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Zyra Kombëtare e Auditimit
Nacionalna Kancelarija Revizije
National Audit Office

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AUDIT REPORT
ON THE ANNUAL FINANCIAL STATEMENTS OF
MUNICIPALITY OF GJAKOVA FOR
THE YEAR ENDED 31 DECEMBER 2017

Prishtina, May, 2018

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

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

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

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

The Auditor General has decided on the audit opinion on the Annual Financial Statements of the Municipality of Gjakova, 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 Ilir Abazi, team leader and Arben Hundozi, team members under the management of the head of audit department Mujë Gashi.

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Executive Summary

Introduction

This report summarises the key issues arising from our audit of the 2017 Annual Financial Statements of Municipality of Gjakova, 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 09/10/2017.

Our audit focus has been on:



The level of work undertaken by the National Audit Office to complete the 2017 audit is determined depending on the quality of internal controls implemented by the Management of the Municipality of Gjakova.

The National Audit Office acknowledges Municipality's Senior Management and Staff 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.

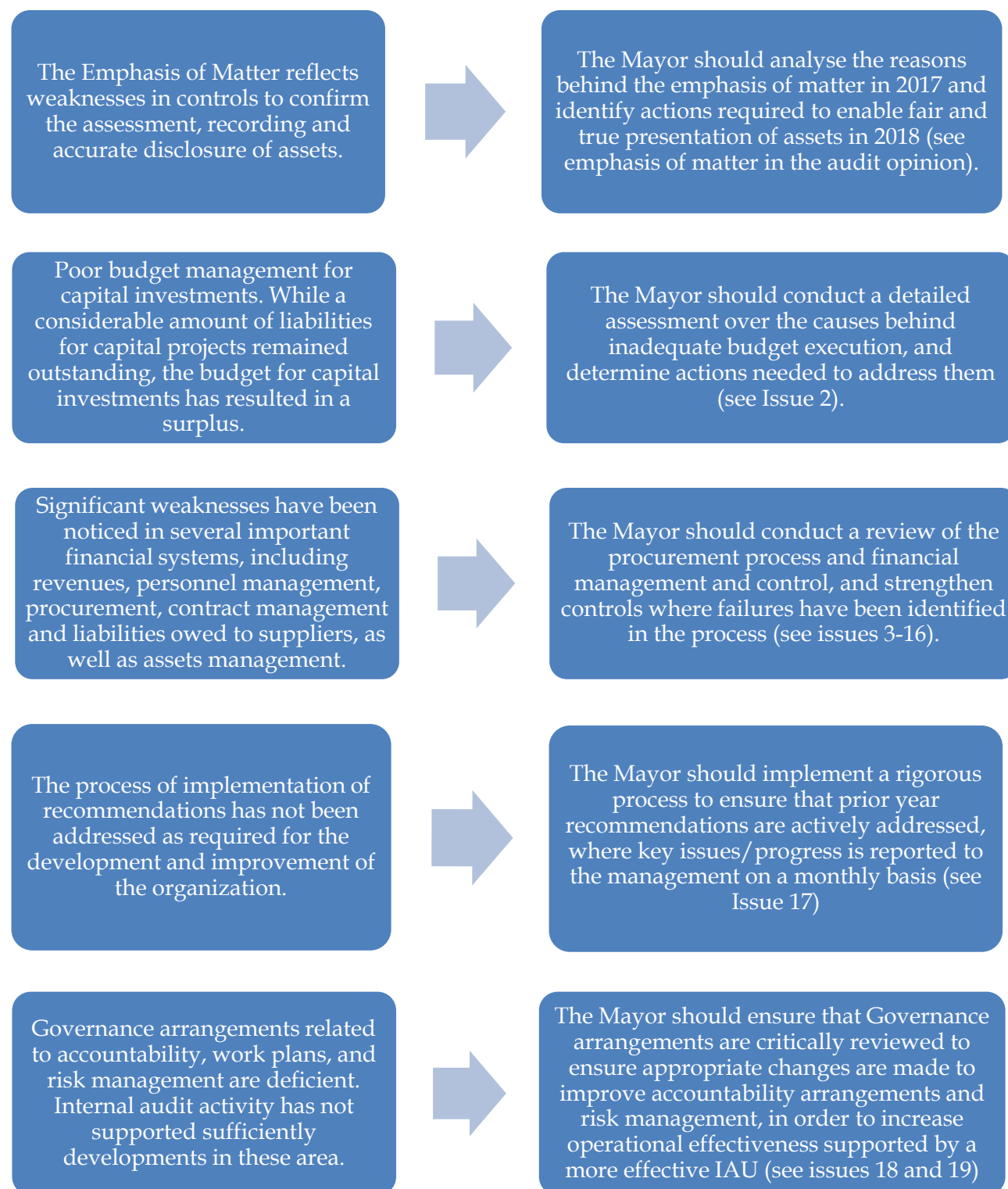
Emphasis of matter

We draw your attention to the fact that a part of municipal property, and payments for capital projects that amounted to €85,003, were not recorded in assets module in the KFMIS.

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

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

Key Conclusions and Recommendations



Management response to audit 2017

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

1 Audit Scope and Methodology

Introduction

The National Audit Office (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 Municipality of Gjakova. We have analysed 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 AG's opinion.

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

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

2 Annual Financial Statements and other External Reporting Obligations

Introduction

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

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

2.1 Audit Opinion

Unmodified Opinion with Emphasis of Matter

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

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

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 some municipal properties, such as 33 business premises and 131 residential units, and payments carried out in the amount of €85,003 as a result of court and enforcement procedures for capital projects have not been recorded in the KFMIS accounting register. In addition, annual depreciation for a part of non-capital assets is not calculated through e-assets program. This results in inaccurate assets registers and in inaccurate disclosure of assets in the AFS for 2017.

Key Audit Matters

As a result of court decisions and enforcement procedures, the Ministry of Finance/Treasury, from the budget of the Municipality of Gjakova has certified payments in the amount of €724,669 to meet liabilities owed to Economic Operators. According to the AFS, at the end of 2017 outstanding liabilities were €4,195,629. The Municipality was also exposed to contingent liabilities or debt disputes, and their value is expected to be around €715,000. Municipality had not foreseen additional budget for provisions or possible outflows of cash due to court proceedings. If legal lawsuits are decided in favour of Economic Operators, the organization is expected to face budget difficulties in the coming years.

Responsibility of Management and Persons Charged with Governance for AFS

The Mayor of Municipality of Gjakova is responsible for preparation and fair presentation of financial statements in accordance with International Public Sector Accounting Standards – Financial Reporting under the Modified Cash based Accounting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This includes the application of Law number 03/L-048 on Public Finance Management and Accountability (as amended and supplemented). The Mayor 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.

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

BO/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 implementation of recommendations;
- Self-assessment questionnaire of components of the Financial Management and Control;
- Annual procurement plan; and
- Quarterly reconciliations of expenses and revenues with the Treasury.
- Requirements of Financial Management and Control (FMC) procedures.

The AFS were prepared in accordance with reporting format, and were signed and submitted within the legal deadline in the MoF.

Municipality of Gjakova had adjusted the AFS by improving their reporting, but even after adjustment, assets disclosure is not complete and accurate.

Given the above, the Declaration made by the Chief Administrative and Financial Officer upon submission of the AFS to the Ministry of Finance can be considered correct.

In the context of other external reporting requirements we have identified that in the Annual Report on signed public contracts submitted to the PPRC, were not declared six Annex contracts that amounted to €77,804.

2.3 Recommendations related to Annual Financial Statements

Related to abovementioned issues are given the following recommendations:

Recommendation 1 The Mayor should ensure that an analysis is undertaken to determine the causes of the Emphasis of Matter, and take specific actions to address causes systematically and to confirm complete recording of capital assets. All assets, including properties, and non-financial assets purchased/constructed, should be recorded in assets register. In addition, in cooperation with the Ministry of Public Administration (MPA), to improve errors in e-assets so that depreciation is calculated according to established norms.

In addition, the Mayor should ensure that effective processes are in place to confirm that the 2018 AFS production plan formally addresses all compliance issues related to the AFS and includes Management review of the draft AFS with specific focus on high risk areas and/or areas where errors have been identified in previous years. The Declaration made by the Chief Executive Officer and Chief Financial Officer should not be signed unless all necessary checks have been applied to the draft AFS. Furthermore, Annual report on public signed contracts in addition to regular contracts should also include annex contracts signed during the year.

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

Management of capital projects and meeting liabilities continue to remain the most concerning areas that resulted in poor value for money and in delays of projects implementation. In the context of financial systems, controls over revenues are generally appropriate and are being implemented effectively – but controls over a range of expenditure areas require further enhancement to prevent irregularity of expenditures and non-rational expenditures. The main areas where most improvements are required are in budget execution for capital investments, management of personnel, assets and account receivable.

3.1 Budget Planning and Execution

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

Table 1. Sources of budgetary Funds (in €)

Description	Initial Budget	Final Budget ¹	2017 Outturn	2016 Outturn	2015 Outturn
Sources of Funds	21,229,849	23,473,290	20,942,026	19,437,159	20,104,201
Government Grant -Budget	17,613,589	17,607,865	16,971,867	16,685,007	17,635,086
Carried forward from previous year ² –	-	1,270,435	1,080,250	544,035	348,833
Own Source Revenues ³	3,328,760	3,328,760	2,026,574	2,004,529	2,002,422
Domestic Donations	287,500	287,500	-	-	-
External Donations	-	101,525	-	30,078	17,218

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

² Own Source Revenues unspent in previous year carried forward into the current year.

³ Receipts used by the entity for financing its own budget.

The final budget is higher than the initial budget by €2,243,441. This increase is a result of external and domestic donations and revenues carried forward from the previous year, as well as changes applied after the budget review and in line with Government decisions.

In 2017, the Municipality of Gjakova has spent 89% of the final budget or €20,942,026, or 7% lower than in 2016. The budget execution remains at an unsatisfactory level. We have provided explanations below on the current position.

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	21,229,849	23,473,290	20,942,026	19,437,159	20,104,201
Wages and Salaries	13,000,526	13,026,697	12,756,145	12,916,157	12,834,526
Goods and Services	1,798,036	1,951,949	1,729,401	1,733,534	1,561,945
Utilities	561,899	564,326	529,428	567,520	556,077
Subsidies and Transfers	439,982	464,336	450,163	499,615	660,160
Capital Investments	5,429,406	7,465,982	5,476,889	3,720,333	4,491,493

Explanations for changes in budget categories are given below:

- Wages and Salaries – the final budget had increased by €26,171 (€8,640 were revenues carried forward, and €17,531 from donations);
- Goods and Services – the final budget had increased by €153,913 (€156,489 were revenues carried forward, and €3,147€ from donations, as well as the reduction of €5,732 based on the Government decision);
- Utilities – The final budget had increased by €2,427, from revenues carried forward;
- Subsidies and Transfers – the final budget had increased by €24,354 (€21,395 were revenues carried forward, and €2,959 from donations); and
- Capital Investments – the final budget had increased by €2,036,576 (€1,081,484 were revenues carried forward, and €955,092 from donations).

Issue 2 - Low budget execution for capital investments

Finding Municipality of Gjakova has not managed to execute the budget for capital investments according to the plan and projects aimed. Only 73% of the capital investment budget was executed, which resulted in a surplus of about 2 million euros. Low budget execution related to capital projects is the main challenge faced by the Municipality. The issue has not been addressed by the management in the recent years, even though it has been addressed in previous audit reports. The causes behind low budget execution are delays in execution of contracts, poor planning, delays in initiation of procurement procedures, and inadequate management of contracts.

Risk Low budget execution reduces effectiveness of Organization's annual plans. Failure to implement capital investments program will result in fewer projects being implemented, which will affect the quality of services provided to citizens.

Recommendation 2 The Mayor should ensure that is carried out a systematic evaluation of causes that led to low level of budget execution of the capital investments, and determine practical options for improvement of its execution in the coming year.

3.2 Revenues

Revenues generated by the Municipality of Gjakova in 2017 totalled €2,684,461. The largest part, or 53%, relate to property tax revenues. Municipality also collects other types of revenues such as those for construction permits, revenues from business activities, revenues from rent and other administrative fees.

Table 3. Own Source Revenues (in €)

Description	Initial Budget	Final Budget	2017 Receipts	2016 Receipts	2015 Receipts
Own source revenues	3,328,760	3,328,760	2,684,461 ⁴	3,204,552	2,581,209

⁴ In this value are not included indirect revenues from traffic fines and court penalties in the total amount of €346,569.

Issue 3 – Verification of registered properties

- Finding** The Municipality has taken actions to verify registered properties in order to update existing data on property tax, but by the end of the year, they have managed to verify only 24% of registered properties. The Administrative Instruction No. 03/2011 on Gathering and Registration of Information on the Property and Taxpayer, stipulates that within the year should be verified 1/3 of registered properties.
- Risk** Current information may not be accurate on the property tax database. This can negatively affect evaluation and invoicing of property tax.
- Recommendation 3** The Mayor should improve the process of property verification and ensure that 1/3 of properties are verified every year, in order to present an accurate status of taxed properties. The increase in registration of properties will result in more municipal revenues and better budget performance.

Issue 4 - Applications for construction permits

- Finding** While testing two files on construction permits, we have identified that applications for construction permit, apart from some basic information were not supplemented with information required in the application.
- Risk** Incomplete applications create uncertainty when reviewing applicant's request.
- Recommendation 4** The Mayor should ensure that applicants submit complete and accurate documentation when applying for a construction permit.

Issue 5 - Delays in recording revenues KFMIS

- Finding** In five cases, revenues were recorded with a delay in KFMIS. Deficiencies have also been encountered in management and systematisation of documentation related to revenues in the department of inspection, and records from rent revenues.
- Risk** Delays in recording and systematisation of revenue documentation make reconciliation of data and financial reporting difficult.
- Recommendation 5** The Mayor should ensure that revenues are recorded timely in the KFMIS. Attention should be paid to storage and management of documentation.
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3.3 Wages and Salaries

Wages and Salaries are paid through a centralised system managed by MPA and MoF. At the end of 2017, Municipality of Gjakova had 2,142 employees, including members of the Municipal Assembly. For wages and salaries were spent €12,756,145 or 98% of this economic category's budget. The share of wages and salaries in the overall municipal expenditures is 61%.

Recommendations

We have no recommendations in this area.

3.4 Personnel Management

Our audit included personnel files, recruitment procedures, annual performance appraisals, retirements, unpaid and maternity leave. Administrative personnel that have civil servants status are managed by the personnel office in the Municipality, while educational personnel and health personnel are managed by the respective directorates, the Directorate of Education and the Directorate for Health and Social Welfare.

Issue 6 - Irregularities in personnel management

Finding

The audit on personnel management has identified that:

- In the recruitment process⁵ for two teachers (one vacant position and one substitute), initially were selected both candidates, but then the candidate that had to cover the vacant position has backed out. After that the committee recommended that even the vacant position to be covered by the same candidate who was selected as a substitute. As a result, both positions are occupied by the same teacher. In addition, in the recruitment process, except for the summary report, members of the committee had not kept track of individual evaluations of candidates tested in the written test or the interview;
- In the competition for position general practitioner, the written test of the employee was not signed;
- In 33 cases, the positions were covered by Acting, which had exceeded the allowed deadline. In the MFMC, 29 positions were occupied from 30.09.2016 until the end of the year. In three schools, the position of the director was occupied with Acting beyond the three month deadline stipulated under the law, while, the position of the Head of Legal Office was occupied with Acting as of 01.08.2016;
- In one case, employee's work experience was calculated for two more years than the evidence provided, and there was no decision by the

⁵ The recruitment process was organized and led by the Municipal Directorate of Education.

personnel office determining the number of years of work experience of the employee;

- For one teacher, the decision for maternity leave issued one month after the start of the leave, and the salary deductions were done with a one-month delay. In another case, the decision for maternity leave was issued one week after the start of the leave; and
- Employment contracts for teachers were not compiled according to the format defined by the Ministry of Education, Science and Technology, as at the salary section was not specified work experience.

Risk

Deficiencies encountered in personnel management, recruitment, payment of salaries and compilation of contracts can result in failure to fulfil duties properly, but also in potential errors in expenditures for employee salaries. In addition, occupying a Head position with Acting for more than three months does not ensure that work shall be carried out with full responsibility and achieved expected results.

Recommendation 6

The Mayor should ensure that personnel and payments management is done in accordance with relevant procedures and regulations. In this regard, controls over the recruitment processes should be strengthened in order for the committees to conduct objective evaluations in accordance with requirements set out. The Mayor should also undertake additional actions to suspend covering of management positions with Acting. A position occupied with Acting cannot exceed a three month legal deadline.

3.5 Goods and Services and Utilities

The final budget for Goods and Services and Utilities in 2017 was €2,516,274, out of which were spent €2,258,829, or 90% of the budget. They mainly relate to utilities costs and operational activities that relate to expenses for official travel, other contractual services, office and equipment supplies, maintenance of buildings, etc.

Issue 7 - Ineffective controls in the payments certification process

Finding	As a result of ineffective controls were certified for payment cases without evidence, such as: • The case for <u>fuel expenses</u> in the amount of €113 was missing information on the calculation of monthly price of fuel according to the stock exchange. Furthermore, there was no authorisation on use of a private vehicle; and • The case for <u>representation expenses</u>, Municipality did not have a contract with the Economic Operator that supplied the drinks.
Risk	Uncompleted cases can result in irregular payments which in certain cases can damage the municipal budget.
Recommendation 7	The Mayor should provide additional controls in the finance sector, so that certification of payments is done only after the cases have been completed with the necessary documentation.

Issue 8 - Irregularities in the procurement activity

Finding	The Municipality has not managed to implement procurement guidelines due to lack of effective management oversight. This has resulted in: • In the contract for <u>Physical security of buildings of the Municipality of Gjakova</u> in the amount of €109,900, was requested that the security of Library's building is provided by two employees, 24/7. Engaging only two employees under the designated schedule is in disagreement with the Labour Law, namely to work hours and the necessary leave of the employees; and • In the contract <u>Supply of food, hygienic and meat products for the needs of the Municipality of Gjakova - Part III</u> in the amount of €32,226, the performance security did not cover the period of 30 days after the completion of the contract, while in the contract <u>Physical security of buildings of the Municipality of Gjakova</u> in the amount of €109,900, the performance security was valid until 18.08.2018, while the contract is set to end on 01.09.2018. Besides that it did not fully cover the timeframe of the contract, the performance security did not even cover the period of 30 days after the completion of the contract.
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Risk Failure to comply with public procurement legal framework and implement it when entering into contracts poses an increased risk as contracts may not be executed in line with contractual conditions.

Recommendation 8 The Mayor should ensure implementation of appropriate measures/processes to ensure that public procurement legal requirements are fully implemented. Criteria stipulated in the Tender Dossier should be measurable and attainable by Economic Operators.

Issue 9 - Contracts for special services over the legal deadline

Finding The Municipality had engaged employees with Special Services Agreements, and in seven cases their contracts had been extended over the legal deadline of six months.

Risk Due to insufficient monitoring poses a risk as services may not be provided in accordance with contractual conditions. Extending contracts over the legal deadline is in disagreement with legal rules.

Recommendation 9 The Mayor should ensure that employees are engaged through Special Service Agreements only in cases where there are specific requests, and these services should be provided within the timeframe established under the legal framework.

3.6 Subsidies and Transfers

The final budget for subsidies and transfers was €464,336, out of which in 2017 were spent €450,163 or 97% of the budget. Subsidies given relate to financial support in the field of economy, sport, agriculture and health.

Recommendations

We have no recommendations in this area.

3.7 Capital Investments

The final budget for capital investments was € 7,465,982, while € 5,476,889 or 73% of the budget was spent. They relate to the financing of capital projects in road infrastructure, renovation of educational facilities, healthcare, etc.

Issue 10 - Weaknesses in management of capital projects.

Deficiencies encountered while auditing samples in the area of capital investment are:

- Six contracts for capital projects that amounted to €1,324,912, signed in 2012 and 2013, were not even finished in 2017. Dynamic plans for implementation of these projects ranged from 28 to 120 calendar days. Contracts were entered into without the sufficient budget;
- From samples tested we have identified that due to late payment of liabilities to Economic Operators, through enforcement procedures, courts and Treasury, were carried out payments in the amount of €82,596. Due to lack of budget in relevant category, were used funds from other categories;
- The Municipality has engaged a company to oversee capital projects. With exception of technical stages of works, in the reports produced by the company was not provided sufficient information on the progress of implementation of capital projects; and
- For three contracts, the Contract Management Plan (CMP) for of was prepared and signed late, while in three other cases CMPs were not updated with relevant information.

Risk

Current weaknesses may lead to poor value for money, irregular payments, and additional costs from lawsuits due to late payment of liabilities, and delays in provision of services that may result in contracts being implemented in disagreement with required standards.

Recommendation 10 The Mayor should ensure that contracts are signed only after securing the budget needed for their implementation. Contract managers should regularly monitor implementation of projects, and produce reports that provide sufficient information on implementation progress, and for any unjustifiable delays in projects implementation penalties should be applied.

3.8 Common Issues on Goods and Services and Capital Investments

Below are common issues in the area of procurement that relate to goods and services and capital investments:

Issue 11 - Planning and purchasing through procurement procedures

Finding

Expected implementation of procurement guidelines was not achieved due to lack of effective oversight by the management, that resulted in:

- Setbacks in implementation of procurement plan. This has resulted due to late initiation of purchase requests by requesting units, but also due to incorrect estimates of supply values. Two procurement activities had started two months later from the date of approval for initiation of procurement procedures;
- Signing contracts without sufficient commitment of funds. The contract for *Summer maintenance of roads*, in the amount of €159,561, was signed with only €1,000 of committed funds, while after 10 days the Municipality had received the invoice/obligations for services provided in the amount of €4,610; the contract for *Construction of sports courts in some schools* in the amount of €44,459 was signed with only €9,790 of committed funds; and the contract *Replacement of doors and windows in some schools* in the amount of €20,140 was signed with only €10,000 of committed funds.
- Contracts over the estimated value. The Municipality has concluded three contracts over the value foreseen in the procurement plan. These are following contracts:
 - a. Summer maintenance of roads, in the amount of €159,561, while under the procurement plan the contract was estimated to be only €100,000;
 - b. *Maintenance of buildings-cleaning of MFMC, MFC, OPC, SWC*, in the amount of €71,111, while under the procurement plan the contract was estimated at €61,800; and
 - c. *Supply with materials and reagents for the biochemical-haematological laboratory* in the amount of €22,228, under the procurement plan was estimated at €15,000, while under the Statement of Needs and Determination of Availability of Funds were planned only €17,458.
- Commitment of funds and purchase order prepared with a delay. Due to late commitment of funds and in insufficient amount, for five invoices

that amounted to €363,683, were paid only €129,958. In another case, a part of the invoice (€891) was paid from the budget of another project.

Risk The weaknesses encountered in planning, initiating and carrying out procurement activities can have a negative impact on the budget aspect and the implementation of the contracts.

Recommendation 11 The Mayor should ensure that is undertaken a review on audit findings, so that where processes have not been applied effectively, to determine why failures have occurred and why was not applied adequate oversight. In this regard, to conduct detailed analysis related to planning of projects in order to overcome identified challenges related to the timeframe for initiation of procedures and funds planned for their implementation. Furthermore, to ensure that controls over the payments execution process are monitored on a continuous basis. The payment process should be done in full compliance with steps defined under the LPFMA, and Treasury rules.

Issue 12 – Inadequate classification of expenditures

Finding In three tested contracts that amounted to €90,049 we have identified misclassification of expenditures in economic codes such as:

- Committed funds for the contract *Summer maintenance of roads* of in the amount of €1,000 was classified as other contracting services;
- Expenditures for the contract *Maintenance of buildings-cleaning of MFMC, MFC, OPC, SWC* in the amount of €3,500 were not classified as maintenance of health facilities but only as maintenance of buildings; and
- Expenditures for *Maintenance and supply of public lighting material*, in the amount of €85,459 were planned and classified as capital investments, while by nature of expenditure and the value of supplies it belongs to the category of Goods and Services.

Risk Planning and incurring expenditures out of inadequate codes causes uncertainty in the reporting of expenditures. This results in overstatement of expenditures in one economic code and understatement on another.

Recommendation 12 The Mayor should ensure additional controls in the finance sector so that expenditures are planned and recorded in relevant economic codes.

3.9 Capital and Non-Capital Assets

Municipality Gjakova has done the physical evaluation and counting of assets at the end of the year. According to the AFS, the net value of capital assets at the end of the year is €52,580,262, while non-capital assets are €395,783. During 2017 was established a work committee to identify and evaluate public property. A number of properties were evaluated by the committee and were recorded in the accounting register of KFMIS.

Issue 13 - Incomplete assets register

Finding Despite the engagements, the Municipality of Gjakova has not yet managed to have a complete and accurate register of overall assets. Even though all certified payments for capital investments were recorded by the Municipality in assets module (KFMIS), payments certified by Treasury were not recorded.

Risk Lack of an overall assets register makes proper assets management difficult, and does not fulfil legal requirements for fair financial reporting.

Recommendation 13 The Mayor should ensure that legal requirements on assets recording and management are fulfilled. The work committee to continue its work on identification and evaluation of all assets owned by the Municipality, and all capital assets should be recorded in the Treasury accounting register.

Issue 14 - Lack of controls over the management of official vehicles

Finding There are weaknesses in management of official vehicles. Municipality does not have an official assigned for management of official vehicles. Each directorate manages vehicles independently. There is no complete and accurate evidence on the use of official vehicles. From the sample tested we have found that are missing specific requests and approvals for their use, notes related to kilometres passed, service, purpose of use, etc.

Risk Due to lack of controls and management poses a risk as vehicles can be used for other unofficial purposes as well.

Recommendation 14 The Mayor should ensure that official vehicles are used in accordance with legal rules and requirements. For each official vehicle being used should be kept full and accurate record of kilometres passed, service and other necessary data.

3.10 Receivables

Accounts Receivable (AR) relate to property tax, business tax and from renting municipal property.

Issue 15 - Poor management of Accounts Receivable

Finding AR are not properly managed. Management has not taken necessary actions to collect revenues on time. As presented in the AFS, total value of Receivables is €8,505,710, out of which 87% are from property tax.

Risk Delays in collecting revenues reduce funds collected for the budget of Municipality.

Recommendation 15 The Mayor should ensure that all possible options, including legal remedies, are actively reviewed to ensure timely collection of accounts receivable.

3.11 Outstanding Liabilities

According to the AFS, outstanding liabilities towards suppliers at the end of 2017 were €1,340,211. These liabilities were carried forward to be paid in 2018. However, this only reflects a part of budget difficulties encountered. Municipality has also disclosed liabilities regarding expropriation decisions in the amount of €1,820,011, and stages of works completed by the end of 2017 in the amount of €1,035,407. In addition, Municipality of Gjakova faces contingent liabilities, and their value is expected to be around €715,000.

Issue 16 - Poor management of liabilities

Finding The Municipality has not properly managed liabilities towards suppliers. As presented in the annual financial statements, outstanding liabilities date from 2011 and onwards. Most of liabilities are for capital investments. The reason why liabilities were not paid due to entry into liabilities without initially securing the budget. Since liabilities were not paid to suppliers, through court proceedings and the Treasury were carried out payments from Municipality's budget in the amount of €724,669. In addition, we have noticed delays in payments, incomplete payment of invoiced liability and cases when invoices were not recorded upon receipt.

Risk Entry into liabilities without initially securing the budget, and failure to meet liabilities on time can incur additional costs, budget damage, and lawsuits filed by suppliers. Failure to keep a registry book on invoices received can result in payment delays of invoices or even in double payments.

Recommendation 16 The Mayor should ensure additional controls over the management and reporting of outstanding liabilities. Initially, to ensure that is kept a registry book where all received invoices will be recorded, and to ensure that all liabilities are paid within 30 days from their date of receipt.

4 Progress in implementing recommendations

Our audit report on the AFS for 2016 of the Municipality of Gjakova has resulted in 22 key recommendations. Municipality had prepared an Action Plan wherein is presented the manner in which given recommendations will be implemented, but this plan was not submitted on time to the NAO.

By the end of our audit for 2017, seven recommendations have been implemented, 11 were in the process of implementation, and four have not yet been addressed. In addition, 13 recommendations were carried over from 2015, out of which in 2017, five of them were implemented, seven were under implementation and one has not been addressed yet. For a more complete description of the recommendations and how they are addressed, see Annex II.

Issue 17 – Implementation of prior year recommendations and year earlier

Finding Municipality of Gjakova has not fulfilled the requirements to draft and submit an action plan within 30 days of receipt of the audit report for 2016 to the NAO. The action plan for addressing of recommendations was submitted with a three-month delay. While some of the recommendations of 2016 and those of earlier years have only been partially implemented, deficiencies in important systems have not been sufficiently addressed. We have not noticed any responsibility measures by the management for non-implementation of recommendations.

Risk Required improvements of operational processes and other processes may not be implemented by resulting in continued inefficiency and financial losses.

Recommendation 17 The Mayor should ensure that implementation of the action plan is constantly monitored and reported on quarterly related to the progress achieved. Recommendations that are not implemented within the deadlines should be revised within a short term by the Mayor, and to take proactive actions against barriers encountered during the implementation.

5 Good Governance

Introduction

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

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

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

Overall Governance Conclusion

There is a number of governance weaknesses within the Municipality of Gjakova particularly related to risk management and the quality of management reporting. An effective response to audit recommendations and the operation of a high quality internal audit unit are not in place. The Audit Committee was established late, while the Internal Audit has not managed to provide sufficient assurance and a view on the level of assurance on internal controls.

All Budget Organisations are obliged to prepare and submit organisation level strategic plans such as: Urban Plans, Spatial Plans, Emergency Operations Plans, Anti-Corruption Strategic Plans, Regional Development Strategy etc.

Municipality of Gjakova has drafted the local Socio-Economic Development Strategy for 2016-2018. Municipal directorates had drafted annual work reports, but not annual plans, with the exception of three⁶ directorates.

⁶ Directorate for Protection and Rescue, Directorate for Economic Development, and Directorate for Urbanism and Environmental Protection

5.1 Internal Audit System

The Internal Audit Unit (IAU) operates with only one auditor. An effective audit requires a comprehensive work programme that reflects financial and other risks to Auditee and provides sufficient assurance over the effectiveness of internal control. The impact of Internal Audit output should be judged by the importance that management places on addressing recommendations and the support and challenge provided by an effective Audit Committee.

Issue 18 –IAU and the internal audit plan

Finding

A number of weaknesses exist related to current IAU operations:

- IAU does not have sufficient staff. Municipality has only one internal auditor. According to AI 23/2009, it is required that an entity with an annual budget of over €5,000 should have at least three internal auditors. Municipality of Gjakova has a budget of over €23 million;
- The annual internal audit plan is not based on the areas with most risk. Capital projects, assets management, personnel management, liabilities and receivables were not included in the audit plan, while public procurement and own source revenues were included, but were not sufficiently addressed in the internal audit reports.
- The focus of internal audit was activities of 2016 and only the beginning of 2017;
- The annual audit plan was not implemented according to planned timeframes;
- Action plans have not been prepared for addressing of IAU recommendations; and
- The Audit Committee (AC) was not established in 2017. Management has succeeded to establish this committee in March 2018.

These results reflect a lack of awareness by Management in recognising and maximising the benefit of Internal Audit or seeking assurances over the effective operation of internal controls. It also shows poor quality Internal Audit planning.

Risk An incomplete audit programme not reflecting risks faced by the organisation may result in weaknesses in controls not being identified and addressed thus resulting in operational inefficiency and financial loss to Municipality. This could result in other unidentified weaknesses, late response to potential challenges and continued ineffective practices that may lead to low value for money and/or potential financial losses for the Municipality.

Recommendation 18 The Mayor should work with the IAU director to ensure sufficient activities over the financial systems of current periods, with a focus on higher risk areas. Fulfilment of IAU's annual plan should be regularly monitored by the management so that deviations are addressed in a timely manner. In addition to completing the IAU with sufficient staff, the Mayor should ensure full functioning of the AC.

5.2 Management Reporting, Accountability and Risk Management

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

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

Issue 19 – Weaknesses in management controls and risk management

Finding As a result of insufficient management controls, a substantial amounts from the capital investment budget have not been spent. Delayed procurement procedures, poor needs assessment, insufficient oversight, and failure to pay obligations in time were not timely and properly handled by the Management. As a result, some of the projects have not even started, while some contracts were subject to judicial proceedings and enforcement procedures.

At the beginning of 2018, they started with the risk management process. During 2017, Municipality did not have written policies and procedures for risk management, particularly the risk of fraud and irregularities. There is no formal risk register compiled according to FMC requirements, there is no strategy for risks management, and no reports are produced on their management. In addition, most municipal directorates had not produced any annual work plans for 2017.

Risk Insufficient requirements on accountability, planning and management reduce the effectiveness of financial management. This results in weaknesses within the budget process and reduces Management's ability to respond to financial challenges in time. It also reduces the effect of budget controls and increases the risk of improper spending. Consequently, this may also result in providing poor quality services.

Recommendation 19 The Mayor should ensure that budgetary performance, including expenditures, and procurement plan should be subject to regular reporting and review by the Municipality. Further on, in order to reduce the impact of risks to acceptable levels, the Organization should draft a risk register with all appropriate measures/actions to put the exposed threats under control.

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

(extract from ISSAI 200)

Form of opinion

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

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

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

Modifications to the opinion in the auditor's report

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

Determining the type of modification to the auditor's opinion

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

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

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

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

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

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

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

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

158. An Emphasis of Matter paragraph should:

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

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

Annex II: Progress in implementing two prior years recommendations

Audit Component	Recommendation carried forward from 2015	Implemented during 2017	Under implementation during 2017	Not implemented
1.4 Compliance with AFS and other reporting requirements	The Mayor should ensure that effective processes are in place to confirm that the 2016 AFS production plan formally addresses all issues raised. This should also include management review of the draft AFS with specific focus on high risk areas and those areas where errors have been identified. When it comes to third parties, cases of investments for 2016 made by Caritas, Kost and Rotary Club Gjakova should be accurately completed.	Yes		
2.3 Payments according to court decisions	The Mayor should ensure that a general strategy is established for handling outstanding debts, including their budgeting. Cases where the municipality challenges the regularity of payments by private bailiffs, it should process cases to the highest instance for review.			No measures taken
2.4 Prior Year Recommendations	The Mayor should ensure that the action plan is implemented, reviewed and sets out a timetable for implementation of recommendations made by the AG with accountable staff appointed for rigorous monitoring of this process.		In the process of implementation. Municipality has started with the risk management process, has established the AC, and has enhanced controls in the procurement process. Revenue management has improved, have started recording invoices and a part of capital assets are recorded in the KFMIS.	

2.5 Self-Assessment Checklist	The Mayor should ensure that a review of the processes for completing the self-assessment checklist and proactively addressing areas of weaknesses is implemented. A revised mechanism to confirm the accuracy of the checklist and ensure supporting documentation supports for answers confirmed is applied.	Yes		
2.6 Specific Governance Reviews	The Mayor should ensure that immediate responsibility for risk management is delegated to a respective Director who in coordination with Heads of Units will manage this process and report on regular basis on risks.		In the process of implementation. Management has taken actions and has started with the risk management process.	
2.7 Internal Audit System	The Mayor should ensure that the Internal Audit System is operational and maximum benefits are taken from the assurance services provided by IA. Further on, to ensure that the human capacities in the audit unit, as well as the Audit Committee are in line with the rules on the functioning of IA.		In the process of implementation. Although at the beginning of 2018, the Audit Committee was established, deficiencies are still evident in the internal audit.	
3.4 Procurement	The Mayor should hold persons into account who have allowed the above failures and financial losses. Procurement Office should be more careful when determining items/stages, and such mistakes are not repeated. A detailed planning is necessary and units should fairly evaluate procurement requirements.		In the process of implementation. Controls in procurement processes have been enhanced, but deficiencies have been encountered in the procurement planning.	

3.4 Procurement	The Mayor should consider the reasons why procurement regulations have not been applied consistently in the abovementioned cases and strengthen controls measures in order to prevent such failures from repeating. In the case of health staff training in the future, the Mayor should look into options of training from its staff. The works should be supervised continuously and payments are made only after assuring that stages are executed and other shortcomings in the procurement process are not repeated.	Yes		
3.5.3 Subsidies and Transfers	The Municipality should stop this phenomenon of paying operating expenditures to the different beneficiaries, while the case for payment should have the relevant documentation in place. The heating case should be continuously monitored. Moreover, procurement procedures should be overlooked in none of the cases where they can be applied.	Yes		
3.6 Revenues	The Mayor should ensure that during budget review, planning of revenues collected is adjusted based on the trend of previous periods and complexity of existing operations. Further on, sufficient resources should be made available for verification of taxpayers' property.		In the process of implementation. Municipality has started the verification process but has not managed to verify 1/3 of registered properties.	
3.7 Assets and Liabilities	The Mayor should ensure that a comprehensive asset registration process will continue and that a final municipality's assets register is produced within an optimal time. The Asset management Officer and officials involved in receiving goods/assets should communicate effectively to avoid non-implementation of the Regulation on asset management.		In the process of implementation. Municipality of Gjakova has managed to evaluate and register 21 business premises in KFMIS, while has not managed yet to register a part of the property into the register.	

3.7.2 Handling of Receivables	The Mayor to ensure that the Economic Development Department sufficiently supervises the business tax history. Disclosures in the financial statements in the next year should be subject to a detailed control and significant controls should be put in place when it comes to the leases. Each lease should be supported by strong contractual basis and its execution is continuously supervised.	Yes		
3.7.3 Handling of Debts	The Mayor should install a registration system for every invoice received by the municipality. Further on, she should ensure that formal confirmations of unpaid invoices are made by the departments responsible in relation to the requests of the CFO.		In the process of implementation. Municipality has started the process of recording invoices upon receipt, but not all in all cases were the invoices recorded.	
Audit Component	Recommendations given in 2016	Implemented	Under implementation	Not implemented
1.3 Recommendations for the first part of the report	The Mayor should ensure that an analysis is undertaken to determine the causes of the emphasis of matter in the opinion. Actions should be taken to address the underlying causes in a systematic manner to remove errors in the classification of non-capital expenditure and to ensure the correct valuation of capital assets. Moreover, she should provide for a complete and accurate register of municipality's assets.		In the process of implementation. Despite all the deficiencies, Municipality has managed to register a part of the properties into the KFMIS.	
	The Mayor should ensure that the AFS production process fully addresses weaknesses identified in the AFS.		In the process of implementation. Deficiencies have been found in the explanatory notes.	

2.1 Progress in Implementing Prior Year Recommendations	Municipality should produce actions plans that can be implemented within the set deadlines and with a main focus on high priority recommendations. An accountability process should be in place.		In the process of implementation. Municipality has drafted the Action Plan but has not managed to fully implement recommendations given.	
2.2 Self-Assessment Checklist of FMC components	The Mayor should ensure that the self-assessment of processes is made to a high level of objectivity and that internal audit, in addition to the Management's confirmations, validates the self-assessment assertions.	Yes		
2.3.2 Management Reporting and Accountability	The Mayor should ensure that a review is implemented to determine the format of financial and operational reporting to senior management.		In the process of implementation. The format and the quality of reporting has improved.	
2.4 Internal Audit System	IAU is manned with sufficient staff and that future IAU operations are focused on the production and implementation of audit plans and risk-based audit strategy. Moreover, an Audit Committee should be established.		In the process of implementation. Although the Municipality has established the AC, the IAU has not managed to secure the additional staff. Furthermore, the annual plan was not based on risk.	
3.1 Budget Planning and Execution	Budget performance is monitored systematically on a monthly basis and that this identifies and addresses the barriers.		In the process of implementation. With exception of the budget for capital investments, the budget of other economic categories has been executed at a good level.	

3.1.1 Revenues	The Mayor should ensure that reconciliations between municipal directorates and finance administration are made on regular monthly basis and that sustainable controls which would ensure a proper planning and effective collection of own source revenues are put in place. In addition, the municipal properties verification process should be conducted as stipulated in the law.		In the process of implementation. Regular reconciliations have been made, but deficiencies have been identified in the verification of properties.	
	The Department of Urban Planning will review all applications on construction permits and that decisions upon are made within the legal limits.	Yes		
3.1.2 Wages and Salaries	The Mayor should ensure that officials are compensated for overtime work according to the applicable legislation and that a systematic review of personnel files is undertaken in order to ensure that the required documentation is included within a certain period.	Yes		
3.1.3 Goods and Services and Utilities	The Mayor should ensure that the source withholding tax to persons engaged through special service contracts is applied in line with the applicable legislation.	Yes		
	The Mayor should ensure that each payment is made only after the service is delivered and that reports and invoices are not accepted unless the period that the payment is made for has ended.	Yes		
3.1.4 Subsidies and Transfers	The Mayor should ensure that respective Directorates monitor and report in details and that payments are supported with sufficient and adequate evidence in order to ensure that subsidies are spent for the intended purpose.	Yes		

3.1.5 Capital Investments	The Mayor should ensure that projects are implemented according to the plans and budget. When the need for re-destination of funds or changing of budget arises this should be reflected in the reviewed budget plans. Administrative procedures for re-destination of funds should be adhered to.			No measures taken
	The Mayor should ensure that projects are implemented in line with previous plans, otherwise formal changes should be made to the plan. Moreover, additional controls should be applied in order to ensure that weaknesses identified above are addressed.			No measures taken
	The Mayor should ask for a detailed planning and ensure that Units make a fair evaluation of procurement requests and that the LPP and AI are fully adhered to in order to prevent the abovementioned cases from being repeated.			No measures taken
	The Mayor should consider the causes behind the reported issue and strengthen control measures in order to prevent such cases from being repeated. Works should be continuously supervised and payments should not be made unless full assurance that contracted stages are implemented according to the Pre-calculation and Bill-of-Quantities is given.	Yes		
	The Mayor should ensure that requesting units evaluate their procurement requests fairly. The Procurement Office should supervise the evaluation commissions, pay more attention to the calculation of stages and ensure that errors are timely detected and corrected.		In the process of implementation. There are no errors in the calculation of items, but weaknesses have been encountered in assessment of annual needs.	

	The Mayor should ensure that a control system is put in place regarding this area, payments are made under adequate codes and that a comprehensive strategy on handling outstanding debts, including their timely budgeting, is produced.		In the process of implementation. In general, expenditures are recorded correctly, with the exception of three cases of misclassification.	
3.2 Assets	The Mayor should ensure that the comprehensive assets recording process will continue and that a final register on municipal assets will be produced within an optimal time. Requirements on assets recording and their maintenance should be fully applied. She should ensure that inventory is accurately recorded and that inflow/outflow of all moveable assets under €1,000 is made through E-assets system by all municipal directorates.		In the process of implementation. While there are improvements in the evaluation and recording of assets, deficiencies have been encountered in depreciation of non-capital assets.	
3.2.2 Receivables	The Mayor should put in place more effective controls in order to enable an accurate recording and presentation of accounts receivables.		In the process of implementation. Despite all the improvements, the Municipality has not managed to collect invoiced revenues on time.	
3.3 Outstanding Liabilities	The Mayor should critically review the balance of outstanding liabilities in order to come up with the necessary measure for addressing the identified issues and ensure that payments are made within the deadlines set out in the financial rules. In regard to handling contingent liabilities, the Mayor should, in coordination with the legal representative of the Municipality, undertake a review of the situation of liabilities in order to determine payment priorities and to avoid situations where payments are made directly by the MoF or upon court decisions.			No measures taken

Annex III: Letter of confirmation



Republika e Kosovës
Republika Kosova-Republic of Kosovo
Komuna e Gjakovës
Opština Dakovica-Municipality of Gjakova



LETËR E KONFIRMIMIT

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

REPUBLIKA E KOSOVËS / REPUBLICA KOSOVA / REPUBLIC OF KOSOVO			
ZYRA KOMBËTARE E AUDITIMIT / NACIONALNA KANCELARIJA REVIZIJE / NATIONAL AUDIT OFFICE			
18.05.2018			
Udhëzuesi / No. Udh.	Udhëzuesi / Klasifikim / Klasifikim / Klasifikim	Re. Prot. / Re. Prot. / Re. Prot.	Nr. Fajdeve / Nr. Fajdeve / Nr. Fajdeve
04	400	611	1

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 Gjakovës, 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. Ardian Gjini

Kryetar i Komunës,

Data: 08/05/2018, Gjakovë,

