



REPUBLIC OF KOSOVA
OFFICE OF THE AUDITOR GENERAL

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AUDIT REPORT
ON THE FINANCIAL STATEMENTS OF THE MUNICIPALITY OF
MITROVICA 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 Mitrovica Municipality 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

TABLE OF CONTENTS

Executive Summary	4
1 Audit Scope and methodology	7
2 Annual Financial Statements and Other External Reporting Obligations	8
3 Prior Year Recommendations	14
4 Financial Management and Control.....	15
Annex I: Explanation of the different types of opinion applied by the OAG.....	39
Annex II: Prior year recommendations.....	42

Executive Summary

Introduction

This report summarises the key findings from our audit of Annual Financial Statements, for 2013 which determine the Opinion given by the Auditor General. I would like to thank the Mayor and his 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 14.11.2013.

Our audit focus has been on:

- 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 Municipality of Mitrovica (including budget execution and management).

The level of work undertaken by the Office of the Auditor General to complete 2013 audit is a direct reflection of the quality of the 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 Annual Financial Statements *present a true and fair view* in all material aspects, with exception to the following issues:

In the Statement of Third Parties Payment and Receipts, the Municipality presented the amount of €15,037,218. The total of these payments included the donors investments of €8,700,218 to the "Regional Water Supply Company" in Mitrovica. This company is managed by the central level and not by the Municipality.

In the Statement of Budget Execution, donations under the initial budget were presented in the amount of €79,000, whilst according to the table of budget approved by the Assembly, the initial budget is 0.

In the Statement of Budget Execution - Cash inflow under the final budget - the Municipality presented donations by €70,916 lesser.

In the Statement of Budget Execution - Cash outflow under the final budget - The Municipality presented €70,000 lesser than it should have.

Emphasis of Matter

We would also like to draw your attention to the fact that the Municipality misclassified expenditures. They paid €134,888 for Goods and Services and €86,642 for Subsidies and Transfers from the Capital Investments category. **(ISSAI 200 Qualified Opinion with Emphasis of Matter).**

Overall Conclusion

Based on the details presented in each section of this report, our overall conclusion is that:

The Management of the Municipality designed internal control systems. However, these controls have not operated in several important areas of financial management. These should be continuously monitored in order to ensure that they are functioning properly. In the following we presented areas where shortcomings were noticed:

- Annual Financial Statements presented for audit contained a number of omissions and inaccuracies. Some of them were adjusted in the final Annual Financial Statements version, but the Management chose to leave some items unadjusted;
- 2012 and earlier recommendations are not yet implemented. This will result in poor controls/poor value for money/ potential ongoing financial loss;
- Management failed to sufficiently handle the recommendations given by the Internal audit unit; and
- Although we managed to obtain assurance from effective management controls in some areas of financial statements, our assessment for Financial Management and Control pointed out that there are significant weaknesses in some important areas of activity. This occurred especially in procurement, where contracts were poorly managed, following with poor revenue management from renting of premises, property and housing, and failure to implement rules on subsidies.

Our main recommendations are as follows:

- The Mayor should ensure that the 2014 Annual Financial Statements production plan formally includes management review of the draft account with specific focus on areas considered of high risk of error and/or areas where errors have been identified in previous years.
- The Mayor should ensure that a revised action plan clearly sets out a timetable for addressing the recommendations made by the Office of the Auditor General with accountable staff members identified and with initial focus on those of greatest significance;
- The Mayor should carry out an analysis on the premises, properties, apartments rented by reviewing all existing leasing contracts, with special focus on increasing the level of collection for these categories;
- The Mayor should perform a detailed assessment of the procurement processes and control in order to understand why weaknesses continue to appear and identify actions to be implemented to address these weaknesses;
- The Mayor should pay a special attention to handling all Internal audit unit recommendations in order to improve internal control system;
- The Mayor should ensure that the category of subsidies is used by adhering to internal regulation for subsidies and that funds from this category are given in the most transparent way possible by reporting on how subsidies are used; and
- The Mayor should establish a professional committee for recording all assets owned by the Municipality (properties, facilities, apartments), as well as asset registers are updated continuously.

Management's Response - 2013 audit

The Management agreed with all audit findings and committed themselves to address our recommendations

1 Audit Scope and methodology

It is the responsibility of the Management to prepare financial statements 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 Annual Financial Statements (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 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 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 AFS. These 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

Qualified Opinion with Emphasis of Matter

In our opinion the Annual Financial Statements *present a true and fair view* in all material aspects, with exception to the following issues:

In the Statement of Third Parties Payment and Receipts, the Municipality presented the amount of €15,037,218. The total of these payments included the donors investments of €8,700,218 to the “Regional Water Supply Company” in Mitrovica. This company is managed by the central level and not by the Municipality;

In the Statement of Budget Execution, donations under the initial budget were presented in the amount of €79,000, whilst according to the table of budget approved by the Assembly, the initial budget is 0;

In the Statement of Budget Execution - Cash inflow under the final budget - the Municipality presented donations by €70,916 lesser; and

In the Statement of Budget Execution - Cash outflow under the final budget - The Municipality presented €70,000 lesser than it should have.

Emphasis of Matter

We would also like to draw your attention to the fact that the Municipality misclassified expenditures. They paid €134,888 for Goods and Services and €86,642 for Subsidies and Transfers from the Capital Investments category.

(ISSAI 200 Qualified Opinion with Emphasis of Matter).

2.2 Significant risks to the Annual Financial Statements

Description

Our Audit Planning Memorandum dated 14.11.2013 identified two significant risks: the one related to recording of all assets that have material impact on AFS and disclosure of third party payments.

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

The risks of material misstatement that we identified relating to the recording and presentation of assets, identification of third party payments and their presentation into AFS occurred because no management action was taken to address the highlighted risk.

Identified Risk

Issue 1 - Lack of evidence on third party payments presented in AFS.

Finding

During our audit we noticed that the Municipality did not manage to accurately identify third party payments and in this aspect the presentation of €15,037,218 to AFS was inaccurate and incomplete. The total of these payments includes payments (benefits) which are not under Municipality's administration, such as investments made to "Regional Water Supply Company" in Mitrovica amounting to €8,700,218. This company is managed by the central level and not the Municipality. Further on, the value presented in AFS is not supported with evidences in order to show the accuracy and completeness.

Recommendation 1 - High Priority - The Mayor should ensure that all third party payments made in the Municipality are identified and these are supported with source documents in order to present them accurately into AFS.

Identified Risk

Issue 2 - Lack of register for assets available

Assets owned by Municipality such as premises, apartments and properties were not identified and recorded within asset registers resulting in material misstatements in assets notes within AFS.

Finding

We have assessed the controls implemented by management to prove whether all assets owned by the Municipality are recorded within asset registers. In our interim 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 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. This certainly will reflect the audit opinion to be given.

Recommendation 2 - High Priority - The Mayor should identify the action required to address these controls weaknesses 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:

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

Draft AFS contained some errors. During the audit process, the Municipality was given the possibility to adjust them, however even after adjustments made, AFS contain errors in terms of their accuracy and completeness which are presented below.

Issue 3. AFS production process - High Priority

Finding In Article 12 - Statement of Receipts and Payments in Cash - In column, third party payments, Municipality did not fairly present the value of €15,037,218. For more see Chapter 2.2 of this report.

In Article 13 Statement of Budget Execution, note 16-donations, the Municipality presented the amount of €79,000 under the initial budget column, whilst according to the budget table issued by the Assembly, the initial budget for donations is 0.

In Article 13 Statement of Budget Execution - cash inflow - Note 16 Donations, the Municipality presented less donations by €70,916 under the final budget column.

In Article 13 Statement of Budget Execution - cash outflow - the Municipality presented a budget of €70,000 lesser than it should have under the final budget column.

Note 30- Summary of non-financial capital assets - presented assets over €1,000 were understated for €25,580 in the AFS.

The Municipality misclassified expenditures. They paid €134,888 for Goods and Services and €86,642 for Subsidies and Transfers from the Capital Investments category.

Risk Incorrect presentation of AFS and errors identified in the amounts recorded leads to a misunderstanding of the Municipality's financial position and has potential negative impact on the accuracy of future budget requests.

Recommendation 3 The Mayor should ensure that the 2014 AFS production plan formally addresses all compliance requirements related to the quality of information AFS. The Declaration made by the Mayor and CFO should not be submitted with such assertions unless all necessary checks have been applied to the draft AFS.

2.4 Compliance with other external reporting requirements

Description

The Municipality is required to address the following external reporting obligations other than producing AFS such as:

- Budget request for financing capital projects to MoF;
- Quarterly reports including nine month financial statements in time;
- Self-Assessment report in line with Financial Management and Control (FMC) rules;
- Draft and final procurement plan in time; and
- Reports on debts submitted to MoF.

We have no issues to raise on these matters given that the Municipality met all external reporting requirements. Further on, the requirements met were of good quality and in line with timeliness required.

Recommendations

We have no recommendations in this area

3 Prior Year Recommendations

Overall Conclusion

The Municipality's Management did not properly handle prior year recommendations, and this resulted in some of the same recommendations, to be repeated this year as well, in order that identified weaknesses and shortcomings are adjusted.

Description

Our Audit Report on the 2012 AFS resulted in 20 recommendations. The Municipality's Management prepared an Action Plan stating how all recommendations will be addressed.

At the end of our audit, we have noticed that five recommendations have been fully addressed; four are partially addressed; and 11 have not been addressed yet. For a more thorough description of the recommendations and how they are addressed, see Annex II in the end of this report.

Issue 4 - Addressing Prior Year Audit Recommendations - High Priority

Finding Only a proportion of prior year recommendations have been implemented because the Management has not implemented any formal process to manage and monitor the way that the Auditor General's (AG) recommendations are implemented.

Risk The continued weakness of internal controls in key financial systems such as Financial Management and Control has resulted in:

- Improper management with subsidies by not achieving the indented goal;
- Lack of adequate measures and mechanisms for maximising collection of revenues (collection of revenues were in a low scale);
- Ongoing organisational inefficiencies and poor value for money in procurement practices;

Recommendation 4 The Mayor should ensure that a revised action plan clearly sets out a timetable for addressing the recommendations made by the AG with accountable staff members identified and with initial focus on those of greatest significance.

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 financial management and control and the results of this action. For individual financial systems we seek to identify the level at which actual controls operate. We consider whether controls are well designed, but not implemented in practice 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 Committees.

We also considered the Municipality's self assessment undertaken in the context of Public Financial Management (PFM) both in terms of Public Expenditure and Financial Accountability (PEFA) assessments and Public Internal Financial Control (PIFC) self assessment.

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

4.2 Good Governance

Description

The Management has implemented a number of internal controls in order to ensure that financial systems are operating as intended. It is important that they include adequate reporting to the Management to ensure an effective and timely response on operational problems identified.

Issue 5. - Weaknesses in high level management controls

Finding Our review of management controls applied to the Municipality's key financial system highlighted a poor financial reporting of the revenues and expenses to the 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 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 5 The Mayor should review the format of financial reporting to senior management in order to determine what is required to support effective business management and introduce an appropriate solution by 1st of September 2014.

4.3 Budget Planning and Execution

Description

We have considered the source of budget funds for Municipality of Mitrovica, 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 ¹	2013 Outturn	2012 Outturn	2011 Outturn
Sources of Funds	15,108,605	17,770,924	16,398,203	17,718,664	17,793,939
Government Grant - Budget	12,906,285	14,825,832	14,654,588	15,491,288	16,048,928
Carried forward from previous year ² -	-	236,856	235,901	443,509	421,005
Own Source Revenues ³	2,202,320	2,202,320	1,239,425	1,387,880	1,194,752
Domestic Donations	-	326,395	163,331	127,368	39,479
External Donations	-	179,521	104,958	268,619	89,775

The final budget, compared with the initial budget, is higher by €2,662,319. This increase is a result of Government decisions for capital projects, Domestic and External Donations and Revenues carried forward from the previous year.

The Municipality used 92% of the final budget in 2013, whilst it used 93% of budget in 2012. In general, this might be considered as a rather good budget execution performance.

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 Municipality own source 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	15,108,605	17,770,924	16,398,203	17,718,664	17,793,939
Wages and Salaries	8,723,913	8,896,091	8,842,940	9,792,508	10,322,719
Goods and Services	1,450,230	1,488,085	1,380,404	1,545,347	1,640,763
Utilities	422,222	428,372	425,406	433,447	443,003
Subsidies and Transfers	679,880	875,880	787,854	773,744	522,558
Capital Investments	3,832,360	6,082,496	4,961,599	5,173,618	4,864,896

Explanations for changes in budget categories are given below:

- Despite an increase in budget during the year for capital expenditure only 81% of the budget was spent. The Public Investment Program (PIP) includes several ongoing projects from the previous year and new projects for the current year. The reason for not spending funds in the satisfactory level for this category resulted from the fact that the field work by economic operator was not finalised for projects which have already started;
- The increase of the budget for Subsidies occurred under the request made by the Municipality to the Government for paying the rent for families of the northern part of the town;
- There were no differences within the initial budget in relation to final budget for Utilities as well as for Goods and Services;
- The Municipality received grants from domestic donations in value of €326,394, whilst €163,331 were spent for Capital Investment category for road construction projects;
- The final budget, compared with the initial budget, is higher for Wages and Salary category by €172,178. This difference occurred when carrying forward unspent own source revenues 2012 into 2013 amounting to €163,513 including an external donation from "Save the Children" in the amount of €8,665.

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 €130,000.

Table 3 Municipality own source revenues budgeted and collected in 2013 (in €)

Description	Initial Budget	Final Budget	2013 Receipts	2012 Receipts	2011 Receipts
Own source revenues	2,202,320	2,202,320	1,368,877	1,700,028	1,650,134

The initial budget of Own Source Revenues was not reflecting last year's receipts and other relevant factors. As noticed from the table, revenues were collected by 62%. Compared to previous year, collected revenues were 24% lower. Compared to 2011 they were 21% lower.

The significant lower turnout was noticed within Directorate of Urbanisation, where projected revenues for 2013 were €1,044,000, whilst collection was €291, 823, or 28%, and Directorate for Economic Development which planned an amount of €118,360, whereas €19,948 or 17% was collected. Variances between the planned and collected amounts in these two Directorates are significant and determine the low efficiency.

On the other hand, debts to the Municipality exceeded 9.7 million, which is a very significant amount. The balance of receivables is steadily increasing.

Issue 6 – Budget Execution – High Priority

Finding Budget execution was at satisfactory level, except in the category of capital investments where a low execution of 81% was noticed. The reason for this percentage is stagnation in executing capital projects when compared with the planned dynamics.

Risk Inadequate budget planning and a low budget execution level may result in a failure to meet organisational objectives and result in current year obligations being funded from budget 2014.

Recommendation 6 The Mayor should systematically monitor budget performance, especially within capital investment category and identify and address barriers to planned levels of budget execution. Where initial budget assumptions are found to be incorrect this should be fully reflected in the final budget position.

4.4 Revenues (including own source revenues)

Description

Revenues generated by the Municipality in 2013 totalled €1,368,877. Main items comprising the amounts are related to: revenues from property tax, revenues from construction licenses, administrative fees, etc.

Issue 7 - Property tax - High Priority

Finding According to data provided by the Municipality's software for property tax for 2013 invoiced 17,826 taxpayers in the amount of €906,530. It managed to collect an amount of €450,485 or half the amount invoiced. We have taken 18 samples for testing (financial cards) amounting to €108,338. It resulted that the outstanding value was €43,385. A total of uncollected debts was €4,313,000. The Municipality did not develop any strategy with appropriate mechanisms and actions on how to collect these debts. This balance from the previous year increased to €774,000, which implies that uncollected debts are significantly increasing from year to year.

Risk Failure to collect revenues and debts increasing from year to year regarding property tax leads to reduction of Municipality revenues and also reduces the possibility of self-financing many potential projects.

Recommendation 7 The Mayor should review current policies and undertake concrete measures and actions when it comes to collection of these debts, not excluding the administrative and judicial measures.

Issue 8 - Construction licenses - High Priority

Finding The Municipality during 2013 planned to collect an amount of €849,000 from construction licenses. The collected amount was €191,056 or 22%.

Based on the inspection report, 27 decisions were taken in 2013 when it comes to demolishing illegal constructions, exceeding in vertical and horizontal bill of quantities. 12 of them have been demolished by Municipality mostly small kiosks, whilst 15 of them have been included in the category of high buildings, the directorate of inspection did not undertake anything in order to demolish them as illegal constructions.

Risk Construction of premises without license and failing to take measures by the Municipality for demolishing these premises has an impact on reduction of municipal revenues.

Recommendation 8 The Mayor should ensure that measures are undertaken not having constructions without licenses and when decisions for demolishing premises are issued, the same are executed till finalisation by relevant authorities.

Issue 9 Revenues from rented premises - High Priority

Finding

The Municipality, from revenues for land, premises and apartments rented out planned to collect €80,000, whilst it actually collected €47,691. We have tested 30 samples, whereas we identified the following shortcomings:

In three cases, we have identified that the Municipality signed a land leasing contract in 2009 and 2011, whilst leases failed to meet contractual obligations. They never paid to the Municipality and the debt amounts to €16,809. The Municipality did not take any measures to oblige these users to meet their obligations.

In two cases, the Municipality signed a leasing contract for premises with natural persons; one in 2010 and the other in 2011 whereas monthly rent is €203 for the first case and €73 for the second case. These have not paid to the Municipality and leases still continue to use the premises.

Directorate of Urban Planning in 2011 signed a contract with the user "Shkodrani Dental Clinic" for renting two business premises in the amount of €289 on monthly basis. The contract foresaw that the premises will be managed by the user and the tenant brought in a concept paper that he will invest in these premises around €19,489. The Municipality did not establish any receiving committee for investment made and it is not known how much did the tenant invest in these premises. Further on, the user never paid monthly rent to the Municipality.

Further on, in two cases, a contract was signed for renting out apartments to two natural persons. One contract was signed in 2009 and another in 2010. Users are bound by contract to pay a monthly rent in the amount of €18 and €19 whilst these users never paid the obligations.

We have identified 14 apartments located in front of the Municipality, where the Municipality entered into contracts with these users in 2009 up to 2011. The monthly rent for the apartment is around €18 per month however these users never paid the rent at the same time as they continue to use these apartments. The Municipality did not undertake anything to oblige tenants to perform their duties.

Risk Low collection of revenues under this account is a result of poor contract management by the Municipality's Management and this increases the risk for not achieving projected revenues from this area. Existing controls on leased properties are very weak and this resulted in a very low collection rate.

Recommendation 9 The Mayor should review all existing contracts for leasing out land, premises and apartments and to identify the reasons why obligations were not met. Timely measures should be taken by the management in order that leases meet their obligations under the contract.

Issue 10 - Fees for business activities - Medium Priority

Finding The Municipality collected a total of €30,760 from business fees for 2013. Compared with the €42,562 collected in 2012, we have a significant lower amount. In the Municipality operate nearly 2,666 businesses, where the amount charged for this category of revenues was €390,913. We have tested 11 samples, amounting to €38,733 whereas the amount owed is €36,575, whilst debt accumulated throughout the years for this type of revenue is €5,139,311.

According to the officials, poor collection from business licenses resulted from a large number of businesses being charged, whilst the same are not active. Software used by the Municipality for this activity does not generate reports on status of businesses that are active and in this aspect charges to businesses are not accurate given that there are times when inactive businesses are charged.

Risk Delays in revenue collection lead to failures in terms of decision making by Management for funding foreseen projects. Further on, using non-functional software for this activity affects in not having accurate reports on the business status.

Recommendation 10 The Mayor should ensure that measures will be taken to collect debts in order to increase revenue collection for this category for funding foreseen projects. Further on, a proper database should be installed in order to have accurate records for businesses operating in this Municipality.

4.5 Expenditures

4.5.1 Procurement

Description

Although, Municipality had formal controls designed for expenditures, they do not operate properly. Payments for some items outside technical specification, splitting tenders to avoid open procedures, awarding ineligible bidders, payments for goods not received by the beneficiaries are only a few cases describing failure of controls.

Contracts subject to procurement procedures for 2013 were in the amount of €6,070,547.

We have analysed whether capital investment projects have been included in the PIP and Medium Term Expenditure Framework. Further on, we reviewed whether there was any change in planned projects to be implemented during the year. We have assessed that PIP system was not precisely adhered to. There have been cases of misclassification of expenditures when subsidies and goods and services were paid from capital expenditures.

We examined 90 samples (payments), amounting to €2,097,629. Our tests identified the following issues:

Issue 11 - Classification of expenditures into inadequate economic categories - High Priority

Finding When reviewing payments for Capital Investments, we noticed that the Municipality classified expenditures into wrong codes:

- In 15 cases, expenditures for cleaning the rivers Trepca, Lushta and Sitnica, and clearing roads were classified into economic code 31900 as other capitals, whereas these expenditures should be recorded and paid from category of Goods and Services as the nature of these expenses does not relate to capital investments. The value of these payments was €134,888;
- Two payments given as subsidy to the Islamic Community for funeral services in the amount of €86,642 were classified as Capital Expenditures with economic code 31900;

Risk Incorrect recording of expenditures reduces the effectiveness of budgetary control mechanisms and may have an impact on Management's decision making process. Such expenditures may result in failure to meet planned objectives. Further on, payments from inadequate codes increases the risk of misstatement of expenditures within financial statements.

Recommendation 11 The Mayor should ensure that all expenditures are made as per respective nature and in line with the requirements of LFPMA and the Law on Budget.

Issue 12 – Failure to adhere to criteria set forth in Tender Dossier – High Priority

Finding

In the contract “Editing, publication and printing of various materials for institutions within Municipality of Mitrovica” in the amount of €30,000, one of the criteria set out in the Tender was that the Economic Operator (EO) should have references for similar supplies. We have found that the dossier of winning company did not have these references. Further on, the winner is selected in absence of two eligible bidders given that the second operator did not meet all the criteria set by the Tender Dossier.

In the contract “Supply with Air-Conditioners for Department for Culture, Youth and Sports (DCYS) amounted to €6,450, criterion in the tender was that the economic operator should have a proof from Tax Administration of Kosovo (TAK) confirming tax payment for the quarter period. We have concluded that the winner did not provide the concerning document.

In the contract: “Office supplies for the Municipality and other institutions”- mandatory criteria in the tender were that the operator should have a list of projects completed for the last three years, including a plan for supply. The winning company did not submit these documents. Further on, property tax certificate was mandatory criterion for the winner, which was neither provided by the latter. In addition, a payment amounted to €2,277 for this contract covered supplies outside basic contract in the amount of €1,235.

Risk

Non-compliance with criteria set forth in the tender during bid evaluation increases the risk of selecting ineligible bidders.

Recommendation 12 The Mayor should ensure that in all procurement cases, the bid evaluation is objectively made and that all requirements set in the Tender Dossier are adhered to.

Issue 13 Lack of reports when engaging employees under special service contracts - High Priority

Finding Pursuant to Law on Civil Service budget organisations may sign contracts for special services up to 6 months, for specific job (such as experts in relevant fields). The Municipality hired three employees with special service contracts for 6 months for “Supervising the market in Mitrovica”, paid in the amount of €5,160. We were not provided with any report on what kind of work these employees, engaged in this form, carried out.

The Mayor on 01.04.2013 signed a special service contract with one person to perform duties as Mayor’s driver. Pursuant to the Law on Civil Servants, article 12 paragraph 4 special service contracts shall be entered into for a period shorter than six months. This contract expired on 30.09.2013 but it was extended for other three months.

Risk Lack of reports for work performed by employees engaged, and payments to an employee for more than six months increases the risk of irregular payments to be made

Recommendation 13 The Mayor should ensure that service contracts are used as intended and that employees contracted in this way report for work performed.

Issue 14 Splitting tenders in order to avoid open procurement procedures- High Priority

Finding The Procurement Department applied price quotation for similar services in order to avoid open tender procedures. This was noticed in the contracts for Supply with Medical Equipments where one contract was €7,700 whilst the other contract was €4,295. The budget for this project was €12,000.

Risk Splitting tenders to avoid open procurement procedures represents a potential risk of having goods or services purchased at higher costs and do not provide equal competitive opportunities.

Recommendation 14 The Mayor should ensure that when making requests for supplies, initially a proper planning should be made according to real needs, in order not to have tenders split and thus avoiding open procurement procedures.

Issue 15 Payments for construction material - High Priority

Finding The Municipality in 2011 signed a contract for supply with construction material for constructing houses for social occasions. The budget for this project in the PIP system was planned for constructing houses in the northern part of the city, but there were cases when the beneficiaries are residents of the southern part of the city. OAG team together with the Supervising Body within the Municipality carried out physical examination of four (4) beneficiaries and found that two of them received material less for €3,960 than indicated from receipts, invoices and payments.

Risk Payment for construction material not received by the beneficiaries increases the risk for this part to be manipulated by the municipal officers or supplying operator.

Recommendation 15 The Mayor should initiate this matter to the project supervisory bodies and ensure that the allowed quantity of construction materials reaches the final beneficiaries. On the contrary, accountability measures should follow in terms of what happened with invoiced quantities, but not delivered to beneficiaries.

Issue 16 Same progress payments included in two different contracts – High Priority

Finding The Municipality had a contract with EO “BURIMI” for demolishing premises having no licenses. It also entered into a contract for “Construction of road and bridge Mbretresha Teuta” with EO “NN EURO NDERTIMI” with contract value of €137,443. Demolition of four buildings was included within two projects. We have confirmed from the report of the supervisory body for road construction that the stage of demolition for existing premises was carried out by EO “NN EURO NDERTIMI”. However, the same stage was invoiced to EO “BURIMI” which had a contract for demolishing premises constructed without obtaining a license. The operator “BURIMI” was invoiced without any right for this stage in the amount of €1,679, and the payment was executed, whilst the work was carried out by “EURO NDERTIMI”.

Risk Paying for same stages of work from the two projects and the error made when calculating the total of invoice had an impact on damaging the budget.

Recommendation 16 The Mayor should ensure that controls are strengthened when certifying payments, in order not to make improper/double payments.

4.5.2 Remunerations (Wages and Salaries)

Description

The planned budget for the category of Wages and Salaries was €8,896,091, whilst expenditures for this category were € 8,842,940 or approximately 99%, whereas we may conclude that the budget spent was correctly calculated and used as projected.

Wages and Salaries are paid through a centralised system (payroll). Controls operated locally by Municipality relate to: a) control of payments on monthly basis by signing payroll b) verifying possible changes that may occur through forms, c) reviewing the budget for this category and reconciliations with Treasury.

For this category we tested 60 samples where we reviewed compliance between payroll list and payroll system within Ministry of Public Administration (MPA). We have also looked at whether or not the job positions of officials and the multipliers are in line with the form of payroll system and payroll list, and in this case, we have not noticed any legal non-compliance. However, our tests in this category identified the following issues:

Issue 17 – Failure to adhere to recruitment processes and errors in processing payments – High Priority

Finding

The Director of Education on 01.09.2012 signed an employment contract with an employee for position- infrastructure officer avoiding all open recruitment procedures. The advertisement for vacant position was published on 29.04.2013 whereas the same person is employed.

Further on, the Mayor on 01.08.2013 signed a contract with an employee for position - budget officer without carrying out any recruitment procedures. Payments for this employee according to data from the payroll started to be made since 01.05.2013. Such a thing is not in accordance with Rule no. 07/2010 on the appointment of civil servants.

On 01.02.2013, an employee was appointed as an acting officer in the position – Head of civil sector. Pursuant to Law no. 03/L-149 on civil service, article 30, paragraph 4, a person cannot be appointed as acting duty for more than three months. Even after the decision expired, the payments were continued to be made under multiplier 7.5 whilst under Act of appointment, payment is supposed to be done with multiplier 6.

During 2013, 30 employees were retired in the education sector. When reviewing the retirement decisions, we have noticed that payments of salaries were not stopped in line with date of retirement for 10 persons. According to payroll, payment was made for an extra month after they retired.

Further on, we have noticed the following irregularities in the Education Department:

- An employee went to maternity leave in May 2013 and the Municipality paid 100% of salary for first six months, whilst under labour law article 49 paragraph 3- payments should have been done 70% of basic salary;
- In one case, payment for maternity leave was withheld only for the first 4 months of leave; and
- Whilst, in two other cases, withhold of payment was applied only for the first 5 months of maternity leave.

Risk Appointment of officers by avoiding open procedures prescribed by law may lead to damaging competitiveness. Such incorrect payments may indicate that there are insufficient controls when processing salaries. Non-compliances mentioned above may cause errors in other payments, being in contradiction with labour law and the law on civil servants.

Recommendation 17 The Mayor should ensure that all recruitment and appointment procedures are adhered to, and are in line with Law and Regulations on Civil Service. Further on, additional controls should be added to prevent multiple errors identified when processing payments. Overpayments should be returned to the Municipal budget.

4.5.3 Subsidies and Transfers

Description

Expenditures planned for Subsidies and Transfers during 2013 were €875,880 whilst €787,854 was spent. We tested a total of 21 samples in the amount of €159,501, or around 20%.

Issue 18 Subsidies granted without the approval by the Municipal Assembly and in absence of agreements - High Priority

Finding

Pursuant to Article 7 of the Internal Municipal Subsidies Regulation, subsidies for legal persons in value over €2,000 should be given under decision by the Policy and Finance Committee, with prior authorisation from the Municipal Assembly. "RWC UNITETI JSC" submitted a request to get subsidies for fuel expenses in the amount of €50,000. This request was approved by the Mayor on 01.11.2013, which is not in line with the Regulation. Further on, the Municipality did not have any signed agreement with "RWC UNITETI JSC" regarding the manner of reporting for funds given as subsidies. According to reports received from this company, this money was spent on purchasing street cleaning equipment which is in contradiction with the request approved for fuel.

The Mayor decided on 31.10.2013 to support Basketball club "Trepca" in the amount of €24,575 by not considering Article 7 of the Regulation for subsidies. Further on, the club did not submit a clear project with a sufficient justification of the request, as Article 5 of this Regulation foresees.

The Mayor on 04.09.2013 approved the request of the Local Youth Action Council (LYAC) for financial support for the project "exercise your right to vote" amounted to €1,990. The request made by the NGO did not meet the criteria set out in Article 18, paragraph 7 of the internal regulation on subsidies, such as registration certificate and report on the NGO's financial situation for the previous two years. Payment is made on 23.09.2013. The Municipality did not conclude an agreement with LYAC on the reporting manner for services rendered.

Risk

The subsidy given in the amount of €50,000 was awarded for fuel whilst it was used for purchase of equipment, and as such is irregular. Giving subsidies by violating of the regulation on subsidies and without any Memorandum of Understanding with the beneficiaries on how to spend and report increases the risk for non-legal expenditure of public funds.

Recommendation 18 The Mayor should ensure that internal regulation on Subsidies is adhered to and agreements with the beneficiaries are made obliging them for the manner of spending and reporting in order to secure that subsidies meet the objectives.

Issue 19 Subsidies spent for capital investments and Goods and Services - Medium Priority

Finding From the category of Subsidies and Transfers, the Municipality financed the following projects: road rehabilitation project in direction Dedi-Bahtir-Bistrica in the amount of €9,970, Project for works on the road in Terrsten amounted to €9,562, a subsidy was given to EO "EURO NDERTIMI" for clearing snow in rural areas of Shala in the amount of €6,366. Paying capital projects from category of subsidies is inconsistent with the Financial Rule 01/2013 Spending of Public Funds

Risk Payments from the category of Subsidies and Transfers for capital investment and goods and services increase the risk for not meeting the objectives for which subsidies are planned.

Recommendation 19 The Mayor should ensure that expenditures planned on Subsidies and transfers should only be spent in these areas, in order to achieve the objectives and expenditures should be made in accordance with legal requirements.

Issue 20 Subsidies granted without criteria set - High Priority

Finding

Under decision issued by the Mayor dated 18.06.2013 it is decided to subsidise 7 families with construction material. Preliminary criteria were not set and no public call for applications to these subsidies was made which were foreseen under working plan of the Directorate for European Integration and Social Welfare. There is no formal report by a committee on the way how these families were the beneficiaries. Construction material is sent to the beneficiaries by the contracting company without monitoring being monitored the Municipality. The value of the invoice paid was €6,538.

Further on, under decision of the Mayor dated 19.07.2013 is decided to support 250 families with food packages totalling €10,000 by the Social Welfare Directorate. Although the project was foreseen, this Directorate did not make a public call and did not set specific criteria for benefiting these subsidies. Drafting the list of beneficiaries is done without any formal committee and the supply was made directly from the contracting company "DPT Genci" and no monitoring report was provided by the Municipality.

In the advertisement announced by the Municipality on 14.12.2012 for student scholarships, 156 candidates applied, out of which 50 were declared as beneficiaries. We examined 10 applications and found that two scholarship beneficiaries did not met the advertisement criteria. In addition, the committee decided to grant 16 scholarships to students more than it was foreseen in the Mayor's Decision.

Risk

Failure to put preliminary criteria for subsidies and the lack of monitoring by the Municipality increases the risk that subsidies given are not used for the intended purpose.

Recommendation 20 The Mayor should ensure that criteria are set for a beneficiary is done by a committee established by the Municipality, and that criteria decided are followed.

4.6 Assets and liabilities

4.6.1 Capital and non capital assets

Description

The Municipality continued with process of asset recording, and compared with the previous year, we consider the progress made by the Management to record and maintain assets. Despite this, the Municipality has not yet managed to build up comprehensive and reliable records when it comes to the situation of assets in possession.

In 2012 the net asset value in accounting record was €15,329,000 whereas in 2013 it was €24,090,580.

Issue 21 -Lack of complete asset registry and non-compliances with regulation on asset - High Priority

Finding

Based on Regulation no. 02/2013 on Asset Management, CAO shall appoint one committee for asset evaluation and an asset inventory committee on annual basis. The Municipality did not appoint asset evaluation committee since 2008 whilst an inventory committee was appointed on 26.11. 2013, but it did not finalise its work up to 10.02.2014. The asset value presented in the annual AFS is not reconciled with the inventory report.

During the asset review process, we noticed that the Municipality maintains capital and non-capital asset register but these records were not completed with assets that have been identified as the Municipality's assets. According to records of the Urbanism Directorate, there are 49 apartments, 24 business premises and 18 land plots owned by the Municipality. These were not recorded in the asset register due to lack of determining their value, no committee for evaluating municipal assets has been established.

During physical review of some medical equipment with which Department of Health is supplied, we have noticed that these devices were not marked with barcodes, as required by Article 6, paragraph 4 of Regulation on asset management.

Pursuant to Article 4 paragraph 3 and 4, each officer of the budget organisation should be responsible for assets he is using.

Risk Failure to fully record all assets owned by the Municipality, increases the risk of underestimating the Municipality's assets and inaccurately present the value of assets into financial statements. Failure to record asset in line with asset management regulation increases the risk of loss, misuse and unauthorised use of assets.

Recommendation 21 The Mayor should ensure that a professional committee for evaluation of all municipal assets are established and that those are recorded in the asset register.

Issue 22 Incorrect asset recording - Medium Priority

Finding We noticed that the Municipality wrongly recorded expenditures incurred for cleaning rivers and subsidising Islamic community for funeral services in the amount of €100,250 as its assets.

Risk Incorrect recording of payments which do not meet the conditions to be recorded as a capital assets leads to overestimation of Municipality's assets.

Recommendation 22 The Mayor should ensure that higher levels of control are in place when it comes to asset recording within KFMIS. This register should be reviewed and adjusted.

4.6.2 Handling of debts

Description

The Statement of outstanding liabilities to suppliers at the end of 2013 was €972,000. These liabilities are carried forward to be paid in 2013.

Issue 23 - Entering into obligations more than the budget approved -High Priority

Finding The Municipality entered into obligations more than budget appropriations. Funds allocated to the category of Goods and Services for 2013 was €1,488,085 and €1,380,403 was spent or 93%, whilst the outstanding liabilities for this category were €441,000. Further on, utilities spent were €425,405 or 99%, while the outstanding liabilities for this category were €17,000. These figures reflect received invoices which were not paid. This situation shows that the Municipality did not properly manage outstanding liabilities.

Risk This increases the risk that future expenditure plans may not be met due to the need to pay previous years' obligations. Entering into an obligation more than appropriations can bring the Municipality before a financial difficulty, with the possibility that the same turn into legal disputes.

Recommendation 23 The Mayor should reconcile budget appropriations when entering into obligations and ensure that all obligations are maintained under control and supported by relevant budget funds.

4.7 Internal Audit System

Description

Internal audit unit carried out a good job by finalising reports in different areas assisting senior management to have an overview about the functioning of controls and activities in the Municipality.

The Internal audit system is a key part of internal control and due to its importance we present it here separately. We consider the scope of internal audit work and the activity of the audit committee.

IAU in 2013 planned to perform six audits and had managed to fully execute the plan, including a report upon the Mayor's request. Audits covered activities that have been in the process and those for the current year.

IAU reports were of good quality and contained clear findings and recommendations.

The Audit Committee held four meetings, discussing the implementation of recommendations made by the AG and IAU. The Management did not fully address the recommendations given.

In addition, the IAU prepared quarterly reports, which were sent to the Central Harmonisation Unit within the MoF.

Issue 24 - Addressing IAU recommendations - High Priority

Finding We noticed that Management did not seriously consider addressing all recommendations made by the IAU.

Risk Lack of commitment by the Management to address recommendations given by the IAU increases the risk that these recommendations are not addressed and weaknesses repeated.

Recommendation 24 The Mayor should discuss with the internal audit about controls for shortcomings and the importance of implementing the IAU recommendations, and based on this, draft an action plan ordering the relevant departments to implement recommendations arising from internal audit.

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 in Financial statements	The Mayor should ensure that the 2013 AFS production plan formally addresses all compliance requirements related to the AFS and incorporates a review of OAG recommendations made in 2012 and comment made in the memo relating to the 2013 month 9 financial statements.			NO
2.2 Process of drafting financial statements	The Mayor should ensure that the valuation of stocks is incorporated within the disclosure of AFS	YES		
2.3 AFS production process	The Mayor should ensure establishment of valuation committees at the earliest opportunity in order to ensure the complete assessment of the Municipality's Asset.			NO
3. Prior years recommendations	The Mayor should ensure that an action plan clearly sets out a timetable for addressing audit recommendations made with responsible staff members identified-with initial focus on those areas of greatest significance.		Partly Addressed	
4.2 Revenues from local businesses	The Mayor should ensure that management undertake a rigorous control to identify active businesses within the Municipality prior to the next billing exercise.			NO

4.2.1 Planned revenues	The Mayor should request a detailed analysis of 2012 revenues to ensure completeness of receipts and ensure that a robust process is in place to determine likely revenue streams in future years			NO
4.2.2 Revenues-Software deficiencies	The Mayor should ensure that an appropriate recording system is in place to support the collection and management of revenues. An assessment should be undertaken based on the known complexity of existing operations to determine whether this should be software based or an enhancement of existing manual spreadsheets.	YES		
4.2.3 Revenue non-reconciliations	The Mayor should ensure that regular reconciliations should be introduced between the department generating revenues and the Treasury	YES		
4.2.4 Illegal construction	The Mayor should review existing systems to control construction projects, assess their effectiveness including the available legal support provided and required enhancements should be implemented			NO
4.2.5 Rented buildings	The Mayor should implement a registration process for all properties and accompanying charges that should be reviewed at least six monthly by a senior officer.			NO
4.5 Expenditures	The Mayor should determine why effective procurement processes were not followed in this case and ensure that controls exist or are introduced to ensure procurement			NO

	procedures are applied. Criteria should be set in the context of what is considered as „reasonable specification“ for specific purchases.			
4.5.1 Per diems for abroad visits	The Mayor should only fund training abroad where budget cover exists and should strengthen internal controls and financial discipline to ensure that business trips are foreseen, planned for and are of acknowledged value.	YES		
4.5.2 Lack of Service receiving committee	The Mayor should ensure that controls are implemented to ensure that the basis of all payments made relating to service contracts is supported by the appropriate documentation.	YES		
4.5.3 Remunerations	The Mayor should resolve this inconsistency and determine whether this is an isolated case or a widespread spread occurrence. Depending on the outcome of this exercise, enhanced controls should be introduced to prevent such payment errors.			NO
4.5.3.1 Appointment of staff without public advertisement	The Mayor should ensure that the rules and requirements of the Law on Civil Service are applied in all recruitment procedures			NO
4.5.4 Subsidies and Transfers	The Mayor should formally approve a Regulation that would specify the criteria for expenditure on subsidies. Planned expenditure on subsidies and transfers should only be spent in these areas		Partly addressed	

4.5.4.1 Awarding scholarships not in compliance with the criteria	The Mayor should implement a process to ensure that the commission evaluating applications produces transparent/fair and unbiased decisions.			NO
4.6.2 Receivables	The Mayor should prepare an plan where for revenue collection.		Partly Addressed	
4.7 Handling of debts	All commitments should be monitored by the Mayor to ensure that commitments do not exceed overall budget allocations			NO
5. Internal Audit	The Mayor should produce an Action Plan that should be implemented to address IAU recommendations detailing responsible officers and timescales for implementation.		Partly addressed	