction.

3.3 Wages and Salaries

Wages and Salaries are paid through a centralized payments system managed by the Ministry of Public Administration (MPA) and MoF. For 2017, the Municipality of Skenderaj for Wages and Salaries had budget in the amount of €7,332,629, while it has spent €7,267,204 or 99% of the final budget.

Recommendations

We have no recommendations in this area.

3.4 Personnel Management

The management of human resources has for aim the coordination of organization’s activities to ensure the functioning of the system in accordance with policies of the Municipal Administrate and the Municipal Assembly, which are applied in the entire organization. The management of HR includes: Drafting and reviewing of organizational structure, categorization and description of the work places, controlling personnel budget costs, and controlling the recruitment, training and personnel development process, including measuring personnel effectiveness through evaluation performance of duties accomplishment.

Issue 4 – Weaknesses in management of recruitment procedures

Finding	The Municipality of Skenderaj has not managed to provide proper controls in the management of recruitment procedures. We have identified deficiencies as in following: • In the competition “Teacher for class teaching/replacement” we notices that it was not followed the procedures of keeping the written test. The selection of candidates was only done on interview’s basis; • For the competition “Teacher for the subject of physical education” was organized only the written test and not even the interview, furthermore was not selected the candidate with the highest evaluation; and • For the position “Teacher of English language in Krasaliq school”, it results that there was not competition for that position. The candidate⁵ was selected from the competition held for the same position in the Polac school.
Risk	Avoidance from the recruitment procedures has for risk the fair and merit selection of the employees based on proper competition.
Recommendation 4	The Mayor should ensure transparent and competitive process for all applicants by following the procedures of holding a written test and interview according to the AI on Regulating of Competition Procedures in the Public Sector, with the purpose of adequate selection of the staff.

3.5 Goods and Services and Utilities

The final budget for Goods and Services in 2017 was €1,313,918. Out of them €1,230,507 around 94% were spent. These mainly include utilities, expenditures of fuels and other heating materials, maintenance of facilities, other contractual expenditures, etc.

⁵ The candidate listed the second in the list has been selected for the position in the Krasaliq school.

Issue 5 – Contracts with special services agreements

- Finding** The Municipality during 2017 has engaged eight employees/staff with special services agreement (SSA). The engagement of three of them was done without applying procedures of the public competitions but only with the request of respective Municipal Directorates. In two cases their engagement was for eight months, by exceeding the determined legal deadlines of six months. Furthermore, the most of the employed in this form have been places in positions where it should be employees with regular work positions.
- Risk** Engagement of staff with SSA for regular work positions can result in operational inefficiency/ineffectiveness in the achievement of the Municipality's objectives.
- Recommendation 5** The Mayor should ensure that employees with SSA are engaged only in cases when there are specific demands and engagements for these services which should not last more than six months. For all the regular job positions ensure they are considered during budget planning, are handled as required and discussed with the MoF.

Issue 6 – Weaknesses in procurement procedures

- Finding** To the contracts⁶ "Supply with electric material and work tools for schools and the Municipality" as well as to the "Technical maintenance services of the municipal and education institutions", we have identifies that in the tender dossiers were not determined the indicative quantities regarding with supplies/services that would be executed. Further on, it was not done the determination of prices according to the importance of products-services to ensure that it was selected the Economic Operator (EO) with the cheapest price⁷.
- Risk** Avoiding or neglecting procurement procedures during the selection of bids, risks to select the best offer for the Municipality, at the same time problems may appear in the execution of contract/payments executions.

⁶ The first supplies contract had not foreseen the installation, functionalization of supplied equipment's, therefore has been executed also the second contract for this purpose.

⁷ Request of the Operational Guideline of the Public Procurement (article 28.12; article 56.10 and 56.11).

Recommendation 6 The Mayor should ensure additional controls during the procurement procedures securing that those are developed in accordance with legal requirements and provide added value for the money spent. Furthermore, as in the mentioned case, criteria over the determination of prices by the importance of products should in place, in order to have determining base for the selection of EO.

Issue 7 – Deficiencies in payments management and execution

Finding To the contract “Physical security of the municipal facilities” we have identified that the payment of €6,133 for the executed services for November, were executed after the expiration of the contract. The expiration date of the contract was 05.11.2017 but because of delays in the conclusion of the new contract, the Municipality had continued to receive services until 27.02.2018. Delays from the requesting units and complaints in the procurement procedures were the reasons for the non-conclusion of the new contract in time.

Furthermore, the payments were executed in two companies, one as a Society with limited responsibilities (with which was concluded the contract), while the other as individual business. Half of the payments⁸ executed along the contract execution were done in the bank code and account of the operator recorded as individual business⁹. Purchase-orders were issued in the old code of the operator although the operator has done the billing according the contractual terms.

To the payments in the amount of €4,388 for the contract “Supply with wood for heating” we have identified that the receipt of goods was done only by one person (evidence the delivery-sheet). The receiving committee in the end had drafted a report base on the individual delivery sheets.

Risk Failure to respect the legal procedures/requirements can result with irregular payments and can result with lack of the budget for the execution of foreseen projects. The payments executed in other bank accounts except those contracted, indicate weaknesses of internal controls in the Municipality and can result in avoidance of tax obligations by the economic operator. The receipt of goods by one person is not in accordance with the legal requirements and risks that goods to not be received in the contracted quantity and quality.

⁸ Payments €83,454 out of €169,318 that were executed in total.

⁹ In 2009, the Municipality had a contract with the individual business of the same owner.

Recommendation 7 The Mayor should ensure that causes of the identified cases have been analysed and ensure that requesting units submits the request for the type and need of services in time, as well as to increase controls during the execution of payments, in order that payments are executed according to the determined terms. All goods and services should be received according to the contractual terms and by respective committees.

3.6 Subsidies and Transfers

The final budget for Subsidies and Transfers was €202,138. Out of them €197,944 or around 98% were spent in 2017. Subsidies are awarded for public and non-public entities.

Issue 8 – Challenges in subsidies management

Finding	Weaknesses that have been identified to the award of subsidies are: • In the evaluation process of the applications for the benefit of subsidies, in one case we have notices that the beneficiary had not fulfilled the criterion “not less than one hectare”, as it had provided 0.8 hectare land. For the awarded subsidizing there is not report or monitoring plan. According to the documentation, the entire process has finished with the purchase and distribution of seedlings; and • To the subsidizing for sports clubs, in two cases we have notices that from clubs was not filed a request for subsidizing, as required with the Municipality’s regulation for the award of subsidies¹⁰. The request for the take of the decision for subsidizing was filed by the Director of the Culture Directorate to the Mayor of the Municipality.
Risk	Unfair evaluation by the Evaluation Committee, reduces the objectivity and transparency during the award of subsidies, while the lack of a full and evidenced monitoring increases the risk for non-achievement of the determined objectives of the awarded subsidy.
Recommendation 8	The Mayor should ensure that controls in process of awarding with subsidies are in place, and that the beneficiaries meet the criteria based on which the subsidy has been allowed, based on regulation. Further on, it should be ensured the monitoring of the subsidies process, until an assurance is obtained that the given support has achieved the subsidies’ intended purpose.

¹⁰ Article 4 of the subsidies regulation according to which the non-profit organizations should submit the completed request with the supportive documentation for subsidizing.

3.7 Capital Investments

The final budget for Capital Investments was €3,437,086. Out of them €3,369,827 or 98% were spent in 2017. Investments mainly relate to adjustment of the infrastructure, construction of schools, expropriations, equipment and different improvements of the capital.

Issue 9 – Weaknesses in planning and conclusion of contracts

Finding According to the agreement for co-financing of the project “Adjustment of the faecal sewage in Skenderaj” MESP would finance the project with €10,000 while the other part would be financed by the Municipality. But, the Municipality had concluded a contract with economic operator (€74,130) where it was determined that the Municipality obligation is €10,000 while the other part belongs to the MESP. The contract was concluded in lack of the commitment of budget funds as for this project in PIP for 2017 was not allocated the budget funds.

Further on, in three tested projects¹¹, we have notices that the foreseen funds in PIP were €397,000, while the amount of signed contract for these projects was €1,573,236.

Risk The concluded contracts not in accordance with the agreements, beyond the budget planning's and in lack of funds, are followed with budget implications for the Municipality which is challenged with multiple obligations without financial support with impact in delays in the execution of the projects.

Recommendation 9 The Mayor should ensure that contracts are compiled fully in accordance with the agreements entered into with the related parties in order to avoid the financial implications which are further caused during their execution. The Mayor also should ensure the commitment of funds for the projects before the conclusion of the contracts.

¹¹ Projects: “Construction of fecal sewage in villages Qirez-Prelloc-Baks-Krasaliq-Kozhica-Krasmirofc, the forecast in PIP €220,000”, the contract with amount €1,085,000; “Construction of the school Makermal”, forecast in PIP €142,000, the contract with amount €418,736; and “Placement of two elevators in the MFMC facility” the forecast in PIP €35,000, the contract with amount €69,500.

Issue 10 – Delays in execution of the projects

Finding In seven tested payment with total amount €206,516 related to four projects, had significant delays in their execution. The projects should have been completed mainly in 2015. The reasons of delays were the poor planning of works, the lack of budget and difficulties encountered during the carry out of works in field.

Risk Delays in completing the projects damages the quality of works, impact in non-achievement of objectives, as well as budget cuts will appear for the year projects, because of charges to pay the previous liabilities.

Recommendation 10 The Mayor should ensure a detailed review of reasons that have caused delays in the execution of these projects and take the necessary measures in order that those are completed within a reasonable timeframes by avoiding their transfer in the next periods.

3.8 Common Issues on Goods and Services and Capital Investments

In the following are common issues relate to Goods and Services and Capital Investments:

Issue 11 – Conclusion of contracts with insufficient commitments

Finding In seven cases, we have identified that the values of commitments were less than the contracts:

- “Supply with electric material and work tools for schools and the Municipality” the contract value €110,000, commitments of funds €1,148;
- “Services of technical maintenance of the municipal and educational institutions” the contract value €120,000, commitments of funds €1,141;
- “Supply with fuel” the contract value €130,000, commitments of funds €2,010;
- “Supply with carpet, curtains and other goods for the Municipality” the contract value €58,725, commitment of funds €926;
- “Supply with apple and plum seedlings for farmers in the Municipality of Skenderaj” the contract value €58,085, commitment of funds €5,000; and

- “Adjustment of the faecal sewage in city” the contract value €74,130, was concluded in lack of the commitment of budget funds¹²; and
- “Construction of School in Makermal” the contract value €418,736, commitments of funds €22,000.

Risk Signing of contract in lack of commitment of funds, risks the contract non-fulfilment or its late execution and in this way the non-achievement of the Municipality’s objectives.

Recommendation 11 The Mayor should ensure additional controls in order that contracts are signed only then when funds exist, securing their execution.

Issue 12 – Exceeding of payments to the framework contracts

Finding According to the Administrative Instruction no. 2/2015 (PPRC) for public framework contract, article 5.1 determines the percentage of non-compliance allowed by the contract which cannot be higher or lower than 30%. In two contracts we identified that had exceeding’s over the rate 30% of the allowed value:

- For the public framework contract “Road maintenance and repair”, the exceeding over the allowed value was of €39,982 or 21%; and
- For the public framework contract “Supply with medical material and medications”, the exceeding over the allowed value was of €29,366 or 50%.

Exceeding of payments was as a result of the lack of adequate controls in respective positions of the reviewing processes.

Risk Exceeding beyond the allowed value from the framework contract, results with irregular payments and lack of the budget for the execution of foreseen projects from these funds.

Recommendation 12 The Mayor should strengthen controls to ensure that before the projects are prepared, sufficient analysis are made regarding the needs for contracted supplies/works. In this way the management of contracts will be improved and cases of exceeding over the allowed rate +/- 30% will be avoided.

¹² For this project (44809) in PIP for 2017 were not allocated budget funds, evaluations were done for 2018 (€60,000) and for 2019 (€100,620).

Issue 13 – Deficiencies in the execution of payments and management of contracts

Finding The Municipality had not managed to place proper controls along the payment execution process, according to the FMC rules:

- None of the received/paid invoices has not been protocolled, as the Municipality does not have a protocol book for recording of received invoices;
- For all the tested payments, which have been executed through the purchases module, the purchase-orders have been made after the receipt of the invoice; and
- To the all tested payments, plans for the management of the contracts were regularly drafted, but it was missing their regular monitoring and supplementation with information in accordance the performance of the execution of contracts. In three¹³ cases, the directors of directorates were appointed manager of contracts, while they were also payments authorizations, this phenomenon no in accordance with the legal requirements for the allocation of duties.

Risk The lack of invoices protocoling increases the risk of loss and non-recording as liabilities. Failure to update the plan for management of contracts does not allow the presentation of real situation of the contract execution, while the authorization of payments by the contracts managers present conflict in the allocation of duties.

Recommendation 13 The Mayor should ensure the functioning of control mechanisms where all invoices are recorded, protocolled, and paid within determined legal timeframes. Further on, the proceeding of payment should be done fully in compliance with the determined steps under LPFMA, and with financial rules.

3.9 Capital and Non-Capital Assets

The value of capital assets presented in 2017 AFS was €153,897,584, while the value of non-capital assets was €762,206. Stocks at the end of the year were €15,882. We have reviewed if the process of keeping the registers in in compliance with the requirements of MoF regulation – no. 02/2013 on Management of non-Financial Assets in Budget Organizations, the inventory process and the physical existence of the assets, and we have identified the issues as in follow.

¹³ “Supply with electric material and work tools for schools and the Municipality” contract manager the Director of Education; “Technical maintenance services of the municipal and educational institutions” contract manager was the Director of Health; and “Construction of sewage in villages Klina – Kuqica” contract manager the Director of Urbanism

Issue 14 – Weakness in assets management, recording and reporting

Finding The Municipality of Skenderaj has not managed to provide proper controls in assets management and reporting. We have identified the deficiencies as in following:

- For the recording and reporting of non-capital assets (under €1,000) and stocks the Municipality does not use the e-Asset system. For their reporting in AFS have been used date that are managed in Excel registers, and as such does not provide assurance regarding their completeness and accuracy (data can be changed and to not leave track). In general, these registers are deficient and does not provide detailed information over assets such as: barcode, receiving date etc.;
- In six tested cases, we have identified that in the program with which the non-capital assets are managed (purchase of 2016 and 2017) the depreciation was not calculated; and
- The inventory committee had drafted individual reports regarding the inventory of the Municipality's assets, but had not drafted a summary report for assets, including the physical situation of non-financial assets, the conditions of their preservation and remarks over the character of differences and confirmed damages, while the evaluation committee had not drafted any report.

Risk The lack of accurate and full registers causes lack of information for the Management regarding the assets it owns, as well as it results in unfair presentation in the financial statements. Incomplete assets inventory, causes deficiency and incorrect asset management and reporting, b the same time risking misuse or loss of assets.

Recommendation 14 The Mayor should ensure that the non-financial assets are managed fully in compliance with the Regulation 02/2013 on Management of Assets. In this aspect it should ensure the recording of non-capital assets as well secure that the e-Asset system for the recording of assets under €1,000 and stocks is fully in operational. Furthermore, to ensure that after the inventory process, the inventoried situation is compared with the general register of assets, in order that possible differences are identified and after reflected in the assets registers.

3.10 Receivables

Accounts receivable in AFS at the end of the year were €1,151,000. The structure of receivables consists of: property tax, business fee, rents and construction permits. Receivables from property tax in the amount of €736,000 and receivables from business fee €240,000 have the biggest participation in this structure.

Issue 15 – Non-actions for the collection of receivables

Finding

The Municipality did not have effective management in the collection of its receivables, including receivables from property tax, business fees as well as revenues from rent, such as:

- Significant delays in collection of receivables from property tax, mainly from 2003. Out of them, one case related to receivables of PAK in the amount of €6,870 for the social organizations included in the privatization process, as well as in 25 other cases had delays in payments from citizens and businesses in the amount of €59,111 (receivables that were figuring from 2003-2016);
- To the business fees, although the Municipality in 2017 had taken a decision to settle receivables until in 2008 (with a condition the full payment of liabilities until in 2014), this action has not encouraged the businesses to pay their liabilities to the Municipality. From the testing of samples has been notices that receivables were since 2003; and
- To the use of public property/land, in three tested samples (€11,763), the receivables were figuring since 2009. Furthermore, one of them was illegal user of the public property¹⁴. Further on, in another case, the user of the public space/ business premise had never paid the monthly rent since 2015, which until the end of 2017 had the accumulated debt to the Municipality in the amount of €4,785.

Risk

The lack of specific actions for the collection of receivables result with increase of these accounts, and this can impact that the Municipality to have financial losses as well as it risks the non-execution of the Municipality's projects. The lack of functional software's, risks the accuracy and completeness of information for the receivables and their disclosure in AFS.

Recommendation 15

The Mayor should ensure higher efficiency in collection of receivables, it should ensure clear procedures for the way they are managed and collected. Having effective program would facilitate the work and maintenance of these accounts.

¹⁴ With the regulation on taxes, fees, charges and fines, among others is foreseen "To be charged with payment also the current illegal, depending by the criteria (prices) determined for the use of properties".

3.11 Outstanding Liabilities

The statement of liabilities not paid to suppliers in financial statements were €1,174,280, that compared to 2016 were higher for 189% more than the 2016 liabilities (€405,200). The Municipality, reasons this as a result of the lack of budget, exceeding's of framework contracts and late achievement of invoices by the EO. These liabilities are carried forward to be paid in 2018. Further on, the Municipality had even contingent liabilities in the amount of (€602,000).

Issue 16 – Delays in payments and weaknesses in reporting of liabilities

Finding According to the Financial Rule no. 02/2013/MoF on Reporting of Outstanding Liabilities of Budget Organizations, article 5, point 3 “Monthly report of outstanding liabilities”, should include the situation of liabilities of the reporting period, including here all liabilities, without taking into consideration in which period has occurred”. Further on, the Budget Organization should pay each valid invoice for payment within 30 calendar days from the date of receiving the invoice.

However, it has been noticed that:

- The value of the reported liabilities for December to MoF was €16,393¹⁵, that shows that monthly reports to Treasury are presented only as liabilities of respective month by not including the total of outstanding liabilities without taking into account that in which period have occurred; and
- In six tested samples we have identified delays in payments by the Municipality from 10 up to 94 days over the determined timeframe for payment.

Risk Poor controls in the management and reporting of monthly liabilities, presents unfair presentation of liabilities, while the delays in payments created budget implications for the next fiscal year.

Recommendation 16 The Mayor should ensure controls in the execution of payments, an in case of presence of Municipality's liabilities, those should be fully reported, including all liabilities regardless of the period in which they occurred.

¹⁵ Liabilities in AFS were presented in the amount €1,174,280, while in the liabilities report only €16,393, with difference €1,157,887€.

4 Progress in implementing recommendations

Our Audit Report on the 2016 AFS has resulted with 20 recommendations. The Municipality had prepared an Action Plan stating how all given recommendations will be implemented, but the NAO report as well as the progress regarding the implementation of the action plan of the audit recommendations was not discussed in the Municipal Assembly.

Until the end of our audit, out of 20 recommendations given in the 2016 audit report, seven recommendations have been implemented; seven are partially implemented and six have not been implemented. While, four recommendations of 2015 even further remain unimplemented (ref. Annex II: Progress in implementing recommendations of previous and earlier years).

Issue 17 – Low level of implementing of recommendations from previous and earlier year

Finding Although the requirements to draft an action plan within 30 days after the receiving of the 2016 audit report have been implemented, the audit report and the progress regarding the implementation of the action plan were not discussed in the Municipal Assembly. As a result of ineffective management of the process and the lack of a formal monitoring of how the recommendations are implemented, only a small part of previous year's recommendations and those carried forward earlier have been implemented.

The Municipality's Management does not apply responsibility measures for the non-implementation of the recommendations.

Risk The required improvements of operational and other processes can be not implemented by resulting in continuous inefficiency while the given recommendations are not being addressed.

Recommendation 17 The Mayor should ensure that a strengthened process of accountability of the responsible staff for the implementation of recommendations is in place, according to the timeframes and priorities determined by the action plan. Monitoring the process of the recommendations should be done systematically, and there where has setbacks, adequate measures to be proposed.

5 Good Governance

Introduction

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

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

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

Overall Governance Conclusion

There is a number of governance weaknesses within X particularly related to accountability, risk management and the quality of management reporting. The poor process of implementation of previous year's audit recommendations, the lack of monitoring processes for the risk management and poor controls over expenditures and revenues are some from the identified weaknesses in governance.

The Municipality with time had fulfilled the request for the submission of the self-assessment questionnaire to MoF. One of the questionnaire issues related to effective monitoring processes regarding the progress of objectives, is considered as placed by the Municipality, but have not been offered evidences in support of these conclusions.

Further on, for 2017 the risks management systems were placed but were not foreseen the monitoring actions for the oversight of activities for the risks management.

5.1 Internal Audit System

The Internal Audit Unit (IAU) in the Municipality operates with only one member which at the same time is the Director of IAU. Despite the strategic plan, IAU had drafted even the annual work plan where were included some audits for 2017. IUA has planned in total five audits, which were completely executed.

The Audit Committee was functional and had held three regular meetings where have been considered the internal audit reports by giving support the IAU with the implementation of recommendations given by the Management.

Issue 18 – Failure to complete the IAU

Finding Budget Organizations¹⁶ with a budget of more than five million euro should engage at least three auditors in the IAU. For 2018 a budget request was made for supporting staff.

Risk Engagement of only one auditor in the Municipality can impact that the internal audit to not cover all areas with risk, and to disable the Management in taking actions in time for the prevention of possible errors.

Recommendation 18 The Mayor should review the situation if the IAU has sufficient human resources to successfully fulfil its duties, as well as to ensure that the next IAU activity to include more audits which cover all important area for the Municipality.

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

¹⁶ According the administrative instruction 23/2009

5.2 Management Reporting, Accountability and Risk Management

Management has applied a range of internal controls to ensure that financial systems operate as intended, it is important that those include the proper reporting to Management to enable an effective and timely response to the identified operational problems.

Issue 19 – Weaknesses in management controls and risk management

Finding Our review of implemented management controls in the main financial system of the Municipality has highlighted a poor financial reporting over expenditures and revenues to the Senior Management, as well as incomplete analysis of providing services. Consequently, the annual financial statements have resulted with inaccuracies and errors. Handling of some items was not adequate, as incomplete assets registers, as well as classification of expenditures in AFS.

According to the Financial Management and Control regulations, the Municipality should have a system for the risks management. For 2017 this system was placed but was not foreseen monitoring actions for the supervision of activities for the risks management.

Risk The accountability requirements and financial reporting should be strengthened to support the effectiveness of financial management within the Municipality, initial balances should be reviewed and verified in order that the financial information to be comparable and full in function of consistency and over all to support the decision-making.

Recommendation 19 The Mayor should ensure that effective process of the risks management is in place through respective organization's sectors, to ensure that a review has been carried through to determine the form of financial and operational reporting to senior management, by which is required to support the effective management of the activity and ensure that a suitable solution is in place within a reasonable time period.

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 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
2.3 Prior Year Recommendations	The Mayor should revise the Action Plan to address the recommendations of 2014. This plan should specify a reasonable time frame of implementation, responsible staff and mode of application, being initially focused on areas of high importance i.e. where material weaknesses were identified. Progress against the plan should be monitored directly by the Mayor.		Although the Municipality has implemented some of recommendations, still has not managed to completely implement the recommendation for the recording of assets and debt management.	
2.5.1 Accountability arrangements	The Mayor should ensure that a review of the existing requirements of accountability and reporting of municipal departments and ensure improved arrangements to achieve specific targets within a year.		The Municipality has regular reporting's, but still has not managed to have a formal adequate reporting, as it does not have written minutes of reporting's to the asset area and in some other areas.	
2.5.3 Management Reporting	The Mayor should review existing measures of general governance and the quality of internal reporting of the Municipality. Unimplemented requirements need to be addressed by the end of 2016. The quality of the reporting and budgetary surveillance must be reviewed critically and systematically to ensure the achievement of the Municipality's objectives.		The quality of reporting in the Municipality was improved significantly, but the budget supervision in some cases was poor – assets area.	

2.6 The Internal Audit System	The Mayor should ensure that Internal Audit Department has appropriate and sufficient human resources. Furthermore the Mayor must ensure that future activity of IA should be directed towards the development and implementation of audit strategy based on risk. Furthermore, in order the benefits to be visible, the Mayor should take measures to implement the IA finding within the Municipality.			No measures taken.
3.4 Procurement	The Mayor has to identify the root causes of the deficiencies and take appropriate action to ensure procurement requirements are fully implemented.		Measures have been taken for improvement, but still has cases where was missing the commitment of funds before the conclusion of contracts, management of contract in procurement has still place for improvement.	
3.5.2 Remunerations (Wages and Salaries)	The Mayor should ensure that the Municipality takes further steps to improve controls over personnel files and hiring process in order that files are properly organized and completed and hiring process is done in accordance with relevant regulation and take measure regarding the signing of payroll lists		Improvements have been done in completion of files, but still all payroll lists (certain directorates) are not signed.	
3.6 Revenues (including own source revenues)	To improve the billing and accounting systems in order to ensure safe, efficient and effective controls on the billing and the revenue. Improvement of the procedures related to such systems would enable the management to monitor and manage significant risks, and to ensure that decisions related to budgeting, planning and collection of revenues are properly carried out. To ensure that surveys and verifications are comprehensive and well documented.		The Municipality has improved some stages of billing, has applied some controls but still the management of revenues is done in the Excel program, for all the revenues except the Protax program with which are managed the revenues from property tax.	

3.7 Assets and Liabilities	The Mayor of the Municipality must ensure that the stocktaking of nonfinancial capital assets is conducted in accordance with the Regulation in force for non-financial assets of Budget Organizations and ensure that stocktaking is conducted on an annual basis.	Yes.		
3.7 Assets and Liabilities	The Mayor of the Municipality must ensure that the Municipality maintains accurate and complete information in relation to non-capital assets and ensure that they are depreciated according to the regulation in force.			No measures taken.
3.7.2 Cash and cash equivalents	We recommend the Mayor ensure that daily cash deposits and controls are performed as required by the legislation in force.		The Municipality has made progress in this area, but still has not been implemented this recommendation.	
3.7.3 Handling of Receivables	The Mayor of the Municipality must ensure that the Municipality takes further actions and make a detailed plan to collect old debts.			No measures taken.
3.7.4 Handling of Debts	The Mayor should ensure that the Municipality will take further steps and develop action plans to execute the payments within the required period.			No measures taken.

Audit Component	Recommendations given in 2016	Implemented	In process of implementation	Not implemented
1. Annual Financial Statements	The Mayor should ensure that an analysis is undertaken to determine the causes of the emphasis of matter. Actions should be taken to address the underlying causes in a systematic and pragmatic manner , to correct errors in accounting and in order to ensure an accurate registration of assets and full disclosure of receivable accounts. The declaration given by Chief Administrative and Financial Officer should not be submitted unless all necessary controls have been applied to AFS draft.		With all the efforts, the Municipality has not managed to have full and correct assets registers, for these issues also the audit opinion has been emphasized.	
2.1 Progress in Implementing Prior Year Recommendations	The Mayor should ensure the implementation of a consolidated accountability process of the responsible staff for the implementation of the recommendations, according to the timeframes and priorities set out in the action plan. The monitoring of the progress of the recommendations should be done in systematic manner, and whenever there are stagnations, adequate measures should be proposed.		The Municipality has not managed to implement the most of previous year's recommendations, in lack of monitoring the progress of recommendations still a part of them remains unimplemented.	
2.3.1 Setting of Strategic Objectives	The Mayor should draft operational plans for the implementation of municipal strategies, and in adequate periods conduct the review on the dynamics and adopt the changes according to current circumstances.			No measures taken.

2.3.2 Management Reporting and Accountability	The Mayor should ensure the revision and verification of the mentioned management segments, so that financial information is comparable and comprehensive in function of consistency, and above all to support decisionmaking for improving performance towards delivering better services to citizens.		With all the efforts for the improvement of reporting's, the annual financial statements have resulted with inaccuracies regarding the issues of assets disclosures.	
2.4 Internal Audit System	The Mayor should review the situation if the IAU has sufficient human resources to successfully fulfil its duties and ensure that the IA future activity includes more audits covering all relevant areas for the municipality			No measures taken.
3.1.1 Revenues	In order to avoid the abovementioned impacts, the Mayor should improve the annual verification process of properties and ensure that verification of properties are conducted on annual basis, and according to criteria determined by Administrative Instruction.			No measures taken.
3.1.1 Revenues	The Mayor should ensure that the application of increasing density tax is done in full compliance with Annex 2 of AI 22/2012 , of MESP.	Yes.		
3.1.1 Revenues	The Mayor should analyse the above mentioned cases and ensure that granting the usage for these properties is done in full compliance with legal requirements. In addition, public auction should be applied for such cases in the future as well as the application of the mechanism for equal treatment of all interested parties.	Yes.		
3.1.2 Wages and Salaries	The Mayor should ensure signing of payroll lists by all municipal employees.		In implementation, only some of directorates have not implemented this recommendation.	

3.1.3 Goods and Services and Utilities	The Mayor should ensure the application of all procurement regulation requirements by the procurement officers, while the payment certifier to ensure that no payment is executed before all legal requirements have been met.		Some procurement processes have been improved during 2017, but we have identified irregularities even in this report.	
3.1.3 Goods and Services and Utilities	The Mayor should ensure that withholding taxes at source for persons engaged in contracts for special services is done in accordance with the applicable legislation in force.	Yes.		
3.1.4 Subsidies and Transfers	The Mayor should ensure that the expenditure officer makes the appropriate expenditure classification according to the accounting plan, and ensure that expenditures are registered in respective codes.	Yes.		
3.1.4 Subsidies and Transfers	The Mayor should ensure the establishment of all appropriate controls in the process of subsidy allocation, and that reports during the assessment of applicants on the ground prove that the beneficiaries have met all the criteria for which the subsidy was granted.			No measures taken.
3.1.5 Capital Investments	The Mayor should ensure that executive projects are drafted according to AI of PPRC No. 1/2014 for the preparation of technical specifications for employment contract. Since the municipality has already contracted this service, to initiate in timely manner drafting of projects and apply a more economical concept of overall administration of projects.	Yes.		

3.1.5 Capital Investments	The Mayor should ensure that controls are strengthened in all processes where failures have been identified, and in particular, payment certification should not be made for any payment before it is assured that all legal conditions for payment are processed.	Yes.		
3.1.6 Common issues for goods and services and capital investments	The Mayor should ensure that all payments are made according to the initial appropriations of the budget and economic categories , as determined by Treasury regulations.		Has progress in relation to the previous year, but even in 2017 we have identified some cases where have been performed payments from inadequate economic categories.	
3.1.6 Common issues for goods and services and capital investments	The Mayor should ensure that the payment process is done in full compliance with the steps set out in the LPFMA, and with Treasury regulations.			No measures taken.
3.2.2 Receivables	The Mayor should consider why the debt forgiveness was done also for debt categories that are not foreseen by law and ensure adequate processes for debt relief. One form of forgiving this kind of debt is through the Municipal Assembly. It should also ensure the establishment of effective debt collection mechanisms.		Despite improvements in management and reporting of receivables, still their value is high.	
3.2.2 Receivables	The Mayor should ensure the establishment of more effective controls, , in order to ensure recording and presentation of the receivable balance in accurate manner.	Yes.		
3.3 Outstanding Liabilities	The Mayor should increase the controls and ensure that all received invoices are registered, checked, protocolled and paid within legal deadlines.			No measures taken.

Annex III: Letter of confirmation

LETTER OF CONFIRMATION

To: National Audit Office

Venue and date: 11.06.2018

Honoured,

We hereby confirm that:

- We have received the draft audit report of the National Audit Office on the 2017 Annual Financial Statements of the Municipality of Skenderaj, hereinafter referred to as the Report;
- Agree on the findings and recommendations and I have no comment on the content of the Report; and
- Within 30 days from receiving the final report, I will submit the action plan on implementation of recommendations including the deadlines and responsible staff for their implementation.

Mayor:

Bekim Jashari



Republika e Kosovës
Republika Kosova
Republic of Kosovo



Komuna Skenderaj
Opština Skenderaj
Municipality of Skenderaj

Zyra e Kryetarit /Kabinet Gradonacelnika / Office of the Mayor

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 Komunës së Skenderaj, për vitin e përfunduar më 31 dhjetor 2017 (në tekstin e mëtejme "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. Bekim Jashari

Kryetar i Komunës së Skenderaj,

Data: 11.qershor.2018, Skenderaj,