



REPUBLIC OF KOSOVA
OFFICE OF THE AUDITOR GENERAL

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AUDIT REPORT
ON THE FINANCIAL STATEMENTS OF THE MUNICIPALITY OF
GJAKOVA FOR
THE YEAR ENDED 31 DECEMBER 2013

Prishtina, June 2014

The Office of the Auditor General (OAG) undertakes both Regularity and Performance Audits. The Auditor General Lage Olofsson is the head of the OAG which employs around 145 staff. The Auditor General and the OAG shall be independent and certifies around 90 Annual Financial Statements each year, while undertaking other forms of audits.

Our Mission is to “Contribute to sound financial management in public administration”. We shall perform quality audits in line with internationally recognized public sector auditing standards and good European practices. We shall build confidence in the spending of public funds. We shall play an active role in securing taxpayers’ and other stakeholders’ interests in enhancing public accountability’

The reports produced by the OAG directly promote accountability as they provide a base for holding managers’ of individual budget organisations to account.

The Auditor General has decided on the audit opinion and report on the Annual Financial Statements of the Municipality of Gjakova in consultation with the Assistant Auditor General Qerkin Morina, who supervised the audit.

The opinion and report issued are a result of the audit carried out under the management of the Audit Director, Florim Beqiri supported by Lavdim Maxhuni (Team Leader), Mexhit Ferati and Shpresa Zenelaj.

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Executive Summary

Introduction

This report summarises the key findings from our audit of the 2013 Annual Financial Statements which determine the Opinion given by the Auditor General. I would like to thank the Mayor and her team for their assistance during the audit process.

The examination of the 2013 Annual Financial Statements was undertaken in accordance with the internationally recognised Public Sector Auditing Standards. Our approach included such tests and procedures as we deemed necessary to arrive at an opinion on the financial statements. The approach taken is set out in our Audit Planning Memorandum dated 02.10.2013.

Our audit focus has been on:

- The compliance with the reporting framework and the significant risks to the Annual Financial Statements highlighted in the Audit Planning Memorandum;
- The response to our 2012 and earlier recommendations; and
- The Financial Management and Internal Control of the Municipality of Gjakova (including budget execution and management).

The level of work undertaken by the Office of the Auditor General to complete the 2013 audit is a direct reflection of the quality of internal controls implemented by Management.

Opinion

Annex I explains the different types of Opinions applied by the Office of the Auditor General.

The Auditor General's opinion is:

In our opinion the financial statements *present a true and fair view* in all material aspects.

As an *Emphasis of Matter* the Registry of Fixed Assets is still not fully reliable, because there are properties, premises and The Municipality owned homes which were neither recorded in the accounting register nor presented in AFS. In addition, The Municipality misclassified expenditures; it paid €52,300 for Goods and Services and €54,300 for Utilities from the category of Subsidies and Transfers. The fixed asset register and economic misclassification of expenditures does not affect any of the two Annual Financial Statements ("Cash Receipts

and Payments” and “Comparison of Budget and Actual Amounts”) in line with IPSAS Cash based accounting. **(ISSAI 200 Unmodified Opinion with an Emphasis of Matter)**

Overall Conclusion

Our overall conclusion based on the detailed sections of this report is that:

The Management of The Municipality designed an internal control system, but these controls were not operational in a number of key Financial Management areas. They should be continuously monitored in order to ensure that they are properly functioning. Areas where shortcomings were identified are the following:

- Besides complete disclosure of assets and misclassifications, where payments for Goods and Services and Utilities were made from the category of Subsidies and Transfers, the Annual Financial Statements were prepared in compliance with the Treasury Rule no. 03/2013;
- Recommendations of 2012 and of previous years have not been properly addressed yet. This has resulted in continued control weakness/ poor value for money/ potential ongoing financial loss. This is proved by the negligence to produce the action plan for addressing of recommendations;
- The Management did not seriously consider to address recommendations given by Internal Audit Unit, which was not manned with additional staff. The Audit committee was not established, which is a legal requirement; and
- Although we have been able to obtain assurance from the effective operation of management controls in a number of account areas, our assessment of Financial Management and Control has identified that some significant weaknesses exist in important areas of activity. This particularly applies in procurement where contracts have been poorly managed. The Municipality signed contracts for projects without having sufficient funds. As a result they entered into more financial liabilities than budget allocations. Therefore revenues were not managed properly, in particular when it comes to leasing of premises and lands. Moreover, funds from Subsidies category were used for goods and services. There was no reporting on how funds were used.

The Auditor General’s key recommendations to the Mayor are as follows:

- To ensure that the 2014 Annual Financial Statements Production Process formally incorporates management review of the draft accounts with specific focus on areas of complete assets recording in the accounting register and adequate classification of expenditures according to economic categories;
- To ensure that an action plan is drafted, clearly setting out a timetable for addressing the recommendations made by the Office of the Auditor General with accountable staff members identified and initial focus on those areas of greatest significance;
- To make an analysis of leased out premises and lands, reviewing all existing lease contracts and should provide effective mechanisms to increase collections;
- To implement a detailed assessment of the procurement processes and the internal controls to determine why weaknesses continue to occur and identify actions to be taken in order to address these weaknesses;
- To enhance controls over management of procurement contracts in order to prevent liabilities from being entered into without securing funds beforehand;
- To carefully review the addressing of all Internal Audit recommendations in order to improve the internal control system, and at the same time to man the unit with additional staff;
- To ensure that funds from the category of subsidies are not spend for other economic categories and that funds from this category are spent in a transparent way by reporting on how subsidies are used; and
- To establish a competent committee to record all assets owned by The Municipality (properties, premises and other assets), and asset register should be constantly updated.

Management’s Response – 2013 audit

Management has agreed to all our audit findings and have committed themselves to address our recommendations.

1 Audit Scope and Methodology

It is the responsibility of Management to prepare Annual Financial Statements (AFS) under the International Public Sector Accounting Standards (IPSAS) for 'Financial Reporting under the Cash Basis for Accounting' and other specific requirements. The Office of the Auditor General (OAG) is responsible for carrying out a Regularity Audit which involves the examination and evaluation of the AFS and other financial records and expression of opinions on:

- Whether the AFS 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.

We have considered 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 (AG) opinion and the focus of our compliance audit.

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

For completeness we have included issues identified at the interim audit where they remain relevant. Our findings are defined as:

High Priority - issues which may result in a material weakness in internal control and where action will offer the potential for improvements to the efficiency and effectiveness of internal controls; and

Medium Priority - issues which may not result in a material weakness but where action will also offer the potential for improvements to the efficiency and effectiveness of internal controls.

Our procedures included a review of the internal controls and accounting systems and procedures only 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. Findings considered low priority will be reported separately to finance staff.

2 Annual Financial Statements and other External Reporting Obligations

Overall Conclusion

Our review of the AFS considers both compliance with the reporting framework and the quality and accuracy of the information recorded in the financial statements. We also consider the Declaration made by the Chief Administrative Officer (CAO) and Chief Financial Officer (CFO) when the draft AFS are submitted to the Government.

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 financial statements. A number of the declarations are intended to provide assurance to the Government that all relevant information has been provided to ensure that a comprehensive audit can be undertaken.

2.1 Audit Opinion

Unmodified Opinion¹ with an Emphasis of Matter

In our opinion the financial statements *present a true and fair view* in all material aspects.

As an *Emphasis of Matter* the Registry of Fixed Assets is still not fully reliable, because there are properties, premises and The Municipality owned homes which were neither recorded in the accounting register nor presented in AFS. In addition, The Municipality misclassified expenditures; it paid €52,300 for Goods and Services and €54,300 for Utilities from the category of Subsidies and Transfers. The fixed asset register and economic misclassification of expenditures does not affect any of the two Annual Financial Statements (“Cash Receipts and Payments” and “Comparison of Budget and Actual Amounts”) in line with IPSAS Cash based accounting. **(ISSAI 200 Unmodified Opinion with an Emphasis of Matter),**

¹ The term „unmodified opinion” is equivalent with the term „unqualified opinion” used in the previous version of Annual report. The new terminology is in line with new standards of INTOSAI (ISSAI 200). For more information, refer to annex I.

2.2 Significant Risks to the Annual Financial Statements

Description

Our Audit Planning Memorandum dated 02.10.2013 identified two significant risks related to the registration of all assets that affect AFS and the disclosure of third Party Payments.

These are risks of material misstatement that may result in a modified opinion including an Emphasis of Matter.

The risk of material misstatement that we identified relating to the registration and presentation of assets in AFS has occurred because no management action was taken to address the highlighted risk.

Identified Risk

Issue 1 – Presentation of third party payments in AFS

Finding

The risk on Third Party Payments has not occurred as the Municipality had presented them correctly in the AFS.

Identified Risk

Issue 2 –Lack of the register of assets owned by The Municipality

Assets owned by The Municipality such as premises, buildings and properties have not been identified and recorded in the assets registers, thus resulting in material misstatements in asset records in AFS.

Finding

We have assessed controls implemented by management to prove whether all assets owned by The Municipality are recorded in asset records. In our interim audit memorandum, we provided advice to management on the action required to ensure that the assets figure in the AFS was correct. However the risk identified has been materialised because management has been unable to implement the necessary improvements in internal control and we have confirmed that assets values recorded in the AFS are materially incorrect.

Recommendation 1 - High Priority - The Mayor should identify the right action to address these control weaknesses in order to enable a true and fair presentation of Assets in the 2014 AFS.

2.3 Compliance with AFS reporting requirements

Description

The AFS are required to comply with a specified reporting framework. We considered whether:

- Compliance with Financial Rule (FR) no. 03/2013;
- Requirements of LPFMA no. 03/ L-048;
- AFS have been prepared within the time framework and are submitted to MoF;
- AFS have been signed by CAO (the Mayor) and CFO;
- AFS have been received in Albanian and Serbian;
- AFS have been prepared in hard and soft copy; and
- The Municipality has prepared and submitted regular quarterly reports to Municipal Assembly and a copy to the Minister of Ministry of Finance during 2013.

Initial AFS contained a number of errors. During the audit process, we provided possibilities for adjustment. Following our suggestions, they were adjusted. Except for a complete disclosure of assets and misclassification of some expenditure, the final AFS were prepared in compliance with the Treasury Rule no. 03/2013.

Issue 2 - Production Process of Statements – High priority

Finding

In note 30, Summary of capital non financial assets, the assets presented in the amount of over €1,000 in AFS is €38,469,845. These assets are incomplete and incorrect due to the reason that there are properties, premises and buildings verified by municipal committee, which have not been recorded in the accounting register and are not presented in the AFS.

In note 31, Summary of non financial assets under €1,000, the amount of €228,000 presented in the AFS by the Municipality is incorrect because the assets of Department of Education and Department of Health were not included.

The Municipality has made a misclassification of expenditures; payments of €52,300 for goods and services and €54,300 for utilities were made from the category of subsidies and transfers.

Risk Incomplete presentation of assets owned by the Municipality increases the risk that financial position is misunderstood and that asset in AFS are misstated. In addition, misclassification of expenditures may result in understatement of expenditures for subsidies and overstatement of goods and services.

Recommendation 2 The Mayor should ensure that a systematic plan of financial statements production incorporates the request to include the entire assets value. Management needs to monitor the implementation of this request. Wrong classification of economic codes reflects expenditures incorrectly and registrations as such should be in compliance with the Accounting Treasury Plan.

2.4 Compliance with other External Reporting Requirements

Description

Other than producing AFS, the Municipality is required to address external reporting obligations such as:

- Budget request for financing capital projects in the MoF;
- Quarterly reports including nine month financial statements in time;
- The self-assessment report according to Financial Management and Control (FMC) rules;
- Draft plan and final procurement plan in time;
- The action plan for implementation of recommendations; and
- Reports on debts submitted to MoF.

3 Prior Year Recommendations

Overall Conclusion

Management of The Municipality did not pay due attention to prior year recommendations which led to the repetition of same recommendations this year as well.

Description

Our Audit Report on the 2012 AFS resulted in 18 recommendations. Management of The Municipality did not prepare an Action Plan stating how all recommendations will be addressed.

At the end of our audit, we have found that two recommendations have been fully addressed; four (4) are partially addressed or are under the process of being addressed, and 12 have not been addressed yet. For a more thorough description of the recommendations and how they are addressed, see Annex II at the end of this report.

Issue 3 - Addressing Prior Year Audit Recommendations – High Priority

Finding Our 2012 AFS audit report resulted in 18 key recommendations. The Management of The Municipality did not prepare an action plan to ensure that all recommendations are addressed within a specified period, and as a result very few recommendations are addressed.

Risk The continued weakness of internal controls in key financial systems such as financial management and control has resulted in:

- Poor management of subsidies;
- Lack of sufficient controls over revenues has resulted in a low rate of collection;
- Continued organisational inefficiency and poor value for money in procurement practices; and
- Entering into liabilities prior to commitment of necessary funds has led to increased liabilities at the year end.

Recommendation 3 The Mayor should ensure that a revised action plan is prepared clearly setting out a timetable for addressing the recommendations with accountable staff members identified and with initial focus on those of greatest significance.

4 Financial Management and Control

4.1 Overall Conclusion

Our audit approach is focused on understanding and evaluating the actions taken by management to secure effective FMC and the results of this action. For individual financial systems we seek to identify the level at which actual controls operate. This may, for example, be monitoring activity undertaken by senior management or lower level operational controls. We consider whether controls are well designed, but have not been implemented as planned and do not operate effectively. This requires an assessment of structures, processes and accountability lines introduced by management, including the role undertaken by Internal Audit and Audit Committee.

We also considered the Municipality's self-assessment undertaken in the context of Public Financial Management relating to PIFC self-assessment.

We found that while controls over revenue are not being implemented effectively, controls over a range of expenditure areas require further enhancement to prevent the Municipality from suffering financial loss, poor value for money and ineffective project management. The main areas where most improvements are required are Procurement, Revenues, Subsidies, Asset management, Outstanding Liabilities.

4.2 Good Governance

Description

Management has implemented a number of internal controls to ensure that financial systems operate as intended. It is important that they include an appropriate reporting to enable an effective and timely responses against operational problems identified.

Issue 4 – Weaknesses in High Level Management Controls

Finding Our review of management controls applied to The Municipality's key financial system highlighted poor reporting of expenditure and revenues to senior management. This is because respective directorates have not provided the Mayor with written reports on performance and activities of directorates on a regular basis. We did not rely on the higher level operational controls when it comes to most of economic categories.

Risk Poor quality of financial reporting to the senior management reduces the management's ability to actively manage the Municipality's operations and undermines effective budget control. This may result in unplanned underspending or overspending and delay necessary actions to address these. It may have an impact on the maintenance of budget balance.

Recommendation 4 The Mayor should review the format of financial reporting to senior management which is required to support effective business management and introduce an appropriate solution by the end of the year.

4.3 Budget Planning and Execution

Description

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

Table 1 Sources of budget Funds - outturn against the budget (in €)

Description	Initial Budget	Final Budget ²	2013 Outturn	2012 Outturn	2011 Outturn
Sources of Funds	19,022,218	19,931,360	18,783,539	19,624,022	18,049,205
Government Grant - Budget	16,122,218	16,422,218	16,254,860	16,448,318	15,649,501
Carried forward from previous year ³ -	-	335,360	333,255	491,511	415,588
Own Source Revenues ⁴	2,900,000	2,900,000	2,074,262	2,449,266	1,894,746
Domestic Donations	-	242,372	110,646	199,222	43,288
External Donations	-	31,410	10,516	35,705	46,082

The final budget, compared with the initial budget, is higher by €909,142. This increase is a result of Government decisions for additional funds for capital projects, External and Domestic Donations and Revenues carried forward from previous year.

The Municipality used 94% of the final budget in 2013, whilst 97% was used in 2012. In general, this is a very high level of execution, but when it comes to the regularity aspect, it is handled further in this report.

² Final budget - the budget approved by the assembly which was subsequently adjusted for by the Ministry of Finance.

³ The Municipality's Own Source Revenues unspent in the previous year carried forward into the current year.

⁴ Municipal revenues planned and collected in the current year which was used by the entity for financing its own budget.

Table 2 Spending of funds by economic categories - outturn against the budget (in €)

Description	Initial Budget	Final Budget	2013 Outturn	2012 Outturn	2011 Outturn
Spending of funds broken down by economic categories	19,022,218	19,931,360	18,783,539	19,624,022	18,049,205
Wages and Salaries	10,216,359	10,206,650	10,149,794	10,196,103	9,785,772
Goods and Services	1,557,855	1,639,653	1,522,469	1,708,009	1,373,884
Utilities	693,600	690,100	650,300	649,066	530,617
Subsidies and Transfers	548,000	602,300	457,649	1,069,566	446,837
Capital Investments	6,006,404	6,792,657	6,003,327	6,001,278	5,912,095

Explanations for changes in budget categories are given below:

- The budget for Capital Investments was increased based on the Government decision by €269,000, from revenues carried forward by €265,000 and from domestic and external donations in the amount of €252,000. The budget of this category was spent by 88%. This was because the Municipality planned to invest own source revenues into the category of capital investments, but it did not execute the plan foreseen for revenues;
- The budget for Goods and Services increased from revenues carried forward from previous year, amounting to €66,000 and a portion from donators by €13,000. In addition, the Municipality in this category did not execute the revenues planned;
- The initial budget compared to the final budget for Wages and Salaries, and Utilities had no change worth mentioning;
- There was a poor planning for Subsidies and Transfers. The Municipality used 76% from this category;
- The Municipality has received grants from domestic donors in the amount of €242,372. €110,646 were spent within the category of Capital Investments for the roads construction projects, and over €130,000 remained unspent; and
- Each year Own Source Revenues are underspent as a direct result of budget underspending given that own source revenues are the last source of funding used. In 2014, the carried forward value of revenues is €298,000.

Table 3 Own source municipal revenues budgeted and collected in 2013 (in €)

Description	Initial Budget	Final Budget	2013 Receipts	2012 Receipts	2010 Receipts
Own source revenues	2,900,000	2,900,000	2,370,064	2,778,027	2,382,421

The initial budget for Own Source Revenues did not reflect prior year's receipts and other relevant factors. The table shows that the revenue collection was 82%. Compared to the prior year, planned revenues were by 17% lower.

On the other hand, debts to the Municipality have exceeded the amount of 5.7 million, which is a significant amount. The balance of receivables is steadily increasing.

Issue 5 – Budget Execution – High Priority

Finding In general, budget execution was at the expected level, except for with the categories of Capital Investments and Subsidies. The unspent budget of 12% for capital projects was the reason behind the non collection of Own Source Revenues as well as the the commitment deadline as a result of delays in the allocation of Own Source Revenues. When it comes to the category of Subsidies, the reason for spending just 76% was the non collection of revenues foreseen in the budget.

Risk There is a large discrepancy between the plan and expenditures. Poor budget planning has resulted in setbacks and failure to deliver capital projects. In addition, expenditures planned for Subsidies and Transfers have not reached the intended level, as almost $\frac{1}{4}$ of them were not used.

Recommendation 5 The Mayor should introduce an approach in order to improve budget planning. Prior to deciding on budget items, the Municipality should carefully and objectively analyse which projects are with priority and which ones have real chances to be executed. In addition, the Mayor should systematically monitor budget performance on a monthly basis, particularly when it comes to the category of Capital Investments, and Subsidies and Transfers in order to identify and address potential barriers in time.

Issue 6 - Poor budget planning - High Priority

Finding Our assessment is that The Municipality made a poor budget planning in 2013. A number of projects have started to be executed without being included in the current year's budget. In addition, The Municipality planned the budget for fuel in the amount of €134,200 under Goods and Services, whilst it used €158, 118.

Risk Signing procurement contracts outside budget plans increases the risk that these projects will not be completed due lack of funds. In addition, the Municipality may potentially become a subject of court disputes.

Recommendation 6 The Mayor should ensure that the planning process incorporates all necessary persons and all relevant information in order to carry out a stable budget planning.

4.4 Revenues (including own source revenues)

Description

Revenues generated by The Municipality in 2013 totalled to €2,370,064. Main items which comprise the amounts collected are: Revenues from property tax; Revenues from construction permits; Administrative fees, etc.

Issue 7 – Property tax – High Priority

Finding Based on data provided by property tax software for 2013, the Municipality invoiced 26,438 taxpayers in the amount of €1,633,149. It managed to collect the amount of 1,066,945 or 65% of the amount planned. We tested 19 samples (financial cards) in the amount of €40,602. Out of which, the unpaid amount was €31,152. According to the responsible officer, the Municipality had difficulties during 2013 in carrying out on-site surveys in order to include new properties in the property tax database so that this could later result in the increase of revenue collection. According to the responsible officer, the reason behind such difficulties was that equipments (GPRS) did not function. In addition, lack of official vehicles was another obstacle to carry out the work. Over the years, the total collected debts towards the Municipality regarding the property tax are €4,019,000. The Municipality has not drafted any strategy with the adequate mechanisms on how to collect these debts.

Risk Non execution of previous years' revenues from property tax may lead to the reduction of the Municipality revenues and of the possibility of having many potential projects delivered through self-financing. In addition, the non-functioning of equipments (GPRS) and the lack of official vehicles for carrying out the survey process may result in the non execution of revenues from property tax.

Recommendation 7 The Mayor should review the current policies and propose measures and concrete actions on collecting these debts, thus not excluding the administrative and judicial measures. In addition, the Mayor should ensure that the issue of surveying properties is embedded as part of regular activities in order to have new properties entered in the property tax database.

Issue 8 – Construction permits – High Priority

Finding During 2013, the Municipality planned to collect the amount €420,000 from construction licenses, whilst the amount of €212,342(51%) were collected.

We tested five samples and identified that, in these cases, blueprint parameters were missing. This shows how the financial calculation of the area of the building the construction license was given for was made. In addition, in one case we have identified that a physical person was charged with €1,597 more than according to Regulation on Fees and Charges.

Risk Lack of a clear methodology on calculation on fees for construction permits increases the risk that amounts are not calculated in compliance with Regulations on fees and charges, and thus damaging either the Municipality budget or construction investors.

Recommendation 8 The Mayor should ensure that enhanced controls over calculation of construction fees are put in place, and the basis of calculation is clear and documented.

Issue 9 – Revenues from leased properties – High priority

Finding The Municipality planned to get €60,000 in revenues from leasing out of premises and lands, whilst it collected €19,000. The list provided by the officer responsible for the leased out premises was incomplete and the accurate number of lease contracts for public properties of the Municipality is not known. We tested 13 samples and identified these shortcomings:

In six cases of leased out premises, the contracts expired in 2000 and 2001. Currently premises are used by lessees without a contract in place. The Municipality continues to charge these natural persons without having any legal basis

In seven cases of leased out lands, the contracts were signed in 2009. Six of them have never paid rent to the Municipality. The Management of the Municipality did not take any action to collect the unpaid debts amounting to €66,374.

Risk Poor management of lease contracts increases the risk of not collecting rents and losing revenues. Lack of complete records on charges and payments for all lessees of premises may also result in the under payment of rent.

Recommendation 9 The Mayor should implement a review process of contracts for leased out lands as well as the situation of premises/lands used without formal contracts within the Municipality. Registration of all properties and associated charges should be reviewed at least every six months.

Issue 10 – Tax on business activity – Medium Priority

Finding The Municipality collected a total of €121,023 for business tax 2013, compared to €169,792 in 2012. About 4,830 businesses operate in the Municipality, which were charged with a total amount of €280,667 in 2013. We have tested 15 samples amounting to €12,486. Out of which, about 51% were collected and €6,090 remained as uncollected debts. Uncollected debts from previous years amounted to €1,069,000.

According to officers' affirmations, poor collection from business licences is as a result of charges to a large number of inactive businesses. The software used by The Municipality provides no accurate report on the situation of businesses operating within the year.

Risk The collection seems to be poor. Delays in collection of revenues lead to failures in management's decision-making on funding projects foreseen from Own Source Revenues.

Recommendation 10 The Mayor should ensure that the revenue department sets up a complete database which would generate accurate reports on the real balance of charges against debtors, and should also take adequate measures for the reduction of these debts, not excluding the legal measures.

4.5 Expenditures

4.5.1 Procurement

Description

While the Municipality has designed formal controls over expenditures, they did not operate effectively. Signing of contracts without sufficient commitments, awarding ineligible bidders, lack of evidence for vehicle servicing and maintenance, weak controls over spending of fuel are some of the cases which describe the failure of controls.

Contracts which went through procurement procedures for 2013 amounted to €7,138,454.

We have analysed whether or not Capital Investment projects were included in PIP and in the Midterm Expenditure Framework. In addition, we reviewed changes of projects foreseen during the year. Based on our assessment, Public Investment Program (PIP) system, as a system for management of capital investments, was not used properly. Some contracts for 2013 were not foreseen in PIP. Such cases are with the contract “Construction of Memorial Park in the village of Meje” in the amount of €1,060,000 and “Construction of the road in village of Skivjan” in the amount of €800,000. For these contracts, no budget was planned in PIP system for the upcoming years (2014 and 2015).

When it comes to the contract with procurement number 014 “Construction of road infrastructure in Çarshi e Madhe in Gjakova, in the amount of €219,945, we have not tested this case due to the reason that is investigated by the Economic Crimes Department in Gjakova region..

We have examined a sample of 84 payments in the amount of €1,012,367 and 16 contracts which went through procurement process amounting to €4,193,100. We identified:

Issue 11 – Non compliance with criteria set out in tender dossier and intervention in the price stage – High Priority

Finding In the project “Fencing of the yard and construction of sports ground in the high school” in the amount of €77,222, the evaluation committee had intervened in the specification provided by the winning company, stage 9 of the price column. The economic operator provided a price of €1 while the evaluation committee adjusted it to €1,134. According to Law on Public Procurement (LPP), adjustment of prices by the evaluation committee is not allowed.

Contract “Supply with spare parts and repair of official vehicles” in the amount of €132,678, one of the criteria set out in the tender dossier was that Economic Operator (EO) should have at least two references of the same nature. We have found that these references were missing in the company’s record.

Risk Failure to follow correct procurement procedures and associated guidelines may result in potentially irregular contracts and with the possibility of The Municipality financial loss. There is a further risk that poor value for money has been achieved related to all contracts.

Recommendation 11 The Mayor should ensure that evaluation committees carry out objective evaluation of bids and that all criteria set out in the tender dossier are strictly adhered to.

Issue 12 – Lack of records with expenditures on vehicle servicing and fuel – High Priority

Finding The Department of General Administration has no responsible (logistics) officer for keeping records of expenditures on fuel for The Municipality's vehicle fuel and servicing. We were not provided with any analytical amounts spent for servicing and for fuel for each vehicle. According to the Finance Department and Free Balance report, 2013 the expenditures for servicing and maintenance were €31,333 and for fuel €158,117. The Municipality does not keep records on mileage spent based on travel forms confirming the fuel spending rate and whether vehicles were used for official purposes.

The same practices were also identified in Main Family Health Centre (MFHC). There is a contract for "Repair and maintenance of official vehicles" but it is not known which items are to be serviced and for which vehicles. Moreover, a similar case was found in the supply with vehicle tires in MFHC. According to the declaration made by responsible officer for vehicle management in MFHC, they were supplied with 36 second hand tires during 2012 and 2013, while the payment was made for new tires. According to the statement of the officer for vehicles fleet management in MFHC, this has occurred upon order of Director of Health. The action as such raises suspicion that improper payments are made and it contains elements of fraud.

Risk Lack of records on official vehicles for servicing and fuel expenditures from respective departments and supply with second hand tires increases the risk that irrational expenditures may incur which could directly damage the Municipality's budget.

Recommendation 12 The Mayor should ensure that adequate controls are re-established when it comes to accurate keeping of records on expenditures for fuel and services for each and every vehicle. Further on, the Mayor should ensure that the case of supply and payments for tires is fully investigated and adequate measures are taken.

Issue 13 – Failure to sign the declaration on the availability of funds, tender performance security in contradiction to the Tender Dossier – High Priority

Finding In all reviewed contracts of capital projects, we have found that declaration on availability of funds was not signed by CFO, as required by the LPP.

In the contract Construction of Family Medicine Centre in the village of Novosellë e Ultë' in the amount of €38,607, and Construction of Family Medicine Centre in Ramoc in the amount of €40,026, we have found that commitment of funds for these contracts in 2013 was made by €5,000 for each contract. In addition, these contracts required the assurance of execution to be 10% of the value of contract in the tender dossier, while the economic operator submitted the assurance of execution in the amount €500. Same cases were also found in contracts "Construction of the road in village Damjan" in the amount of €470,102, "Construction of the road in the village Gërqin in asphalt" in the amount of €338,433, "Construction of the Memorial park in village Meje" in the amount of €1,060,774, "Construction of the road Rogove – Ujz in asphalt" in the amount of €234,763.

Risk Failure to sign a declaration on availability of funds and insufficient commitment of funds from responsible officers on certain projects increases the risk that contractual liabilities are not paid. In addition, lack of performance security increases the risk that contracts are not implemented.

Recommendation 13 The Mayor should ensure that audit findings, for which processes are not applied effectively, are reviewed and should find the reasons behind failures occurred. Adequate actions/processes should be implemented in order to ensure that such failures are not repeated in future.

Issue 14 – Supply with toner cartridges – High Priority

Finding The Municipality signed contracts for supply with stationery in 2012 with “SN Computer”. 35 types of cartridges were included in the technical specification prepared by the requesting unit. The winning economic operator had offered abnormally low prices of €1,15 for 30 out of 35 types of cartridges required, whilst for five other types they offered the price of €25 to €50 per piece. We tested four payments in the amount of €6,788 and we found that the Municipality had been supplied with only five types of cartridges with prices from €25 to €50, while no supply was made for 30 types of other cartridges with prices of €1.15 per piece.

We have also examined the warehouse stock where we have found that the warehouse officer does not keep annual records for inflow/outflow of materials received.

Risk Inclusion of types of cartridges in the Technical Specification the contracting authority has never been supplied with raises suspicions that this tender has been adapted. In addition, lack of records on inflow/outflow from warehouse increases the risk that cartridges are misused.

Recommendation 14 The Mayor should ensure that the requesting units are supplied with indispensable items for the regular activity. All inflow/outflow should be clearly recorded, in particular those items of high value.

4.5.2 Remunerations (Wages and Salaries)

Description

The budget planned for the category of Wages and Salaries was €10,206,650, while expenditures for this category were €10,149,794 or about 99%.

Wages and Salaries are paid through a centralised system (payroll). Controls operated locally by The Municipality relate to a) payment control every month by signing the payment list, b) verification of potential changes that may appear through forms, c) budget review for this category and reconciliations with Treasury.

We tested 66 samples for this category and reviewed the compliance of list of salaries with the payroll system in Ministry of Public Administration (MPA). In addition, we reviewed whether the positions of officers and their multipliers are in compliance with the payroll system form and the payment list. Our tests in this area have identified the following issues:

Issue 15 – Non compliance between recruitment procedures and the criteria in the vacancy announcement – High Priority

Finding On 04.11.2013, Director of MFHC signed an employment contract with one employee in the position of Dentist assistant. The open recruitment procedures were not applied for this position as required under Article 8.1 of the Law on Labour. Same case is also with a contract signed with one employee as a nurse in MFHC.

On 12.04.2013, the Acting Director of MFHC announced an internal vacancy for the position of Chief Executive of Family Health Care setting forth the criteria candidates had to meet. We found that the selected candidate did not meet the basic criteria required in vacancy announcement that is “Family Health Care Specialist” as the selected person was a Specialist of Paediatrics.

Risk Appointment of officers by neglecting open procedures of competition and neglecting criteria foreseen by vacancy may damage competitiveness and candidates not meeting the adequate criteria are selected.

Recommendation 15 The Mayor should ensure that all recruitment and appointment procedures are adhered to according to the applicable laws and regulations.

Issue 16 – Two positions exercised within the same working hours – Medium Priority

Finding In one case we have found that one employee was paid for two working positions within the same working hours; the first was the Head of the Primary Health Sector in the Health Directorate on full time and the second was Teacher of Dentistry for six hours a week in the second semester 2012/13 and nine hours per week in the first semester 2013/14. This is in contradiction with Article 36 of Law on Civil Service and Regulation no. 05/2010 for the working hours.

Risk Exercising two working positions within same working hours from same person is a conflict of interest and impacts on the effective discharge of the primary function.

Recommendation 16 The Mayor should undertake appropriate measures in order to discontinue such practices and analyse whether this is only one isolated case or this is a systematic phenomenon.

4.5.3 Subsidies and Transfers

Description

Expenditures planned for Subsidies and Transfers during 2013 were €602,300 whereas €457,649 was executed. We have examined 26 samples in amount of €244,320 and we have found the following:

The Municipality issued the Regulation on subsidies, which was a prior year's recommendation made by AG. In addition, the Municipality has enforced an internal instruction regulating the way expenditures incur and procedures to be followed when spending at the Municipality level. This internal instruction stipulates that, when subsidising, the Municipality should enter into a memorandum of understanding with beneficiaries.

Issue 17 – Subsidies spent for category of Goods and Services – High Priority

Finding

The Municipality paid €25,800 for the “Process of decoration of The Municipality streets and squares for the year-end celebrations’ from the category of Subsidies and Transfers while neglecting procurement procedures relating to the selection of the service provider. The payment was only made with the invoice submitted by the EO.

On 28.02.2013, the Mayor approved the request from the Gender Equality Office for conducting a two-day visit in the Republic of Albania upon the 8th of March for a group of 120 women employed in the Municipality. The cost for this was of €3,500. No procedure was conducted in this case relating to the selection of the service provider. Besides the invoice, there is no associated evidence (list of participants, hotel invoice, etc). These funds which have been allocated from the budget of the Municipality for municipal employees have no public benefit and are questionable.

On 11.03.2013, the Municipality decided to continue the cooperation with TV SYRI medium for the provision of professional services for following the activities of the Municipality. The cost for this was estimated to €1,500 per month, €18,000 per year. Payments were made from the category of Subsidies and Transfers rather than from the category of Goods and Services. On 12.09.2013, the request of this medium for subsidising the amount of €5,000 for the coverage of activities on local elections 2013 was approved.

In one case, on 31.12.2013, the Municipality has upon Mayor’s decision made a payment from the category of Subsidies and Transfers in the amount of €54,300 for the District Heating in order to cover the Municipality’s debts incurred during the 2011-2013 period for heating services.

Risk

Payments from the category of Subsidies for goods and services leads to a risk for overstating subsidies and understating of goods and services.

Recommendation 17 The Mayor should ensure that all procedures and criteria for allocation of subsidies are applied prior to their allocation. Funds planned for Subsidies and Transfers should be spent based on an internal regulation clearly specifying activities to be subsidised.

Issue 18 – Lack of reports from beneficiaries on dedicated expenditures – Medium Priority

Finding

In one case, the Municipality subsidised in the amount of €9,850 a Non- Governmental Organisation (NGO) “KDC” for the organisation of the Darka e Lames – (Lama Dinner) upon Mayor’s decision on 12.12.2012. The Municipality did not sign any Memorandum of Understanding (MoU) on the way the beneficiary would spend and report on the funds. “KDC” planned to spend around €900 for printing Certificates of Appreciation and leaflets. Based on evidences provided for this activity, €4,932 were spend with EURO PRINT and €513 with BROVINA GRAF which is in contradiction to the approved plan.

On 11.10.2012, the Mayor approved the request of the Musical Group Qumilat for allocation of a subsidy in the amount of €2,500 for the organisation of their jubilee concert. This also related to the manifestation dedicated to the 100 anniversary of the Independence of Albania. Payment was made on 19.03.2013. The Municipality did not sign any agreement as required under the internal instruction of The Municipality on reporting and has not received relevant evidence relating to the expenditures of these funds either. It was the same case when it comes to the approval of NGO Prosperiteti’s request for allocation of a subsidy in the amount of €1,000 for the execution of radio programme dedicated to the Roma, Ashkali and Egyptian community.

Risk

Allocation of subsidies without a MoU in place as required under the internal instruction of the Municipality with beneficiaries stating how expenditures are made and the reporting of given funds increases the risk that allocated funds will not reach the intended purpose.

Recommendation 18 The Mayor should ensure that MoU are entered into with beneficiaries obliging them to report in order to ensure that subsidies have achieved the intended purpose.

Issue 19 – Granting of scholarships not in compliance with criteria – Medium Priority

Finding The Municipality announced a competition upon Mayor’s decision for the distribution of 50 scholarships of €600 each. In total, the fund allocated for scholarships was €30,000. Our review of 35 files has found that some of criteria set out were violated, such as:

- Awarding two students with the grade point 6.5 and 6.56 while the criterion was the average grade point of over 7.0; and
- Two other students with average grade point 9 were not awarded with municipal scholarship.

Risk The committee appointed for evaluation of candidates has violated criteria set out in the scholarship competition and internal regulation for subsidies.

Recommendation 19 The Mayor should re-establish additional controls over awarding of scholarships so that the committee for evaluation of applicants is impartial, fair and transparent in the selection of beneficiaries.

4.6 Assets and Liabilities

4.6.1 Capital and Non Capital Assets

Description

The Municipality continued with the process of asset recording in 2013. In 2102, non financial assets over €1,000 were registered in the amount of €34,896,000, while by the end of the year of 2013, the amount of assets recorded was €38,469,845. Although the process of completion of asset recording is associated with numerous challenges, we encourage the Management of The Municipality to continue with the process until their final recording.

Issue 20 – Lack of complete recording and non compliance with the asset regulation - High Priority

Finding

We have found that The Municipality keeps registers of capital and non capital assets. However, these evidences were not filled in with assets identified as The Municipality's property. The committee established in 2010 identified 215 apartments, 9 houses and 8 premises owned by The Municipality, but these immovable properties were still not registered in the accounting register of assets.

In the Municipality's register of non financial assets under €1,000, we have found that assets in use by the Department of Education and Department of Health have not been included in this register. According to the non capital register submitted by Department of Education, the value of equipments under €1,000 is €2,543,580 and their depreciation for these assets as foreseen under regulation no. 02/2013, article 22, item 3 was not applied. Department of Health has only made physical registration of non capital assets without any certain financial value.

During 2013, The Municipality established committees for evaluation of assets under €1,000 within departments. According to the minutes of these committees, a number of equipments in the amount of €3,970 should have been removed from use, but that did not happen.

Risk

Incomplete registration of all properties, namely business premises, resulted in their use by different individuals for business activities having not paid taxes to the Municipality. Lack of complete registers of assets makes the identification of assets difficult in order to confirm their existence and increases the risk that they are misused, or even lost or disposed.

Recommendation 20 The Mayor should ensure that a competent committee is established as soon as possible to conduct fair and complete evaluation and stocktaking of all non financial assets owned by The Municipality. In addition, management should also monitor evaluation results.

4.6.2 Handling of Debts

Description

The statement of liabilities not paid to suppliers at the end of 2013 was €5,581,962. Out of this €2,358,000 were according to invoices, whilst €3,223,962 were according to stages of completed works.

Issue 21 – Entering into liabilities beyond the budget approved – High Priority

Finding

The Municipality entered into more liabilities than budget allocations. The fund allocated for the category of Goods and Services for 2013 was €1,639,652, whilst €1,522,468 or 93% were used. Outstanding liabilities for this category at the end of 2013 were €401,000. Liabilities entered into for this category were €283,816 above the budget.

The budget allocated for the category of Capital Investments was €6,792,657, whilst €6,003,327 were used. Outstanding liabilities at the end of 2013 for capital were €5,063,962. Out of this €1,840,000 were according to invoices and €3,223,962 according to stages on completed works. Liabilities generated beyond the allowed budget were around 74.5%. We may conclude that The Municipality has not fairly managed outstanding liabilities thus leading to the increase of liabilities at the year end.

Risk

Generating numerous liabilities to be paid in 2014 increases the risk that future expenditure plans are not achieved due to the need to pay for prior year liabilities. Entry into liabilities beyond the budget allocations may bring the Municipality in financial difficulties and into the potential judicial disputes. This has seriously questioned the execution of foreseen projects.

Recommendation 21 The Mayor should ensure that additional funds to cover these liabilities are requested upon budget review. The problem as such should be discussed with the MoF and Government. In addition, the budget should be regularly monitored in order to ensure that problems identified in the PIP programme, presented under Chapter 4.4.1 of this report, are managed in compliance with legal requirements.

4.7 Internal Audit System

Description

The Internal audit system is a key part of internal control. We consider the scope of internal audit work and the activity of the audit committee.

IAU for 2013 planned five (5) audits according to the plan and managed to fully execute the plan. Audits covered the current year ongoing activities.

We reviewed one internal audit file and found that the audit programme was in place and that audit findings have been documented with underlying evidences. Adequate addressing of IAU recommendations will help the improvement of organisational internal controls.

In addition, IAU prepared quarterly reports which were also submitted to the Central Harmonisation Unit in the MoF.

The Municipality did not establish an Audit Committee.

Issue 22 – Addressing of recommendations by IAU and establishing of Audit Committee – High Priority

Finding During the audit, we have found that management has not handled the recommendations given by IAU with due consideration. The Municipality has still not established the audit committee.

IAU has one auditor, who is the Unit Director at the same time. He has prepared the annual audit plan for 2013 which was approved by the Management of The Municipality. According to the Administrative Instruction no. 23/2009 and considering the budget and organisation size, the Municipality should have up to three (3) auditors.

Risk Lack of Management's willingness to address recommendations given by IAU increases the risk that these recommendations are not addressed. In addition, failure to staff the unit with adequate personnel increases the risk that high risk areas are not covered and that errors and irregularities are repeated.

Recommendation 22 The Mayor should ensure an action plan is drafted stating how findings and recommendation given by internal audit will be addressed by all levels of management. In addition, it should review the possibility of staffing the IAU with additional personnel according to requirements of Administrative Instruction no. 23/2009. The Mayor should also secure that the Audit Committee is established within the optimal timeframe.

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

(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: Prior Year Recommendations

Audit Component	Recommendation given	Recommendation fully addressed	Partly addressed	Not addressed
2.1 Presentation of annual financial statements	The Mayor should ensure that the financial statements preparation of systematic plan embeds the requirement to include the complete assets value. Management needs to monitor the implementation of this requirement.			No
3. Prior year recommendations	The Mayor should ensure that a draft action plan is drafted clearly specifying the timetable for addressing the recommendations with staff members accountable identified - with initial focus on areas of significant importance.			No
4.4 Revenues - Software deficiencies	The Mayor should ensure that a proper recording system is put in place to support the collection and recording of revenues. If installing particular software is not possible, the manual system (Excel) should be improved.		Partly addressed	
4.4.1 Revenues – rent holders	The Mayor should implement a recording process of all properties and the associated charges, and should follow-up their collection on monthly bases.			No

4.4.2 Revenues – Construction permits	The Mayor should review the existing systems in order to control construction projects, assess their effectiveness including the provision of legal support and the implementation of required improvements. Construction Inspectorate should apply all necessary controls.		Partly addressed	
4.4.3 Low rate of business tax collection	The Mayor should ensure that the Revenues Department continuously updates active businesses database in order to collect debts.			No
4.4.4 Uncollected debts	The Mayor should initiate a reassessment process, where all accounts would be analysed in terms of aging, significant amounts, real collection possibilities and the exercise of administrative measures (when necessary).			No
4.5 Expenditures – Lack of commitment of funds	The Mayor should discuss with the procurement officials about damages the departure from procurement procedures brings and should take measures that procurement procedures are carried out in accordance with the Law on Public Procurement. Funds for financing projects should be committed before the initiation of procurement procedures.			No
4.5.1 Performance assurance not in accordance with rules	The Mayor should ensure that the procurement manager develops procurement procedures in compliance with the tender dossier requirements, aiming to increase the assurance of works execution.			No

4.5.2 Certifying payments without justified documentation	The Mayor should ensure that each payment is certified based on evidences proving that the expenditure has actually occurred.		Partly addressed	
4.5.3 Treasury executes payments without the receipt report	MoF - Treasury should take into account all contractual terms and fully implement the LPFMA, by not executing payments without the report of the Evaluation and Acceptance Committee of the project and without the fulfilment of other payment criteria	Yes		
4.5.4 Subsidies – Supplies without procurement procedures	The Mayor should provide clear criteria on areas that can be subsidised, on amounts that can be approved by the Mayor or by Municipal Assembly and other procedural aspects (reporting, supervision, etc.). This way, providing supplies should be stopped.			No
4.5.5 Transfer of funds without a project	The Mayor should ensure that payments for Subsidies and Transfers are only made based on evidence thus considering the request and the detailed project in order to reduce the possibility of public money manipulations.			No
4.5.6 Beneficiary list of signatures is missing	The Mayor should ensure that the Rule will soon be approved by the Municipal Assembly and that it will be applied while spending from category of Subsidies and Transfers.	Yes		

4.6.1 Assets	The Mayor should ensure that, in the shortest time possible, the commission has become operational and carries on with the interrupted recording process. In addition, an inventory commission should be established each year in order to make annual reconciliations between the accounting balances and the factual assets situation.			No
4.6.2 Handling of receivables	The Mayor should prepare an Action Plan where clear instructions are proposed to all relevant sectors of the Municipality to increase the collection of all debts. The plan should include priorities, categorisation of debts by age, timelines for action to be taken, reasons for non-payment, appropriate mechanisms and the discussion of achievements, at least twice a year			No
4.7 Handling of debts	The Mayor should ensure the preparation of a realistic and sustainable budget. Budget controls should be strengthened by budget holders in order to ensure a balance between liabilities and available funds.			No
5 Internal audit	The Mayor should ensure that in the IAU's annual audit plan, high-risk areas are included, such as the audit of Revenues, Expenditures, Subsidies and Transfers, and Assets, having the current year's activities as a primary scope. In addition, an Action Plan for addressing the IAU's findings and recommendations should be prepared.		Partly addressed	